Characteristics of Board of directors and creating Economic Value Added: Evidence from Iran

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KEYWORDS	A B S T R A C T
Characteristics of board of directors; Size of Board of directors; Proportion of outside directors; CEO-chairman Duality; Economic Value Added (EVA).	The purpose of this study is investigation of the Correlation between characteristics of board of directors and Economic Value Added (EVA) in companies listed in Tehran Stock Exchange (TSE). Therefore 80 manufacturing companies were chosen for applying statistical analysis within five years (2005-2009).pooled regression analysis was used to test hypotheses with panel data. The basic hypothesis is on the basis of the relation between characteristics of board of directors as a corporate governance mechanism and EVA. The dependent variable is EVA and independent variables are size of Board of directors, Proportion of outside directors, and CEO-Chairman Duality (CEO: Chief Executive Officer) and control variable is the existence of internal audit. The results show a direct and significant relation between CEO-Chairman Duality with EVA. But there is no significant relation between size of Board of directors, Proportion of outside directors and EVA. The results comply with the previous researches about characteristics of board of directors as a corporate governance mechanism.

Introduction

Beginning of corporate governance via share ownership has a substantial effect on the firm control method and according the owners assigned the firm management to the managers (Hasas Yeganeh, 2005). There are various methods to define corporate governance which are in the spectrum of limited and centralized

definitions to corporate governance and their shareholders trough comprehensive definitions and including responsiveness of corporate against all stockholders and society in total. However, based on a general definition it can be dubbed corporate governance as a system by which a company is governed (Hasas Yeganeh, 2005). Thus in view of shareholders, it is important to valuate manager's performance. A number of papers link corporate governance practices to value of firm (Durnev and Kim, 2005). Most of these researches endorse the significance of level of corporate governance of firm, particularly in countries with feeble legitimate safety for shareholders (Klapper and Love, 2004).

Nowadays economic EVA is known as a prominent mean for assessment of management performance in the world, especially in advance economies by accepting EVA as corporate approach (Sharma and Kumar, 2010). If the market is perfect-efficient and firms could finance in this market, efforts that aim to improve corporate governance are meaningless actions. But it is evidenced that most of capital markets are not perfect-efficient then to promote corporate governance and to augment manager's responsiveness to shareholders, the intervention in the structure of board of directors is necessary. Therefore, we expect a significant relation between characteristics of board and EVA in the firms as a comprehensive measure of management performance since both corporate governance and economic value-added emphasize on the advocating shareholders and value creation. In Iran so far a few of researches have given to consider linkage between board of director features as one of significant mechanisms of corporate governance and EVA as a tool to evaluate the performance. There are rare studies on this relationship on emerging markets. Better governance probebly distinguishes between developed and developing markets (Bebchuk and Hamdani, 2009), and possibly also between various developing markets (Durnev and Fauver, 2007).

Therefore, results of this research can contribute to expand the literature in this area. Thus it is important to consider relation between board characteristics and creation of economic added value. In the research, board characteristics are considered size of Board of directors, proportion of outside directors to all board members, CEO-chairman Duality.

Theoretical Framework

In corporations shareholders has no direct role on the controlling corporate but a board of directors whom are selected by stockholders will run the company. Therefore, In fact, managers are agents that the Boards select them. This linkage between owners and, agents, is called agency relationship (Resain and Asghari, 2007). Separation between ownership and management (control) caused in an institutional problem so called agency problem. One of the basic assumptions of agency theory is that agents and ownership are in interest conflict problem. One of the basic hypotheses of agency theory is that agents and ownership are in interest conflict (Hasas Yeganeh, 2005).

In the agency theory, managers are owner's agent but more often they are attempted and prefer their personal interest (Van-Ness, 2010). In agency hypothesis managers may not always act on interest of shareholders, when ownership is apart from management. In other words, they prefer their interest over owners (Bonazzi and Islam, 2007). Therefore, evaluation of management performance is important for shareholders. They need to ensure that managers or agents follow their benefits and maximize their wealth in the company (Hajiha and Ghasempoor Farhani, 2012). Distinction to chief executive officer and chairman (CEO-chairman Duality), using powerful and influential (members in board and proportion of non-responsible members of the board (outside directors) are arguable in the agency theory (Van-Ness, 2010). Thus evaluation of manager's performance is important in view of shareholders.

Committee of board of directors specifies Reward managers. Board features is an important mechanism of corporate governance that can affect performance managers of the firm. Then a strong board can cause that managers improve firm performance. One of the best performance measures is EVA. Then corporate governance could be paid attention as problem-solving source of manager's bonus. Fair policies and proper remuneration has a substantial role in financial performance growth (Mubbsher et al., 2011). There are different methods for performance evaluation, but financial aspect is more important. Performance evaluation methods from financial aspect have four categories: 1)Methods that use accounting information, including Return On Asset (ROA) and Return On Equity (ROE), for evaluation; 2)Methods that used a combination of accounting and market data to assess companies, like different Tobin's Q ratios or P/E ratio; 3)Ratios that use financial management data, like return per share or abnormal return of stock; 4)Ratios that use economic criteria rather than accounting information, such as Market Value Added (MVA), Refined Economic Value Added (REVA), and Economic Value Added(EVA) (Rasaeian and Asghari, 2007). These groups are largely used by academic and professional community in recent years.EVA indicates flexibility, responsibility, and value creation of management and shows how the firm will be successful in future. EVA links interest, equity capital, net operating profit etc (Girotra and Yadav, 2001)

One of the most profitable Efficiency evaluation criterion and anticipation of firm values is EVA. EVA is influenced by all decisions like investment, profit division, capital return rate, financing, and capital cost rate. EVA shows that firm value directly depends on management (Anvare Rostami et al, 2004).Meanwhile, corporate governance and EVA are basic criteria for firm valuation and these indicators could effect on the financial reports and shares market value (ElMir and Seboui,2008). In agency relationships, the owners aim to maximize their wealth and to obtain this goal, they supervise the agent's performance and evaluate it (Namazi and Kermani, 2008). So the research analyzes the effect of Characteristics of Board of Directors on the creating EVA in listed company in TSE in respect of EVA.

Research Literature

Research of Kumar Naveen and Singh J.P (2013) investigates the connection of board size and predominant shareholders on firm value of listed companies in the Bombay stock exchange (BSE) in India, using linear regression analysis. The sample contains 176 companies between years 2008 and 2009. Tobin's Q was considered as a performance variable. The study shows a negative connection of board size and firm value. (kumar , 2013)

Research of Ujunwa Augustine (2012), investigates the relation between board characteristics and the financial performance of Nigerian companies. Board size, skill, nationality, gender, ethnicity and CEO-chairman separation are parameters of board characteristics. The study uses data from 122 companies in Nigeria from 1991 to 2008. This study shows that board size, CEO-chairman separation and gender have negative relationship with performance, while nationality, ethnicity and the number of board's with a PhD have affirmative relationship with performance. The result of the Intensity test using the similar board attribute for 160 not very large companies revealed that the CEO-chairman separation was affirmatively associated with firm performance, Whereas PhD was not affirmatively associated with firm performance. (Ujunwa, 2012).

Research of Hyun Kim et al. (2012) explores the ifluencess of size of the board of and board participation in strategy on financial performance. And the results revealed that board member's participation in strategy and the numbers of the board's members have an affirmative effect on a financial performance. (Hyun Kim, 2012)

Mentes (2011) has explored the linkage of board size and corporate performance in his research in 120 firms of Turkey Stock Exchange during 6 years (2004 - 2009). He explains that board of directors is the first protective bumper of shareholders right. Dependent variable in this research is board size and independent variable, ROA (return on assets) and EVA. The results of research indicate a positive relationship between ROA and EVA with board size. In addition, the family relationship, social culture, legal structure and ownership focus have a major role in findings of this research. (Mentes, 2011) .

In research of Mubbsher et al. (2011), the relation between corporate governance and financial performance of corporation listed in Pakistan Stock Exchange was examined. Corporate governance as an independent variable includes seven factors: risk management, internal audit, accountability, shareholders structure, board's compensation, dividend methods, and activity sustainability. Financial performance as a Affiliate variable includes three elements: return on equity (ROE), price/earning ratio (P/E), and earning per share (EPS). The conclusion show that shareholders structure, internal audit, responsiveness, and sustainability have direct relation with performance, and reward of board of directors, risk management, and dividend policy have reverse relation with financial performance. (Mubbsher, 2011).

Van-ness et al (2010) have reviewed the director combination and financial performance in Sarbanes –Oxley (SOX) environment. SOX Act of 2002 possibly is one of most significant safety laws influencing corporations since forming of securities exchange commission in 1934. This act was passed in July 2002 in USA to respond to corporate scandals. This law was introduced to control managers behavior and corporate directors. This research examines how the board combination may effects performance in the current SOX space. In this regard,

effect of board combination on criteria of financial function in 185 US firms were explored during 2006-2007. Dependent variables of this research include revenue, return on asset (ROA), financial leverage, market price to book value, free cash flows to Net income. Independent variables include, CEO-COB separation (separation indicates to position in which one person appointed both posts, chief executive officer(CEO) and Chief Officer of boards(COB)), proportion of outside directors, average age of board members, Gender-Diversity (firm with a larger dimension of women to all members of boards), Average board tenure, Board size, Occupational Expertise . The results of paper indicate that there is no correlation between outside directors, Gender, Average age of board members, and performance. Also, there is a correlation between Duality, Occupational expertise, Board size, and, Board tenure with firm financial performance. (Van-ness, 2010).

The research of Alsinawi (2010) offers an empirical investigation of three variables that have an effect on financial performance of 28 corporations listed in Palestine securities Exchange, during 4 years (2005-2008). One of these three Variables is Board of directors themes (CEO-Chairman duality, and Board size). The conclusions of the paper indicate that the CEO-Chairman separation has a fundamental effect on the financial function. This paper finds out that the Board size has a essential negative effect on finance Performance (Alsinawi, 2010).

El mir and Seboui (2008) also reviewed corporate governance and the linkage between EVA and created shareholder value. In this research 4 cases have been taken as general mechanism of corporate governance including: Board of directors characteristics (number of meeting for the board of directors, restitution committee, the number of meeting for the restitution committee, Candidacy committee, the number of meeting for the Candidacy committee, board size, rate of board

included of outside director, and managers Entrenchment), Auditors quality, Ownership structure, and Compensation mix. The research concludes that several corporate governance mechanisms like board independence, experience and reputation of auditors, ownership structure and stock-option assignment are essential and impressive to explaining in the relationship between created shareholder value (CSV) and EVA. (El mir etal, 2008)

In the research of YammeeSri and Kanthi (2008) the effect of board composition on the EVA has been explored in 245 Thailand companies. The research concludes that taking non-executive managers in the board is not effective on the firm value increase. In another research the results showed the education and board members expertise and differentiation of board chairmanship position and managing director has not effect on the increase of firm value. (Yammeessri, 2008).

Ho and Williams (2003) reviewsed the relationship between board attributes and firm effectiveness for a specimen of 286 South Africa (84 firms), Sweden (94 firms), and the UK (108 firms). Board attributes are board configuration, managerial shareholder, separation of CEO and Chairman posts and the number of board members and performance is determined as the effectiveness of value added. Findings show linkage between board features and effectiveness of value added. Eventually, the research analyzed the linkage between board features and corporate performance. While general findings from studies using U.S. data, the empirical analysis as a whole did not identify persistent meaningful connection between the four board features and corporate performance among the three nations . However, each of board attributes was found to effect corporate performance in detached items. (Ho, 2003) .

In Iranian context there are also some related researches. For instance, Bavandpoor's research (2010) investigated corporate governance effect on the listed firm's performance in TSE. His results showed that there is an affirmative link between institutional investor's proportion and firm performance, but between large stockholder, outside directors, and firm performance there is no effective coherence. In the research by Izadinia and Rasaeian (2010) the coherence between corporate governance mechanism tools and economical and financial criteria of performance and governance was investigated. Percentage of Outside directors and institutional shareholders percentage were considered as corporate governance mechanisms, and ROA, Q Tobin ratio, ROE, and market value added as performance evaluation criterion. The results showed that there was an affirmative linkage between corporate governance and ROA, Q Tobin, ROE, and market value added. Heydarian Chali (2009) studied the linkage between several corporate governance mechanisms and profit quality of corporations in TSE. The conclusion showed that there was a relationship between ratio of outside directors, CEO-chairman separation and profit quality.

Method
Hypotheses

The initial question of this research is that "is there a significant connection between Board of Directors Characteristics and EVA in Iranian context?" according to respond to this question, the hypotheses are provided below:

1) There is a significant relationship between size of board of directors (SBD) and EVA;

2) There is a significant relationship between Proportion of outside directors (OBD) and EVA;

3) There is a significant relationship between CEO-chairman duality (DBD) and EVA. (CEO: Chief Executive Officer)

2.2 Research variables and model

In the research like previous researches (Emir and Sebui, 2008; Van-Ness, 2010; Mubbsher et al., 2011; Kumar and Singh

J.P, 2013), size of board of directors (SBD), Proportion of outside directors (OBD), and CEO-chairman Duality (DBD) have been taken as independent variables, we also used EVA measure as a dependent variable and the internal audit entity (IA) as control variable. Internal auditor is one of the internal governance mechanisms and one of the tools of board of directors to access goals of shareholders (Fakharian, 2010). Value added role of internal audit and its effect on manager's performance were tested in previous researches. Their results show that internal auditor creates value added and improves performance of managers. Furthermore, a recent research in Iranian context indicates that quality of IA can affect the timeliness of independent audit; it implies that IA is a critical factor of performance of a firm in a modern approach (Hajiha and Rafiee, 2011). Therefore, we controlled the effect of this variable on EVA..

Size of board of directors (SBD): In the research number of board members has been taken as a criticism to measure SBD.

Proportion of outside directors (OBD): Under definition of regulation draft of corporate governance rules issued by Tehran Stock Exchange (TSE), outside director is a part-time member of board who has no executive responsibility in the firm. In this research, proportion of outside directors has been obtained by dividing number of outside director's members to all number of board members.

Duality of board of directors (DBD): According to definition of regulation draft of TSE corporate governance rules, one member of board should not be chairman and Chief Executive Officer simultaneously.

Economic Value Added (EVA): In this research, EVA is dependent variable. EVA indicates whether operational profit is enough for cost of capital, or not. EVA is net operating profit minus the cost of capital and tax (NOPAT):

$$EVA = NOPAT - (\text{Cost of Capital} \times \text{Capital employed})$$

[1]

$$EVA = \text{Net operating profit–tax} - (\text{Capital} \times \text{Cost of Capital})$$

[2]

If we consider return rate as ratio of NOPAT to capital, we have:

$$EVA = (r - c) \times \text{Capital}$$

[3]

$$EVA = (\text{Capital return rate} - \text{cost of Capital rate}) \times \text{Capital}$$

[4]

Only those companies with return more than capital cost rate average, have a positive EVA. In other words, if net profit of a company is more than capital opportunity cost, company value and wealth of shareholders will increase. EVA shows that company value directly depends on management performance, while other measurement criteria of performance cannot do this action (Rahnamye Rudposhti and Jalili, 2008). According to relation (4) we have:

$$r = \frac{NOPAT}{Capital}$$

[5]

$$c = w_d k_d + w_e k_e$$

[6]

in which:

wd: debit weight

kd: cost of debit

we: common stock weight

ke: common stock cost

$$c = (\frac{D}{D+E})Y(1-T) + (\frac{E}{D+E})(\frac{D_0}{P_0} \times 100)$$

[7]

in which:

D: total of interest-bearing dept

E: market value of shares

Y: bank interest rate = 18%

T: tax rate = 22.5%

P0: market stock price

D0: divided

Regarding to hypotheses and variables of this research, the research model is:

$$EVA = \beta 0 + \beta 1(SBD) + \beta 2(OBD) + \beta 3(DBD) + \beta 4(IA) + \varepsilon \ [8]$$

In model (8), EVA is the dependent variable. Independent variables are SBD, OBD, and DBD. Internal auditor (IA) is control variable, which is 0 or 1 as a dummy variable. β is a constant factor and ε is error factor.

Required information about EVA, characteristics of board of directors, and internal auditor were provided from software extracted from the formal website of TSE.

Population and Sample

Statistical population includes manufacturing companies listed in TSE with the following constraints:

Corporation was a member of TSE during 2005-2009.

In terms of increase comparability, their fiscal year ends in March. Required data for research variable can be available. Finally, 80 companies with the above conditions were selected as a research sample.

Results

Theoretical model and hypotheses were examined by multi-variable regression. The results of descriptive statistics of independent and explanatory variables are as follows. Table 1 and 2 provides detailed statistics for our variables applied in the tests. To test the hypotheses we used cross sectional and panel data techniques. To achieve the research goals, EVAs for sample companies were calculated. The result indicates that EVA has a negative

skewness and positive kurtosis with mean of 15775.10, median of 6903.8, standard deviation of 97265.792, and variance of 9460634352.862 Deviation of skewness and kurtosis factors are greater than absolute of 1.96, therefore, the distribution is not symmetric. Negative skewness reveals that the farthest observation from central indices is located in the left domain of scale. Positive kurtosis indicated that compression around central indices is more than that of a normal distribution.

SBD has a positive skewness and a positive kurtosis with mean of 6.105, median of 6, standard deviation of 0.721, and variance of0.520. Deviation of skewness and kurtosis factors are greater than absolute of 1.96, and then the distribution is not symmetric. Namely, the distribution deviates from normal distribution.

OBD has a negative skewness and a positive kurtosis with mean of 0.544, median of 0.600, standard deviation of 0.190, and variance of 0.036. Deviation of skewness and kurtosis factors are greater than absolute of 1.96, and then the distribution is not symmetric. Namely, the distribution deviates from normal distribution.

Table 2 indicates that in 96% percentage of companies, CEO and Chairman are seperated .

The table 3 shows descriptive statistics of dependent variables. There are 75 firm-year observations with internal auditor and 325 without it. Data are demonstrated in table 3.

Hypotheses Testing

Given that in the present research, the information has been gathered from a specimen of accepted corporations in TSE for a few years. And research aims to test hypothesis and evaluate EVA model based on board of director's characteristics in:

Independent variables(SBD, OBD, DBD) and Internal Audit (IA) as a control variable effect over dependent variable EVA. Thus required test is appropriate with regression analysis problem. Regarding to being temporal and fragmental, regression analysis has been used in this research. In the analysis with compositional data, this model has been evaluated based on the temporal a fragmental data. Statistical tests show that the studied variables distribution is not normal. As variables of research distribution are not normal, but because of big sample volume and central limit theorem in statistics, we could take the variables normal.

Theoretical model and research hypotheses, recording to general variable of corporate governance managerial mechanism were explored at first during a multivariate model and then in the sub main models with compositional regression analysis and regarding to general mechanism, Internal audit entity.

One main model and 3 sub main models have been explored to test research hypothesis. In the main model, 3 indicators are independent variables: SBD, OBD and DBD, and control variable of internal audit entity (IA) have been entered into the descriptive variables.

Model consideration with chaw test shows that width of origins equality has been rejected and fitted effects model is relevant (Aflatooni and Nikbakht, 2011). Model consideration with incidental and fixed effects has protected the relevance of incidental effects model. Thus, final model has been evaluated with compositional recursion of incidental effect. Durbin-Watson statistic supported autocorrelation (Fotoohi and Asghari, 2004). f statistic and calculated significance level indicates that at least one of the detailed variables has a linear correlation with the EVA. t Statistic and calculated significance level for DBD and (IA) entity has a enough power to

reject absence of direct effect. But t statistic and calculated significance level for variables such as SBD, OBD has no enough intensity to disclaim absence of direct effect. Hence in a multiple regression model the following variables have been accepted:

R^2 is 217% which shows more than 22% EVA changes is stated by 4 model descriptive variables which is low ratio. Thus it could be accepted that in general only there is a direct and meaningful linkage between CEO-Chairman Duality and internal audit entity with EVA. The results of this model are depicted in Table 4.

Test of Hypothesis 1:

There is a meaningful linkage between SBD and EVA.

First Hypothesis model: in this model, SBD index has independent variable role. Meanwhile the control variable (IA) has entered in to the model as a descriptive variable.

To reject incidental effect compositional regression, the fixed effect compositional regression has been evaluated. Durbin-Watson statistics has protected autocorrelation absence (Fotoohi and Asghari, 2004). Statistic f and model calculated significance level indicate that at least one of detailed variables has linear correlation with EVA. t statistic and calculated significance level for SBD and t statistics have not enough power to reject direct effect absence. But t statistic and calculated significance level for IA entity have enough power to reject direct effect absence. Therefore in a multiple regression model, the SBD direct effect is not accepted but internal audit entity is accepted. R^2 is 57%. Which indicates that more than 50% of EVA changes is stated by two model descriptive variables.

As a result it can be claimed that there is no signification correlation between SBD and EVA. The details of this model are depicted in Table No5.

Test of Hypothesis 2:

There is a meaningful linkage between OBD and EVA.

Second sub main model: In this model, OBD index of has independent variable role. Meanwhile the control variable (IA) has entered in to the model as a detailed variable.

To reject the fixed effect compositional regression, model of incidental effect compositional regression has been evaluated. Durbin-Watson statistic has protected autocorrelation non-existence (Fotoohi and Asghari, 2004). f statistic and model calculated significance level indicate that at least one of detailed variable has linear correlation with EVA. t statistic and calculated significance level for OBD has not enough power to reject direct effect absence. But t statistic and calculated significance level for IA variable have this power. Therefore in a multiple regression model the direct effect of OBD is not accepted and internal audit entity is accepted. R2 is 15.7% which shows that more than %16 EVA is stated by two model descriptive variables.

As a result it can be claimed that there is no signification correlation between OBD and EVA. The details of this model are depicted in Table No6.

Test of Hypothesis3:

There is a meaningful linkage between DBD and EVA.
Third sub main model: in the model, CEO-Chairman Duality is an independent variable role. In the model, meanwhile,

control variable named IA has been entered in to the model as a detailed variable.

To reject the fixed effect compositional regression, the incidental effect compositional regression model has been evaluated. Durbin-Watson statistics has protected autocorrelation non- existence (Fotoohi and Asghari, 2004). f Statistic and calculated significance level for DBD and IA have enough power to reject non-existence of direct effect. That is their t statistic is bigger than absolute value 1.96 and calculated significance level is smaller than 0.05.Therefore the direct effect of DBD and IA on the EVA is accepted. R2 is 0.211200 which shows that almost 21% EVA is stated by two descriptive variables: DBD and IA.

As a result it can be claimed that there is meaningful and direct correlation between DBD and EVA. The details of this model are depicted in the table 7.

Research hypotheses were tested, using compositional regression analysis test. Among 3 tested hypotheses, one hypothesis was affirmed and two were rejected.

Discussion

In the research, the relationship between Characteristics of Board of Directors as a corporate governance mechanism and EVA as a new performance evolution criteria is explored.

Either variables of the research were considered in two models. In the first model all main variables were considered by intervention of control variable IA and there was a direct and significant relationship between DBD and EVA but there was not any relationship between SBD and OBD with EVA. In the second model, either variables: SBD, OBD and DBD were considered with intervention of IA separately and the results of tests show a

Table.1 Deceptive statistics for interval scale variables

Variables	Number	Mean	median	Std. deviation	Variance	Skewness	Kurtosis	Deviation coeffient	
								Skewness	Kurtosis
EVA	400	15775.1	6903.8	97265.792	9460634352.862	-2.449	34.607	-20.067	142.157
SBD	400	6.105	6	0.721	0.520	1.612	4.209	13.210	17.288
OBD	400	0.544	0.600	0.190	0.036	-0.293	0.620	-2.402	2.456

Table.2 CEO-Chairman duality position in the sample

CEO-Chairman Duality position	Frequency	Frequency	Cumulative Frequency
CEO-Chairman Duality	14	3.5	3.5
Not CEO-Chairman Duality	386	96.5	96.5
Sum	400	100	100

Table.3 Internal audit position in the Sample based on IAs position

Internal audit Year and position		Year					Number
		2005	2006	2007	2008	2009	
Internal audit position	Not Existence of Internal audit	69	69	67	63	57	325
	Existence of Internal audit	11	11	13	17	23	75
Sum		80	80	80	80	80	400

Table.4 Result of multiple regression analysis for test of variables

Dependent variable: EVA , period:5 years , section:80 , number of observations:400						
Variable			value	Standard error	t statistics	sig
β_0	C	Constant	82625.5-2	52198.71	1.582903 -	0.1142
β_1	SBD	Size of board of director	10504.8-7	6678.254	1.572996 -	0.1165
β_2	OBD	Outside directors	5247.877	27850.90	0.188428	0.8506
β_3	DBD	CEO-Chairman Duality	145754.3	28712.33	5.076367	0.0000
β_4	IA	Internal audit existence	105045.9	12284.49	8.551095	0.0000
SSR	S.D.DV	MDV	D-W	S.E	F	R^2
+12E1.93	78718.53	8751.070	1.577622	69989.17	27.43427	0.217414

Table.5 Result of regression analysis for test of size of board of director effect

Dependent variable: EVA , period:5 years , section:80 , number of observations:400						
		Variable	value	Standard error	T	sig
β_0	C	Constant	5095.455	53411.71	0.095400	0.9241
β_1	SBD	Size of board of director	-1789.928	8713.123	-0.205429	0.8374
β_2	IA	Internal audit existence	115238.2	15814.06	7.287070	0.0000
SSR	S.D.DV	MDV	D-W	S.E	F	R^2
+12E1.62	97265.79	15775.10	1.991629	71425.31	5.208975	0.570228

Table.6 Result of regression analysis for test of outside directors effect

Dependent variable: EVA , period:5 years , section:80 , number of observations:400						
		Variable	value	Standard error	T	sig
β_0	C	Constant	-18512.56	17511.44	-1.057170	0.2911
β_1	OBD	outside directors	25290.59	29157.09	0.867391	0.3863
β_2	IA	Internal audit existence	108007.4	12850.04	8.405220	0.0000
SSR	S.D.DV	MDV	D-W	S.E	F	R^2
+12E2.02	77528.47	8171.122	1.600419	71353.37	37.02459	0.157201

Table.7 Result of regression analysis for test of CEO-Chairman Duality effect

Dependent variable: EVA, period:5 years, section:80, number of observations:400						
		Variable	value	Standard	T	sig
β_0	C	Constant	-148862.9	28330.93	-5.254429	0.0000
β_1	DBD	of CEO-Chairman Duality	150745.9	28733.53	5.246340	0.0000
β_2	IA	Internal audit existence	106250.3	12289.18	8.645845	0.0000
SSR	S.D.DV	MDV	D-W	S.E	F	R^2
+12E1.93	78224.30	8513.950	1.580586	69649.24	53.14802	0.211200

positive and significant correlation between DBD with EVA that indicates the importance of CEO-chairman duality as a corporate governance mechanism in Iran business environment, but size of board of directors and outside directors has no significant effect on the value creation. Also IA in all models has the effect which shows the importance of Internal Audit as a governance index. In view of independent auditing, active internal audit circle will promote independent auditing quality and decrease its time and expenditure. The present research results are compatible with Elmir and sebui, (2008), Alsinawi's research (2010), van-Ness (2010), Ujunwa Augustine (2012) and the research of Heydarian chali (2009). These researches reveal that there is a positive correlation between CEO-Chairman Duality and performance.

The present test results show that there is no correlation between size of board of directors and EVA which is not compatible with Hyun Kim et al. (2012), and van-Ness (2010) and mantis's researchs results, in which the positive relationship has been seen between board size and performance and Alsinawi (2010), and Kumar Naveen (2013) in which the negative correlation has been seen between board size and performance. The reason to reject this hypothesis can be: non-efficiency, non-professionality and dependence of board members. According to Iran trade law, number of board members should not be lesser than 5 and the managers may been observed as a tool to form a quorum members of board.

Mean while in the present research there is no relation between Outside Directors with EVA which is not compatible with research results of Elmir and Seboui (2008), Heydarian chali (2009) and Izadinia and Rasaeian (2010) which has seen a positive relationship between OBD and EVA. But it is compatible with van-ness (2010), Yammeessri an Herath (2008) and Bavandpoor's (2010) which have not seen a relationship between OBD and

performance. The reasons to reject this hypothesis may be said as follows: non-responsible managers have no enough strategic and financial knowledge to create value added for shareholders, because they have not sufficient financial resources from corporate than have no necessary motorization to supervise and create value added, simultaneous membership in the board of some corporates or that outside directors really are not independent and somehow are dependent to the corporate.

Automation of this hypothesis, relation between DBD with EVA indicates the relationship of board independence and reduction of agency problem with performance in accepted corporates in IRAN stock exchange. But non-affirmation of relationship hypotheses between SBD and OBD with EVA shows non-relationship of board independence and agency problem increase with performance in accepted corporates in IRAN stock Exchanges.

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