

The Influence of Corporate Governance Mechanisms on Firm Value-Operating Efficiency as A Mediator

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ABSTRACT

Most of the prior research on corporate governance uses one single or several variables to investigate the issues. However, corporate governance is a multidimensional issue so that it is insufficient to use one single or several variables to explore the whole corporate governance mechanisms. This study uses a sample of 261 firms from electronics industry listed on Taiwan Stock Exchange during the year of 2006. The research first specifies the integration of the observed variables into multi-dimensional constructs, tests the fitness of integrated model, and further investigates the effect of corporate governance mechanism on firm value. This paper integrates thirteen empirically observed corporate governance variables into three dimensional constructs, i.e. information transparency, ownership structure and board structure. And, the models composed by integrated dimensions for measuring corporate governance mechanisms are tested and found the models are fit. Moreover, we discover that the all of the three structural models including corporate governance to operating efficiency, corporate governance to firm value and operating efficiency to firm value, show significantly positive relationship. In addition, through the assessment of models and the analysis of path coefficients, the results show that there probably exists a mediator – operating efficiency. That is, corporate governance mechanisms would affect firms' operating efficiency, and consequently affect the firm value.

Keywords : Corporate Governance; Firm Value; Operating Efficiency

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