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# Analysis of the Correlation between Corporate Governance and the Economic-Financial Performance of the Economic Entities

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ABSTRACT

Performance is a combination of efficiency and effectiveness. If efficiency is to achieve maximum effects with minimal effort, effectiveness is the quantification of the extent to which the objectives are met. The new economic configuration of commercial transactions, characterized by change and unpredictability, leads to a shift from a reactive approach, based on previous planning and subsequent control, to a dynamic, proactive, characterized by the quantification-action-reaction. The quantification of the performance of the economic entity is carried out with the help of the indicators. The indicator thus becoming a decision support tool that verifies whether the actions taken are registered in the direction approved by the General Meeting of Shareholders and the Board of Directors. Therefore, quantification of performance involves identifying a methodology in which the following components appear as the main directions of action: customers, shareholders, business partners, own staff, various interested audiences, widening the company's responsibility to groups other than shareholders, managers, employees and trade unions, internal processes, quality system, information system. In this paper I propose to analyze the correlation between corporate governance and the performance of economic entities, known to be the fact that economic agents with poor corporate governance have low economic performance (low yield of assets, equity and investments, etc), expose themselves more often the risks (eg stock price volatility of BSE listed companies, low interest rate, etc.). I believe that it is necessary to create a new global governance model that takes into account the organizational and evolving dimension of the entity, but also other partners whose actions can maximize the efficiency, performance or value of the brand, and which puts particular emphasis on creating value or wealth for stakeholders. We need a new policy to maximize shareholders' wealth.

## 1. Introduction

The performance of the economic entity (firm, corporation) is given by the efficiency- effectiveness binomial on the one hand, but also by the way the entity is governed, on the other. The economic-financial performance of the economic entity is measured not to control but to drive and control. Measurement of performance (Robu and all, 2014) results from the need for action and is carried out with the help of indicators in order to satisfy the clients, shareholders, business partners, employees, various categories of audience that increase the responsibility of the entity and other interested categories. In most of the papers it has been shown that there is a strong relationship between corporate governance, the performance and value of the firm (Bebcliuck et al., 2009; Core et al., 2006). The value of the entity can be influenced by corporate governance in two ways. First, a good implementation of corporate governance practices within the entity can lead investors to anticipate raw material prices, and through cash-flows can determine what percentage of the firm's profit can be redirected as a dividend (Ammann et al., 2011). Secondly, corporate governance can reduce the expected return on equity to the extent that audit costs can be reduced, thus lowering the cost of capital (Ammann et al., 2011).

However, it is not clear whether the implementation of corporate governance mechanisms can lead to an increase in company value, as the costs associated with the implementation of corporate governance mechanisms are greater than the benefits (Bruno and Claessens, 2010). In this paper we analyzed the relationship between the corporate governance level of a firm and its value based on the corporate governance indicators used by Govemance Metrics International, comparing 36 companies listed on the Milan stock exchange. In comparison, we used 47 corporate governance attributes, with which we built a corporate governance index (Mărghidanu, 2014). Following the analysis, we identified a positive relationship between the built-in index and the firm's value, measured using the Market-to-Book Ratio

(MBR) indicator. This paper provides an empirical evidence of the correlation between company performance and corporate governance for companies listed on the Milan stock exchange. Using data from listed companies during 2014-2016, we identified a positive relationship between corporate value and corporate governance as measured by a corporate governance index. The link between the two variables is mainly due to the high degree of implementation of corporate governance policies in these companies.

## 2. Literature Review

Corporate governance consists of a set of actions and mechanisms that influence the way a corporation operates. It deals with the wealth and goals of stakeholders. including shareholders, employees, management, banks, board of directors, and the economy as a whole. The primary objective of corporate governance is to achieve maximum wealth for all parties involved and to promote the company's efficiency. Thus, most corporate governance studies start from the idea that a company, the better it is, the more likely it is to get higher performance. The efficiency of corporate governance is an essential element for all economic transactions, especially with respect to economies in transition. One of the methods of assessing the effectiveness of governance is to collect data and to publish it for review by entities external to the company. Unfortunately for emerging economies. in most cases data is not collected, reports are not published, and those that can be accessed are not correlated with reality. One of the elements of monitoring a company's perceptions is the separation of the roles of the CEO and the company's president. In cases where there is no separation of roles. The CEO is also president. This situation is known as the "CEO duality" and raises problems with the prospects of a company because monitoring and evaluating performance is difficult. Most empirical studies that analyze the relationship between "CEO duality" and the performance of an entity have been made by large corporations in America. Judge, W., Naoumova, L, Nadejda, K., (2006) have exhibited consistent evidence suggesting the negative effects of the "CEO duality" on the entity's performance as the big corporations in Russia. Although Russia's law prohibits the CEO from taking over the position of company president, there is evidence that some companies of the latter are allowed to handle the board of directors. There are conflicts of interest that hinder the proper functioning of the company.

Among the many effects of corporate governance on an economic entity, we can also recall the correlation between this and the increase in stock prices. Such an analysis was dealt with by Black. B, Andrei Rachinsky, Inessa Love (2006) on the case of Russia. Another element that can monitor the prospects of a company is a Board of Directors composed in a high proportion of independent directors. In this way, these independent directors can bring superior benefits to the company, being independent of the company's manager. In the case of such an organizational structure, conflicts of interest can be avoided and evaluated more objectively.Regarding the composition of the Board of Directors, non-executive directors may or may not function independently of executive management. Baek.J.S. Jun-Koo Kangb and Kyung Suh Park (2004) demonstrated in their demand the importance of corporate governance in the development of financial markets. The research started from the studies by La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1997. 1998, 1999, 2000), which claimed that differences between the laws of different states explain the differences between the development of financial markets and demonstrate their development can be promoted through better investor protection. To demonstrate these assumptions, economists have tested that corporate governance measures influence the company's performance during an economic crisis. pointing their attention to Korean companies. As the data analysis horizon, economists chose the economic crisis of 1997. The advantage of analyzing a period of crisis, the authors said, is to clearly observe the effects of corporate governance without including information generated by the economic environment, on the value of the firm. Data from 644 listed companies in Korea in November 1997 and December 1998 were used to develop the model. Lise Aaboena, Peter Lindelof. Christopher von Koch and Hans Lofstend (2006) in the paper "Corporate Governance and Performance of Small High Tech Firms in Sweden" included information on management, control and the ability to finance small but innovation-oriented firms (advanced technology firms ) They studied the relationship between corporate governance and the innovation process of companies in Sweden The study started from the idea that with regard to these newly established firms their leadership is decisive in the development process as there are many problems , starting from production, bureaucracy and recruitment management. N. Balasubramanian, Bernard S. Black, and Vikramaditya Khanna (2010) in "The Case Study of India" have also focused their attention on the influence of corporate governance on value A survey was conducted using 370 Indian firms that had central offices in one of the six major cities - Bangalore, Chennai, Hyderabad, Kolkata, Mumbai and New Deli. the composition of the board of directors and the number of independent directors, as well as the existence of the "CEO duality" mentioned above and in the other studies presented.

Another important feature is the practice of the council, focusing on organizational elements (the maximum period in which the council is re-elected - between 3 and 5 years, the minimum number of council meetings per year, etc.). The composition of the Audit Board, the existence of an external auditor as well as the shareholder policy were also considered. Following the aggregation of these elements, a corporate governance index was constructed that was analyzed against sales, stock market capitalization and the ratio of EBIT to turnover. Finally, by drawing up the model, the three economists concluded that, overall, there was a significant influence between the corporate governance index and the company's value on the Indian firms. but in the process of realizing the empirical model, they noticed that there is no significant influence on the value of the company in terms of organizational elements of the company (information on the number of meetings of the board, as well as the period when its members are re-elected). Achim Monica (2012), in her paper "Company Theories and Entrepreneur: Re-evaluations and Prospects", investigates the components and importance of the corporate governance system, national development of Romanian enterprises. Following an empirical study aimed at assessing the performance of the corporate governance system at the Romanian stock market (BVB), he applied the methodology for substantiating a corporate governance score at the level of companies operating on the Romanian stock market. The research highlighted the extent to which the companies listed on the BSE adhere to internationally recognized corporate governance principles and integrated under the Corporate Governance Code of the Bucharest Stock Exchange. The overall results reflect a degree of adoption of around 60% good practice principles for outputs available at the end of 2012. The results have improved markedly since 2009 with the adoption of the Governance Code by the BSE and voluntary requests for companies traded on the regulated market operated by BVB, to align with this code of good corporate practice. Despite all the progress made in this respect, many of the good corporate governance practices of Romanian companies are well below the European average or even below the average for other emerging countries.

**3. Case Study**

In the first part of the case study I will describe the corporate governance data used in the study. In the second part, financial data are chosen as independent variables and can influence the value of the firm.

**3.1 Description of Corporate Governance Variables**

For the construction of the corporate governance index, we have used corporate governance attributes offered by Governance Metrics International (GMI) and those published in specialized articles (Ammann et al., 2011). GMI provides data on corporate governance mechanisms implemented by companies since 2003. Data is collected from US and US outside companies covering MSCI World and MSCI EAFE index. The corporate governance ratings published by GMI are built on a proprietary calculation algorithm. To calculate the rating. GMI uses the information provided by individual corporate governance attributes (Ammann et al., 2011). Starting from these individual corporate governance attributes we built our own corporate governance indices. The starting point in our study is 50 companies listed on the Bourse in Milan, Italy for a period of 3 years (2004-2016). Of the 50 companies, companies operating on the financial intermediation market (banks, insurance companies, etc.) were eliminated. We also removed companies that did not provide the data needed for our study (corporate governance reports or complete annual financial statements), leaving 43 companies. For the construction of the corporate governance index we used 47 corporate governance attributes provided by GMI and used in the literature (Ammann et al., 2011: Aggarwal et al., 2009). These attributes are grouped into six categories: 1) the duties of the Board of Directors; 2) financial information and internal control; 3) shareholders' rights: 4) remuneration of directors: 5) market control and 6) corporate behavior (corporate social responsibility). Table no. 1 shows an overview of the 47 attributes used and the percentage at which the companies surveyed implemented these corporate governance attributes (mechanisms). In comparable studies with ours (using a corporate governance index instead of dummy independent variables that measured certain criteria of corporate governance), 17 (Chhaochharia and Laeven, 2009), 44 (Aggarwal et al ., 2009) and 64 corporate governance attributes (Ammann et al., 2011). The 47 corporate governance attributes were adopted by each company differently. For example, for the first category, the Board of Directors' attributions, nine out of 17 corporate governance attributes have been met by more than 70% of companies. For the second category, financial information and internal control, 3 of the 5 attributes were adopted by more than 60% of companies. For the third category, shareholders' rights, all attributes have been adopted by more than 50% of companies. Of the corporate governance attributes specific to fourth and fifth categories, directors' remuneration and market control, 5 out of 7 attributes were adopted by more than 50% of the companies surveyed. For the last category, corporate social responsibility, 5 out of 7 attributes have been adopted by more than 70% of companies. Comparing the results obtained in this paper with the results obtained in the literature (Ammann et al., 2011; Aggarwal et al., 2009) it can be said that there are similarities.

**Table 1:** List of corporate governance attributes and percentage of firms that meet the requirements for these attributes

| **Individual attributes of corporate governance** | **% companies that meet attributes** |
|---|---|
| **Attributes of the Board of Directors** | |
| 1. Members of the Committee shall be elected annually by all shareholders | 37,21 |
| 2. The new members of the Committee have an official meeting once a year | 41,86 |
| 3. The performance of the Board of Directors feel regularly evaluated | 86,05 |
| 4. The company publishes a code of ethics for executive directors | 55,81 |
| 5. The Board of Directors or other committee is responsible for the succession plan of the CEO | 74,42 |
| 6. The Company has published corporate governance or corporate governance guidelines | 74,42 |
| 7. All executive members of the Board of Directors hold shares after exclusion of options | 39,53 |
| 8. All non-executive members of the Board of Directors hold shares after exclusion of options | 16,80 |
| 9. The Company has the Chairman of the | 72,09 |

| | |
|---|---|
| Board of Directors different from the CEO | |
| 10. All committee members attributed to at least 75% of the sessions | 93,02 |
| 11. The company has appointed a "leader" of non-executive members of the committee | 69,77 |
| 12. The Governing Board is made up entirely of independent members | 79,07 |
| 13. Nr. the shares of directors did not decrease by 10% or more | 34,88 |
| 14. Nr. executives' shares increased by 10% or more | 37,21 |
| 15. The Committee on Corporate Governance respects certain references | 81,4 |
| 16. The Board of Directors has more than 5. but less than 16 members | 83,72 |
| 17. The Committee has more than 50% external independent directors | 34,88 |
| **Informaţii financiare si control intern** | |
| 18. Compania nu a înregistrat pierderi în ultimele trei exerciţii financiare | 60,47 |
| 19. Compania nu a auditat situaţiile financiare in ultimii doi ani fiscali | 11,63 |
| 20. Compania nu este investigată pentru nereguli contabile | 97.67 |
| 21. Comitetul de audit este compus din membri independenţi | 62,79 |
| 22. Altcineva, exceptând CEO. are atribuţii în angajarea auditorilor din exterior | 47,62 |
| **Rights of shareholders** | |
| 23. The result of the votes of the last shareholders' meeting was published in 14 calendar days | 55,81 |
| 24. All ordinary shares held offer one vote. without restrictions | 72,09 |
| 25. The company offers the possibility of confidential voting without restrictions | 79,07 |
| 26. The right to vote may be exercised to hold a percentage of the company's shares | 95,40 |
| **Directors' remuneration** | |
| 27. Non-executive members are paid in cash and a form of compensation through the granting of | 55,81 |
| 28. The company published the expected financial performance for the next fiscal year | 30,23 |
| 29. Non-executive members of the board of directors are paid by shares | 9,30 |
| 30. The CEO has not made a commitment that guarantees certain bonuses | 46,51 |
| 31. The objectives used to determine bonuses are the same as the company's financial targets | 83,72 |
| 32. The CEO is not part of the remuneration committee | 74,42 |
| 33. The remuneration committee shall be composed of independent members | 55.81 |
| **Market control** | |
| 34. The bad company adopted a plan of shareholders' rights ("poison pili") | 37,21 |
| 35. The company does not have separate boards (classified boards) | 95.35 |
| 36. The shareholders 'rights plan was ratified by the shareholders' vote | 53,49 |
| 37. The Company practices fair pricing or price protection in accordance with current legislation | 41,86 |
| 38. The company does not need the supermass of votes to approve a merger | 51,16 |
| 39. There are no shareholders with majority voting power | 53,49 |
| 40. The company accepts cumulative votes in the election of directors | 51.16 |
| **Corporate Behavior (CSR)** | |
| 41. The company has a safety policy at work | 74,42 |
| 42. The Company does not have criminal-related litigation against it | 95,35 |
| 43. The company published its environmental performance | 34.SS |
| 44. The company has published safety reports at the workplace | 34,88 |
| 45. The company is not investigated for irregularities other than accounting | 81,40 |
| 46. The company has not been investigated for workplace breaches in the past 2 years | 97,67 |
| 47. The company has not been investigated for the use of children as a workforce | 100,00 |

**Source:** Own processing

Starting from these corporate governance attributes we assigned the value of 1 each attribute adopted by each company and the value of 0. If that attribute was not adopted or the company did not publish data on how it adopted that attribute. Thus, the first corporate governance index, CGQ, is determined as the percentage of attributes met in the total attributes. If a company meets all the attributes, the value of the index will be 100. This method is similar to that used by (Ammann et al., 2011). For the second index. CGQPCA. we used 14 main attributes of governing attributes (Ammann et al., 2011). These attributes are: the company has appointed a "leader" of non-executive members of the committee; The Board of Directors has more than 5 but less than 16 members; the company has not suffered losses in the last three financial years; the company did not audit the financial statements for the past two fiscal years; committee members are elected annually by all shareholders; all ordinary shares held offer the possibility of a single vote. without restrictions; the right to vote can be exercised without holding a percentage of the company's shares; the company does not have separate boards (classified board): the company does not need the majority of votes to approve a merger; there are no shareholders with majority voting power: the company accepts cumulative votes in the choice of directors: the audit committee is composed of independent members; the committee has more than 50% external independent directors. For the third index, CSRI, we used the 7 attributes specific to the last category of CGQ index. This index was built in the same way as CGQ. namely assigning the value 1 if the attribute was adopted by the company and the value 0 if there were no references to that attribute in the corporate governance reports published by the companies. The three indices, CGQ, CGQPCA and CSRI, are additive indices. The attributes we assigned the value to the construction of the index 1. assumed that they were implemented by the companies, because there was sufficient information on these attributes in the corporate governance reports.

### 3.2 Description of Financial Data

We obtained the financial data from the annual financial statements published on the Milan Stock Exchange website and on the websites of the companies analyzed. It is important to note that in order to be able to measure the value of the company, Market-to-Book (Ammann et al., 2006; Sami et al., 2006; Ratio (MBR). The MBR was calculated as the ratio between market value (stock market capitalization) and book value of equity. In this analysis, we also used other variables that measure company performance:

LNTA **-** the natural logarithm of total assets, measures the size of the firm:
• PGCA **-** sales increase over the last 2 years;
• CASH **-** ratio of company's assets to total assets:
• EPP **-** the ratio of fixed assets to sales revenue;
• EBITR **-** The ratio between EBIT (the result before deducting interest expense and income tax) and sales revenue; LEV **-** the ratio of total debts to total assets;
• ROA -financial return, calculated as the ratio between the net profit and the asset total;

All variables used were denominated in EURO, using the average rate of the year for which the denomination was carried out. For the calculation of stock market capitalization, where the companies did not provide details in the annual financial reports, the average price of the last quotation month (period 01.12 - 31.12) and the number of shares quoted at that time were used. The descriptive statistics on the variables analyzed are reported in Table no. 2. Average and median of the two indices. CGQ and CGQPCA, are 0.604 (0.617), respectively 0.600 (0.643), indicating a distribution symmetry.

**Table 2:** Descriptive statistics of the variables analyzed

| | Mean | Median | Maximum | Minimum | Std. Dev. | Obs |
|---|---|---|---|---|---|---|
| **CASH** | 0.086636 | 0.075610 | 0.308107 | 1.07E-05 | 0.066895 | 126 |
| **CGQ** | 0.604357 | 0.617021 | 0.808511 | 0.319149 | 0,108027 | 126 |
| **CGQPCA** | 0.600340 | 0,642857 | 0.928571 | 0.142857 | 0,154966 | 126 |
| **CGQCONTR*** | 0.579167 | 0,575000 | 0.800000 | 0.250000 | 0,116694 | 126 |
| **CSR** | 0.724996 | 0.714286 | 1.000000 | 0.285714 | 0.173348 | 126 |
| **EBITR** | 0.089538 | 0.102656 | 0.553264 | -1,645718 | 0.218389 | 126 |
| **LNTA** | 7.282883 | 6.599703 | 12.04241 | 3.535145 | 2.170446 | 126 |
| **LEV** | 0.631414 | 0,606516 | 5.704895 | 0.195146 | 0,505507 | 126 |
| **MBR** | 1.549501 | 1.151114 | 7.185708 | -0,11539 | 1,152907 | 126 |
| **PGCA** | 0.035836 | 0,041615 | 0.744546 | -0,713169 | 0,228122 | 126 |
| **PPE** | 0.659438 | 0.229058 | 6.573011 | 0.009578 | 1.220535 | 126 |
| **ROA** | 0.008285 | 0,033860 | 0.376204 | -2,576315 | 0.241145 | 126 |

*CGQCONTR **-** is an index built from the 40 corporate governance attributes that were not included in the CSR

In table no. 3 presents the correlation matrix between the dependent variable, the corporate governance indices and the other independent variables. Between the dependent variable, MBR, and corporate governance indices is a strong positive correlation.

**Table 3:** Matrix of correlation between the variables analyzed

| Correlation | CASH | CGQ | CGQPCA | CGQCONTR | CSR | EBITR | LNTA | LEV | MBR | PGCA | PPE | ROA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CASH | 1.0000 | | | | | | | | | | | |
| CGQ | -0.1351 | 1.0000 | | | | | | | | | | |
| CGQPCA | -0.1743 | 0.7149 | 1.0000 | | | | | | | | | |
| CGQCONTR | -0.1773 | 0.8593 | 0.8156 | 1.0000 | | | | | | | | |
| CSR | -0.2023 | 0.4209 | 0.1996 | 0.3161 | 1.0000 | | | | | | | |
| EBITR | -0.0237 | -0.0471 | 0.1319 | 0.0932 | 0.0491 | 1.0000 | | | | | | |
| LNTA | -0.1242 | 0.1011 | 0.0810 | 02212 | 0.1153 | 0.3325 | 1.0000 | | | | | |
| LEV | 0.0235 | -0.1291 | -0.0925 | -0 1509 | -0.0196 | -0.2155 | -0.0170 | 1.0000 | | | | |
| MBR | **0.1235** | **0.1047** | **0.1671** | **0.0715** | **0.2174** | **0.2675** | **-0.1043** | -0.0343 | 1.0000 | | | |
| PGCA | -0.0157 | -0.1234 | -0.0472 | -0.0648 | -0.0153 | 0.1730 | 0 0737 | -0.0315 | 0.0223 | 1.0000 | | |
| PPE | -0.3078 | 0.0595 | 0.2177 | 0.2322 | 0.0824 | 0.5016 | 0 3595 | -0.0364 | 0.0411 | 0.1099 | 1.0000 | |
| ROA | 0.1573 | -0.0591 | 0.0529 | -0.0279 | -0.0031 | 0.7998 | 0.1252 | -0.1606 | 0.1819 | 0.0733 | 0.0559 | 1.0000 |

Bold correlation coefficients are significant in relation to the variable dependent on a significance regression level of 1%, 5%, 10%.

### 3.3 Equations and Interpretations of the Data Obtained

In table no. 4 are the results of the first test in which we used the first corporate governance index, CGQ. Analyzing the data obtained, one can observe the positive correlation between the value of the firm, measured by the MBR value and the governor index. Also, the CGQ is significantly different from zero for a significance level of 10%. The analyzed model is valid, the value of the F-matched regression model is significant for a significance level of 1%. Also, the coefficients associated with LNTA, EBITR, PPE. ROA and CGQ are significant for a significance level of 1%, 5%, 10%. There is a negative correlation between LNTA (company size) and MBR (firm value), as can be seen in the case of PPE (capital invested in fixed assets). The same negative relationship between the value of the company, its size and the capital invested in fixed assets was also discussed in the literature of the literature (Sami et al., 2011) on the Chinese listed companies.

**Table 4:** Results of the first test

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.624827 | 0.547422 | 1.141400 | 0.2561 |
| LNTA | -0.131479 | 0.050270 | -2.615484 | 0.0101 |
| LEV | 0.279195 | 0.184087 | 1.516645 | 0.1321 |
| EBITR | 4.723659 | 1.230129 | 3.839970 | 0.0002 |
| CASH | 2.196216 | 1.390313 | 1.579656 | 0.1169 |
| PGCA | 0.227783 | 0.476370 | 0.478165 | 0.6334 |
| PPE | -0.250454 | 0.110821 | -2.259974 | 0.0257 |
| ROA | -2.386535 | 0.812475 | -2.937365 | 0.0040 |
| CGQ | 2.100563 | 0.741733 | 2.831968 | 0.0055 |
| R-squared | 0.248165 | | | |
| Adjusted R-squared | 0.182788 | | | |
| F-statistic | 3.795904 | | | |
| Prob(F-statistic) | 0.000192 | | | |

Starting from the specialized studies (Ammann et al 2011, Aggarwal et al., 2009; Chhaockharia and Laeven, 2009), we used a second corporate governance index, CGQPCA, consisting of 14 main variables. To analyze the effects of this corporate governance index on company value, I replaced the first index, CGQ, in the base regression.

**Table 5:** Results of the second test

Dependent Variable: MBR

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| LNTA | -0.121355 | 0.048315 | -2.511744 | 0.0134 |
| LEV | 0.172843 | 0.195637 | 0.883485 | 0.3788 |
| EBITR | 4.695023 | 1.185300 | 3.961043 | 0.0001 |
| CASH | 2.365191 | 1.534535 | 1.541308 | 0.1259 |
| PGCA | -0.166990 | 0.427964 | -0.390195 | 0.6971 |
| PPE | -0.270903 | 0.126254 | -2.145690 | 0.0340 |
| ROA | -2.398182 | 0.903814 | -2.653402 | 0.0091 |
| CGQPCA | 1.388691 | 0.638523 | 2.174850 | 0.0317 |
| C | 1.069697 | 0.561945 | 1.903562 | 0.0594 |
| R-squared | 0.203553 | | | |
| Adjusted R-squared | 0.149095 | | | |
| S.E. of regression | 1.063493 | | | |
| F-statistic | 3.737813 | | | |
| Prob(F-statistic) | 0.000629 | | | |

It can be seen that the corporate governance index CGQPCA is significant and in a positive relationship with the company's performance. LNTA and PPE are also in a negative relationship with the value of the firm. By comparing the results obtained with those obtained from the specialty studies it is observed that they are somewhat similar. According to the results obtained by Ammaim et al. (2011) and Aggarwal et al. (2009) the coefficient of the PPE variable is negative and significant (in the study published by Aggarwal this is insignificant). The LEV coefficient is positive and insignificant, according to the results obtained by Aggarwal et al. (2009). In the study published by Ammann et al. (2011) the LEV coefficient is negative and significant in most of the tests performed.

## 5. Conclusion

In this paper, we analyzed the correlation between corporate governance and the value of the economic entity using the information gathered from the annual financial reports and the corporate governance reports. In our analysis, we used the corporate governance attributes used by other authors (Ammanii et al., 2011; Aggarwall et al., 2009; Chhaochharia and Laeven, 2007; Black et al., 2006) and the data published by Governance Metrics International (GMI) for 42 companies listed on the Bourse in Milan for a period of 3 years. Starting from previous studies. Aggarwall et al. (2009), Chhaochharia and Laeven (2007) and Ammanii et al. (2011) we created three additive indices, using 47 individual co-potent governing attributes using different techniques. First of all I used all the attributes to create an additive index. Secondly, starting from the study by Ammanii et al. (2011) we created an index of 14 attributes considered the main ones. Finally, we investigated how attributes specific to the company's social behavior influence its value. Our results are statistically and economically reflected in the company's value. For most companies surveyed, the costs of implementing corporate governance mechanisms are too low compared to the benefits they have gained, materialized by high cash flows directed at investing at a low cost of capital. In conclusion, for corporate perspectives, the implementation of corporate governance mechanisms should be understood as an opportunity and not as an obligation or a factor generating additional costs. I believe that it is necessary to create a new global governance model that takes into account the organizational and evolving dimension of the entity, but also other partners whose actions can maximize the efficiency, performance or brand value, and put particular emphasis on creating value or wealth for stakeholders.

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