Does entrenchment of managers affect entrepreneurial dividend decision and investor sentiment?

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Abstract
Purpose – The purpose of this paper is to observe whether the entrenchment of managers can affect firms’ dividend disbursement decisions and investor sentiment in the Tunisia context.

Design/methodology/approach – The sample includes all non-financial listed stocks in the Tunisia stock exchange during the years 2004–2017. Moreover, the entrenchment of managers is measured by five proxy explained the managers rooting from all listed firms. The propensity to pay dividends is measured by the dividend yield.

Findings – The findings yield qualitatively consistent with the previous research. After controlling for the effect of a manager’s behavior and different entrenchment phase, the result shows that entrepreneurial the firm’s decision to pay dividends could be influenced by the managers’ entrenchment.

Research limitations/implications – The result is limited at the level of the non-financial companies listed in the BVMT, but in future studies, the investigation with other countries can be compared.

Practical implications – Moreover, investors in Tunisia show their preference for a dividend to self-control and satisfaction and increase their pro-fit, especially in an abnormal economic situation explained by the Tunisian political crisis.

Originality/value – The originality of this paper is to investigate both the important role of the entrenchment and cycle life of the manager on the decision to distribute dividends and the investor sentiment. Moreover, the author’s problem may be a reference for future investigation talking about the managers’ psychology like opportunism.

Keywords Investors sentiment, Governance. Entrenchment, Dividend, Entrepreneurial, Governance, Dividend, Entrenchment, Entrepreneurial

Paper type Research paper

Introduction
Theories of property rights, agency and transaction costs have highlighted the conflicts of interest that may exist between the different partners of the company. In particular, they have studied the shareholder–leader relationship that is described as conflicting as each party pursues diverging personal goals. These theories assume that the leader has a passive behavior. On the other hand, and despite the fact that it stems from these theories, the
rooting theory implies that a leader has active behavior. In fact, this theory tries to show how actors or organizational modes that are not efficient continue to exist in supposedly competitive markets. It also explains how mechanisms supposed to enhance organizations’ efficiency can be used by actors to root themselves in their functions (Alexandre and Paquerot, 2000). In this sense, rooting reflects the willingness of the agent to free himself, at least partially, from the control of the principal (the shareholders), to be able to grant himself greater personal advantages (either in the form of remuneration in the form of benefits in kind).

The rooting, under its many facets, is generating various effects. Indeed, the authors who contributed to the development of this strategy predict contradictory effects on the performance of the firm. Some consider it to be a source of inefficiency. For example, Paquerot (1997) found that rooting has negative effects on shareholder wealth. Other authors do not necessarily see the rooted in an alteration of the performance of the company. They emphasize that managerial rent that is created only by the abilities of the rulers. Also, note that rooting is not synonymous with inefficiency. With poor corporate governance, the dominant shareholder has a greater ability to expropriate resources that would have been otherwise shared with minority owners; that is, he can obtain substantial private benefits from control at the expense of minority shareholders. Several empirical studies have tried to determine the exact role played by ownership structures in the decision-making process concerning corporate dividend policy. However, the evidence is mixed. The idea that dividends play a role in corporate governance. Higher dividends achieve a cost-effective substitute for the shareholder. Some authors provide empirical support for these agency explanations for paying dividends. Moreover, the agency control function of corporate payout is linked to the severity of the manager–shareholder conflict. Further, among others, identify the importance of agency problems in analyzing the ownership structure and value of corporations. One dimension of the conflict in a corporate setting is the link between insiders (i.e. managers) and outside shareholders. This article aims to examine whether the entrenchment of managers can affect influence firms’ dividend payment decisions and the investor sentiment in the Tunisia context.

**Literature review and hypotheses development**

*Corporate governance*

Research on corporate governance has identified a number of mechanisms to ensure that management is acting in the best interests of shareholders, which may include external and internal corporate governance mechanisms. In fact, La Porta et al. (2000a) have recently highlighted the relationship between corporate governance and dividend policy, among others. Smith et al. (2017) find that dividend initiation can be the result of the dynamics power amount the shareholders, board of directors, CEO and the benefits the more powerful party. If the shareholders are weaker than the CEO, dividend initiation benefits the CEO. By contrast, if they are stronger than the CEO, dividend initiation benefits them. To tip the balance of power in their favor, shareholders may choose to exercise their rights to offset weak antitakeover provisions, to increase board independence, or to simply influence CEO succession. Dan (2018) indicates from their study that investors who care about dividends should check CEO dividend protection, because changes in CEO dividend protection are usually implemented prior to changes in dividend payouts. CEO dividend protection can be provided to align managers’ incentives with shareholder interests in payout policy.

Evy et al. (2016) conclude that the presence of large non-family ownership appears to have an impact on determining levels of private benefit control. In contrast, family firms tend to maintain a lower dividend payout and higher leverage. In addition, they conclude
that family firms changed their dividend pay-out more than non-family firms during the Asian and global financial crisis. Juan (2017) concludes that ownership structure play an important to explain the dividend policy of companies in the Mexican market. They indicate that the presence of institutional shareholders has an inverse effect on the payment of dividends, whereas the concentration of property in families influences negatively the dividend payment. Family firms with the presence of big foreign shareholders have a different effect on the decision to distribute dividends. Maximiliano et al. (2017) find that ownership concentration affects the dividend payment in six Latin American countries. They find that when the ownership concentration is high, firms tend to pay fewer dividends when the largest investor is identified as an individual, consistent with individual investors extracting benefits from minority shareholders. Balasingham et al. (2017) find that firms with higher foreign institutional ownership are less likely to pay dividends and have lower payout ratios. Kyoung et al. (2016) conclude that firms with long-term institutional investors play a monitoring role using dividend payouts as a monitoring device. Michael and Zhang (2016) conclude that external shareholders prefer higher dividend payouts to reduce the free cash flow of companies under the control of insiders. In addition, they find that certain institutional investors such as banks, insurance companies, and securities companies do not influence or threaten financial performance or the payment of cash dividends; mutual funds such as state-controlled governments and regions are influencing more businesses to pay higher cash dividends. Fuwei et al. (2018) conclude that firms with low investment friction show a stronger profitability premium.

**H1.** Corporate governance mechanisms affect dividend decision and investor sentiment.

**Entrenchment of managers**

Employee share ownership is often used not only as a rewards management tool but also as a rooting mechanism. The literature suggests that good managers use employee share ownership as a reward management tool, while bad managers implement it in a sustainable manner, suggesting the existence of a level of equilibrium of employee ownership. In the phrasing of Michael Weisbach “Managerial entrenchment occurs when managers gain so much power that they are able to use the firm to further their own interests rather than the interests of shareholders.” Andrei Shleifer and Robert Vishny state that “By making manager-specific investments, managers can reduce the probability of being replaced, extract higher wages and larger prerequisites from shareholders, and obtain more latitude in determining corporate strategy.” Kalim et al. (2018) find that board independence has a significant and positive relationship with firm value only for state-owned companies. Also, they show that market capitalization and return on assets have a significant and positive association with firm value for both state- and non-state-owned enterprises. Kalim et al. (2018) conclude that fair induction of independent directors, appropriate board size and cost-benefit analysis to conduct frequent meetings can help corporations to improve their performance. Henrique (2019) noted that the association “cash-withdrawal” is sensitive to the level of protection of the shareholders but not to the level of the rights of the creditors. Henrique (2019) find as evidence that shareholders agree to increase their liquidity when the managers are involved, but prefer to reduce them when they are not, while the creditors do not influence the firm decisions on the assets in cash. Ullah (2017) fined that the majority of new businesses have recently experienced an involuntary turnover and that older companies are replacing their outgoing CEO with an insider. Bena et al. (2017) find that greater foreign institutional ownership favors long-term investment in tangible and intangible human capital. Foreign institutional ownership also leads to a significant increase
in innovation output. Their results suggest that foreign institutions exert a disciplinary role on insiders of well-established companies around the world. Erenburg et al. (2016) find that for the worst performers, the results are negative for activist pension funds and long-term institutions, positive for hedge fund activists and short-term institutions and mixed for institutional block holders. Ülupinar (2018) show that analysts’ bias increases with the entrenchment of leaders and that affiliate analysts do not provide biased research to firms with the fewest managers and the most entrenched because of their reputational capital concerns. Jie et al. (2017) find that companies with more women directors than their boards pay more dividends. In addition, they conclude that the gender composition of boards of directors significantly increases the dividend payout only for poorly governed companies, suggesting that women leaders use dividend payouts as a governance mechanism. Julian and Aaron (2018) document that lower-governance firms pay more cash dividends than better-governed firms. We also find that, in the presence of poor quality governance, these payments reduce the value of the company and the value of its liquidity. Smith et al. (2017) note that the initiation of the dividend is associated with a stronger governance structure (shareholder rights and board independence), in line with the results model. Companies whose institutional owners are more likely to initiate dividends alongside the CEO’s turnover. Both CEOs initiate dividends when they own more shares, and boards of directors initiate dividends with superior personal participation when shareholder rights are low. Nicolas and Eric (2018) show that companies with corporate charitable foundations increased the distribution of their shareholders by less than half compared to similar companies without foundations following the reduction in capital tax imposed in 2003, even taking into account common explanatory factors such as shareholding. Jie et al. (2019) conclude that the payment of the dividend is positively related to the remuneration of the new directors. In addition, the positive effect of dividends is stronger for companies that have not reduced their dividends over the past two, three and four years, those with relatively high institutional capital and those with a board of directors, strong administration, which corresponds to new leaders who receive higher pay pressure. In equilibrium, higher optimism on the part of managers leads to higher job growth, especially when investors feel depressed. However, if managers are cautious at first, this mechanism will increase the value of the company. We also show that the stock market does not properly take into account the optimism of managers, which generates profitable investment opportunities. Aiza and Shazia (2019) found that CEO narcissism moderates the relation between founder CEO and EO and does not moderate the relationship between and CEO ownership and EO. Seyed (2019) concludes that ETA, ETE and IC had significant and positive effects on OI, and OI by itself had a significant and positive impact on OP and VC. Kankam et al. (2019) find that the competitive intensity moderate a significant positive relationship between low-cost strategy and firm performance.

H2. Entrenchment of managers influences investors’ sentiment and dividend payment.

Methodology
The sample used in this study comprises all industrial companies traded on the Stock Exchange of Tunisia (SET) from the period 2004–2017. Firms in the financial services industry (banks, insurance companies, finance and securities companies, listed mutual fund companies and property investment funds) are excluded from the sample. Firms that do not have complete financial data available from the period 2004–2017, newly listed firms, delisted firms, inactive firms or firms undergoing financial rehabilitation or restructuring are also excluded from the sample. We next eliminate firms where the majority shareholder
is the government or a widely held domestic or foreign financial institution. Lastly, we eliminate firms that are subsidiaries of foreign corporations. Financial data are obtained from Datastream, published by Thomson Financial, with additional financial information supplied by the Stock Exchange of Tunisia. The statistic panel regression technique was used firstly to estimate the effect of the managers’ entrenchment on the dividend decision and investor sentiment. Second, to estimate the influence of managers’ behavior on the dividend and investor sentiment.

\[
DIV_{it} = \alpha_0 + \alpha_1 \text{Entrenchment variables}_{it} + \alpha_2 \text{corporate governance variables}_{it} \\
+ \alpha_3 \text{control variables}_{it} + \varepsilon_{it} 
\]

(1)

\[
DP_{it} = \alpha_0 + \alpha_1 \text{Entrenchment variables}_{it} + \alpha_2 \text{corporate governance variables}_{it} \\
+ \alpha_3 \text{control variables}_{it} + \varepsilon_{it} 
\]

(2)

where; DIV: Dividend amount distribution by firms; DP: Dividend premium proxy of the investor sentiment.

\[
\text{Dependent Variables}_{it} = \alpha_0 + E \text{ntrenchement phase}_{it} + \varepsilon_{it} 
\]

(3)

Entrenchment managers’ phase (Table 1):

\[
\text{EP} = \text{Firmvalue}_{it} - \text{Firmvalue}_{it-1}
\]

where: EP = entrenchment phase of managers
- \(\text{Firmvalue}_{it} - \text{Firmvalue}_{it-1} > 0\), Phase of valorization (neutral)
- \(\text{Firmvalue}_{it} - \text{Firmvalue}_{it-1} = 0\), Phase of limitation of control (offensive)
- \(\text{Firmvalue}_{it} - \text{Firmvalue}_{it-1} < 0\), Phase of consumption (defensive)

Results

Descriptive analysis

A descriptive statistics of the variables is performed (Tables 2). Table 2 indicates that the average concentration of ownership attributable to the board of director is 21.74%. The participation of the government and foreign investors on the board of director, respectively, around 18.15 and 25.6% in the Tunisian firms. The board of directors of the companies in the sample is of an average size of nine members. Examination of the composition of the board of directors reveals that, on average, 31.61% of the members of the board are independent directors. Nevertheless, 60.71% of the companies confuse the functions of general manager and chairman of the board of directors. Furthermore, the table indicates that 174 Tunisian managers adopt a consumer behavior followed by a neutral behavior (40.18%). Our results suggest that in on hand managers try to limit the control shareholders and partner, decrease the value of the firm, in other hand, increase their discretion power.

Model estimation

In this section, we present the results of our models by incorporating a variable capturing investor sentiment, and dividend distribution for testing the implications of the catering theory and dividend decision by means of several corporate governance mechanisms, two
types in particular: ownership structure and board of director composition, and entrenchment managers, five in particular; the age of manager, mandate, seniority, duality and past performance.

Columns 1, 2 and 3 of Table 3 report the results of the model that includes the interaction of the managers’ entrenchment, corporate governance and dividend policy. As shown in the table, for firms with low levels of managerial entrenchment, there is a positive effect on the decision to distribute dividends.

Table 1.
Summary of different variables

| Dep. Var. | Definition | Priors studies |
|-----------|------------|----------------|
| DP        | Dividend Premium Difference between the market to book average of firms’ payers and firm’s non payers | Baker and Wurgler, 2004, Jin et al. (2013) |
| DY        | Presents the amount of dividend distributed by the company | Belden et al. (2005), Hu and Kumar (2004) |

| Ind. Var. | Definition | Priors studies |
|-----------|------------|----------------|
| BS        | Number of the board of director composition in the firms | Belden et al. (2005), Hu and Kumar (2004) |
| BI        | Percentage of independent directors is calculated as the number of independent directors divided by the total number of directors on a firm’s board | Belden et al. (2005), Ghabayen (2012) |
| OC        | Hold at least 5% of equity ownership | Samir et al. (2013), Ali et al. (2014) |
| FO        | Dummy variable equals 1, if the largest shareholder is a foreign firm, 0 otherwise | Jin et al. (2011), Djankov and Hoekman (2000) |
| GO        | Dummy variable equals 1, if principal shareholders is a government, 0 otherwise | Maximiliano et al. (2017), Ev et al. (2016) |
| Man       | Logarithm of the rooting at the beginning of the year, the seniority of the leader in his duties as CEO | Marzieh Movassaghi (2014), Kulathungga et al. (2017) |
| Dua       | Dummy variable equals 1 if the chairman and the director is the same person, 0 if otherwise | Smith et al. (2017), Dan (2018) |
| Sen       | Logarithm of seniority years of CEO in the company before being promoted to CEO. | Charreaux and Débrières, (1998), Mtanios, 1997, Paquerot, (1996) |
| Age       | Logarithm of managers age | Mtanios, 1997, Paquerot, (1996) |
| PP        | ROE measured by dividend retained earnings to total equity; ROA measured by divided retained earnings to total asset; MTB measured by divided market value to book value | Maximiliano et al. (2017), Ev et al. (2016), Ajanthan (2013), Mahira (2012), Rashid and Islam (2013) |
| EP        | Entrenchment phase is binary variable take value 1 if firm value increase (valorization phase); value 2 if firms value decrease consumption phase); Value 0 if firms value standard (limit control phase) Explained by the QTobins proxy measured (Total assets + market capitalization - book value of equity)/total assets | Maximiliano et al. (2017), Ev et al. (2016), Ajanthan (2013), Mahira (2012), Rashid and Islam (2013) |
| FV        | Explained by the QTobins proxy measured (Total assets + market capitalization - book value of equity)/total assets | Maximiliano et al. (2017), Ev et al. (2016), Ajanthan (2013), Mahira (2012), Rashid and Islam (2013) |

| Control variable | Definition | Priors studies |
|------------------|------------|----------------|
| AQ                | Dummy variable equals 1, if auditors is Big4, 0 otherwise | Deshmukh (2005), Mitton (2004) |
| Size              | Log of total assets | Al-Kuwari (2009), Al-Ajmi and Abo (2011) |
| QT                | (Market value + Debt)/Book value | Ferreira et Vilela (2004), Bates et al. (2009) |
| Liq               | The liquidity of firms is measured by divided the current assets by the current liabilities | Ibrahim (2015), Jin et al. (2011) |
Furthermore, when the same person occupies the same responsibilities of the firms can affect the decision of distribution dividend for the shareholder. Besides, this situation can increase the degree of extrapolation of the value and profit of the firms and can play a disadvantage factor for the shareholder. Companies should separate the CEO from the board chair as a way of preventing the agent from indulging in opportunistic activities to the detriment of the shareholders. The results show that the performance and seniority of the managers within the Tunisian companies have contributed to the possibility of keeping the CEO. On the other hand, neither the duration of his duties as CEO nor the established relational networks influence the level of rooting. The results also show that performance is an increasing function of the level of rooting. Besides, initial increases in insider ownership result in a convergence of interests, while higher levels of insider ownership result in managerial entrenchment, showing a quadratic relation between dividends and insider ownership. In fact, while the traditional agency theory suggests a uniformly negative relationship between managerial ownership and dividend payout ratio, the entrenchment theory proposes a non-monotonic relationship related to Kalim et al. (2018), Henrique (2019), Ullah (2017) and Shleifer and Vishny (1989).

Moreover, Table 3 asserts the result of the relationship between corporate governance mechanism and managers’ decision to distribute dividend. The ownership concentration is negatively associated with dividend payments by managers. Four results suggest that the higher ownership concentration led managers to pay lower dividends among Tunisian firms. La Porta et al. (1998) argue that a significant relationship between legal protection and ownership concentration in countries with poor investor protection, such as civil law countries, i.e. Tunisia, in which investors tend to have higher ownership concentration and state or families typically own firms. The coefficient of board size is negatively significant with dividend policy. Smaller board sizes facilitate the decision-making process, but more directors in a board may help the management team to make better-informed decisions. Further, a large board size will lead to miscommunication and miscorrelation between members. Hence, a large board size will create weak governance. The foreign ownership affect negatively the dividend policy, a suggestion that firms pay lower dividends when foreign investors hold more share, also, that foreign investors and large institutional expropriate minority shareholders.

Furthermore, the estimated coefficient for government ownership is significant with dividend, providing a strong government affect from the state on the managers’ decision to
pay dividends. Further, this conclusion is broadly consistent with the argument that the state controlled firms tend to pay more dividends. Government ownership may play a role in the dividend payment decision by decreasing the level of corporate control. Therefore, the government, which is usually a large shareholder, will act for the benefit of the minority shareholders, reducing the agency conflict. That can be explaining that the government in Tunisia peruses companies to pay a dividend and act as a monitoring role. This can be because of the cultural issue in such a country, and that by itself is a very interesting finding.

| Table 3. Dividend decision, investor sentiment and entrenchment of managers |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                | Dividend                      | Model 3                      | Model 4                      | Sentiment                     | Model 5                      | Model 6                      |
|                                | Model 1                      | Model 2                      | Model 1                      | Model 2                      | Model 3                      | Model 4                      |
| CC                             | 0.350                        | 1.968                        | -2.683                       | -0.164                       | 0.010                        | -0.008                       |
| MAND                           | 0.868                        | 0.000***                     | 0.245                        | 0.017*                       | 0.310                        | 0.491                        |
| AGE                            | 0.3901                       | 0.0583                       | -0.120                       | 0.000                        |                              |                              |
| SENI                           | 0.072**                      | 0.806                        | 0.084***                     | 0.090*                       |                              |                              |
| ROA                            | 0.803                        | 1.784                        | 0.095                        | 0.008                        |                              |                              |
| ROE                            | -0.749                       | 0.359                        | 0.006                        | -0.003                       |                              |                              |
| ROE                            | 0.318                        | 0.672                        | 0.883                        | 0.391                        |                              |                              |
| ROA                            | 1.541                        | 1.495                        | 0.006                        |                              |                              |                              |
| ROE                            | 0.003***                     | 0.150                        | 0.000                        |                              |                              |                              |
| MTB                            | -0.001                       | 0.001                        | -0.000                       |                              |                              |                              |
| DUAL                           | -0.122                       | 0.226                        | 0.004                        |                              |                              |                              |
| OC                             | 0.195                        | 0.015**                      | 0.392                        |                              |                              |                              |
| BS                             | -0.843                       | -0.683                       | 0.006                        | 0.001                        |                              |                              |
| BS                             | 0.000***                     | 0.009**                      | 0.000                        |                              |                              |                              |
| GO                             | -0.131                       | -0.081                       | 0.000                        |                              |                              |                              |
| GO                             | 0.000***                     | 0.004**                      | 0.207                        |                              |                              |                              |
| FO                             | -0.699                       | -0.490                       | -0.004                       |                              |                              |                              |
| FO                             | 0.003***                     | 0.004**                      | 0.454                        | 0.533                        |                              |                              |
| BI                             | -0.151                       | -0.095                       | 0.002                        | 0.000                        |                              |                              |
| BI                             | 0.093*                       | 0.319                        | 0.248                        | 0.883                        |                              |                              |
| BI                             | 0.680                        | 1.550                        | 0.002                        |                              |                              |                              |
| BI                             | 0.227                        | 0.019**                      | 0.065**                      |                              |                              |                              |
| QTOBIN                         | -0.021                       | -0.017                       | -0.000                       | 8.80                         |                              |                              |
| QTOBIN                         | 0.024**                      | 0.114                        | 0.023*                       |                              |                              |                              |
| LIQ                            | 0.238                        | 0.275                        | -0.000                       | 0.000                        |                              |                              |
| A*                             | 0.132                        | 0.070**                      | 0.986                        | 0.965                        |                              |                              |
| A*                             | 0.119                        | 0.228                        | -0.001                       | 0.000                        |                              |                              |
| A*                             | 0.373                        | 0.122                        | 0.053**                      |                              |                              |                              |
| SIZE                           | -0.012                       | -0.010                       | -0.000                       | 0.000                        |                              |                              |
| SIZE                           | 0.470                        | 0.556                        | 0.960                        | 0.233                        |                              |                              |
| PC                             | -0.290                       | -0.150                       | 0.000                        |                              |                              |                              |
| PC                             | 0.008**                      | 0.277                        | 0.918                        | 0.385                        |                              |                              |
| CHI2                           | 16.65                        | 68.84                        | 51.50                        | 1.51                         | 4.00                         | 7.87                         |
| P. H                            | 0.000                        | 0.999                        | 0.769                        | 0.508                        | 0.030                        | 0.065                        |
| P. LRE                          | 0.000                        | 0.000                        | 0.000                        | 1.000                        | 0.000                        | 1.000                        |
| P. MW                            | 0.000                        | 0.000                        | 0.000                        | 0.000                        | 0.000                        | 0.000                        |
| P. WOL                           | 0.005                        | 0.005                        | 0.184                        | 0.047                        | 0.027                        | 0.027                        |

Notes: *p < 0.1%; **p < 0.05%; ***p < 0.01%
and shows difference between the west and Tunisia. Consequently, firms with a higher degree of government ownership have less difficulty financing their investments, allowing them to pay more dividends to shareholders. In emerging markets such as Tunisia, legal protection for firms is limited, and governments have a strong desire to build their reputations and avoid exploiting the rights of minority shareholders. Accordingly to some recent research provides that firms with weak corporate governance pay higher dividends and have a lower security return than companies with strong corporate governance (Gugler and Yurtoglu (2003), Correia da Silva et al. (2005), Vineeta Sharma (2011), Samir et al. (2013), Ali et al. (2014), Kouki and Guizani (2009).

Columns 4, 5, and 6 of Table 3 report the results of the model that includes the interaction of the managers’ entrenchment, corporate governance, and investor sentiment. As revealed that manager rooting affects the investor preference for a dividend. Moreover, the investor decides to demand more dividends depend on the level of manager entrenchment of Tunisian firms. Further, Baker and Wurgler (2004) prove that firms cater more when the investors show higher demand for dividends by putting a premium on dividend-paying stocks and no pay when the investors demand is low or prefer not to pay. Investor put more premiums on the stock price of dividends to encourage the manager to distribute more dividends. Ownership concentration is positively associated with investor sentiment. Besides, suggests that investor preference for dividend manifest more strongly in firms with high ownership concentration than firms with low ownership concentration. Furthermore, the firms with a high level of ownership concentration should pay a high level of dividends. Furthermore, firms with higher ownership concentration pay a lower dividend. It is a sense that the largest shareholders do not actively use dividends to control potential free cash flow problems. The expropriation hypothesis predicts that the high level of ownership concentration increases the propensity for the expropriation of minority shareholders by large shareholders and that controlling shareholders with substantial power adopt a policy that retains a larger amount of earnings that they can expropriate, resulting in a lower payout.

The audit quality is positively significant with the investor sentiment. This meaning that an investor prefers more dividends from a firm when their auditor is from big4. Moreover, the dividend payment is a signal of a firm’s quality, so firms, when pay and increase their dividend to shareholders often want to prove their high quality. Also, the problem of asymmetric information levels will become higher when the number of analysts for a company is low, so the problem of conflicts of interest become increases and dividend expense is not encouraged to restrain the problem of underinvestment. The firms that are audited by the Big 4 accounting firms seem to pay more dividends to shareholders. This is confirmed with Mitton (2004), Alen et al. (2000). Moreover, some works assert that, when the external control of the firms is a big four auditor (KPMJ, E&Y, Deloitte and PWH) that guaranty for the investors that the level of the asymmetric information is very low and the managers’ public the true information about their firms. The dividend payment is a signal of a firm’s quality, so firms when paying and increasing their dividend to shareholders often want to prove their high quality.

The coefficient of government ownership is negatively significant with all our catering proxies (dividend premium, modified dividend premium and the market to book). This suggests that investors demand a lower dividend from firms with a board composed of a government ownership. Moreover, the ownership concentration is positively significant with the modified dividend premium. This suggests that investor preference for dividend manifest more strongly in firms with high ownership concentration than firms with low ownership concentration. Furthermore, the firms with a high level of ownership
concentration should pay a high level of dividends. Furthermore, firm’s with higher ownership concentration pays a lower dividend. It is the sense that largest shareholders do not actively use dividends to control potential free cash flow problems. Contrary to what the monitoring, Faccio et al. (2001) affirm that the prevailing source of agency conflicts seems to be the diverting interests of the majority and minority shareholders. Furthermore, the government ownership may play a role in the dividend payment decision by decreasing corporate control level. Therefore, the government, which is usually a large shareholder, will act for the benefit of the minority shareholders, reducing the agency conflict.

Table 4 asserts the principal results of the relationship between entrenchment of managers’ phase and both dividend policy, investor sentiment. Moreover, the phase one explains the neutral strategy of valorization and increases the value of firms by managers. Phase two explains the offensive strategy to limit the control of shareholders by managers. Finally, Phase three explains the defensive strategy of consumption by the managers of firms. Rooting is for managers to value their presence in the company by making their revocation expensive and reducing their risk of replacement. The objectives (first) of leaders, according to this theory, are to make it costly for the company to replace them, which allows them to increase their powers and their discretionary space (hence the term “rooting”). Managers improve performance indicators in the short term. They hasten to divulge favorable news and delay the disclosure of adverse information. They mimic the best-known leaders and differentiate themselves from the poor performers. Entrenchment, under its many facets, is generating various effects. Indeed, the authors, who contributed to the development of this strategy, predict contradictory effects on the firm’s performance. On the one hand, a positive impact if it is an alignment of management interests shareholders. On

|            | Dividend | Sentiment |
|------------|----------|-----------|
| CC         | 0.444    | -0.161    |
|            | 0.834    | 0.019*    |
| ENR PHASE  | 0.035    | 0.001     |
|            | 0.680    | 0.647     |
| MAND       | 0.383    | 0.011     |
|            | 0.077*** | 0.091***  |
| AGE        | 0.230    | 0.094     |
|            | 0.846    | 0.843     |
| SENI       | -0.751   | 0.009     |
|            | 0.317    | 0.843     |
| ROA        | 1.551    | 0.005     |
|            | 0.003*   | 0.679     |
| ROE        | 0.0718   | 0.006     |
|            | 0.280    | 0.690     |
| MTB        | -0.001   | -0.000    |
|            | 0.896    | 0.942     |
| DUAL       | -0.119   | 0.004     |
|            | 0.208    | 0.406     |
| CHI2       | 16.75    | 1.35      |
| P. H       | 0.012    | 0.012     |
| P. LRE     | 0.000    | 1.000     |
| P. MW      | 0.000    | 0.000     |

Notes: *p < 0.1%; **p < 0.05%; ***p < 0.01%
the other hand, a negative impact as it presents conflicts of interest between leaders and activists. The corporate governance system helps resolve conflicts (Ulupinar, 2018; Jie et al., 2019; Seyed, 2019; Salas Jesus, 2010; Aubert et al., 2014; Vishaal, 2014).

The concept of governance refers directly to the influence of strategic decisions on the value of the company. The rooting theory is part of the problem of corporate governance. The entrenchment strategies developed by the managers aim to increase their discretionary space by using the means at their disposal and consequently to increase the dependency of the shareholders and the resources they control and to neutralize the control systems. Related to the opportunism phase as a pejorative view of the leader’s behavior. The rooting of a leader should then describe his attachment to the company. The definitions of rooting proposed by the majority of writers generally describe the desire to take root as stemming from a search for personal interest to the detriment of shareholder interests. According to these different definitions, attachment to society is established to maintain “power,” to remain in office, to increase its benefits: means for the leader to implement his opportunism. Opportunism is also defined as a “tactic or policy of those who, to reach the goal more surely, take advantage of the opportune circumstances by compromising with their principles”. To limit oneself is to adopt a “negative” conception of individuals (Jin, 2014; Elyas and Ling, 2015; Zhan and Erik, 2016). Galindo et al. (2018) indicated that the digital transformations inherent to the innovation process generated by entrepreneurship to enhance value creation are a factor to be considered, as are the digital dividends they generate.

**Conclusion**

This study is built upon the predictions of both the catering theory of dividends and dividend decision, and contributes to the somewhat sparse empirical literature towards understanding the implications of investor sentiment by examining the moderating role played by the entrenchment of managers and corporate governance mechanism, using a sample of large quoted firms in the Tunisia stock exchange. In fact, our research makes a further check to see which manager’s entrenchment moderate dividend payout and investor sentiment. This idea has not been accounted for in previous studies, either theoretically or empirically, but our findings corroborate that the way in which investors appreciate dividend payments and the incentives of the companies to satisfy these desires depends on the firm’s degree of managerial entrenchment, ownership structure, the board of director composition, some characteristics of the firm. The results of the empirical analysis reveal, in the first place, that the decision to distribute dividend by firms depends on the managers’ degree of entrenchment investor preference for dividend-paying stocks translates into lower payout ratios in those firms with high levels of managerial ownership. Second, investor sentiment is positively impacted by those firms with a high degree of entrenchment managers, for which investors manifest weaker expectations about receiving higher dividends. This document provides evidence of Baker and Wurgler’s (2002) proposed a new dividend theory; *dividend catering theory*, used dividend premium that a proxy of investor sentiment. Even though the results indicate that Tunisian investors react to the firms with a high degree of managers’ entrenchment. Moreover, investors in Tunisia show their preference for dividend to self-control and satisfaction and increase their profit especially in abnormal economic situations explained by the Tunisian political crisis. The originality and value of our paper is to investigate both the importance role of the entrenchment and cycle life of manager on the decision to distribute dividend and the investor sentiment. The absence and paucity of literature and empirical article investigated the relationship between dividend policy, investor sentiment and managers’ entrenchment is the principal motivation...
factor to elaborate on our article. Moreover, our problems can be a reference for future investigation talking about the managers’ psychology like opportunism.

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Further reading

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