Studying the Effects of Corporate Performance on Corporate Governance System

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A R T I C L E   I N F O

A B S T R A C T

The main objective of this study was to examine the effects of corporate performance on the corporate governance performance in 84 manufacturing companies listed in Tehran Stock Exchange for the period of 2008-2013. The sampling was done in systematic elimination method. To test the research hypotheses, correlation method among variables and regression equations have been used through panel data method. To test the significance of the models, F statistics and correlation tests were used. The results show that corporate performance and corporate performance changes influence on the number of the board of directors and the influence of the board of directors. In order to test statistical hypotheses and data analysis, multiple linear regression models using ordinary least squares as well as data analysis with the help of E-Views SPSS statistical software were undertaken. Corporate performance is not effective on the number of non-bound managers, but changes of corporate performance is not effective on the number of non-bound managers.

INTRODUCTION

The term corporate governance was introduced first in the 1980s and its aims was to rethinking in the relationship between shareholders, board and stakeholders. In fact, corporate governance is the relationship between a set of people and institutions which has great influence on the orientation and organizational effectiveness, including shareholders, board, executive management, employees, customers, financial suppliers and financial and legal institutions. The aim of corporate governance application is to observe and apply principles that establishes a proper balance between freedom of management and accountability and respect for the interests of various stakeholders, including observing the rights of shareholders, equitable treatment with shareholders, transparency, responsibility of the board and ethics. Corporate managers are considered as administrators of shareholders; but shareholders have incomplete information on corporate performance. Thus information has an undeniable role in reducing the burden of stewardship. Transparency and proper disclosure that causes reducing the asymmetry is considered as an integral part of the corporate governance system in general. Therefore, based on research conducted, companies that have more transparency, are more valued than other companies at market [4]. A wide range of empirical evidence confirms the fact that companies which have better governance have higher value. To enhance performance, managers should pay attention to business situation (forces existed in the environment), Business Strategy (goals and values), design elements (technology, structure, etc.), culture and business results (output data produced); since corporate performance is the result of using the resources and facilities provided by management that the need to address the performance and how use of resources can be achieved with taking into consideration the elements of corporate governance elements assistant to management and organizational goals. Corporate performance can be measured through efficiency of total assets and return on equity and economic value added and other performance criteria. Return on total assets and other current returns are influenced by accounting net profit that may be affected by net profit recognition by taking into account management measurements and management practices. Among other items affecting net profit are management features and CEO that includes the tenure and the percentage of boards members and other elements of corporate governance. Studying the empirical literature review shows the effect

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of one or more corporate governance mechanisms on firm performance, but the impact of corporate governance mechanisms on firm performance after the initial release is an obscure and unknown field. Hence the initial release provides fertile ground for the study of corporate governance. Therefore, it is essential that researchers perform the required research in this field and seek to answer this question whether corporate performance influence on corporate governance or not?

Theoretical Foundations and Developing Research Hypotheses:
Existing approaches to the financial performance measures:

Since the past, many studies have been done to achieve the appropriate criteria for evaluating the performance of companies and managers in order to ensure alignment of the company movement with the interests of actual investors and a basis for making economic decision of potential investors and creditors. The results achieved from these studies provide four approaches with respect to performance criteria as follows:

1. The accounting approach: In this approach, the figures contained in the financial statements like income, earnings per share, operating cash flow, return on assets and return on equity are used to evaluate performance.

2. Economic approach: according to this approach in which economic concepts are used, business unit performance, with emphasis on the profitability of the company's assets and with respect to return rate and the rate of the cost of capital employed is assessed. Economic Value Added, Modified Economic Value Added and Market Added Value are involved in this group.

3. Integrated approach: In this approach, a combination of accounting and market data are used to evaluate performance is used such as Tobin's Q ratio and price to earnings ratio.

4. Financial management approach: In accordance with this approach, mostly the theories of financial management such as pricing model of capital assets and the concepts related to risk and return. The main emphasis of this approach is the determination of the excess return per share. Choosing an appropriate criterion in line with the investment decisions and measuring the value created by business units is the first step in the way of conducting a business unit. Using a combination of measures to make more informed decisions is recommended.

Corporate Governance system and its criteria:

Corporate governance is the methods used by the directors to determine strategies that causes the company achieves the objectives defined, risk control and optimal use of resources. Corporate governance is the process of monitoring and controlling the performance of the directors so that it guarantees the shareholders' interests. Corporate Governance system is created for providing the possibility to control and shareholders interest balance and as a result reducing the agency conflict [10]. Composition and other characteristics such as the number of board members, members' experience, non-bound members, the number of members with financial education, members' gender and the number of independent board members and existing the institutional investors are the factors related to the quality of corporate governance. The company board position, as the leading agency that has the role of the surveillance of the working executives in order to protect the interests of property owners, has special attention. There are for and against empirical evidences regarding the presence of non-bound managers on the board of companies. From the perspective of agency theory, non-bound managers have the task of monitoring on other board members. Without a regulatory role of non-bound directors, it is possible bound managers misuse their position through the acquisition of complete control of projects related to salaries and benefits and job security [5]. In general, most of the empirical evidence have emphasized on the importance of the role of both the perspective of bound and non-bound directors; since despite the differences between the two groups, capabilities and available services are both essential for the board. Most evidence was directed in support of the regulatory role of non-bound directors [8].

Fama, E. and Jensen, M. [6] maintain that to provide management control by the Board and also separating the responsibility management decisions from decisions control, it is required that the board b composed of both bound and non-bound managers and one of the non-bound managers be presided in the board. Non-bound directors are more motivated to act in order to maximize shareholder wealth, because they are concerned about their reputation in the labor market [14]. Hence, it is expected that a significant positive relationship exists between board composition and profit data content. With regard to the proposed principles, in order to achieve the main objective of this research, we can present the bellows hypotheses:

H1: There is a significant relationship between firm performances by changing in the number of board.

H2: There is a significant relationship between changes in firm performances and changing the number of board.

Non-bound board members are the one who are selected by the owners to monitor the actions of the manager. Based on the study conducted by Fama and Jensen [6], if corporate performance is poor, non-bound board members will be incurred by credit expenses. So this makes them more accurately monitor the manager's performance and corporate governance than other members of the board. Board members can assess the performance of the manager with more independence. Accordingly, more independence of board members will reduce the risk of fraud and impacts on market risk assessed [12]. We can present the bellows hypotheses:

H3: There is a significant relationship between firm performance and changing in the number of non-bound managers.

H4: There is a significant relationship between changing in firm performance and changing in the number of non-bound managers.

Amendment to Article 107 of the Commercial Code adopted in March 1968 has decreed that the number of board members in public companies should be less than 5 persons. According to the literature on corporate governance, small boards are able to exercise more effective control than the large boards because there are fewer communication problems and free ride problem and also greater coordination of members [3]. Hence, it is expected that a significant negative relationship exists between the board size and the information content of interest. we can present the bellows hypotheses:

H5: there is a significant relationship between firm performance and changing in the influence of the board.

H6: there is a significant relationship between firm performance and changing in the influence of the board.

Literature Review:

Results of the study conducted by Abe, N. and Iwasaky, I. in studying corporate governance and performance showed that non-payment of dividends is effective on the management changes. Also, existing major shareholders and foreign investors are effective on manage changes. In studying the effects of corporate governance on firm performance that have been done on 90 companies participated in National Association of Securities Dealers, T. Velnampy *et al* [17] used the Automated Quotations (bid). The results showed that previous negative changes in the company's performance were significantly connected with a decrease in the total number of directors and a reduction in the number of non-bound directors. Of its outcomes is that managers may consider applications for the implementation of governance found in this study.

Aiming to investigate the relationship between corporate governance and accounting measurement of the performance of the companies listed in Tehran Stock Exchange, Ghadrdan *et al* [7] showed that when corporate performance is significantly related to institutional investors, there is no significant relationship between the percentage of board managers and corporate performance. Results of the study done by T. Velnampy [17] in investigating the corporate governance and financial performance of companies listed in Sri Lanka with the use of board structure and company reports to measure corporate governance and return on assets, return on equity and net profit for measuring corporate performance, the results showed that there is the effect of corporate governance on ROA and ROE; thus the effect of the structure of corporate governance on ROA and ROE is higher than the board structure, while the effect of board structure on net income is higher than the company reports.

In a study entitled "accounting conservative and corporate governance mechanisms: Evidence from Tehran Stock Exchange", Javadian *et al* [11] studied 146 companies (year-company) listed in Tehran Stock Exchange in 2001 to 2012 by the unbalanced Panel model. The findings indicated that the relationship between conservatism and corporate governance was not significant; therefore, there was a significant relationship between conservatism and profitability capability.

Results of the study done by Abhay Raja and Hitesh Shah with the aim of showing the mapping of financial performance with regard to corporate governance, and using ROA and ROE variables as functions dependent variables and variable of the board size, duality, board remuneration, the holders of shares or bonds, board's property and the number of independent directors on the board as independent variables indicates the very low effects of corporate governance variables on corporate performance.

Muller *et al.* [13] investigated five features of corporate governance related to simultaneous award and the performance of the year followed in the company measured by ROA and ROE In large groups listed on the London Stock Exchange during 2010 and 2011. The empirical studies show that there is a significant relationship between the basic salaries on non-executive directors, wages paid in stock (sectors) and additional remuneration for board committee membership (as a bonus feature of corporate board) and both current and future financial performance.

Research Method:

This is an applied study and non-experimental-correlational in terms of research method. It is also an Ex-post facto research in terms of data condition. The statistical population includes companies listed in the stock and the sample consisted of 84 non-manufacturing company that are selected based on systematic elimination sampling among stock corporates. The data have been extracted in library methods from annual financial reports from 2008 to 2013. To collect data, Rahavard Novin 3 software, the reports by the board to annual ordinary general meeting of shareholders and the decisions made by the annual ordinary general meeting of shareholders have been used. The data were collected by referring to the reports issued from the last years by the companies listed in Tehran Stock Exchange. To collect data, Rahavard Novin 3 software, the reports of the board given to the annual ordinary general meeting of shareholders and the decisions made by ordinary general meeting of shareholders. To test statistical hypotheses and data analysis, multiple linear regression in ordinary least squares

have been used and the statistical analysis of the data is also performable using SPSS and E-Views statistical software. In this study, the data are collected and analyzed in Excel program and the statistical works related such as regression have been done in E-Views software.

Research Variables and their evaluation:

In this study, based on the assumptions set forth, there are four independent, dependent, moderator and control variables. To assess each variable, economic sign has been used. In each model, enhancement or reduction variables in the performance are main variables. Independent variables include accounting measurement criteria including Return on Assets (ROA), Return on equity (ROE), market measurement criteria including Returns to Shareholders and the price per share to earnings per share ratio (P / E ratios). In addition, changes to the company were reviewed since 2008-2013 which had effects on the composition and structure of the board. The dependent variables include the total number of board members, the number of non-bound directors and the influence of the board (number of executives). Also the moderator variables include the CEO power (the number of CEO's tenure), the power of executive managers (the number of executive managers). Control variables include institutional ownership and company size i.e. sales logarithm.

Research Findings:

In this study, the effects of corporate performance criteria and its changes on corporate governance criteria are investigated. Also, the effects of CEO power and executive managers as intermediate variables on the above relation have also been tested in separate hypotheses. To test research hypotheses, the correlation between variables and regression equations through panel data have also been used. First given the type of the model, cross-sectional and temporal impacts are tested. In the combinational data, the temporal and cross-sectional impacts of data as well as their simultaneous effects have also been tested. In the test of all research hypotheses, given the Chav Test statistics regarding cross-sectional stable effects that its possibility is led than 0.05 and regarding temporal stable effects that its probability is larger than 0.05, cross-sectional stable effects model is preferred. After doing Chav Test and selecting the temporal stable effects model, Housman's Test has been used to choose data test method from two methods namely stable effects and random effects. Given the probability related to the test that is less than 0.05, the random effects are rejected and stable effects have been accepted in the test of all research hypotheses at the confidence level of 95%. Also, the results related to Durbin-Watson's statistics for all models indicates the relative independence of the data.

First Hypothesis Analysis:

The first hypothesis was proposed regarding the study of existing the effects of corporate performance criteria with the number of the boards and is tested using the following model:
(Model 1):

$$\Delta \text{Nod}_{it} = \alpha_i + \alpha_1 \text{Log Sales}_{it} + \alpha_2 \text{Institutional Ownership}_{it} + \alpha_3 ROA_{it} + \alpha_4 ROE_{it} + \alpha_5 P/E_{it} + \varepsilon_{i,t}$$

The results of the main first hypothesis test is presented in Table 1. According to F-statistics and the probability related to it, it can be concluded that the regression equation was significant at 99% confidence level. The modified determination coefficients indicates the amount of the relevance of independent variables and the dependent variable (the number of board). According to Table 1, the modified determination coefficient of the model is 0.98; thus, 98% of the changes of independent variables is explained by this model.

Table 1: Analysis of the main first hypothesis.

Modified determination coefficients	0.986489				
F statistics	417.5156				
Prob	0				
Durbin-Watson statistics	1.718383				
Explanatory variable	Coefficients	SD	T statistics	Probability	Confidence level
Lsale	0.003815	0.001356	2.814233	0.0051	99%
INSOW	-1.20E-05	4.91E-06	-2.4517	0.0146	95%
ROE	3.25E-05	2.47E-25	1.317757	0.1883	Without meaning
ROA	-0.00013	5.55E-05	-2.27479	0.0234	95%
PE	0.000129	3.51E-05	3.663712	0.0003	99%
C	5.106665	0.007826	652.5095	0	99%

Meanwhile, institutional ownership (INSOW) and return on assets (ROA) variables has a probability of less than 0.05. So these variables in the model were significant at the 95% confidence level. But the return on equity (ROE) variable has a probability greater than 0.05. Therefore, this variable is not significant at the 95 percent

confidence level in the model. Thus considering the significance, Return on Assets (ROA) which is the main variable, it can be claimed that there is a significant relationship between Return on Assets (ROA) as a measure of financial performance and the number of boards. Thus, according to the model, the first hypothesis of this study is confirmed.

Analysis of the second hypothesis:

The second hypothesis was proposed regarding the study of existing the effects of corporate performance criteria with the number of boards and is tested using the following model:

(Model 2):

$$\Delta \text{Nod}_{it} = \alpha_i + \alpha_1 \text{Log Sales}_{it} + \alpha_2 \text{Institutional Ownership}_{it} + \alpha_3 ROA_{it} + \alpha_4 ROE_{it} + \alpha_5 P/E_{it} + \alpha_6 \Delta ROA_{it} + \alpha_7 \Delta ROE_{it} + \alpha_8 \Delta P/E_{it} + \alpha_9 \text{CEOPOWE}_{it} + \varepsilon_{i,t}$$

The results of the second hypothesis tests are presented in Table 2. According to F-statistics and the probability related to it, it can be concluded that the regression equation was significant at 99% confidence level.

Table 2: Second hypothesis analysis.

Modified determination coefficients	0.96005				
F statistics	1190.953				
Prob	0				
Durbin-Watson statistics	1.736883				
Explanatory variable	Coefficients	SD	T statistics	Prob	Confidence level
Lsale	0.003739	0.001404	2.663725	0.008	99%
INSOW	-7.81E-06	5.15E-06	-1.51614	0.1303	Without meaning
ROE	1.38E-05	6.07E-05	0.227334	0.8203	Without meaning
ROA	-6.21E-05	9.93E-05	-0.62561	0.5319	Without meaning
PE	7.06E-05	5.07E-05	1.394683	0.1639	Without meaning
DROE	3.46E-05	1.80E-05	2.026029	0.0448	95%
DROA	-8.77E-05	3.98E-05	-2.20294	0.0282	95%
DPE	-3.65E-05	3.36E-05	-1.086999	0.2777	Without meaning
CEOPOWER	8.22E-06	9.16E-05	0.089702	0.9286	Without meaning
C	5.105776	0.00811	629.4688	0	99%

According to test results of the possibility model of variables, variable of sales logarithm (LSale) has a probability of less than 0.01. So this variable in the model is significant at 99% confidence level. But the return on equity (ROE) variable has a probability less than 0.05. Therefore, this variable is significant at the 99 percent confidence level in the model. But, the return on equity (ROE) and Return on Assets (ROA) variables has a probability less than 0.05. Therefore, these variables are significant at the 95 percent confidence level in the model. But the return on equity (ROE) and institutional ownership (INSOW) and return on assets (ROA) variables have the probability is greater than 0.05 than P / E Ratio, the change of P / E (P / E) ratio and the CEO power. Therefore, these variables are not significant at the 95 percent confidence level in the model. However, due to changes in return on equity (ROE), changes in the ratio of P / E (P / E) and changes in return on assets (ROA) which are the main variables in the model, it can be claimed that there is a significant relationship between changes in return on equity (ROE) and changes in return of assets (ROA) as a measure of financial performance and the number of board. Thus, according to the model, the fourth hypothesis of the model is confirmed.

Analysis of the third hypothesis:

The third hypothesis was proposed regarding the study of existing the effects of corporate performance criteria with the number of non-bound boards and is tested using the following model:

(Model 3):

$$\Delta \text{Nood}_{it} = \alpha_i + \alpha_1 \text{Log Sales}_{it} + \alpha_2 \text{Institutional Ownership}_{it} + \alpha_3 ROA_{it} + \alpha_4 ROE_{it} + \alpha_5 P/E_{it} + \varepsilon_{i,t}$$

The results of the main third hypothesis test is presented in Table 3. According to F-statistics and the probability related to it, it can be concluded that the regression equation was significant at 99% confidence level.

According to test results of the possibility model of variables, variable of sales logarithm (LSale) has a probability of less than 0.01. So this variable in the model is significant at 99% confidence level. But the return on equity (ROE) variable has a probability less than 0.05. Therefore, this variable is significant at the 95 percent confidence level in the model. But, the return on equity (ROE) and institutional ownership (INSOW) variables and P / E ratio has a probability greater than 0.05. Therefore, this variable is not significant at the 95 percent

confidence level in the model. Thus considering the significant, return on assets (ROA) which is the main variable, it can be claimed that there is a significant relationship between Return on Assets (ROA) as a measure of financial performance and the number of non-bound boards. Thus, according to the model, the second hypothesis of this study is confirmed.

Table 3: Analysis of the third hypothesis.

Modified determination coefficients			0.844		
F statistics			31.86307		
Prob			0		
Durbin-Watson statistics			1.762772		
Explanatory variable	Coefficients	SD	T statistics	Probability	Confidence level
LSALE	0.437168	0.077423	5.646467	0	99%
INSOW	0.000174	0.000466	0.373171	0.7092	Without meaning
ROE	-1.3E-05	0.000161	-0.08063	0.9358	Without meaning
ROA	-0.00333	0.00169	-1.97191	0.0493	95%
PE	-0.0029	0.000859	-0.3344	0.7383	Without meaning
C	0.573803	0.428912	1.337813	0.1817	Without meaning

Analysis of the forth hypothesis:

The forth hypothesis was proposed regarding the study of existing the effects of corporate performance criteria with the number of non-bound boards and is tested using the following model:
(Model 4)

$$\Delta Nood_{it} = \alpha_i + \alpha_1 \text{Log Sales}_{it} + \alpha_2 \text{Institutional Ownership}_{it} + \alpha_3 ROA_{it} + \alpha_4 ROE_{it} + \alpha_5 P/E_{it} + \alpha_6 \Delta ROA_{it} + \alpha_7 \Delta ROE_{it} + \alpha_8 \Delta P/E_{it} + \alpha_9 CEOPOWE_{it} + \varepsilon_{i,t}$$

The results of the fourth hypothesis tests are presented in Table 4. According to F-statistics and the probability related to it, it can be concluded that the regression equation was significant at 99% confidence level.

Table 4: Forth hypothesis analysis.

Modified determination coefficients			0.801473		
F statistics			42.42605		
Prob			0		
Durbin-Watson statistics			1.78082		
Explanatory variable	Coefficients	SD	T statistics	Prob	Confidence level
LSALE	0.4318	0.105965	4.69063	0.0001	99%
INSOW	7.26E-05	0.000845	0.085981	0.9315	Without meaning
ROE	-0.00038	0.000576	-0.6526	0.5144	Without meaning
ROA	-0.00134	0.00205	-0.65359	0.5137	Without meaning
PE	-0.00119	0.00149	-0.79987	0.4243	Without meaning
DROA	-0.0023	0.00203	-1.13409	0.2574	Without meaning
DROE	0.000305	0.000458	0.665559	0.5061	Without meaning
DPE	0.000438	0.001072	0.408151	0.6834	Without meaning
CEOPOWER	0.005028	0.002869	0.952266	0.405	95%
C	0.584478	0.603073	0.969181	0.333	Without meaning

According to test results of the possibility model of variables, variable of sales logarithm (LSale) has a probability less than 0.01. So this variable in the model is significant at 99% confidence level. Also, CEO POWER variable has a probability less than 0.05, thus this variable is significant at the confidence level of 95%. But the return on equity (ROE), Institutional ownership (INSOW), return on assets (ROA), P / E ratio, changes in return on equity (ROE), return on assets change (ROA) and the variation of the P / E ratio (P / E) have a probability greater than 0.05, therefore, this variable is not significant at the 95 percent confidence level in the model. However, due to changes in return on equity (ROE), changes in the ratio of P / E (P / E) and changes in return on assets (ROA) that are the main variables of the model as well as the probability related to them, it can be claimed that there is no significant relationship between changes in return on equity (ROE), changes in the ratio of P / E (P / E) and changes in return on assets (ROA) as a measure of financial performance and the number of non-bound directors. Thus, according to the model, the fifth hypothesis of this study is not confirmed.

Analysis of the fifth hypothesis:

The fifth hypothesis was proposed regarding the study of existing the effects of corporate performance criteria with the influence of the board and is tested using the following model:
(Model 5):

$$\Delta pob_{it} = \alpha_i + \alpha_1 Log\ Sales_{it} + \alpha_2 Institutional\ Ownership_{it} + \alpha_3 ROA_{it} + \alpha_4 ROE_{it} + \alpha_5 P/E_{it} + \varepsilon_{i,t}$$

The results of the fifth hypothesis tests are presented in Table 5. According to F-statistics and the probability related to it, it can be concluded that the regression equation was significant at 99% confidence level.

Table 5: Analysis of the fifth hypothesis.

Modified determination coefficients	0.970026				
F statistics	0.1586118				
Prob	0				
Modified determination coefficients	1.87272				
F statistics	Coefficients	SD	T statistics	Probability	Confidence level
Lsale	0.259596	0.086628	2.996656	0.0029	99%
INSOW	0.00533	0.000356	14.98078	0	99%
ROE	0.000831	0.000225	3.691498	0.0003	99%
ROA	-0.00095	0.002361	-0.40048	0.689	Without meaning
PE	-0.00135	0.001133	-1.1886	0.2353	Without meaning
C	6.270142	0.48042	13.05136	0	99%

According to test results of the possibility model of variables, variable of sales logarithm (LSale) and institutional ownership (INSOW) has a probability of less than 0.01. So this variable in the model is significant at 99% confidence level. But the return on equity (ROE) variable and P/E ratio has a probability more than 0.05. Therefore, this variable is significant at the 95 percent confidence level in the model.

Analysis of the sixth hypothesis:
The sixth hypothesis was proposed regarding the study of existing the effects of corporate performance criteria changes with the influence of the board and was tested using the following model:
(Model 6)

$$\Delta pob_{it} = \alpha_i + \alpha_1 Log\ Sales_{it} + \alpha_2 Institutional\ Ownership_{it} + \alpha_3 ROA_{it} + \alpha_4 ROE_{it} + \alpha_5 P/E_{it} + \alpha_6 \Delta ROA_{it} + \alpha_7 \Delta ROE_{it} + \alpha_8 \Delta P/E_{it} + \alpha_9 CEOPOWE_{it} + \varepsilon_{i,t}$$

The results of these tests are presented in Table 6. According to F-statistics and the probability related to, it can be concluded that the regression equation was significant at 99% confidence level.

Table 6: Sixth hypothesis analysis.

Modified determination coefficients	0.969472				
F statistics	173.9371				
Prob	0				
Durbin-Watson statistics	1.799848				
Explanatory variable	Coefficients	SD	T statistics	Prob	Confidence level
LSALE	0.181313	0.128617	1.40971	0.1594	Without meaning
INSOW	0.003577	0.000739	4.837193	0	99%
ROE	0.001369	0.000371	3.691625	0.0003	99%
ROA	0.00647	0.00437	1.480528	0.1395	Without meaning
PE	-0.00323	0.001643	-1.96374	0.0502	Without meaning
DROA	-0.000695	0.003061	-3.26956	0.0038	99%
DROE	-0.00035	0.00294	-1.17453	0.2409	Without meaning
DPE	0.001504	0.001097	1.371288	0.171	Without meaning
CEOPOWER	0.015153	0.01235	1.226947	0.2205	Without meaning
C	6.594753	0.741789	8.890337	0	99%

According to the results of testing the model, the probability related to variables, institutional ownership variables (INSOW), return on equity (ROE) variables and changes in ROA (ROA) has a probability of less than 0.01; therefore, these variables are significant at a confidence level of 99% in the model. Also, the variable has a probability of less than 0.05. Therefore, this variable is significant at the 95 percent of confidence level in the model. But the variables of Logarithm of sales (LSale), return on assets (ROA), the P / E ratio, changes in return on equity (ROE), changes in the ratio of P / E (P / E) and the CEO POWER (CEOPOWER) have a probability more than 0.05; therefore, these variables are not significant at the 95 percent confidence level in the model as well as the probability related to them, it can be claimed that there is a significant relationship between changes

in return on assets (ROAΔ) and return on equity (ROE) as a measure of financial performance and the influence of the board. Thus, according to the model, the sixth hypothesis of this study is confirmed.

Discussion, Conclusions and Suggestions:

These are corporate governance structure. The results show that the higher the performance of the company, the more will be the non-bound managers. Given the significance of return on assets (ROA) which is the main variable, it can be argued that there is a positive relationship between Return on Assets (ROA) as a measure of financial performance and the number of non-bound directors. Given the important role of non-bound directors to strengthen the effectiveness of the board, it is necessary to strengthen the performance of the non-bound managers in the composition of the board by providing some solutions. For example, lack of long membership of non-bound managers in board composition, which this issue may taint their independence and reduce their effectiveness.

Management mechanisms, such as the presence of non-bound directors in the board composition of the ownership of institutional investors in the company by monitoring on the quality of data disclosed by the managers motivate their participation in management. Without the regulatory role of non-bound managers, it is possible that bound managers misuse their position through gaining complete control on the projects related to pensions as well as creating job security. According to this theory, the number of non-bound members will reduce the agency costs and increase P/E recovery of the company. It is thus recommended that members of the board be chosen from non-bound managers.

In the third hypothesis, the influence of the board means the number of executive managers. Executive directors are responsible for different parts of the company and are subject to the CEO. Here the impact of company performance as an independent variable on the number of executives were investigated. Given the significance of return on equity (ROE), which is the main variable, it can be argued that there is a positive relationship between the return on equity (ROE), which is a measure of financial performance with the influence of the board. According to the fourth hypothesis, enhancing or reducing the performance are independent variable and is effective on the number of the board. If corporate performance is positively increased, the number of board members may be increased. If the corporate performance is reduced, the total number of board members will be reduced. Given the main variables of changes in Return on Assets (ROAΔ), changes in equity (ΔROE) that are the criteria of financial performance, has a positive relationship with the number of the board. As the results indicate a significant positive relationship between performance and performance changes with the number of board and indicates this issue that the more the performance and its changes, the more the tendency to increase the number of board members. So it is better the number of boards is high to better monitor the tasks of the manager. Because it is possible that the larger board incudes large number of independent boards with valuable expertise.

According to fifth hypothesis, enhancement or reduction in performance are among independent variables and is effective on the number of non-bound managers. Positive performance will increase the number of non-bound managers and the negative performance will reduce the number of non-bound managers or their number will remain the same. Given that the main variables include changes in return on assest (RoAΔ), changes in equity (ΔROE), change of price per share to earnings per share (P / EΔ) as a measure of financial performance, they have negative relationship with the number of non-bound managers. Thus, according to model results, the fifth hypothesis of this study is not confirmed.

In the sixth hypothesis, enhancement of reduction in performance are the independent variables and is effective on the number of executive managers. Negative performance increases the executive managers and positive performance reduces the number of executive managers or they will remain in the same number. Therefore, given the return on equity (ROE) variable, changes in return on asset (RoAΔ), that is one of the main variables of the model, as the criteria of corporate performance evaluation, it can be argued that there is a positive relationship between the (ROE) and (RoAΔ) variables with the influence of the board. Given the results of the model, the sixth hypothesis of this study is confirmed. It is recommended that the member of boards be used in the companies to achieve the better performance and its positive changes which have higher power and influence in terms of both capital and influence on managers.

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