

Structure of Board of Directors and Company's Performance

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Abstract

The formation of shareholders or board of directors' structure is considered as one of important issues of corporate governance that impacts the motivation of managers. We shall consider that the impact of board of directors' ownership structure on the performance and productivity of corporate is a multidimensional and complicated issue. For this reason, we can expect all kinds of conflicts and contradictions of interests among people and groups, including conflict of interest among owners and managers, shareholders and creditors, real and legal shareholders, internal and external shareholders and... In this regard, there are extensive researches about the impact of board of directors' ownership and managers on the performance and the value of a company within different countries and researchers have achieved different results and conflicts. Regarding many researches in this field, this research by using descriptive-analytical method has studied the impact of board of directors' structure and features on the performance of corporate within companies listed in Tehran stock exchange. The results indicate that there is a positive and significant relation among CEO duality and company's performance, also here is no any significant relation between board of directors' adherence and company's performance.

Keywords: board of directors, company's performance, shareholder ownership

1. Introduction

One of the axes of recent changes within the issues of company governance system is the impact of Sarbanes Oxley Act in bolding the supervisory role of internal mechanisms. Sharp division of executive management duties from board of directors' management, bolding the supervisory role of non-executive management and determining their responsibilities area and the necessity of having the knowledge of accounting and financial as one of the job authentication conditions about at least one person of non-executive managers and informing other members from accounting and financial issues, are some of recent changes. Moreover, the role of board of directors' committees (including non-executive managers) about internal controls, relation with internal and independent auditors and ... has become very important and it is completely divided from the duties of executive managers. In Iran, approved business law in 03 May 1932, forms the principle and law framework of existing business. Regarding to its references antiquity, which were highly incomplete, the law has changed some parts of business law including 300 articles after 15 March 1969 approval replacing articles 21 to 94 of business law approved in 1311. It seems the mentioned amendment has not changed the initial basis of business law significantly. Also, within the previous law and the amendment, the duties of board of directors and their duties division are not significantly considered (Sotudeh Tehrani, 2003).

The formation of shareholders or board of directors structure are considered as the hot topics of company's governance that impacts the motivation of managers, therefore, it can influence the efficiency of any company. In past, economists assume that all the groups relating to a corporation are working for a mutual goal but during recent three decades, many interest conflict cases have been presented among groups and the way that companies are facing with such conflicts by economists.

1.1 Necessity of Research

The new aspects of this research can be reviewed in three ways: first, few researches have been done in Iran about the features of board of directors until now; this research is new in the respect. Second, the model for indicating the impact of board of director's structure and features on the performance of company is utilized for

the first time in Iran through this research, it makes this research new as well. Third, this is the first research that is reviewing the structure and the features of board of directors at the same time.

1.2 Research Objectives

The main purpose of this research is to study the impact of board of directors' structure and features on the performance of company within listed companies in Tehran stock exchange and its secondary purposes are:

- 1) Review of the relation among CEO duality and company's performance and the relation among board of directors' adherence and company's performance within listed companies in Tehran stock exchange.
- 2) Identifying the impact of board of directors' structure and features on company's performance within the groups of different industries in Tehran stock exchange and their method of investment in stock market

1.3 Research Questions

- 1- Is there any significant relation between CEO duality and company's performance?
- 2- Is there any significant relation between CEO adherence and company's performance?

1.4 Ownership (Centralization, Composition and Structure)

The centralization of ownership means the major amount of company's shares are belonging to major shareholders of the company and it indicates what percentage of company's shares are in hand of limited number of people. Mahdavi and Meidary (2005) believe that the comparison of concentrated ownership indexes in Iran market with five countries of US, Japan, Germany, China and Czech indicate that the Iran stock market has highly concentrated ownership structure. In addition, Iran similar to Czech, more ownership concentration is more efficient. In other words, minimizing ownership is impacting on efficiency in a negative way.

Ownership structure of a company is significant in different dimensions and it is initially defined based upon two variables including internal shareholders or the shares in hand of internal shareholders and external shareholders. We shall consider that the impact of board of directors' ownership structure on the performance and companies' productivity is a complicated and multidimensional issue. For this reason, we can expect all kinds of interest conflicts among people and groups, including conflict on interests among owners and managers, shareholders and creditors, real and legal shareholders, internal and external shareholders, and ...

1.5 Composition of the Board of Directors and Shareholders Ownership

Many different researches have been done about the impact of board of directors' ownership and managers on the performance and value of a company, and researchers have achieved different results. Among the theories presented based on experts' findings through their researches, the hypotheses of Convergence of interests and management position stability are more significant:

Interests convergence hypothesis: based on such hypothesis, by increasing the size of company, the ownership of company's stock becomes more broader and more dispersed, as a result, the share of managers' ownership will decrease. Therefore, the interests of managers will not be matched with the shareholders' demands completely and it may cause that the decisions of managers to become more based on managers' interests rather than maximizing shareholders' wealth. It is expected to decrease the conflicts in interests and to increase the productivity and value of company and practically there will establish a stronger convergence among the interests of managers and shareholders (Na, 2002).

Managers' position consolidation hypothesis: this hypothesis is presented by Demsetz in 1983, believes that dispersion and lack of concentration of company's stock ownership and decrease of managers' share from ownership cannot be a firm reason for demotivating managers in maximizing the value of company and their weak performance and the increase of managers' ownership causes the impacts decrease of external supervision, more consolidation of managers' position and lack of their consideration toward discipline and investment market regulations and this issue will provide negative impacts for the value of the company (Na, 2002).

In comparison between two above hypotheses we can say that interests' convergence is having more powerful theoretical basis since appropriate and acceptable performance of managers by shareholders, regardless to the manager's ownership percentage, can provide consolidation of his position, also, weak performance of manager, even by having high percentage of ownership, may shake the position of manager. The hypothesis of interests' convergence considers the positive relation among two phenomena of managers' ownership and company's performance but the hypothesis of managers' position consolidation is considering the market status and assessing potential investors from the impacts of managers' ownership (same, 2002).

1.6 Composition of the Board of Directors and Institutional and Major Investor's Ownership

The existence of major shareholders in formation of ownership can provide positive and negative consequences for company. In accordance with some of experts, the existence of major shareholders in company reinforces motivations on supervising the managers' performance in one hand and sometimes due to lack of matching interests and goals of major shareholders with the interests and expectations of minor shareholders, the costs of control and directing major shareholders' interests with other shareholders' interests will be increased (Wang & Xiao, 2006). Totally, different ideas have been presented about the kind of relation and impact of institutional and major shareholders' ownership on the performance and value of company as below:

- Efficient supervision hypothesis: based on such hypothesis, institutional and major shareholders that are out of company, in comparison with minor shareholders, due to having facilities, high experience can supervise the managers with lower cost. Therefore, we can expect a positive relation between institutional ownership and company's performance.
- Strategic alignment hypothesis: based on this hypothesis, sometimes the expectations of institutional shareholders may become engaged with the managers; interests and due to the matching of both groups' interests, the interests of minor shareholders will be neglected. In such case, expected positive impacts from the effective supervision by major shareholders on managers will decrease and in this mode we will observe a conflict of interests among major shareholders and other owners that due to the influential power of major shareholders, such conflict will be against the interests of other shareholders ultimately,
- Saving acquisition hypothesis: this hypothesis which is discussed in framework of merge and acquisition of companies is firstly considers purchase and owning the stock of weak internal companies of a country by external shareholders; the phenomenon which is popped following with the Asian financial crisis of 1997 within the financial markets of developing countries (a, 2002).

1.7 Composition of the Board of Directors and Foreign Shareholders' Ownership

According to some of experts, due to different reasons, the presence of external shareholders in formation of ownership can provide performance improvement and productivity increase and company's value as below:

- Supervision over managers;
- Increasing expertise and experience of company management;
- entry of new capitals and increasing flexibility and financial capacity of the company

Facilitation and speeding up linking companies to global capital markets and decrease of capital cost rate (Campbell, 2002). The results of research by Aydin, N. Sayim, M. and A. Yalama in Turkish companies that are having external ownership indicate that external ownership companies, in terms of their capital return, are working better than companies having internal ownership. The evidences of this research support the hypothesis that cooperation with external ownership improves company's performance.

1.8 Composition of the Board of Directors Ownership and Free Float

Free floating share is a percentage of company's total capital that is in access for deal in stock market. Morgan Stanley institution has defined free floating stock as below:

"A ratio of a company's stock that is tradable within market and it is not kept through strategic shareholders for managerial purposes."

Strategic shareholders are those who investing with managerial purposes and for a long-term within the stock of companies and their stock is not considered as free floating stock, non-strategic shareholders are those who their main goal is to buy and sell stock to achieve profit and they are not having managerial purposes for buying stock. We can say that the shares that are not belonging to strategic shareholders is considered as free floating stock. The purpose of necessity to consider the least amount of free floating stock is the efficiency of market performances. In fact, the stocks of countries which are having less free floating stock is less deep and they are highly fragile. In order to develop the width of market we shall avoid company's concentration and a specific industry and the depth of market is achieved when the price balance of the market remain the same by distributing and trading mass stock which is one of the reasons of small market shallowness and few number of actors and low amount of free floating stock.

Investors' formation is effective on liquidity of shares. Lack of diversity among investors causes them not to be able to allocate situations within trades. The factor that is directly impacting on the liquidity of shares is "free floating stock". Since few amount of free floating stock causes liquidity decrease and increase of the liquidity

risk of stock, therefore, it causes increase of expected return rate of shareholders, such expectation is existing that companies with less free floating stock, are more productive.

1.9 The Relationship between Ownership Board of Directors Composition with Market Liquidity

Liquidity means the ability to buy or sell an asset with low cost and without significant impact on its price. Liquidity of stock exchange within capital market is one the most effective factors on proper performance of market.

The level of company's internal shareholders ownership is effective on the liquidity of company's stock. When individuals inside the company including managers and employees are the owners of the stock, their deals will be done before abnormal changes in price of company's stock (Seyhun, 1986). Institutional investors are playing significant role in supervision, and usually there is a relation between institutional ownership and stock liquidity of a company (Wahal, 1996). Also, due to the impact of exchange operations of stock by institutional investors on stock price, probably the stock liquidity increases significantly (Vishny, 1992).

Ownership structure is in connection with difference of recommended prices for buy and sale. Sarin and others in their research have found out, in case that a part of company's stock is owned by the individuals inside the company, such difference will increase. This issue is significant due to the relation among ownership structure and information asymmetry. The positive relation among shareholders inside company or the same owners of final information and information asymmetry is related to different factors. In case that high percentage of shareholding of final information owners is accompanied with higher probability of deals from them, the expected loss of analyst in terms of informed dealers due to predicting more distance among recommended prices for buy and sale will be compensated. Although higher institutional ownership is in connection with the distance of buy and sale recommended prices but there is no any clear relation between institutional ownership and information asymmetry.

1.10 Samples of Legal and Experimental Aspects of Shareholding Composition

In this part, the main features of ownership structures of big companies within different countries during 1980 to 1995 in terms of legal status and experimental will be studied.

Table 1. Summary and classification of legal and experimental aspects of samples of shareholding composition

Situation	country	rules
Legal Status: foreign ownership often is prohibited. Of course, this situation is changing rapidly and the majority of developing countries are forwarding to open their capital market for foreigners. Current situation: foreign ownership in most developing countries is very rare.	Developing countries	
Legal status: Currently almost there is no restrictions foreigners ownership in German companies. Current situation: a significant number of companies fully or partially owned by foreign investors.	Germany	
Legal Status: there were limitations on foreign ownership till recently Current situation: foreign ownership is rare.	Japan	A: Laws on Foreign Ownership
Legal Status: restrictions on foreign ownership of US companies actually have been taken Current situation: the growing number of companies fully or partially owned by foreign investors	American countries	
Legal Status: nowadays restrictions on foreign ownership of Denmark companies have been taken Current situation: the growing number of companies fully or partially owned by foreign investors.	Denmark	
Legal Status: Financial companies are not allowed to own property in non-financial companies Current situation: Institutional Investors ownership rarely has been seen in non-financial companies	Developing countries	
Legal Status: There are very few obstacles. Banks and institutional investors are able to ownership of a controlling stake in non-financial companies Current situation: A large part of the capital stock is funded by institutional investors for causal that these investors have Long-term Commitment before company. The degree of ownership concentration is generally very high.	Germany	B: Rules governing on Financial Firms and Non Financial Firms

Legal Status: Financial Investors officially are not allowed to the ownership of non financial companies. In particular, several institutional investors form consortium to control several companies and the task of monitoring in each consortium to be awarded an investor in case of negligence in supervision, and unofficially, they are responsible for losses incurred on other investors. Current situation: The majority of the shares are in public companies and other financial investors	Japan	
Legal Status: There are many obstacles. Therefore banks and institutional investors are not allowed to the possession of non-financial companies. However recently for the temporary cases with the aim of restructuring financial structures the permission is possible. Current situation: primarily, stock the majority of public companies is provided from the financial investment resources.	American countries	
Legal Status: Banks and institutional investors are not allowed to the possession of a controlling stake in non-financial companies Current situation: currently , institutional investors and banks provide more than 30% of the financing large corporations on stock markets	Denmark	
Legal Status: The most important industries are exclusively owned by the state. In most developing countries, Large-scale Privatization gradually takes priority Current situation: Approximately, the state ownership is the dominant form of the ownership.	American countries	
Legal Status: There are some prohibition in important economic areas of government ownership Current situation: Railway and the majority of postal services are still state-owned. Also health care sector, education, nursing home and public services are seen in the state ownership	American countries	C) Government ownership rules
Legal Status: There are some prohibition in important economic areas of government ownership Current situation: Railway and the majority of postal services are still state-owned. Also health care sector, education, nursing home and public services are seen in the state ownership	American countries	
Legal Status: Very limited part of the economy is considered for government ownership Current situation: The most areas of the economy is in the hands of private sector.	American countries	
Legal Status: The state ownership is prohibited in an important areas of the economy, Current situation: Railway and the majority of postal services are still state-owned.	Denmark	
Legal Status: Family and public Ownership is possible. Current situation: Concentrated Family Ownership and government ownership provide the dominant form and Public Equity Markets are very small	American countries	
Legal Status: There are very few obstacles. Current situation: public markets of shares are small. The degree of concentration of the ownership is generally very high.	American countries	
Legal Status: There are very few obstacles. Current situation: The public stock markets are extensive and the majority of shares held by shareholders who have some degree of long-term commitment to the company. This includes institutional investors, as well as major suppliers and customers.	American countries	D) rules related to other types of property
Legal Status: There are very few obstacles. Current situation: Family ownership is not common among large companies. Stock markets are extensive and ownership is very fragmented. So that the majority of the stocks is in the hands of investors that are not closely associated with the company.	American countries	
Legal Status: There are very few obstacles. Current situation: The degree of concentration of the ownership is very high in general and public stock markets have gradually become more important than causal stock markets. Family-owned enterprises are still very important in terms of share ownership.	Denmark	

By reviewing above table, we can summarize the hints that are observed among developed countries below:

- There is no any limitation in connection with the ownership of foreigners legally.
- About the ownership of financial companies within non-financial companies, it is observed much difference among countries in terms of law;
- About government share in ownership of enterprises, there is limitation for government ownership on important and main economic sections in all countries except for the sections of economy that are more about welfare-social and developmental aspects.

- About other types of ownership, same condition is observed in terms of law and there are very few obstacles in all these countries but the current status indicates the existence of significant difference among countries and we see differences among countries based on the degree of their scope and extent of general stock market, ownership concentration, and the level of family and institutional ownership popularity.

In return, dominant situation on developing countries during the studied period was different. General features of this group of countries we can mention the dimension of laws and regulations for forbidding or serious limitation of foreigner ownership but it is decreasing, relational limitations of ownership of financial institutions within non-financial companies, widespread government monopolies, but it is decreasing, privatization and legalizing family ownerships. Current status of such countries is also indicating rare foreigner ownership, low share of institutional investors' ownership within non-financial companies, governmental ownership dominance, and concentrated family ownerships and having small stock market.

2. Review of Literature

- Hanokobatholla (2008) has studied the relation of board of directors' features and the performance of listed companies in Newziland stock exchange by using the information of 207 companies during 2004 to 2007 which their financial statement was in access. The findings of such research indicate that among different features of board of directors, only the return on assets rate and the ratio of ownership are having positive and significant relation with company's performance and also the number of board of directors' members is having negative and significant relation with company's performance. With all respect for individuals who are having PH.D, in this research, there is no any significant relation between such variable with company's performance.

- Ebi et al. (2011) have studied the impact of special dominant mechanisms of risk on company's performance. Results indicate that dominant mechanisms are designed specifically for managing risk; they will have positive impact on company's performance during financial crisis.

- Jasten Mendzak (2013) in a research titled (mutual board of directors, optional reveals and profit quality) has concluded that mutual board of directors is having negative relation with voluntary reveals and positive relation with the quality of profit and the size of company and the independency of board of directors head is having positive relation with voluntary reveals. But mutual boards are not having significant impact on lack of pay for tax.

- Chairmais and Ganni (2014) have studied the impact of board of directors' structure and features on the performance of companies in US. The results of this research indicate that the company is having the capital of board of directors in terms of external managers' ability in order to supervise the managers and consulting managers.

- Namzi Mohammad and Kermani Ehsan (2008) have studied the impact of ownership structure on the performance of companies listed in Tehran stock exchange. Findings indicate that there is a significant and negative relation between "institutional ownership" and company's performance and there is a significant and positive relation between "company's ownership" and company's performance. Managerial ownership is negatively and significantly impacts on performance and about foreign ownership there is no any information indicating foreigners' investment ownership within the companies under study.

- Moein Aldin, Mahmud, and Fattaneh Dehghan (2012) in an article named "the impact of company' governance structure on the quality of information reveal", they have found out that there is a significant relation among ownership percentage of institutional investors and power concentration with final point of organizational reveal and its elements. While there is no any significant relation between managers who are not member of board of directors and final point of organizational reveal and its elements.

- Khodadadi, Vali, and Reza Taker (2012) have studied the impact of company governance structure on financial performance and the value of companies listed in Tehran stock exchange. Results indicate that ownership concentration and governmental ownership are having positive and significant relation with performance and the value of companies. Major institutional investor is having positive relation with the value of company and has negative relation with the performance of company. Duality of CEO duty is having negative and significant relation with the value of company and it has no any significant relation with the performance of companies. Also company governance structure that includes all structural features mentioned in this study is having significant and positive relation with the value and performance of the company.

- Zhara Hajiha and Hasanali Akhlaghi (2013) have studied the impact of board of director's features on the structure of company's debt payment date. Results indicate that there is a positive and significant relation between the size of board of directors and the structure of debt payment date. Also there is a negative and

significant relation between the percentage of other members of boards of directors and the structure of debt payment date.

3. Research Methodology

Present study is applicable in accordance with its purpose and it is considered as retrospective in terms of time dimension. Based upon the method of data collection, researches can be historical, descriptive, correlative, experimental or causal.

3.1 Research Territory

a) Time territory: the time length of the research is 5 years and it is started from the beginning of 2009 up to 2013.

b) Spatial territory: Tehran stock exchange

- Society and research population: the population of this research includes all the companies listed in Tehran stock exchange, which were active from 2009 to 2013 and for sampling we have used random selection method and the size of sample is 88 companies.

Data collection tools: we have used library method in order to collect data, in this regard, first we have used internet and information networks and observing books, magazine and theses in order to collect literature and research background history and achieving total structure of the research. Also, in order to collect required data for testing the hypotheses, the data of companies listed in Tehran stock exchange are extracted from Tadbir Pardaz software or official website of Tehran stock exchange.

Analysis method: we have used multi-variant linear regression in order to test the hypotheses. Utilized statistical method in this research is the method of panel data. Also in order to review the significance of regression model, F statistic is utilized and also in order to review the significance of independent variables' coefficient in each model we have used t statistic. At the end, in order to test hypotheses, first we shall test the merging correctness of data through test F and then the kind of test method shall be determined based on Hausman test (fixed or random effects) and regarding the kind of method we shall sum up the model. It is necessary to say that, in this study, in order to analyze data, we have utilized SPSS and Eviews software.

4. Analysis of Results

In this part, by using appropriate and clarified methods we will review and analyze these data in order to approve or reject hypotheses to find an appropriate answer for the questions of this research. Related abbreviations to research variables which are utilized in statistical tests are:

Table 2. Research variables

Defining variables	variables
Performance of the company	PERFORM
Number of Board of managing directors	CAP
Managing Director's duality	DUALITY
Adherence board of directors	DEP
Proportion of shares in the hands of members of board of directors on the total Company's shares	MSOWN
Company size	ASSETS
Number of Board of managing directors	BSIZE
Proportion of shares in the hands of fundamental institutions on the total Company's shares	INST
development and cost expenses to total sales	RD/Sales
Financial leverage	Debt/TA
(SD) Changes in operating profit	StdDevDOI
Size of auditor	Auditor
Changes in profit before tax, interest, depreciation	DEBITDA

4.1 Results of Descriptive Statistics

Feature summary of descriptive statistics related to variables used in this study.

Table 3. Descriptive statistics of the dependent variable and independent variables

	PERFORM	INST	MSOWN	DEP	CAP_MSOWN	CAP_DEP	CAP_DULITY
mid	-0.375118	79.05970	17.39123	0.596694	17.39123	0.596694	0.365909
mean	-0.329556	82.33000	14.86500	0.600000	14.86500	0.600000	0.000000
max	0.631559	98.46000	96.67000	1.000000	96.67000	1.000000	1.000000
Min	-6.829594	3.330000	0.000000	0.000000	0.000000	0.000000	0.000000
The standard deviation	0.597988	16.42138	15.39157	0.191930	15.39157	0.191930	0.482232
Skewness	-5.290967	-1.459981	1.633789	-0.633598	1.633789	-0.633598	0.556759
Stretchability	49.40735	6.285620	7.464371	4.184936	7.464371	4.184936	1.309980
Quarter	41536.36	354.2271	561.1407	55.18073	561.1407	55.18073	75.09494
Possibility	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
The number of observations	440	440	440	440	440	440	440

Table 4. Pearson correlation test between variables

		PERFORM	DEP	inst	MSOWN	ASSETS	Std.dev	RD.Saled	Bsize	DEBITDA
PERFORM	Pearson Correlation	1	.068	.010	-.098*	-.153**	-.091	-.014	.062	-.106*
	Sig. (2-tailed)		.155	.842	.040	.001	.058	.766	.194	.026
DEP	Pearson Correlation	.068	1	-.111*	.048	-.038	-.064	-.008	.226**	-.041
	Sig. (2-tailed)	.155		.020	.312	.431	.183	.866	.000	.392
inst	Pearson Correlation	.010	-.111*	1	-.720**	.095*	-.034	-.148**	-.074	-.126**
	Sig. (2-tailed)	.842	.020	.000	.046	.482	.002	.123	.008	
MSOWN	Pearson Correlation	-.098*	.048	-.720**	1	-.076	.077	.157**	.105*	.156**
	Sig. (2-tailed)	.040	.312	.000	.111	.108	.001	.028	.001	
ASSETS	Pearson Correlation	-.153**	-.038	.095*	-.076	1	.551**	-.148**	.072	.548**
	Sig. (2-tailed)	.001	.431	.046	.111	.000	.002	.131	.000	
Std.dev.doi	Pearson Correlation	-.091	-.064	-.034	.077	.551**	1	-.034	.055	.638**
	Sig. (2-tailed)	.058	.183	.482	.108	.000	.473	.247	.000	
RD.Saled	Pearson Correlation	-.014	-.008	-.148**	.157**	-.148**	-.034	1	-.071	-.069
	Sig. (2-tailed)	.766	.866	.002	.001	.002	.473	.135	.148	
Bsize	Pearson Correlation	.062	.226**	-.074	.105*	.072	.055	-.071	1	.059
	Sig. (2-tailed)	.194	.000	.123	.028	.131	.247	.135	.220	
DEBITDA	Pearson Correlation	-.106*	-.041	-.126**	.156**	.548**	.638**	-.069	.059	1
	Sig. (2-tailed)	.026	.392	.008	.001	.000	.000	.148	.220	
	N	440	440	440	440	440	440	440	440	440

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

By taking a glance into the above table we see that the amounts of correlation among independent variables are very low. This note indicates the lack of existence of any kind of correlation among variables and it is an approval of one of fundamental conditions of regression. Therefore, totally, due to solve the mentioned problems we shall utilize the lowest GLSs in two models.

4.2 Hypothesis Testing

If in test hypotheses:

H₀: There is no significant relationship between Managing Director duality and firm performance.

H₀: $\beta_i = 0$

H₁: There is significant relationship between Managing Director duality and firm performance.

H₁: $\beta_i \neq 0$

Hypothesis 1: there is a significant relation between CEO's duality and company's performance.

Table 5. Results of significance of the first hypothesis

probability	df	value	Description
0.0000	(87,335)	3.063100	Cross-section F F-statistic test results
0.6591	17	14.113478	Cross-section random Hausman test result

Regarding that the obtained probability is less than 5%, therefore, we shall use the method of fixed effects in this model.

The level of significance	Type of Relationship	Prob.	T value	sd	Coefficient	Variable
%99	positive	0.0002	3.813646	0.005490	0.020937	DUALITY
-----	negative	0.5486	-0.600408	0.000709	-0.000426	MSOWN
Is significant	negative	0.0000	-6.996960	0.017557	-0.122847	ASSETS
-----	negative	0.8847	-0.145183	0.019143	-0.002779	BSIZE
-----	negative	0.5984	-0.527252	0.000384	-0.000203	INST
-----	positive	0.8536	0.184608	0.070353	0.012988	RD_SALED
Is significant	negative	0.0000	-99.21691	0.020742	-2.057972	DEBT_TA
%99	negative	0.0004	-3.583164	1.61E-08	-5.76E-08	STD_DEV_DOI
%90	negative	0.0189	-2.359087	0.010047	-0.023703	AUDITOR
-----	positive	0.1506	1.440704	8.84E-09	1.27E-08	DEBITDA
Is significant	positive	0.0000	10.03553	0.268327	2.692800	C
			No weight statistics		weighted statistics	
			0.693610	The coefficient of determination	0.992276	The coefficient of determination
			2.058291	Durbin-Watson statistic	0.990085	Adjusted coefficient of determination
					2.438700	Durbin-Watson statistic
					452.9403	F-statistic
					0.000000	Prob(F-statistic)

Review of first hypothesis combinational model:

As you see in above table, the amount of P-Value is 0.000000 and it indicates that the model is significant at level of 99%. Also the test of Watson-Camera of above relation is 1.5 to 2.5 which indicated the hypothesis is approved due to lack of self-correlation. The results of the test indicate that there is a positive and significant relation between CEO's duality and company's performance. controlling variables: size of company, financial leverage, deviation of operational profit changes and the size of auditor are having negative and significant

relation. The number of board of directors' managers and the ratio of the shares in hand of institutional companies are having negative relation but insignificant, in comparison with the costs and development on total sales and changes in profit before deducting tax, interest and depreciation are having positive relation but it is not significant. the corrected determination coefficient indicates that approximately -99% of changes by the mentioned independent variables are explained in above table.

Second hypothesis: there is a significant relation between board of directors' adherence and company's performance.

prob	fd	Amount of statistics	Description	
0.0000	(87,342)	2.269656	Cross-section F	F-statistic test results
0.0000	10	128.258819	Cross-section random	Hausman test

Regarding that the obtained probability is less than 5%, therefore, in this model we shall use the method of fixed effects.

Table 6. Review of second hypothesis combinational model

The level of significance	Type of Relationship	Prob.	T value	sd	Coefficient	Variable
-----	positive	0.2134	1.246477	0.022012	0.027438	DEP
-----	negative	0.6201	-0.496094	0.000809	-0.000401	MSOWN
Is significant	negative	0.0000	-7.265413	0.016544	-0.120199	ASSETS
-----	positive	0.9058	0.118478	0.017634	0.002089	BSIZE
-----	منفي	0.6636	-0.435347	0.000419	-0.000182	INST
-----	positive	0.7988	-0.255111	0.061097	-0.015587	RD_SALED
Is significant	negative	0.0000	-101.1886	0.020297	-2.053827	DEBT_TA
%95	negative	0.0075	-2.687554	1.40E-08	-3.75E-08	STD_DEV_DOI
%95	negative	0.0020	-3.110931	0.009650	-0.030021	AUDITOR
-----	positive	0.5027	0.670939	8.27E-09	5.55E-09	DEBITDA
Is significant	positive	0.0000	10.33608	0.253686	2.622121	C
		No weight statistics			weighted statistics	
		0.693073	The coefficient of determination		0.993212	The coefficient of determination
		2.063468	Durbin-Watson statistic		0.991286	Adjusted coefficient of determination
					2.356442	Durbin-Watson statistic
					515.8507	F-statistic
					0.000000	Prob(F-statistic)

As it is indicated in above table, the amount of P-Value is 0.000 and it indicates that the model is significant at level of 99%. Also the test of Watson-Camera of above relation is 1.5 to 2.5 which indicated the hypothesis is approved due to lack of self-correlation. The results of the test indicate that there is no any significant relation between board of directors' adherence and company's performance. Controlling variables: size of company, financial leverage, deviation of operational profit changes and the size of auditor are having negative and significant relation. The number of board of directors' managers, ratio with the costs and development on total sales and changes in profit before deducting tax, interest and depreciation are having positive relation but it is not significant, the ratio of shares in hand of institutional company is having negative relation but insignificant. The corrected determination coefficient indicates that approximately -99.1% of changes by the mentioned independent variables are explained in above table.

5. Conclusion

Regarding many researches in field of board of directors structure and features in different companies in other

countries and also more significance towards variables inside the companies and the limited number of researches in Iran in this field, made the researcher to study the impact of board of directors' structure and features on company's performance in companies listed in Tehran stock exchange in present study. The results of testing this hypothesis and secondary hypotheses in companies existing in company are as follow:

- The results of test indicate that there is a positive and significant relation between CEO's duality and company's performance.
- There is no any significant relation between board of director's adherence and company's performance.

The result of this research is matched with some of hypotheses of Chairmais and Ganni (2014) research. But it is not matched with Khodadadi, Vali, and Reza Taker (2012) research and Zohreh Hajiha and Hasan Ali Akhlaghi (2013) studies.

6. Recommendation

- Recommendations based on the results of the first hypothesis:

It is recommended to investors, analysts and other individuals to consider more the financial statements, notes on cash flows, and also reports relating to announcing the changes in monthly, seasonal profits and its prediction by board of directors and the report of board of directors activities, the ownership of management during a year and the probability of its increase or decrease.

- Recommendations based on the results of the second hypothesis:

It is recommended to investors and shareholders to focus more on detailed reports about reports and productive and operational activities of company. Also it is recommended to analysts to focus more on the formation of board of directors. Also stock organization can push the organizations in order to reveal their seasonal and detailed reports from the results of this research for each one of relating reports to the activities of board of directors in order to decrease the problem of companies' ownership concentration and also to utilize it in order to improve the quality of financial reports level.

6.1 Recommendations for Future Research

- 1). Investigate the effect of board of directors structure and its characteristics on teh performance of leasing companies, and investment holding company listed on Tehran Stock Exchange
- 2). Study of factors affecting board of directors structure and its characteristics in Large companies listed on the exchanges Persian Gulf Countries
- 3). Examine the relationship between the characteristics of board of directors and earnings management behavior through accruals and items located in the stock market and OTC companies.

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