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BOARD STRUCTURE AND FINANCIAL PERFORMANCE EFFICIENCY OF TURKISH BUSINESS GROUPS WITH GRA AND DEA METHODS

Abstract:

In emerging countries like Turkey, where state-dependent characteristics of business system is dominant, the corporate governance principles are expected to be internalized in a larger scale through the political regulative pressures. Also, business groups, that are unrelated-diversified and highly controlled by the owning family members, are the dominating economic actors in many late-developing countries. In Turkey, Capital Markets Board enacted provisions regarding the structure of board of directors under the Communique of Principles Regarding Determination and Application of Corporate Governance Principles published on 30.12.2011. Based on this policy reform, this study aims at analyzing the relationship between firm performance and board structures of business groups and revealing the fact that whether the new policy leads to the outcomes expected. The population of the study consists of the whole business groups registered in Borsa Istanbul (the sole entity of exchange in Turkey). The analyses are conducted in two stages. First, using the Grey Relational Analysis, grey relational grade is obtained from the financial outputs (ROA, ROE, and ROS) of the years 2010-2014. Then, Data Envelopment Analysis-Total Factor Productivity (TFP) is used to obtain efficiency comparisons of the business groups according to their inputs (board size, women board members, independent board members, executive board members) and grey relational grade. The results show that following the policy enactment the efficiency rates are improved in parallel to their improved managerial efficiency. The study results give insight into the embracement of corporate governance principles and future discussions on principle-agent problems in developing countries.

Keywords:

corporate governance, board structure, grey relational analysis, data envelopment

JEL Classification: M10, G14, G34