Corporate governance and firms performance literature review examples

Business, Company

Similarities and Differences of Two Articles

Similarities

The studies written by Aljifri and Moustafa (2007, pp. 71-93), and Stanwick and Stanwick (2010, pp. 35-41) have striking similarities. Both studies have comparable general objectives, in that both focused on determining corporate governance in its impact on the performance of firms. Both studies, being empirical in nature, focused not on single firms, but on their specific markets. Aljifri and Moustafa (2007, p. 72) focused on the case of the firms in UAE, while Stanwick and Stanwick (2010, p. 36-37) studied firms in Canada. Furthermore, both Aljifri and Moustafa (2007, pp. 72-73) and Stanwick and Stanwick (2010, pp. 35-37) stressed on the importance of agency theory in determining the impact of corporate governance, with both emphasizing on the agents – the board of directors, as they act on behalf of the principals – the company stakeholders. The decisions coming from the board directors, made in behalf of company stakeholders, have a significant effect on the performance of firms.

Differences

Corporate Governance Structures Vis-à-vis Performance of Board of Directors. The two articles also have remarkable differences from one another. Aljifri and Moustafa (2007, pp. 71-80) evaluated the impact of corporate governance in a general scale by comparing firms in the UAE that have strong and weak corporate governance structures. The findings led to the conclusion that firms with strong corporate governance structures

registered more success compared to those that possess weaker ones (Aljifri and Moustafa, 2007, pp. 89-92). Yet, Stanwick and Stanwick (2010, pp. 37-39) investigated on the matter in a different approach, focusing on the performance of the board of directors of the Canadian firms included in their study. Firmly standing by the conclusion that the performance of firms depended on the way the board of directors perform, the study noted the 2007 ranking of the board of directors of Canadian firms according to the quality of their performance from worst to best (Stanwick and Stanwick, 2010, pp. 37-38).

Investors and Stakeholders. Another difference between the two studies focuses on the interests of investors and stakeholders. Aljifri and Moustafa (2007, p. 75-76) focused on investors, in which they noted that they have primary interest in the performance of firms. With that, investors have the power to urge those in charge of companies to make proper decisions. Stanwick and Stanwick (2010, pp. 37-38) focused on the role of stakeholders in their role in pressuring the board of directors. Since stakeholders are principals of board of directors, who serve as agents, they have the power to convince every director in any direction that could keep companies from harm.

Importance of Differences

The differences laid out in the foregoing section is essential for providing clarity to the multiple dimensions encased within the concept of corporate governance and its effects on the performance of firms. Aljifri and Moustafa (2007, p. 75) noted the interest of investors in firms in explaining the

significance of corporate governance. Investors hold high interest to good practices of corporate governance, as there is a general understanding that such could foster a smooth flow for development of the firms that hold their investments (Aljifri and Moustafa, 2007, p. 76). For Stanwick and Stanwick (2010, p. 37-40), there is emphasis given on the role of the board of directors, wherein every director has to become accountable in order to manage the firm well through decisions.

Nature of Differences

The two studies differed in terms of the methodologies involved. Aljifri and Moustafa (2007, p. 76) used techniques on sampling and regression analysis on evaluating firms in the cities of Abu Dhabi and Dubai, both being in UAE. Stanwick and Stanwick (2010, pp. 37-38) derived their data from rankings published by Canadian Business in 2007 on the top 25 best and worst board of directors.

Implications on Differences

The differences show that evaluating firm performance through the impact of corporate governance is possible through different approaches, given the multidimensional nature of the concept. Verily, the two studies showed that corporate governance affects firm performance through presenting the interests and roles of those responsible for carrying out corporate governance (board directors; Stanwick and Stanwick, 2010, pp. 37-39) and those who favor positive corporate governance (investors; Aljifri and Moustafa, 2007, pp. 75-81).

Methodology

Both studies involved quantitative approaches through usage of sampling methods and regression analysis. Aljifri and Moustafa (2007, pp. 71-93) used data coming from Abu Dhabi and Dubai firms, 51 in total, in view of the agency theory to evaluate corporate governance. Stanwick and Stanwick (2010, pp. 35-41), however, used existing data published by Canadian Business in 2007 in establishing the role of the board of directors of firms in practicing positive corporate governance.

Recommendations

Conclusion

The two studies compared in the foregoing section prove essential insights on the available literature on the effect of corporate governance on the performance of firms. Given the specified factors useful for evaluating the role of corporate governance in firm performance, those studies encourage more research endeavors to emerge in order to deepen the knowledge on the matter. The methodologies provided serve as essential frameworks for future quantitative studies, although such does not constrain the use of other useful research tools related to the subject matter.

References

Aljifri, K., and Moustafa, M. 2007. The impact of corporate governance mechanisms on the performance of UAE firms: An empirical analysis. Journal of Economic & Administrative Sciences, 23(2), pp. 71-93.

Stanwick, P., and Stanwick, D. 2010. The relationship between corporate

governance and financial performance: An empirical study of Canadian firms. The Business Review, 16(2), pp. 35-41.