

Management Education & Corporate Governance: A Case of India and Pakistan

M. Mahmood Shah Khan

University of Management & Technology, Lahore, Pakistan

E-mail: mahmoodshah@umt.edu.pk

Tel: 00923214473273

Nandita Sethi

Institute of Public Enterprise, Hyderabad, India

E-mail: nanditasethi@ipeindia.org

Tel: +91-9391072572

Abstract

Management education is truly at crossroads especially after scandals like Enron, which have put corporate reputation at great stake. Are Business Schools failing in training the future managers in their legal and ethical responsibilities to society? Can teaching Corporate Governance (CG) to business students help to develop a CG culture in business organizations. Taking up this issue, the study investigates the perception of future managers towards CG and explores its scope in the courses of business schools. The study develops an estimate of the levels of CG in the management education of both countries, generalizing it over the population of developing countries. Through a primary study the extent of percolation of CG in the overall management education is analyzed. Issues pertaining not only to management, stockholders, customers, personal and corporate governance per se are taken up for analysis but the broader role of business in environment, local cultures and society as a whole is examined. The study reveals a gap between the training of business graduates and the requirements of the modern, globalized, complex corporate sector in the area of CG. This research may help the management institutions to rethink and redesign their institutional priorities and courses on corporate governance to fill this gap.

Keywords: Corporate Governance, Management Education

JEL Classification Codes: G34

Paper Type: Research Paper

1. Introduction

The emerging global business environment has undergone unprecedented changes and raised challenges for existing business models to accommodate these changes. While globalization has been a boon in business operations, it has also made corporations vulnerable to greater risk, abuse and fraud on a global scale. This emerging scenario has given birth to the serious issue of the inadequacies of governance and demands for new reforms, bringing new models of operation and re-evaluation of systems. Scandals in Enron, WorldCom, Tyco, Adelphia and the latest Satyam Computers are adequate evidence of this rising phenomenon, which has raised the importance of concepts like, corporate governance, corporate responsibility, corporate citizenship and social responsibility.

Corporate governance is defined as the formal system of accountability and control for legal, ethical and socially responsible decisions and use of resources in business organizations. It is based on

certain institutions like; laws, contracts, norms and regulations that create self-governing system in the organization. A corporation has various stakeholders, internal and external groups whose support is essential for the survival and growth of any corporation (Freeman 1984; Lozano 2000; Mitroff 1983). A business organization frequently interacts with commonly acknowledged stakeholders who include employees, customers, shareholders, suppliers, government agencies, managers, creditors and community groups. Business students could also be treated as stakeholders, who collectively constitute the future leadership of corporations and will eventually become members of all stakeholder groups (R.A. Peterson and G. Albaum, 2005). Therefore, the concept of corporate governance has direct implications for both businesses and business education. This increasing need for corporate governance in business sector has actually triggered out minds of business schools' deans to get academia involved in the practices of this recommended model. "After a year of high-profile corporate scandals and bankruptcies, including big names, professors at business schools have reinvigorated their ethics instruction by turning headlines into lecture fodder and paper topics" (J.K. Wall 2002).

Business institutions have to play their role more actively by nurturing the codes of good governance in the minds of business graduates resulting in turning them from pre-conventional and conventional phases to a post-conventional stage in moral development and enabling them to respect the rights of other stakeholders (Kohlberg 1976). Therefore, business schools are one of the best places to encourage this type of value development culture (White 1980). It is in this context that the study aims to investigate the current situation of business graduates in India and Pakistan in terms of their perception towards issues of corporate governance. It assumes that business schools as supplier of business managers can produce well-trained and ethically responsible managers, who can act as change agents and ensure best practices of corporate governance in their organizations. The study proceeds with introduction in the first section followed by literature review in section 2. Section 3 analyses the issues related to corporate governance in India and Pakistan. Section 4 takes up the research issues and methodology being followed. Section 5 consists of an analysis using some statistical tools and interpretation of the results. Section 6 develops conclusions and suggests implications for business schools.

2. Literature Review

The issues of corporate governance and role of institutions in the development of corporate governance is widely discussed in the literature. The academicians have paid their attention to the variety of issues regarding corporate governance such as ethics, management practices, owner's role, regulatory mechanism and policies of state centered for good governance. The ethical strength in a society plays a supporting role in practicing the code of good governance. As Junichi Mizuo (1998) in an empirical research on business ethics and corporate governance in Japanese corporations, urged for a fresh look at corporate values and attitude of conformance to business ethics on the parts of both organizations and individuals. Corporate governance is also driven from matured mindsets of corporate executives towards corporate social responsibly (CSR). The literature broadly discusses two approaches of CSR as; one related to ethical soundness of the firm and second highlights its ability to rescue from risk and secure good reputation (Melsa Ararat, 2008). The study of Ararat also proclaims that external factors have stronger impact as compared to indigenous aspects to influence the practices of CSR. One of the external factors is Media, which through extensive coverage pressurizes the companies to pursue corporate governance. The report of Kathleen F. Brickey (2008) pointed out this role in Enron case, as started unhurriedly but opened doors of many scandals through comprehensive coverage after that. Among the internal factors, the role of operation managers seems vital in the effective implementation of corporate governance. The survey based study of Soobaroyen T. and Ellahi A. (2008) found that unit managers are positive about impact of corporate governance on their performance, and view it as a source of accountability, credibility and socialization. The effective information system with

compliance to corporate governance needs is also pivotal to smooth the information flow to all stakeholders and enhance credibility of provided figures. (Lazarides T. and Drimpetas E, 2008).

Nakano (1997) found that company policy on business ethics is the most important factor influencing managers to make ethical decision. Walton (1990) reported a survey in USA from over 1000 senior executives, deans of business schools and members of Congress in 1988 which revealed that 99 percent of deans, 95 percent of corporate leaders, and 77 percent of Congress members felt deeply troubled over unethical behavior of major figures in U.S. financial and manufacturing organizations. Vogel (1992) pointed out discrimination in the norms of ethical business behaviors across the different industrialized nations and urged for standardizing and globalizing business ethics. The need of ethical commitment in corporate managers is primarily responded by management education. Management institutions have incorporated new disciplines and updated their content to train their graduates on ethical grounds and provide basis for corporate governance practices. Business schools now emphasis on ethical and social issues as an important component of their curricula. Jennifer Merritt (2002) referred to University of Michigan Business School for a case study on the most challenging ethical dilemma, written by every student undertaking the program of business education. It is a new lesson plan for business schools across the countries, where corporate scandals and a waning MBA job market have touched off a wave of self-reflection and reform. Kumar Kamalesh (1995) in his survey of business graduates found that strong orientation towards social values, social responsibility and good corporate citizenship has become an integral part of future executives. He urged future business leaders not to compromise their values and ethics over competitiveness and profitability feature of a firm.

Joanne B Cuilla (1985) pointed out that business schools have failed to share business ethics with their students, but most students and faculty agree that ethics are important, and business schools need to integrate ethics into their curricula. Sims and Sims (1991) recommended three outcomes out of applied business ethics course: (1) increased ability to recognize ethical issues in the work place; (2) enhanced skills in moral reasoning; and (3) clarification of moral aspirations. R Warren and G. T. Weedale (2002) blamed business schools for negligence in historical and ethical dimensions as: corporate ethics, social responsibility of companies, disclosure, the actions of multinational companies overseas, the dilemmas of whistle-blowing, the impact of lobby groups and health and safety issues. Marietta Del Favero (2003) recommended cognitive approaches as more valuable to understand the social nature of governance. Rozensher, et. al. (1994) showed his statistics that 90% of faculty spend at least some time covering ethical issues. Most spend between one and two class hours covering ethical issues; however, about 1/4 of all respondents said they spend more than 4 hours during the course of the semester on ethical issues. Pfeffer and Fong (2002) found that business education in teaching business ethics is not very effective; having no correlation with career success or has little influence on management practices. Donaldson (2002) reported contradictions in management theories and management education. Susan, Yusuf J Urgas (1998) indicated that female students expressed stronger ethical attitudes than males. The same is also true for older versus younger students.

The corporate governance has recently observed a movement from advanced countries to developing countries. This movement is driven by number of factors such as shift of production facilities in Asian countries, free trade, economic integration and increasing globalization. Consequently, academicians have starting testing the models of corporate governance in developing countries, originated and developed in the context of advanced countries.

Mahwesh Mumtaz, (2005) have tried to see the application possibilities of Anglo-Saxon model of corporate governance in Pakistan. Mahwesh has risen the fundamental question “whether a Corporate Governance model that works for the US and the UK, also work for a country like Pakistan”? In line with other authors, she raised the points of differences like prevailing ownership structures, state of economic development, governing principles of capital market and cultural issues of both regions; developing and developed countries. Mahwesh has recommended an interactive process

of various phases, focusing on development of allied institutions to support the corporate governance implementation.

Ibrahim and Ali Adnan, (2005) in their report on Corporate Governance in Pakistan-Analysis of Current Challenges and Synopses for Future Reforms have pointed out other factors, which are negatively impacting the practices of corporate governance in developing countries. Authors reported the inherited problems such as money laundering, white-collar crimes, unfair flow of funds, undermining the implementation of corporate governance in developing countries such as Pakistan. Corporate governance in relation with firm performance is also researched by academicians. The success of western corporations of managing across the countries operations and expanding their networks is backed by strong commitment for business ethics, good governance and corporate social responsibility.

The internal structure of business organizations in developing countries could not support the high profitability and drastic expansion to reach the statues of multinationals. As association is pointed out by Rozina Shaheen and M. Nishat (2005) between audit-related governance factors and firm performance in shape of dividend yield, return on equity, sales growth, and formal policy of auditors' rotation is positively related to operating performance and firm valuation. Expectations of shareholder for rate of return are also associated with corporate governance.

Therefore, in developing countries, the demand for corporate governance would be intensified from shareholders as more access to information will lead to higher expectation for rate of return (Shoeb I. Syed and Faiza Arshad, 2005). Florence Palpacuer (2006) has reported few factors hindering the effectiveness of corporate governance including concerns and interest of developing and developed world, foreign employers and local workers, large and small firms and private and state run public sectors. Florence indicated that "for the last two decades, the regulation school has been searching for a new form of social contract by which wealth would be redistributed and the dynamics of growth enhanced in a post-fordist economy".

3. Corporate Governance in Pakistan & India

Corporate governance in Pakistan has only recently started scratching the surface. Due to many distortions in economy, market forces do not reward good governances or punish unethical practices. The large part of the undocumented economy discourages promotion of transparency and accountability in the organization. Overall management structure and siethism is also not conducive to establishing the norms of good governance. Many companies in listed Stock Exchange are not fully practicing the code of good governance. Tightly held ownership, lack of professional skills, missing change agents, audit dependability and overall structural weaknesses are bottlenecks in developing the corporate governance in the organizations. The globalization of business has created the need to institutionalize corporate codes which can support the corporate governance in India, Pakistan and other developing countries. The Securities and Exchange Commission of Pakistan (SECP) which is the regulatory authority for corporate sector introduced Code of Corporate Governance in March 2002, as a first step towards systematic implementation of good corporate governance. The Code has been incorporated in the listing regulations of the stock exchanges and is applicable to all public listed companies. It is a compilation of "best practices" to provide a framework by which the business and management of listed companies are to be directed and controlled. SECP plays a very active role and takes various initiatives to promote corporate governance in Pakistan. Annual award system based on good corporate governance has led the companies to compete, improve their processes and win the distinguished award based on exercising good corporate governance systems.

In India, corporate governance had not been well-understood right up to the early 1990s. The financial institutions, which were mostly government owned and controlled, never monitored the loans or came in the way of any management and virtually never divested their ownership stake in any firm. There were also constraints on monitoring by external capital markets. With the liberalization of the

economy, several positive developments occurred on the corporate governance front. First, The Securities and Exchange Board of India (SEBI) Act of 1992 created a regulatory body with the explicit mandate to improve the functioning of Indian financial markets. Second, the state-run financial institutions were given incentives for better performance and a freer hand to monitor their loans. Competition among the financial institutions increased with the deregulation of interest rates and the gradual elimination of consortium requirements. Private sector mutual funds were allowed to compete with the state monopoly. Third, a takeover code was introduced in late 1994. Fourth, restrictions on the entry of foreign investors were eliminated and regulations on their investments were substantially clarified. All these developments threw the domestic corporations open to external competition. The pressure to compete globally in turn put pressure to follow internationally accepted norms of corporate governance.

Implementation of corporate governance in India has depended upon laying down explicit codes, which enterprises and the organizations are supposed to observe. India has *Kumaramangalam Birla code* as a result of the committee headed by him at the behest of the SEBI. The *CII codes* of corporate governance also provide fundamental guidelines. The Indian corporate governance scenario is still found to be deficient for various reasons, some of which are: (i) SEBI do not have all-pervading powers to police all violations of regulations. (ii) Takeovers continued to be difficult given the paucity of timely information and high transactions costs in the equity markets (A detailed account can be found in SEBI, 1994) (iii) Competition among financial intermediaries, many of them state-run is limited. (iv) Disclosure norms under the Companies Act are not very stringent. The need for corporate governance has been highlighted because of the scams which are happening at regular intervals. India had the Harshad Mehta, Ketan Parikh, UTI and the most recent Satyam Scam. Of course there are companies, like Infosys, etc. which are following ethical practices. Creating proper public governance and making changes in the various regulations impinging on the working of an enterprise or a body like the capital market, is the need of the hour to establish better corporate governance in the country.

4. The Study

4.1. Research Issues

Corporate governance aims to minimize chances of corruption, malpractices, financial frauds and misconduct of management. Ethically trained and morally strong business graduates can ensure implementation of corporate governance in business organization by supplying well-trained and ethically responsible managers, which ensure the best practices of corporate governance in their organizations. Training graduates and teaching corporate governance in their courses can help to develop corporate governance culture in the organizations. The study collects the perceptions of business graduate about the different issues related to corporate governance. The issues taken into study include: management issues, shareholder issues, customer issues, social issues, corporate governance and personal preparation. The study investigates the level of understanding and learning experiences related to corporate governance issues in business education. It highlights the role of business schools in promoting the culture of corporate governance while training the future executives to apply good governance. The study develops an estimate of the perception of corporate governance in India and Pakistan and generalizes its findings over the population of developing countries. The study tries to address the following questions:

1. What is the understanding level of business graduates about corporate governance?
2. What are the sources of learning corporate governance for business graduates?
3. What are the overall perceptions of business graduates about corporate governances?
4. Do business schools play any role to promote corporate culture?
5. Are business graduates ethically competent to apply corporate governance in real business world?

6. And what are the different issues of corporate governance that are mostly stressed in both the countries?

4.2. Sample Design and Data Collection

This study selected nine and six business schools from India and Pakistan respectively for data collection purpose. In India out of nine, three B-Schools come directly under the university system. The Universities selected were - two from the public sector and one from the private sector. The remaining six are private business schools, which are recognized by the All India Council of Technical education (AICTE) or Industry recognized. In Pakistan out of six, three universities/institutes are from the public sector and four universities/institutes from the private sector. The respondents randomly selected were business graduates in the two-year business management course and were studying in one of the four semesters of the course. (For list of institutions surveyed see Annexure 1)

4.3. Methodology

The sample size of the study is 508 and 254 respondents from India and Pakistan respectively, whose responses were taken for analysis. Data was collected through a specifically designed five-point Likert type questionnaire, which contains issues related to corporate governance. The questionnaire covered thirty attributes to determine the students' perceptions and learning experience towards corporate governance in the light of education from their respective institutions (for study scale see Annexure 2). The issues were then classified into five dimensions, adapted from the relevant literature on corporate governance, interviews with various educationists and corporate management consultants. These were: management issues, shareholder issues, customer issues, social issues, and personal issues. A total of mean scores was computed under each issue to see the relative importance being given to them. A discrimination analysis was also done to detect the variance of opinion over various issues between India and Pakistan. Finally the overall perception is mapped for the two countries together.

5. Results and Discussion

Discussions on corporate governance in both countries revealed many similarities and common practices. Both countries are facing similar problems and trying to overcome their deficiencies. The corporate culture in business organization is the main barrier in the implementation of governance codes developed in both countries. Both countries are experiencing economic progress and fostering their change in process. The same situation could be predicted for other developing countries with the limit of our assumption and cross boundary variations. However, it appears that, the new generations coming into business cannot ignore the importance of such codes and regulation. They have to believe more in systems and procedures as compared to their ancestors.

Table 1: Reliability Coefficients

No. of Cases (Pak & India)	762	No. of Items	30	Alpha scores	0.87
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The study analysis the views of 762 business graduates of Pakistan and India regarding their comprehensive understanding of corporate governance. A scale of thirty research attributes was used for data collection composed of three parts. The scale was validated through pilot testing. In order to study the internal consistency and reliability of scale, Alpha-coefficient was computed (Table 1). The scale with 30 attributes got 0.86 alpha scores. In behavioral studies, this alpha score indicates a reasonably high level of scale reliability. The developed estimate of study comprises of 35.17% female, 64.83% males (Table 2). Respondents of private business schools are 51.84% and of public institutes are 48.16%. In case of the study duration of business graduates as 16% respondents have

completed their 25% of the program, 20% about 50%, 27% about 75% and 35% has completed the study period more than 75%. Time hierarchy of respondents indicate the validity of results as nearly 35% respondents are well experienced in business education and at the last stage of study and almost about 36% are below the mid of program duration. To study the ability of research scale in generalization of results or representation of population, One Sample T test is applied (Table 7) and P values with 95% confidence interval fall under critical region ($P < .05$) in all cases. The scores help the authors to interpret the results of estimate over the population.

Table 2: Demographics N= 762(Pak=254, India=508)

Factors	Freq.	%
Gender		
Female	268	35.17
Male	494	64.83
Institutes		
Private	395	51.84
Public	367	48.16
Program duration		
25%	123	16.14
50%	154	20.21
75%	212	27.80
Above 75%	273	35.80

Table 3: Heard about Corporate Governance N= 762(Pak=254, India=508)

Heard about		Freq.	%
Valid	Yes	584	76.64
	No	178	23.36
Source of Information			
1	Faculty	255	43.66
2	Friend	110	18.84
3	Presenter	60	10.27
4	E Media	159	27.23

Table 3 shows that about 77% of the respondents have heard about the corporate governance, which means that nearly one fourth of the business graduates, are still not aware of the corporate governance issues. Most of them have heard about it from their faculty (44%) and electronic media (27%). When it comes to reading, nearly 59% seem to have read about it and their source has mainly been newspaper (24%) and magazines (21%), while textbooks (17%) and teacher notes (17%) account for a smaller proportion (Table 4). Figures show that business graduates are less habituated to reading and whatever information they have read about corporate governance mainly comes from out of course sources. These statistics about reading and hearing of corporate governance demand the attentions of business schools management to, first, make corporate governance an important part of their course curriculum and course material and secondly, to encourage the business graduates to learn from the environment and also out of the recommended material. On the positive side, as awareness about corporate governance is mainly (44%) coming from the faculty through their interaction with students (Table 3), this is indicative of the efforts of business schools in creating the awareness. Business schools now need to expand their contribution in developing the culture of corporate governance to a larger extent.

Table 4: Read about Corporate Governance N= 762(Pak=254, India=508)

Read about		Freq.	%
Valid	Yes	452	59.32
	No	310	40.68
Source of Information			
1	Text Book	80	17.70
2	Teacher Notes	78	17.26
3	Newspaper	110	24.34
4	Magazine	97	21.46
5	Others	38	8.41
6	Missing	49	10.84

Table 5: Perception of Business Graduates towards CORPORATE GOVERNANCE N=762 (Pak=254, India=508)

Factors	Freq.	%
Making change in Business Culture	299	39.24
Ending corruption in Business Sector	223	29.27
Transparent system in the firms	289	37.93
Competitive Edge in international markets	239	31.36
Applicable in Pakistan/ India	283	37.14
Need of the hour	224	29.40
Helpful in development of Business Sector	313	41.10
Helpful in development of Economy	305	40.00

Table 5 shows that the graduates who are aware of corporate governance and have good understanding of it, commonly agree (37%-41%) that corporate governance can bring positive change in the business culture, encourages transparency in business operations, is applicable in Pakistan/India and is helpful in developing the business sector and overall the countries' economy. A lesser percentage (29%-32%) agrees that following corporate governance provides a competitive edge to the organization; it helps in ending corruption or is the need of the hour.

Table 6 is computed to analyze the business graduates perception about their learning of corporate governance in business education. The study scale is divided over six issues, i.e., management, shareholder, customer, social, corporate governance and personal issues. Mean scores of respondents are taken as criteria for analysis and developed in descending manner. Mean scores in descending hierarchy shows the variable given high score are being more focused by the business schools in business education. (also see perception map below table 6). Some of the results show the following:

- I) In the case of **management issues** in corporate governance as: ensuring the equality and nondiscriminatory treatment among employees get the highest score (3.9); supporting the reward and power sharing culture and ensuring independency of the auditors gets mid level importance (3.8) and adopting participative and democratic management styles and developing the compliance oriented culture of accountability for all level of employees got (3.7) and discouragement for participation in the micro politics of higher management gets the least importance (3.1).
- II) **Issues related to shareholders** like: balancing between the interests of shareholders and employee gets the highest score in business schools (3.9); prioritizing shareholder's interest, ensuring open information sharing system and ensuring appropriate resource allocation for shareholders get mid level importance (3.7, 3.7, 3.6) respectively; discouraging to manipulate figures and cheating shareholders and forbidding to help owners in unethical transactions both got the same least scores of (3.3).

- III) In terms of **customers issues** related to corporate governance: treating the customer with real product features and working for value maximization rather than profit maximization seem to get highest priority (3.9, 3.8); achieving target is not everything in business; is next in hierarchy (3.56) and; applying hidden costs to win competition and not using unfair promotional means gets lowest priority (3.48, 3.47).
- IV) In the case of **personal competency** in developing the good corporate governance in the organization: discouraging to overrule the firm's policies for personal benefit and maintaining high level of moral justice & honesty in business got most priority (3.92, 3.86); ensuring 100% transparency & fairness in business transaction and becoming a socially and ethically responsible citizen; got low level priority (3.75,3.73),
- V) In the case of **social issues** which come under corporate governance: abiding by the local laws and caring for local values and culture gets the highest ranking (3.9, 3.7); fighting for environmental issues is next important and discouraging the culture of kickbacks get mid level importance (3.6, 3.5); prohibiting to encourage the culture of kickback and corruption among the local authorities of the state, gets the lowest rank (3.4).

Table 6: Mean Scores

Management Issues			Share Holders Issues		
Question #	Mean	Std. Deviation	Question #	Mean	Std. Deviation
12	3.9213	1.1539	28	3.9147	1.0453
14	3.8255	1.0789	17	3.7467	1.1103
16	3.8084	1.1869	18	3.6942	1.1956
15	3.7822	1.2356	19	3.5696	1.1387
13	3.7113	1.1443	8	3.3386	1.3342
7	3.126	1.1497	20	3.3294	1.3546
Total	22.1747		Total	21.5932	
Customer Issues			Social Issues		
Question #	Mean	Std. Deviation	Question #	Mean	Std. Deviation
4	3.8898	1.0795	26	3.8819	1.0262
2	3.8255	1.1136	23	3.7231	1.1626
1	3.5577	1.2692	25	3.5892	1.1316
3	3.4843	1.335	27	3.5105	1.2295
6	3.4738	1.3309	24	3.4685	1.1901
Total	18.2311		Total	18.1732	
Personal Issues			Corporate Governance		
Question #	Mean	Std. Deviation	Question #	Mean	Std. Deviation
9	3.9291	1.1657	36	3.7703	1.0880
32	3.8635	1.0703	34	3.7297	1.0949
10	3.7585	1.1311	33	3.7126	1.1836
31	3.7349	1.0938	35	3.6969	1.1108
Total	15.286		Total	14.9095	

- VI) In issues related to the direct teaching of **corporate governance**: business education trains to change the traditional business culture into good corporate governance culture got highest mean score of (3.77), while, it teaches how to develop a good corporate governance system in the organization and to discourage to become a part of malpractice/unprofessional conduct to gain short term benefits came next (3.72, 3.71), and business education trains how to maintain the good corporate governance system in the organization scored lowest (3.65).

Scores of each six heads are summed up and presented in Table 6, which outlines the importance given to each issue of corporate governance by the business schools in their delivered business education. According to the perception and learning of business graduates in business education, business schools are putting most emphasis on management related issues (22.2) that come under corporate governance head. This is because management is one of the crucial subjects in

business education. Second, business schools are also giving great relevance to teaching the issues related to shareholders (21.0). Each program of business education consists of 2 to 4 subjects related to shareholder's issues; therefore business graduates hold common understanding about shareholder rights and obligations. Social issues (18.17) come close to Customer issues (18.23) and are almost as important. Business schools have maximum courses directly or indirectly related to customer issues. Personal issues related to developing competencies for good corporate governance culture came next in importance (15.28) closely followed by CG issues (14.9), which together get mid level importance in business educations. Separate courses or part of courses do not include the titles of corporate governance. Business schools at the most have one course or so in ethics/corporate governance. Therefore, directly related issues of corporate governance seem to be less prioritized by business schools and do not form an important part of their course curriculum.

In table (8), discrimination analysis of business graduates of both countries is outlined. Paired-Sample T. test is applied to detect the variance of opinion of respondents. Results from table (8) show significant variance between the opinion of the Pakistan and Indian's respondents in the following attributes: 1) ensuring justice and equality, 2) developing compliance oriented culture, 3) adopting participative management style, 4) supporting power and reward sharing, 5) avoiding micro politics, 6) prioritizing shareholders interest, 7) discouraging owner in unethical transactions, 8) balancing rights of employees and owners, 9) not overruling policies for personal interest, 10) ensuring 100% transparency, 12) maintaining high level of moral and honesty, 13) becoming socially responsible, 14) not using unfair promotions, 15) not cheating customer, 16) caring for local values, 17) caring for local tradition and customs, 18) valuing environmental concerns, 19) developing good corporate governance, 20) maintaining and sustaining good governance. Business schools of both countries are varying in their focus in above identified areas of corporate governance. In the rest 10 variables both countries are performing equally. The P values fall under non critical ($P > .05$) region of the attribute as: 1) ensuring independency of auditors, 2) appropriate resource allocation, 3) manipulating financial figures, 4) achieving target is not every thing, 5) working for value maximization, 6) cheating customer with wrong promises, 7) abiding by the law, 8) not encouraging culture of kickbacks, 9) not participating in malpractices, 10) changing local culture into good governances. The variance analysis opens new avenues for research in future about the reasons and cause of difference in identified 20 variables. In future one can look into demographics of respondents and investigate the variance accordingly.

6. Conclusion and Suggestions

All over the world we find certain trends emerging, which have enhanced the importance of corporate governance in business operations. In most developing countries we find governments exiting markets, leaving business to private parties; more market oriented reforms leading to liberalization and globalization; better awareness about environment; and the information technology boom, all of which have vastly improved productivity and innovation. This emerging scenario in most developing economies has enabled businesses to capture the world market, thereby facilitating the integration of the product, capital and labor markets, and as fallout, also bringing the economy at greater risk, abuse and fraud, sometimes on a global scale. In turn, this has lead to an increasing awareness of the inadequacies of governance, and the demand for new reforms, thereof.

This study assumes that ethically and socially responsible management can practice and implement good governance in the organization and Business schools as supplier of business managers can produce well-trained and ethically responsible managers, who ensure best practices of corporate governance in their organizations. Thus the study investigates the current situation of India and Pakistan's business graduates in terms of their perception towards issues of corporate governance and generalizes its findings over the population of developing countries. It analysis the understanding level of business graduates about corporate governance; their main sources of learning corporate governance; their overall perception about corporate governances and the role played by business

schools in promoting good corporate culture. The issues studied were classified into five dimensions, taken from the literature about corporate governance: management issues, shareholder issues, customer issues, social issues, and personal issues. Some of the findings of the study are as follows:

1. Business graduates are less habituated to reading and whatever information they have read about corporate governance mainly comes from out of course sources. These statistics about reading and hearing of corporate governance demands the attention of business schools management to, first, make corporate governance an important part of their course curriculum and course material and secondly, to encourage the business graduates to learn from the environment and also out of the recommended material. Less than half of the respondents agree that corporate governance can bring positive change in the business culture, encourages transparency in business operations, is applicable in the countries and is helpful in developing the business sector and the economy. A still lesser percentage agrees that following corporate governance provides a competitive edge to the organization; it helps in ending corruption or is the need of the hour.
2. Business education is putting most emphasis on management related issues that come under corporate governance head. This is because management is one of the crucial subjects in business education. Also great relevance is given to teaching the issues related to shareholders. Each program of business education consists of 2 to 4 subjects related to shareholder's issues; therefore business graduates hold common understanding about shareholder rights and obligations. Social issues and customer issues get mid level *importance*. Business schools have maximum courses directly or indirectly related to customer issues. Personal issues related to developing competencies for good corporate governance culture is given relatively lesser importance. Corporate Governance issues *per se* get lowest importance in business education. Separate courses or part of courses do not include the titles of corporate governance. Business schools at the most have one course or so in ethics/corporate governance. Therefore, directly related issues of corporate governance seem to be less prioritized by business schools and do not form an important part of their course curriculum
3. Business schools of both countries are varying in their focus in 20 identified areas of corporate governance. In the rest 10 variables both countries are performing equally. Some of these common focused attributes are: ensuring independency of auditors, appropriate resource allocation, manipulating financial figures, working for value maximization, cheating customer with wrong promises, abiding by the law, not encouraging culture of kickbacks, not participating in malpractices, changing local culture into good governances. The variance analysis opens new avenues for research in future about the reasons and cause of difference in identified 20 variables. In future one can look into demographics of respondents and investigates the variance accordingly.
4. Lessons from the two countries study reveals a gap between the training of business graduates and the requirements of the corporate sector. Foreign investment along with production facilities is moving towards developing countries due to cheaper available resources. The situation is vulnerable for multinationals to play with local resource, offer kickbacks to bureaucracy and involve in price dumping and malpractices. In order to avoid scandals and global disasters it is necessary that business firms in developing countries train their own graduates and move towards converging standards of corporate governance. This would not only help firms in dealing with the wrong conduct, if any, but also make them globally acceptable. Business education should therefore emphasize the concept of corporate governance in their programs and develop their graduates into socially and ethically responsible managers. Managers of business schools should incorporate the problems of local industry and their appropriate solution to change the local industrial environment into good corporate governance culture.

7. Future Research

Future research needs to be conducted on the possibility of separate course or specialization on corporate governance. The future research can also collect the perception of faculty members, deans

and management about the role of business schools in developing the corporate governance culture in the organization. A comparison between industry and business schools can also provide the insights about corporate governance developments

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Annexure 1

Management Institutes Surveyed

S. No	Name of the B-School / Institute/ University	Type
PAKISTAN		
1	COMSATS Institute of Information Technology	Federal
2	University of Punjab	Public
3	Government College University	Public
4	Lahore University of Management Sciences	Private
5	University of the Management Technology	Private
6	Iqra University	Private
7	Lahore School of Economics	Private
INDIA		
1	School of Business, Hyderabad Central University	Public
2	Department of Management, Osmania University (OU)	Public
3	ICFAI Business School, ICFAI University	Private
4	Institute of Public Enterprise	Semi-Public
5	Xavier's Vignan Jyothi Institute of Management	Private
6	St Niveditha College of Professional Studies	Private
7	Swamy Vivekananda Institute of Management	Private
8	Institute of Computers and Business Management	Private
9	National Institute of Construction Management and research	Private

Annexure 2: Study Scale

Sr.#	1. Management
1	Ensure the justice/equality and non discriminatory treatment among the employees of my firm
2	Developing the compliance oriented culture of accountability for all level of employees in the firm
3	Ensure the independency of internal and external auditors to strengthen the check and balance in the firm
4	Helping me to adopt participative and democratic management style in business and other areas of life
5	Teaches me to support the power and reward sharing culture in the Organization
6	Discourages me to participate in the micro politics of firm's higher management.
2. Shareholders	
7	Prioritize the shareholders /owners interest in making the business decision
8	Ensure the open system and maximum access to the information for shareholders
9	Ensuring the resources allocation in the interest of shareholders/owners
10	Forbidding me to manipulate or play with the figures to cheat the shareholders/owners
11	Forbidding me to help the owner in his unethical/unlawful business transactions
12	Maintaining the balance between the interest of shareholders/owners and rights of employees of the company
3. Personal	
13	Not overruling the firm's policies to gain personal benefit/self interest
14	Ensuring the 100% transparency and fairness in my business transactions
15	Maintaining the high level of moral, justice, and honesty in business and other affairs of life
16	Become a socially and ethically responsible citizen
4. Customer	
17	Achieving the target is not each and every thing in business success.
18	Working for value maximization instead of profit maximization.
19	Discourages me to increase the sale volume through unfair promotional means.
20	Treating the customer with actual and real product features.
21	Strictly disallows me to cheat the customer with impossible promises or unrealistic expectations.
5. Society	
22	Caring for the local values and culture while making businesses decision
23	Not support the business policies, which can damage the local traditions and customs for commercial purpose
24	Fighting for the environmental issues while making the business decision in the firm
25	To abide by the local laws and regulations in business transaction
26	Strongly discourages the culture of kickback and corruption among the local authorities of the state
6. Corporate Governance	
27	Discourages me to become a part of malpractice/unprofessional conduct to gain short term benefits
28	Developing a good corporate governance system in the organization
29	Maintain the good corporate governance system in the organization
30	How to change the traditional business culture into good corporate governance culture

Appendix

Table 7: One-Sample Statistics/ Test

Questions	Mean	Std. Dev.	t	Sig.(2-Tailed)
Q1	3.92	1.15	93.81	0
Q2	3.71	1.14	89.53	0
Q3	3.83	1.08	97.88	0
Q4	3.78	1.24	84.50	0
Q5	3.81	1.19	88.58	0
Q6	3.13	1.15	75.06	0
Q7	3.75	1.11	93.15	0
Q8	3.69	1.20	85.30	0
Q9	3.57	1.14	86.53	0
Q10	3.33	1.35	67.85	0
Q11	3.34	1.33	69.08	0
Q12	3.91	1.05	103.38	0
Q13	3.93	1.17	93.04	0
Q14	3.76	1.13	91.73	0
Q15	3.73	1.09	94.26	0
Q16	3.86	1.07	99.64	0
Q17	3.56	1.27	77.38	0
Q18	3.83	1.11	94.82	0
Q19	3.48	1.34	72.04	0
Q20	3.89	1.08	99.47	0
Q21	3.47	1.33	72.05	0
Q22	3.72	1.16	88.40	0
Q23	3.47	1.19	80.46	0
Q24	3.59	1.13	87.56	0
Q25	3.88	1.03	104.42	0
Q26	3.51	1.23	78.82	0
Q27	3.71	1.18	86.59	0
Q28	3.73	1.09	94.03	0
Q29	3.70	1.11	91.87	0
Q30	3.77	1.09	95.66	0

Table 8: Paired Samples Test Discrimination Analysis Pak. & India

Pairs Differences			
Pairs	Mean	Std. Dev.	Sig. (2-tailed)
Pair 1	-0.6457	1.5504	0
Pair 2	-0.6417	1.623	0
Pair 3	-0.126	1.5855	0.207
Pair 4	-1.2205	1.7029	0
Pair 5	-0.685	1.759	0
Pair 6	0.2362	1.5551	0.016
Pair 7	-0.2717	1.5454	0.005
Pair 8	-0.8701	1.6306	0
Pair 9	-0.1417	1.6477	0.172
Pair 10	0.1024	1.8192	0.371
Pair 11	0.3543	1.8778	0.003
Pair 12	-0.5551	1.494	0
Pair 13	-0.4449	1.5562	0
Pair 14	-0.2913	1.571	0.003
Pair 15	-0.4173	1.5651	0
Pair 16	-0.1929	1.4576	0.036
Pair 17	5.91E-02	1.7333	0.588
Pair 18	-9.45E-02	1.6391	0.359
Pair 19	0.4882	1.8623	0
Pair 20	-0.3819	1.5679	0
Pair 21	9.84E-02	1.9158	0.414
Pair 22	-0.7402	1.6453	0
Pair 23	-0.2559	1.6685	0.015
Pair 24	-0.5236	1.5596	0
Pair 25	-9.06E-02	1.5412	0.35
Pair 26	-0.185	1.8311	0.109
Pair 27	-0.1417	1.6668	0.177
Pair 28	-0.4724	1.4762	0
Pair 29	-0.4764	1.5468	0
Pair 30	-0.1535	1.5718	0.121

Figure 1: Importance given by Business Schools to Different areas of Corporate Governance

