Association between Corporate Governance and Corporate Performance in Iran

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Abstract

Purpose – Considering corporate companies that are continually growing and bearing in mind the theory of agency, how confident can stakeholders be about their benefits in relation to managers'decisions? Previous research has indicated that the type of corporate governance can have an effective impact on companies' performance. The current study aims to investigate the impact of ownership structure on listed companies on the Tehran Stock Exchange.

Research Design, Data, and Methodology – Through use of the correlation coefficient, the results indicate a positive correlation among the percentage of common stock held by board members, the percentage of non-executive board members, and separation of the positions of chairperson of the board of directors and managing director.

Results – Based on the return on assets index, only the correlation between the proportion of ownership of the managing director and financial investment company ownership is significant.

Conclusion –Managers can potentially make decisions that benefit themselves but are detrimental to shareholders' interests. Corporate governance is a factor that can mitigate agency costs. Corporate governance comprises the laws, regulations, structures, processes, cultures, and systems that lead to the achievement of objectives such as accountability, transparency, justice, and stakeholders' rights.

Keywords : Corporate Governance, Board Ownership, Tobin's Q, Corporate Performance.

JEL Classifications : D71, E 22, E32.

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1. Introduction

Economists, for many years in the past, have hypothesized that all the corporate related to a specific company work for a common goal. However, in the past 30 years many conflicting interest have been mentioned among the groups, and the way on which the companies confronted with these conflicts (Jensen and Meckling, 1976).

Considering ever growing corporate, coming into mind the agency theory, and expanding the broad duties, the question may arise that: managers, who are not the owner of the total company, how do they sustain stockholder's interest? In fact, how do they guarantee that they can consider and sustain the interest of different stockholders (i.e., clients, major stockholders and minor stockholders)? All these contradictions between the management group and ownership, as a whole, are investigated as general theory of representation in management accounting.

The agency relationship is an agreement, which based on the owner appoint his agency. In agency relationships, the purposes of the owners are to increase the amount of capital. Thus, they monitor the agent work and evaluate his performance.

This act worried the owners to the end that the owner, for the sake of assurance of optimum allocation of resources by managers, tried to evaluate the managers'performance through the time. It got obvious that some of the managers' decisions caused squandering resources, and as a result, mitigation of the owners for tune would be happen. The managers always were seeking a way to increase their fortune and assure the lords that their decision is in harmony with their interests.

2. Literature Review

Most research about the relationship between the ownership structure and corporate performance has rooted in agency theory. Disintegration of ownership from management and corporate performance has caused some problems for the agency and produced confliction between management and ownership (Jensen and Meckling, 1976 Shleifer and Vishny, 1997).

Morck et al. (1988) focused on the relationship between ownership and public corporate performance. They have used Tobin's Q index as the criterion for performance evaluation. Their findings have demonstrated that there is no relationship

between performance and the structure of ownership.

Fosberg (1989) indicates that there is no relationship between the number of non-duty managers and different criteria for their performance. Baysinger and Butler (1985), conducted a study using the criteria for measuring Tobin's Q performance concluded that there is a positive relationship between the ratio of non-duty managers and the independency of board of director and the company performance.

Loderer and Martin (1997). by using Tobin's Q as the performance-measuring tool, seek to answer this question whether by increasing the percentage of ownership and management, performance also increase or no? Their findings indicated no evidence that larger managerial ownership boosts performance. Their findings also indicated that the performance has a negative impact on the ownership of the managers.

Cho (1998) investigated the relationship between ownership and performance domestic based on cause and effect phenomenon. He confirms a reverse way causality relationship between ownership and performance. He focuses on the hypothesis that insider ownership affects investment (capital expenditure, R&D), which in turn affects corporate performance (Tobin's Q). The findings of this research indicate that there is a positive relationship between insider investment and the value of the company.

Postma et al. (2000) investigated the relationship between the board of director characteristics, supreme management team, and the performance of stock market in Amsterdam. Their finding indicated that there is no relationship between the non-executive members and the company performance.

Faccio and Lasfer (2000) investigated the relationship between managerial ownership, the structure of the board of director, and the value of the firm. The independent variables .the results demonstrated that there is no relationship between managerial ownership and firm value.

Demsetz and Villalonga (2001) also address about the performance-ownership relationship by using a simultaneous equations model. They show no statistical relationship between managerial ownership or top 5 shareholders'ownership and performance. Rather, they similar to Loderer and Martin (1997), find a significant negative influence of performance (Tobin's Q or ROA) on managerial ownership or ownership of top 5 shareholders.

Coles et al. (2001) examined the impact of managerial ownership mechanism on its performance. Their findings indicated that there is a significant positive relationship between non-members of board of director and their performance.

Beni and Efrat (2004) find that Tobin's Q is maximized when control group vote reaches 67%. This evidence is strong when ownership structure is treated as exogenous and weak when it is considered endogenous.

Chidambaran and Ivan (2005) found that positive changes in the element of corporate (i.e., the board of director, sensitivity in payments and stockholders rights) lead to improvement in its performance.

Tesaia and Gu (2007) investigated the relationship between ownership of a company and its performance. This research indicated that financial investment companies help to mitigate the issues of corporate. Financial institutes, also, tend to invest in larger companies with lower financial leverage.

Lefort and Urzua (2008) show that increasing non-executive directors influence the value of the company.

Moody (2009) emphasizes on the importance of corporate governance, especially during a crisis period. Mallin (2007) stated that corporate governance is relevant to all countries, regardless of the country's level of development or the predominant nature of equity ownership. Corporate governance is thus an important topic in a developing country such as Iran.

Corporate governance is concerned with both governance of firms from within (internal governance) and control over firms that are exercised from the outside (external control), such as judiciary control by the state (Fernando, 2009; Mäntysaari, 2005; Rossouw et al., 2002). Internal corporate governance is important, since various firm role players are responsible for the efficient corporate governance or the lack thereof within firms.

3. Research Methodology

The current study covers all listed companies except financial, intermediation, bank and leasers. The criteria for their selection as following:

The company is listed in Tehran Stock Exchange before 2004.

Company financial year ends in the end of the year.

During the research, the fiscal year has not changed.

The company has not experienced installment.

Companies that have positive net asset

Companies, which have complete information on variables, needed for the research model, especially about announcement on annual general assembly. The company stocks is been deals at least three month leading up to the end of the year.

According to the above-mentioned condition, 143 companies, which had the preliminary condition, have been selected. While data reviewed randomly, just 120 samples have been selected as the ultimate sample.

This research is a mixture of descriptive and field study. In this study, after eliminating the dependent and independent variables, the data are analyzed through SPSS. Using regression and estimating correlation coefficient between the dependent and independent variables, and comparing these correlations in cross-sectional and time-series, the research hypotheses have been tested and for future analysis multivariate multiple regressions has been used. In order to analyze regression model of inadequacy model, the test of significant regression coefficient, coefficient of determination, and the statistic value off have been utilized. In order to test our assumption on underlying statistical regression such as homogeneous variance, normality, and independence Kolmogorov-Smirnov test is employed.

4. Experimental Results

The purpose of this research was to explore the relationship between the structure of governance and company's performance based on Tobin's Q and ROA index. In so doing, several hypotheses are postulated.

H1: There is a relationship between the percentage board ownership and performance.

This hypothesis has been investigated by two variables that are outcome and Tobin's Q variable, as a separate function. To this aim, the researchers examined the model fitted as follow:

$$QTOBIN'S_{i,t} \; or \; ROA_{i,t}$$
$$= \beta_0 + \beta_1 BD\_SHARE_{i,t} + \beta_2 DPS_{i,t} + \beta_3 DEBT\_Ratio_{i,t}$$
$$+ \beta_4 INVEST\_Ratio_{i,t} + \beta_5 LOG\_SALES_{i,t} + \beta_6 BD\_SHARE_{i,t}$$
$$\times DPS_{i,t} + \beta_7 BD\_SHARE_{i,t} \times DEBT\_Ratio_{i,t} + \beta_8 BD\_SHARE_{i,t}$$
$$\times INVEST\_Ratio_{i,t} + \beta_9 BD\_SHARE_{i,t} \times LOG\_SALES_{i,t} + \varepsilon_{i,t}$$

Where:

$BD\_SHARE_{i,t}$: The percentage of board ownership in, t, time unit

$DPS_{i,t}$: Dividend per share as control variable

$DEBT\_Ratio_{i,t}$: The ratio of debts to assets at the, t, time as control variable

$INVEST\_Ratio_{i,t}$: The ratio of capital to assets at the, t, time as control variable

$LOG\_SALES_{i,t}$: Logarithm of sales at the, t, time as control variable of size

If independent variables or interaction, then it shows the relationship between the percentage of board ownership and its performance. In other words, the following hypotheses were tested:

$$\begin{cases} H0: \beta_i = 0 & \forall i = 1,6,7,8,9 \\ H1: \beta_i \neq 0 & \exists i = 1,6,7,8,9 \end{cases}$$

The result of ANOVA, with regard to performance evaluation, based on Tobin's Q, showed that there is a statistically significant relationship between them. After removing external variables, by using backward regression model, the following mode with determination coefficient below 38 was obtained.

$$QTOBIN'S_{i,t}$$
$$= 0.0766 + 0.00006DPS_{i,t} + 0.0457DEBT\_Ratio_{i,t}$$
$$+ 0.2419INVEST\_Ratio_{i,t} - 0.0201LOG\_SALES_{i,t}$$
$$+ 0.000001BD\_SHARE_{i,t} \times DPS_{i,t} - 0.0027BD\_SHARE_{i,t}$$
$$\times INVEST\_Ratio_{i,t} + \varepsilon_{i,t}$$

In this model the percentage of board ownership does not have impact on it performance directly, but the interaction among the percentage of ownership and dividend per share, and also interaction between the percentage of board owner ship and investment ratio was significant - thus we can con-clude that the ownership percentage of the board has a positive impact of its performance and it positive influence on the companies with high dividend is high, but investment ratio has a negative impact on performance.

To sum up, based on Tobin's Q index, considering the percentage of ownership, and comparing probability this hypothesis is retained.

This hypothesis, also, examined through ROA index. To fit the regression line according to the condition underlying the establishment of regression, we use the logarithmic of ROA to contain normal remaining, and the remaining is being fixed in variance.

The result of ANOVA, through ROA, shows a significant relationship between the variables. After removing variables, and using backward Regression model, the following model with percent coefficient of determination has been obtained:

$$ROA_{i,t} = 0.018 + 0.00001DPS_{i,t} - 0.031DEBT\_Ratio_{i,t}$$
$$+ 0.003LOG\_SALES_{i,t} + \varepsilon_{i,t}$$

Due to lack of independent variable of the percentage of board ownership or the interaction of this variable, we can mention that the null cannot be rejected in 5 percent and we cannot reject it with 95 percent certainty.

Kolmogorov-Smirnov test does not reject the normal distribution of the remainders) Kolmogorov_Smirnov Z=0.881 p=0.443(, and Durbin-Watson statistic, also mention lack of coefficient

The second hypothesis related to the relationship between the percentage of non-executive directors and the corporate performance as following:

H2: There is a relationship between the percentage of non-executive directors and the corporate performance.

The researcher has been investigated the above-mentioned hypothesis based on Tobin's Q and performance evaluation. To this aim, the researcher has used the model fitted as follow:

$$QTOBIN'S_{i,t} \; or \; ROA_{i,t}$$
$$= \beta_0 + \beta_1 NON\_EXE_{i,t} + \beta_2 DPS_{i,t} + \beta_3 DEBT\_Ratio_{i,t}$$
$$+ \beta_4 INVEST\_Ratio_{i,t} + \beta_5 LOG\_SALES_{i,t} + \beta_6 NON\_EXE_{i,t}$$
$$\times DPS_{i,t} + \beta_7 NON\_EXE_{i,t} \times DEBT\_Ratio_{i,t} + \beta_8 NON\_EXE_{i,t}$$
$$\times INVEST\_Ratio_{i,t} + \beta_9 NON\_EXE_{i,t} \times LOG\_SALES_{i,t} + \varepsilon_{i,t}$$

In this model, if there is independent variable or interaction, then there is a relationship between the percentage of non-executive directors and their performance. In other words, the following hypothesis has been investigated:

$$\begin{cases} H0: \beta_i = 0 & \forall i = 1,6,7,8,9 \\ H1: \beta_i \neq 0 & \exists i = 1,6,7,8,9 \end{cases}$$

The second hypothesis is examined through Tobin's Q index. The result of ANOVA showed a statistically model, which after removing extra variable, and utilizing back word regression, the following model with determination coefficient below 37 has been obtained.

$$\text{QTOBIN'S}_{i,t} =$$
$$= 0.005 + 0.058\text{NON\_EXE}_{i,t} + 0.0001DPS_{i,t}$$
$$+ 0.043DEBT\_Ratio_{i,t} + 0.206INVEST\_RATIO_{i,t}$$
$$- 0.013\,\text{LOG\_SALES}_{i,t} + \varepsilon_{i,t}$$

According to the above-mentioned model, we claim that the percentage non-executive directors havea positive impact on the corporate performance. Thus, based on index related to the percentage of non-executive directors and comparing the probability value (ANOVA F-value=41.67 p-value=0.000), and the test level so, the null is rejected.

Kolmogorov-Smirnov test on the normality of distribution does not reject the remainder (Kolmogorov_Smirnov Z=1.082 p=0.19). Durbin –Watson statistic (D-V=1.575), also, shows lack of solidarity.

The second hypothesis is also examined based on ROA performance Index. In order to process regression line, because of lack of conditions underlying the establishment of regression, we use the logarithmic of ROA to contain normal remaining, and the remaining is being fixed in variance.

The result of ANOVA according to performance evaluation based on ROA, showed significant model on statistics, which after removing extra variables, and using backward regression, the following model with determination coefficient more than 71 percent has been produced.

$$\text{ROA}_{i,t} = 0.018 + 0.00001DPS_{i,t} - 0.031DEBT\_Ratio_{i,t}$$
$$+ 0.003\text{LOG\_SALES}_{i,t} + \varepsilon_{i,t}$$

Due to lack of independent value, the percentage of non-executive directors or interaction between them, the second null hypothesis is accepted.

Kolmogorov-Smirnov test on the normality of distribution does not reject the remainder (Kolmogorov_Smirnov Z=.881 p=0.443). Durbin–Watson statistic (D-V=2.03), also, shows lack of solidarity.

The third hypothesis is related to the separation of the chairperson of board from the chief executive and their impact on the corporate performance.

H3: There is a relationship between separation of the chair of board from the chief executive and their impact on the corporate performance.

$$\text{QTOBIN'S}_{i,t} \text{ or ROA}_{i,t} =$$
$$\beta_0 + \beta_1\,CEO\_CHAIR_{i,t} + \beta_2 DPS_{i,t} + \beta_3 DEBT\_Ratio_{i,t} + \beta_4 INVEST\_Ratio_{i,t}$$
$$\beta_5\text{LOG\_SALES}_{i,t} + \beta_6\text{CEO\_CHAIR}_{i,t} \times DPS_{i,t} + \beta_7\text{CEO\_CHAIR}_{i,t} \times$$
$$DEBT\_Ratio_{i,t} + \beta_8\text{CEO\_CHAIR}_{i,t} \times INVEST\_Ratio_{i,t} + \beta_9\text{CEO\_CHAIR}_{i,t} \times$$
$$\text{LOG\_SALES}_{i,t} + \varepsilon_{i,t}$$

In this model, if there exists an independent variable or interaction, it will indicate that there is a relationship between the separation of the chairman of board from the chief executive and their impact on the corporate performance. In other words,

the following hypothesis has been investigated:

$$\begin{cases} \text{H0:} \ \ \beta_i = 0 & \forall i = 1,6,7,8,9 \\ \text{H1:} \ \ \beta_i \neq 0 & \exists i = 1,6,7,8,9 \end{cases}$$

The result of ANOVA, considering performance evaluation based on Tobin's Q, demonstrated that the model is statistically significant, which after deleting extra variable, by using backward regression, the following model with determination coefficient below 35 percent has been obtained:

$$\text{QTOBIN'S}_{i,t}$$
$$= -0.0269 + 0.1032\,\text{CEO\_CHAIR}_{i,t} + 0.0001DPS_{i,t}$$
$$+ 0.0430DEBT\_Ratio_{i,t} + 0.1941INVEST\_Ratio_{i,t}$$
$$- 0.0188\text{CEO\_CHAIR}_{i,t} \times \text{LOG\_SALES}_{i,t} + \varepsilon_{i,t}$$

In this model, the separation of the chairman of board from the chief executive has directly, influence on the corporate performance. Considering the interaction between the size and separation of the chairman of board from the chief executive, this impact on larger companies is lower, but, as a whole, this separation has a positive impact on the corporation.

Thus, due to the result of ANOVA (F- value=38.8, P-value=0.00) we can reject the null.

The result of ANOVA according to performance evaluation based on ROA, showed significant model on statistics, which after removing extra variables, and using backward regression, the following model with determination coefficient more than 71 percent has been produced.

$$\text{ROA}_{i,t} = 0.018 + 0.00001DPS_{i,t} - 0.031DEBT\_Ratio_{i,t}$$
$$+ 0.003\text{LOG\_SALES}_{i,t} + \varepsilon_{i,t}$$

Due to lack of independent value, separation of the chairmanof board from the chief executive or interaction between them, the third null hypothesis which mentioned there is no relationship between the separation of the chairman of board from the chief executive, and the company performance is accepted.

Kolmogorov–Smirnov test on the normality of distribution does not reject the remainder (Kolmogorov_Smirnov Z=.881 p=0.443). Durbin–Watson statistic (D-V=2.03), also, shows lack of solidarity.

The fourth hypothesis was related to the relationship between the chief executive ownership and the corporate performance.

H4: There is relationship between the chief executive ownership and the corporate performance.

To this aim, we use the fitted model as follow:

$$\text{QTOBIN'S}_{i,t} \text{ or ROA}_{i,t} =$$
$$\beta_0 + \beta_1 CEO\_DUM_{i,t} + \beta_2 DPS_{i,t} + \beta_3 DEBT\_Ratio_{i,t} + \beta_4 INVEST\_Ratio_{i,t} +$$
$$\beta_5\text{LOG\_SALES}_{i,t} + \beta_6 CEO\_DUM_{i,t} \times DPS_{i,t} + \beta_7 CEO\_DUM_{i,t} \times$$
$$DEBT\_Ratio_{i,t} + \beta_8 CEO\_DUM_{i,t} \times INVEST\_Ratio_{i,t} + \beta_9 CEO\_DUM_{i,t} \times$$
$$\text{LOG\_SALES}_{i,t} + \varepsilon_{i,t}$$

In this model, if the exists an independent variable or interaction, it will indicate that there is a relationship between the chief executive ownership and their impact on the corporate performance. In other words, the following hypothesis has been investigated:

$$\begin{cases} \text{H0:} \quad \beta_i = 0 & \forall i = 1,6,7,8,9 \\ \text{H1:} \quad \beta_i \neq 0 & \exists i = 1,6,7,8,9 \end{cases}$$

The result of ANOVA, considering performance evaluation based on Tobin's Q, demonstrated that the model is statistically significant, which after deleting extra variable, by using backward regression, the following model with determination coefficient below 36 percent has been obtained:

$$\begin{aligned} \text{QTOBIN'S}_{i,t} &= 0.068 + 0.014 CEO\_DUM_{i,t} + 0.0001 DPS_{i,t} \\ &+ 0.040 DEBT\_Ratio_{i,t} + 0.201 INVEST\_RATIO_{i,t} \\ &- 0.019 LOG\_SALES_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Due to the existence of independent variable (i.e., the chief executive ownership) the result of ANOVA (F- value=39.43, P-value=0.00) we can reject the null hypothesis that there is no relationship between the chief executive ownership and the corporate performance.

Kolmogorov–Smirnov test on the normality of distribution does not reject the remainder (Kolmogorov_Smirnov Z= 1.082 p=0.192). Durbin–Watson statistic (D-V=1.612), also, shows lack of solidarity.

The fourth hypothesis was, also, examined based on ROA performance Index. In order to process regression line, because of lack of conditions underlying the establishment of regression, we use the logarithmic of ROA to contain normal remaining, and the remaining is being fixed in variance.

The result of ANOVA according to performance evaluation based on ROA, showed significant model on statistics, which after removing extra variables, and using backward regression, the following model with determination coefficient more than 72 percent has been produced.

$$\begin{aligned} ROA_{i,t} &= 0.017 + 0.00001 DPS_{i,t} - 0.030 DEBT\_Ratio_{i,t} \\ &+ 0.003 LOG\_SALES_{i,t} + 0.007 CEO\_DUM_{i,t} \times INVEST\_Ratio_{i,t} \\ &+ \varepsilon_{i,t} \end{aligned}$$

Due to interaction between the ownership variables the fourth null hypothesis which mentioned that there is no relationship between the chief executive ownership and the corporate performance.

Kolmogorov–Smirnov test on the normality of distribution does not reject the remainder (Kolmogorov_Smirnov Z=0.651 p=0.791). Durbin–Watson statistic (D-V=1.99), also, shows lack of solidarity.

Finally, the fifth hypothesis is related to the relationship between the percent ownership of financial institutes and the corporate performance.

H5: There is relationship between the percent ownership of financial institutes and the corporate performance. This hypothesis is also investigated through Tobin's Q and ROA performance evaluation variables. To this aim we use the fitted model as follow:

$$\begin{aligned} \text{QTOBIN'S}_{i,t} \text{ or } \text{ROA}_{i,t} &= \\ \beta_0 + \beta_1 INST\_SHARE_{i,t} + \beta_2 DPS_{i,t} &+ \beta_3 DEBT\_Ratio_{i,t} + \beta_4 INVEST\_Ratio_{i,t} + \\ \beta_5 LOG\_SALES_{i,t} + \beta_6 INST\_SHARE_{i,t} \times DPS_{i,t} &+ \beta_7 INST\_SHARE_{i,t} \times \\ DEBT\_Ratio_{i,t} + \beta_8 INST\_SHARE_{i,t} \times INVEST\_Ratio_{i,t} &+ \beta_9 INST\_SHARE_{i,t} \times \\ LOG\_SALES_{i,t} + \varepsilon_{i,t} \end{aligned}$$

In this model, if an independent variable or interaction, it will indicate the relationship between the percent ownership of financial institutes and the corporate performance. In other words, the following hypothesis has been investigated:

$$\begin{cases} \text{H0:} \quad \beta_i = 0 & \forall i = 1,6,7,8,9 \\ \text{H1:} \quad \beta_i \neq 0 & \exists i = 1,6,7,8,9 \end{cases}$$

The result of ANOVA, considering performance evaluation based on Tobin's Q, demonstrated that the model is statistically significant , which after deleting extra variable, by using backward regression, the following model with determination coefficient below 36 percent has been obtained:

$$\begin{aligned} \text{QTOBIN'S}_{i,t} &= 0.066 + 0.0001 INST\_SHARE_{i,t} \\ &+ 0.00001 DPS_{i,t} + 0.037 DEBT\_Ratio_{i,t} \\ &+ 0.185 INVEST\_RATIO_{i,t} - 0.018 LOG\_SALES_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Due to the existence of independent variable (i.e., the percent ownership of financial institutes) the result of ANOVA (F-value=40.25, P-value=0.00) we can reject the null hypothesis

The result of ANOVA according to performance evaluation based on ROA, showed significant model on statistics, which after removing extra variables, and using backward regression, the following model with determination coefficient more than 73 percent has been produced.

$$\begin{aligned} ROA_{i,t} &= 0.011 + 0.00001 DPS_{i,t} - 0.021 DEBT\_Ratio_{i,t} \\ &+ 0.017 INVEST\_Ratio_{i,t} + 0.003 LOG\_SALES_{i,t} \\ &- 0.00025 INST\_SHARE_{i,t} \times DEBT\_Ratio_{i,t} \\ &+ 0.00003 INST\_SHARE_{i,t} \times LOG\_SALES_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Due to interaction between the ownership variables, the fifth null hypothesis that mentioned there is no relationship between the percent ownership of financial institutes and the corporate performance can be rejected. Kolmogorov–Smirnov test on the normality of distribution does not reject the remainder (Kolmogorov_Smirnov Z=0.829 p=0.498). Durbin –Watson statistic (D-V=2.04), also, shows lack of solidarity.

5. Conclusion

With separation of ownership from management in corporations, directors, as the representative of shareholders, run the company. By forming agency relationship, the conflict of interest between managers and shareholders is caused, which is called the representation problem. This means there is potential for the managers to make decisions that benefit themselves and are against shareholders' benefit. Corporate governance is a factor that can cause the reduction of agency costs. Corporate governance is the laws, regulations, structures, processes, cultures and systems that lead to achieving such objectives as accountability, transparency, justice and stakeholders' rights.

In recent studies, the influence of various aspects of corporate governance on different aspects of financial firms has been considered. In this study, the effect of some types of corporate governance on the performance of companies in Tehran Stock Exchange was investigated. For this purpose, two indicators namely Tobin's Q and ROA were considered, as performance criteria of firms, as dependent variables. The first hypothesis test results indicated that there is a significant relationship between the percentage of board ownership and Tobin's Q yield index. These results correspond with Cho (1998), and Bhagat & Bolton (2008) study results, but are contrary to research results of Loderer & Martin (1997). When this hypothesis was tested, using ROA indicator there was a relationship like that of Loderer, & Martin (1997) and Fernandez & Gomez (2002). In addition, unlike the results of Cho (1998), and Bhagat & Bolton (2008).

In the second hypothesis the effect of variable "the proportion of number of non-executive directors" on performance test results shows that the number of non-executive directors has affected the performance index of Tobin's Q. [similar to Baysinger and Butler (1985); Coles et al. (2001); Bhagat & Bolton (2008); Lefort & Urzua (2008) results and contrary to Fosberg (1989); Postma et al. (2000) results]. But such a relationship with ROA performance indicator was not seen [Similar to Fosberg (1989); Postma et al. (2000); Dehaene et al.(2001) and contrary to Baysinger & Butler (1985); Coles et al. (2001); Bhagat and Bolton (2008); Lefort & Urzua (2008)].

In the third hypothesis, separation of the chairman of board from the chief executive with two performance indicators was dealt with. Results of this hypothesis, like the two previous hypotheses suggest that there is relationship between Tobin's Q performance indicator and corporate governance standard and this relationship is in accordance with the results of Dehaene et al. (2001); Bhagat & Bolton (2008); Yermack,(2004). On the other hand, this hypothesis, similar to two previous hypotheses, with the dependent variable performance related to ROA indicator was not confirmed like the results in Dehaene et al. (2001); Bhagat & Bolton (2008); Yermack (2004) studies.

In the fourth and fifth hypotheses, the effect of chief executive ownership and the percentage of financial institute's ownership on performance indicators were examined. Findings confirm the two recent hypotheses so that the confirmation of the fourth hypothesis with Tobin's Q index and the ROA performance indicator is in accord with research by Loderer & Martin (1997) and contrary to Demsetz & Villalonga (2001). Finally, the confirmation of the fifth hypothesis suggests that the results this hypothesis is in accord with Tesaia & Gu (2007).

The lack of correspondence of the results of this study with some of other studies could be due to heterogeneous sample of firms and economic differences between countries, so it is recommended that in future studies samples in different separated industries and results in each industry separately be analyzed. In addition, it is suggested the effect of macroeconomic factors such as inflation and GDP growth of GNP on the mentioned relationship in this study should be investigated.

Meanwhile, different results of the first three hypotheses, using two performance indicators, in this study can be rooted in the calculated differences of the two indices. Since Tobin's Q, unlike ROA performance indicator, considers the increase in share prices as the output of performance, therefore, regarding the first three hypotheses we conclude that corporate governance factors in these hypotheses (percentage of board of director ownership, number of non-duty members of the board and separation of board of director and the CEO) have been effective in the rising of corporate stock prices. Therefore, it is recommended that in order to complete the discussion, the effect of these factors on the increase of the stock price of the companies should be tested in future studies.

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