CORPORATE GOVERNANCE AS MOTOR OF CHANGE OF ENTREPRENEURIAL CULTURE

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Abstract

Information disclosure on best practices should have positive effects on entrepreneurial performance. This paper attempts to study the deep cultural change occurring in firms. To achieve this, we analyze the effect of adopting good corporate governance practices on management. Thus, the objective of this research is to test whether significant differences in entrepreneurial efficiency exist between two groups of firms. One of these groups quotes on Dow Jones Global Index (DJGI) and has adopted good corporate governance practices. The other group is formed of firms which do not quoted on stock exchange and do not apply best practices. We selected a sample of 100 firms for the period 1998-2004 and analysed some economical-financial indicators usually used to measure entrepreneurial efficiency. We confirm the effect that the adoption of these practices has on economic-financial indicators. The empirical analysis supports the conclusion that differences in efficiency exist between firms that belong to the DJGI and disclose information concerning best practices and firms that do not quote on stock exchange and do not disclose this kind of information. We then study the sign of these differences and draw conclusions.

Keywords: corporate governance practices, entrepreneurial performance, DJGI

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1. Introduction

The financial scandals of the 90s, the emergence of corporate governance codes at the international level and the greater strength of stakeholders have caused a change in firms' transparency in their performance and governance structure. They have also brought about a change in the quantity and content of the information disclosed. This change has had several effects on the establishment of entrepreneurial strategies. The idea of sustainable development is gaining strength and increases firms' concern for corporate responsibility.

This paper attempts to study the deep cultural change occurring in firms. To achieve this, we analyze the effect of adopting good governance practices on management[1].

First, well-structured governance can adopt policies that could lead to improvement in management and allocation of resources (Hart & Milstein, 2003:59). Over a longer time period, efficiency could be affected by differentiation and also, gradually, by change in the entrepreneurial culture (Gladwin et al., 1995:897). These issues involve an evolution in the concept of business.

Transparency aids in the discovery of points of improvement and in managing and controlling new business issues. Practices such as ethical codes, clearer governance structure and a better role distribution appear. This contributes to establishing better strategies and to controlling the degree to which objectives are achieved. Corporations are engaged in sustainability growth, social problems and environment issues, and they are worried about their corporate image. These issues presuppose a new idea of corporation.

In this paper, we confirm empirically the effect that the adoption of these practices has on economic-financial indicators. To do this, we take a sample of European firms formed of 100 companies from the period 1998-2004 and analyze several efficiency indicators. One group of these firms quotes on the stock exchange;–the index is, specifically, the Dow Jones General Index (DJGI) [2]. The firms chosen disclose

[1] In the paper, we also refer to practices of good corporate governance as best practices.

[2] Although each firm quotes on the local capital market, we have taken a global stock index to ensure that the methodology followed in

information concerning corporate governance practices. The other group is formed of firms that do not quote on the stock exchange and do not disclose this kind of information. We confirm that significant differences exist related to efficiency between the two groups of firms.

We then study the sign of these differences and draw conclusions.

2. Study Objectives

According to the guidelines contained in the reports on corporate governance, firms have been adopting measures to improve their structures of governance. Most immediately, this should mean some organizational improvements. We study whether there is better exploitation of resources. In the long-term evolution of the business, this will also bring about a series of deeper changes, giving rise to a new entrepreneurial culture in which business ethics and the impact of the economic activity on society are valued more highly. All this means the introduction of changes in the goals to be met, changes that will be shaped by concrete actions, business lines, production modes, disclosure criteria, etc.

We will consider the goals of good governance to be obtaining maximum efficiency and attending to the demands of all stakeholders. Making corporate insiders accountable is a key goal of any corporate governance system (Melis, 2004, 33). Thus, they must take into account the requirements of stakeholders for establishing the objectives of the firm.

Codes of good governance direct the structure that corporate governance adopts and guide the firm's performance. Information disclosure on best practices should have positive effects from the internal point of view. It constitutes a guide for the organization's conduct and thus contributes to learning in the organization, while simultaneously shaping and explaining entrepreneurial performance.

The positive effects should be seen in the efficiency indicators. To determine this, we will analyze whether variations exist in the economic-financial indicators of the organizations that follow and disclose practices of good governance, with respect to others that do not yet do so. We hope to determine whether there is a differentiating effect that lets us affirm possible value creation in the long term. If we verify that differentiation exists, we will then analyse its sign.

In the first phase of the analysis, we contrast whether significant differences exist between the efficiency indicators of some companies that have adopted good governance policies and others of similar size, activity and nationality.

We have chosen several variables usually used to measure entrepreneurial efficiency (Korac-Kakabadse et al., 2001:27). We analyze the possible variations that could be produced as a result of the adoption of best practices.

Other variables, such as the market to book, are also included to analyse the possible relation between firms that quote on the Stock Exchanges and the capital market response from the adoption of these practices.

We seek to contrast whether investors recognised that best practices have the capacity to create long-term value (Sage, 1999; Bebbington, 2001). These practices could constitute a differentiating element in making investment portfolios.

The literature reviewed concerning corporate governance adopts the perspective of the capital market. It focuses on specific aspects of corporate governance, such as remuneration of advisors, the composition of the board and links between the chairman and the company's executive chief officer (Dalton et al., 1998; Daily & Dalton, 1994 and Dalton & Daily, 1999) to analyse how these aspects affect the economic-financial indicators. These studies represent diverse results that can be partially explained by the differences in the theoretical perspectives applied, the research methodology chosen and the measures of entrepreneurial performance (Korac-Kakabadse et al., 2001:24).

Our paper affirms that good corporate governance assumes a change of philosophy in business management. This means the adoption of many very different practices to take into account all stakeholders (human resources, public institutions, customers, NGOs, etc.). We seek to contrast whether adopting measures of good governance affects the firm's economic-financial indicators as a whole, since they involve some organizational, cultural, etc. changes.

3. Antecedents

We understand corporate governance to be a body of principles and rules that guide and limit the action of the directors (Mercier, 2004). These can be defined as a structure of property, management and stakeholders.

The concept of corporate governance incorporates the stakeholders as a structural element of the firm. This fact means a significant change with respect to previous conceptions of the firm that focused exclusively on the shareholder. From this perspective, the goals are not only directed toward obtaining benefits and optimizing shareholders' value (Friedman, 1970; Jensen & Meckling, 1976). Objectives take many different forms, such as improving reputation, market recognition, sustainable growth, corporate social responsibility, etc.

the choice of firms that form part of the index of different countries is the same.

3.1. Theoretical framework

To analyse the repercussions of corporate governance in the company, we need a theoretical base to support our research. Agency theory, derived from stakeholder theory, provides this theoretical base[3]. Both theories are grounded in contractual agreements and provide a conceptual structure to analyze intra- and extra-organizational relations. Agency relations can be defined as a contract under which one party, the agent(s), commits to performing certain actions for the benefit of the other party, the principal(s) (Jensen & Meckling, 1976:308).

From the stakeholders' perspective, the firm is considered to be a network of contracts, where relations are established in multilateral form. Firms consider not only the shareholders, but all stakeholders, although with different degrees of importance. For the most part, the survival of the firm depends of the satisfaction of all stakeholders' needs.

This means an increase in the number of principals, which requires considering their needs and interests in the goals and entrepreneurial strategies established.

It is understood that the different participants have different interests, which can influence the firm's objectives and decisions (Freeman, 1984; Donaldson & Preston, 1995 and Jones, 1995). The challenge to the companies lies in pondering and balancing the relevance of the different groups of stakeholders (Phillips & Reichart, 2000 and Melis, 2004,34).

Managing the stakeholders becomes crucial for the income and survival of the company (Carroll & Buchholtz, 2003; Preston & Sapienza, 1990 and Zambon & Del Bello, 2005).

When emphasis is placed on the stakeholders' vision, a new conception of the firm emerges that considers not only economic but also ethical aspects (Bonnafous-Boucher, 2005:38). As the stakeholders' interests are defined, they will make new demands to which the firms must respond. It becomes important to identify the stakeholders (inclusion-exclusion), ranking them with respect to the organization and the extension and limits of their actions. We thus understand the stakeholders as a group of individuals that can affect or be affected by the organization's performance (Carroll & Buchholtz, 2003).

From the stakeholders' perspective, the firm must seek strategies that do not put any of the stakeholders involved at risk and that assure certain potential growth. This means seeking long-term growth and involves a change of mentality to attempt to satisfy the needs of all stakeholders. The governance of the entity must take into account all stakeholders' interests.

In function of the stakeholders needs, the firm will determine how to manage its resources. Society begins to demand that the firm carry out policies that work toward sustainable development[4]. Adopting the philosophy of sustainability means abandoning classical economic theory[5] and developing entrepreneurial strategies that include goals beyond exclusively maximizing shareholders' interests. Attention is oriented toward the demands of all the stakeholders, on whose satisfaction the firm's long-term success depends (Freeman, 1984; Hardjano & Klein, 2004; Buchholz & Rosenthal, 2005 and Carlsson, 2003:7).

From the perspective of firm management, it is crucial to clarify the link between these resources and the future results of the firm, as the resources will have value and that can be translated into future performance for the organization and measured by economic-financial indicators.

Income is not, however, the only parameter to be studied. Once the impact on the economic-financial indicators has been demonstrated, we should attempt to find other indicators that show how the demands of all stakeholders are satisfied.

3.2. Good Governance Reports

The codes or corporate governance reports have given a strong impulse to homogenizing and clarifying the criteria concerning structure and functioning of the firms' board.

This has formed the foundation for standards of best practices. In the European arena, according to the sample in Table 1, the English report constitutes the first proposal. Other countries' proposals follow. Subsequently, new texts are developed in the different countries that expand, improve and clarify the issues in the initial reports.

For many countries, the definitive impulse is produced when the regulating organism of the capital market requires the development of an annual report on corporate governance as a requirement of the firms that quote on stock exchange.

[3] Some studies of the theory of agency and stakeholders have been performed by Bernheim & Winston (1986), Hart (1995), Williamson (1996) and Tirole (2001).

[4] Sustainability development could be defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED, 1987:8).

[5] This theory indicates that firms should only respond to their shareholders' interests, making their only social responsibility the maximization of the company's value. According to this view, any positive social action on the part of the firm involves costs that reduce the firm's profit and place shareholders at risk, discouraging such actions (Friedman, 1970).

Table 1. Good Governance Reports

Country	Year	Reports
United Kingdom	1992	Cadbury Report: The Financial Aspects of Corporate Governance
United Kingdom	1995	Greenbury Report
France	1995	Viénot I Report
Netherlands	1997	Peters Report: "Corporate Governance in the Netherlands- Forty Recommendations"
United Kingdom	1998	Hampel Report
Germany	1998	Gesetz zur Kontrolle und Tranparenz im Unternehmensbereich (German Department of Justice)
Belgium	1998	Cardon Report
Spain	1998	Olivencia Code: "Governance for Listed Companies ". Report prepared by the Special Commission for the study of an Ethical Code for Companies' Boards
France	1999	Viénot II Report
Greece	1999	Mertzanis Report: " Corporate Governance Principles for Greece"
Ireland	1999	IAIM Report: "Statement of Best Practice on the Role and Responsibilities of Directors of Public Limited Companies".
Italy	1999	Preda Code: Report & Code of Conduct
Portugal	1999	Recommendations on Corporate Governance
Denmark	2000	Corporate Governance Guidelines for listed companies
Germany	2000	German Code of Corporate Governance
Greece	2001	Principles of Corporate Governance
Sweden	2001	Corporate Governance Policy
United Kingdom	2001	Code of Good Practices
Austria	2002	Austrian Code of Corporate Governance
Italy	2002	Corporate Governance Code
Switzerland	2002	Corporate Governance: Swiss Code of Best Practice
Finland	2003	Recommendations on Corporate Governance
Spain	2003	Report by the Special Commission for Transparency and Security in Markets and Quoted Companies (Aldama Report)
United Kingdom	2003	The Combined Code of Corporate Governance

4. Methodology

As mentioned above, the objective of this study is to show whether there is a link between entrepreneurial results and the change produced in management due to the application of codes of good governance. If this relation exists, we will analyse its sign. We seek to contrast whether there are significant differences between European firms that adopt measures of good corporate governance and disclose information on them and others that do not yet do so. To achieve this goal, we take two samples formed of an equal number of firms of similar size and operating in equivalent markets. One group quotes on the Local Stock Exchanges and is required to present an annual report on corporate governance; the other does not quote and does not disclose this kind of information. We chose firms that quoted on the DJGI for the last six years consecutively.

This index covers 95% of free-float market cap at the country level and comprises large-cap, mid-cap and small-cap sub-indexes for American firms. For developed European and emerging markets, the selection methodology creates indexes that represent 95% of free-float market cap at the aggregate level. From the total of European firms that compose the DJGI, we have taken firms belonging to countries in which the report of corporate governance was established before 1999. We begin our analysis one year before this, in 1998. The countries are the United Kingdom, France, Holland, Germany, Belgium and Spain. The total sample is formed of 100 firms, 50 of which present a report of corporate governance for all the years analysed and the other 50 of which do not disclose this kind of information, for this time period.

The firms in the sample develop very diverse activities, which are summarized in Table 2.

Table 2. Countries and sectors of activity included in the sample

Countries	*Sectors of activity*
Belgium France Germany Netherlands Spain United Kingdom	Industrial Goods & Services Food & Beverage Healthcare Telecommunications Chemicals Cyclical Goods & Services Non-cyclical Goods & Services Utilities Technology Automobiles Retail Basic Resources Construction Media Energy

The information used was obtained from the AMADEUS database and from reports on the companies in the sample available on Internet.

To achieve the goals proposed, we analyzed the business evolution undergone by the two groups of firms over the past seven years (1998-2004). Through non-parametric tests, we compared whether they have similar economic-financial characteristics. The temporal horizon chosen extends from 1998 to 2004, the last available year. In 1998, we find a representative number of firms in different countries that disclose this kind of information. This allows us to say that, in this year, it constitutes a common practice in a significant group of firms necessary for carrying out this analysis. Publication of the codes motivates firms to introduce parameters of good governance due to the culture of the environment in which they develop their activities. Nevertheless, most of the countries in the sample follow a civil-law based tradition. Usually, until a legislation exists, advances in practices are very slow. The real impulse occurs when a legal requirement or norm emerges. Then, the change is generally adopted.

4.2. Variables used and hypotheses to contrast

Business evolution is studied through several variables. We seek to analyse the possible variations that can be produced by adopting best practices, variations in the firm's wealth and in indicators usually used to measure entrepreneurial efficiency (Korac-Kakabadse et al., 2001:27), such as profitability and profit margin.

Other variables, such as the market to book, are also included to analyze the possible relation in firms that adopt best practices and disclose information about them between the evolution with respect to the capital market, the adoption of this kind of policy and the profits obtained by these firms.

Table 3 shows the variables used in this analysis.

Table 3. Variable Definition

Variables	*Definition*	*Mathematical expression*
Var_assets	rate of assets variation for the period t with respect to period t-1	$\frac{assets_t - assets_{t-1}}{assets_{t-1}}$ act = total assets
Var_cap	rate of capital variation for the period t with respect to period t-1	$\frac{cap_t - cap_{t-1}}{cap_{t-1}}$ cap = total capital
Var_oper	rate of operating revenue variation for the period t with respect to period t-1	$\frac{oper_t - oper_{t-1}}{oper_{t-1}}$ oper = operating revenue
Var_pbt	rate of profit/losses before taxes variation for the period t with respect to period t-1	$\frac{pbt_t - pbt_{t-1}}{pbt_{t-1}}$ pbt = profit/losses before taxes
Var_marg	rate of profit margin variation for the period t with respect to period t-1	$\frac{marg_t - marg_{t-1}}{marg_{t-1}}$ marg = pbt /oper
Var_roe	rate of return on shareholders' funds variation for the period t with respect to period t-1	$\frac{roe_t - roe_{t-1}}{roe_{t-1}}$ roe = pbt /shareholders' funds
Var_roa	rate of return on total assets variation for the period t with respect to period t-1	$\frac{roa_t - roa_{t-1}}{roa_{t-1}}$ roa = pbt /assets

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We will contrast the following hypotheses:

H_1: Significant differences do not exist between firms that belong to both groups of the sample with respect to assets evolution.

A priori, merely applying best practices should not influence the volume of a firm's assets in the time period analyzed. It might mean changes in the systems of production and management, occasioning redistribution of the resources available but not necessarily of the total amounts.

H_2: Significant differences do not exist between firms in both groups of the sample with respect to capital evolution.

The composition of the financial structure will be a result of the criterion of financing that the firm adopts relative to the investments made. It does not depend on the way in which these investments have been made. Thus, there should not be differences in the capital evolution between the two groups of firms.

However, if the entity decides to seek new investors, it could support itself, among other strategies, by providing a specific image of sustainability, good governance and transparency (Diamond, 1985; Lang & Lundholm, 1993; Frankel et al., 1995; Sengupta, 1997).

H_3: Significant differences do not exist between firms that belong to both groups of the sample with respect to operating revenue evolution.

Improving management should be reflected in the profit and loss statement, the form of growth of the business volume and allocation of resources. The first of these factors is measured by the increase in the operating revenue. If the goods and services provided by the firm possess elements that differentiate them from competing firms, they can produce an increase in sales, which would be included in the operating revenue. It is possible that these aspects would become visible only over a longer time period than that considered.

H_4: Significant differences do not exist between the firms that belong to both groups of the sample with respect to profit before taxes evolution.

From the perspective of this study, firms' adoption of criteria of good governance could mean improvement in managing the firm and thus in entrepreneurial efficiency, expressed in better allocation of resources. This could be seen in a greater variation of the profit than in firms that do not adopt best practices. In this case, this hypothesis would be rejected.

H_5: Significant differences do not exist between firms that belong to both groups of the sample with respect to profit margin evolution.

The profit margin relativises the profit with the operating revenue, thus avoiding the possible influence of the selling prices and activity rate. Therefore, the rate of variation of the profit margin is a better indicator of the degree of exploitation of resources and can serve as a measure of entrepreneurial efficiency.

H_6: Significant differences do not exist between firms that belong to both groups of the sample with respect to profitability evolution.

Profitability is the measure of entrepreneurial efficiency by excellence, and the difference between the groups should be found in a greater degree. The variation in these ratios should be greater in the group of firms that adopt best practices. This indicates better management and a greater degree of exploitation of strategic resources, as well as a strengthening of their competitive position.

4.3. Statistical tool used and results obtained

Since we cannot assume that the distribution of the economic-financial data will adjust to a normal distribution, we use a non-parametric procedure as an analytical tool, specifically the Mann-Whitney U test for two independent samples, although we know that it is less robust than analysis of variance and other parametric tests. This tool can be used if there are two independent samples to contrast whether the distributions have the same form and dispersion, that is, belong to the same population.

The first phase of the study confirms that, before beginning to disclose information concerning good corporate governance, the two groups of firms analyzed belong to the same population. We perform the contrast of the six hypotheses proposed in the period 1998-1999. We see that, for a confidence interval of 95%, the associated probability is greater than 0.05 for all the variables considered, meaning that we can accept these hypotheses. This means that no differences exist in entrepreneurial efficiency or in the investment and financing policies of the firms analyzed before any of the firms applies practices of good governance and discloses information about them (Table 4). By accepting the null hypothesis, it follows that we start initially from the same universe of firms, that is, firms that present the same economic-financial characteristics with respect to the variables considered. This also holds for 2000.

We must thus ask whether applying practices of good governance on the part of a group of firms leads to longer-term differentiation, which could constitute competitive advantages *vis à vis* the rest of the companies.

To determine this, we repeat the analysis for different time periods: 1998-2004 (Table 5), 1998-2003 (Table 6), 1998-2002 (Table 7) and 1998-2001 (Table 8). We used the following temporal sequence to study the hypotheses proposed. Firstly, we verified that no

significant differences related to efficiency indicators exist between the two groups of firms before applying good governance practices (1998-1999). Secondly, we determined whether differences appear in the longest time interval (1998-2004). Finally, we tried to determinate the temporal moment at which the differences began. They are produced from 2002 until the last available year, 2004.

The choice of the time interval range analysed in this study (1998-2004) enables us to evaluate the possible differences produced for the longest period available. In this time interval, we may be able to see the effects of the possible changes of strategy adopted by firms that follow best practices.

We see that all of the null hypotheses corresponding to size related to entrepreneurial efficiency are accepted, except the fourth. This implies a difference between the evolution of results in firms that adopt best practices and others that do not disclose information about it. This difference could mean an improvement in entrepreneurial efficiency, although theoretically this should also be reflected in the other indicators. It could also be attributed to the fact that the standards of best practices have been incorporated by other firms, which have taken advantage of the profits reported, thereby reducing the advantages obtained by the first group of firms (Bansal, 2002:126; Ogrizek, 2002; Burgess, 2003; Adams & Zutshi, 2004; Bond, 2005). To confirm this situation, we should analyse the evolution of these indicators for each time period considered. Changes can thus occur in procedures and structures of governance that are not disclosed (Fram & Zoffer, 2005).

To establish the moment at which these differences between the samples appear, we perform the analysis for the time interval 1998-2001 (Table 8). In this period, there are as yet no differences between the samples. Firms that disclose information on best practices and those that still do not yet do so belong to the same universe.

Once we have confirmed that in 2001 there are still no significant differences between the samples, we analyse the variation rates of the variables considered for the period 1998-2002 (Table 7). Table 7 verifies the existence of significant differences in the variables included in hypotheses 4, 5 and 6. These differences are preserved for the period 1998-2003 except for profit margin.

We can affirm that the 100 firms analysed belong to the same universe until the year 2002, at which time we begin to see significant differences between the variables usually used to measure entrepreneurial efficiency. After 2001 the perspective of creating long-term value begins to be felt in Europe through the development of strategies of good corporate governance; the practices adopted begin to have an effect.

From the analysis performed over the different time intervals considered, we see that, for hypotheses 1, 2 and 3, the probabilities associated with variations in the total asset, the capital and the operating revenue indicate the acceptance of the null hypothesis, which means that we cannot affirm that differences exist in these sizes in the two samples. Decisions concerning investment, financing and turnover are not linked to best practices, at least for the period considered.

The firm size used in the sample assumes that the entities possess a large volume of activity and investment. It allows firms to designate part of their resources to the tasks of development and innovation in different areas without their main activity being significantly affected, thus sustaining the business weight. The relative importance of the investments that pursue best practice strategies does not have to be high in relation to the total volume; hence, these investments do not constitute a differentiating element in the samples considered for the period analysed. This is confirmed when we accept the first hypothesis proposed.

Within the seven-year period studied, we do not see changes in efficiency due to improved management of resources. In a longer time period, we might be able to observe factors that influence the creation of value, such as the development of new products, differentiation of current products, development of technology, diversification of activities, etc., since strategies of good governance take specific form in these activities. Each choice made could produce an effect on the economic-financial indicators of the entity.

We can thus move on to study the efficiency indicators. As to the profit margin (H_5), we see that differentiation is not consistent over time. This may be due to the fact that these strategies are easily imitable[6]. Although the firms are initially differentiated, this differentiation does not persist in the subsequent periods analysed. The competitive advantage is probably imitated by the competition.

Finally, once we have analysed the information related to entrepreneurial efficiency, we consider the effect that the incorporation of these strategies has had on the capital market. To do this, we analyse the group of firms belonging to the DJGI to determine whether there is a link between the evolution of the market to book and the variation in profit before taxes for the

[6] States of opinion are generated (Bendell & Kearins, 2004:C3) that drive other firms to adopt this type of strategy, whether by imitation or from the firm's own demand on other parts of the chain of providers and customers (Ogrizek, 2002; Burgess, 2003; Adams & Zutshi, 2004; Bond, 2005).

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periods previously considered. We seek to confirm whether the variations produced in the management of these firms have produced a response in the capital market and in the same way.

By analyzing the relation (market to book/pbt), we see that in 58% of the firms the capitalization value increases with respect to the profit before taxes, while this relation has been reduced in the other cases. The results obtained do not enable us to affirm consistently whether the application of best practices affects the evaluation of firms in the capital market in the time period considered. However, we see that the percentage of firms in which the capitalization value grows more than the profits is slightly greater than that for which it decreases. It would be necessary to confirm whether this percentage grows in the future, as this could mean that the consolidation of practices of good governance is a factor that generates expectations of profit on the capital market.

Once we have arrived at the conclusion that differences exist between the two groups of firms, we will determine their sign. To do this, we calculate the median and the standard deviation of the variables considered for each group of firms. We see that, for firms that present practices of corporate governance, for those variables in which differentiation exists between the two groups of firms, the median takes a significantly lower value. Further, when the median takes a negative value, which occurs for the variations in profitability and the variation of the profit margin, the situation of the firms that present reports of corporate governance is significantly worse. This means that, for the time period studied, from the perspective of efficiency, the firms in the sample that apply standards of best practices do worse. There is a lower degree of exploitation of resources. The practices of good corporate governance can bring a redistribution of resources to meet new demands. In some cases, this will mean the dedication of resources to investments that is not reflected immediately in the results. While the expenses incurred appear, the returns will show only after a longer time period.

5. Conclusions

We see that, before the application of practices of good corporate governance, there were no differences between the groups of firms. After three years, during which one of the groups applied standards of good corporate governance, we confirm that differences exist between the income obtained by both groups.

The sign of these differences is negative. That is, the firms that apply practices of good corporate governance do not obtain better exploitation of their resources in the time period considered. We verify the postulates of classical theory, which argue that positive social actions bring additional costs that reduce the firm's profit and place shareholders at risk. However, from our contemporary perspective, corporations must take into account not only the goals of the shareholders but also the demands of all the stakeholders. Entrepreneurial profit is not the only goal. Cultural change driven by society's demands does not permit the firm to turn back. It is currently accepted that indefinite, exponential and material growth is not possible unless growth by means of technology, training and education, and improvement of society is possible (Dovers, 1989:33). This change of position can mean the redistribution of resources, which explains for the time period considered the negative effect on the profit and loss statement. It will take a longer time period for the results of the new strategies and policies adopted to take shape in the profit and loss statement.

The capital market's evaluation of the adoption of best practices in the time period considered is not conclusive. Although a greater proportion of firms increase their capitalization value with respect to profits, a significant number of them experience a decrease. The effects of greater informative transparency are not consistently shown.

Most European countries began require the development of a report on corporate governance through legal requirements at the beginning of the millennium. From this moment, disclosure concerning corporate governance is given a strong incentive and begins to become a more generalized practice. In our opinion, there is not sufficient time perspective to arrive at conclusive results concerning the effects that the adoption of policies derived from good corporate governance will have.

Some of the positive effects caused by the cultural change will not be seen as entrepreneurial profit. We need appropriated indicators to measure these effects. The change in entrepreneurial philosophy will have fundamentally qualitative repercussions, since they will cover several social or corporate requirements which will not always have a quantitative effect on economic-financial indicators.

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Appendices

Table 4. Variations produced in the period 1998-1999

	var_asset	var_cap	var_oper	var_pbt	var_marg	var_roa	var_roe
Mann-Whitney U	1281.00	1397.50	1392.00	1497.00	1460.00	1414.00	1357.00
Wilcoxon W	2821.00	2937.50	2932.00	3037.00	3000.00	2954.00	2897.00
Z	-1.384	-.692	-.720	-.093	-.314	-.589	-.930
Sig. asint. (bilateral)	.166	.489	.471	.926	.754	.556	.353

Associated variable: DJGI_dp
$P \leq 0.05$

Table 5. Variations produced in the period 1998-2004

	var_asset	var_cap	var_oper	var_pbt	var_marg	var_roa	var_roe
Mann-Whitney U	1263.00	1453.00	1372. 00	1127.00	1199.00	1212.00	1191.00
Wilcoxon W	2803.00	2993.00	2912.00	2667.00	2739.00	2752.00	2731.00
Z	-1.492	-.356	-.840	-2.305	-1.874	-1.796	-1.922
Sig. asint. (bilateral)	.136	.722	.401	.021	.061	.072	.055

Associated variable: DJGI_dp
$P \leq 0.05$

Table 6. Variations produced in the period 1998-2003

	var_asset	var_cap	var_oper	var_pbt	var_marg	var_roa	var_roe
Mann-Whitney U	1302.00	1497.00	1386.00	1122.00	1198.00	1132.00	1158.00
Wilcoxon W	2842.00	3037.00	2926.00	2662.00	2738.00	2672.00	2698.00
Z	-1.25	-.093	-.756	-2.334	-1.880	-2.275	-2.119
Sig. asint. (bilateral)	.208	.926	.450	.020	.060	.023	.034

Associated variable: DJGI_dp
$P \leq 0.05$

Table 7. Variations produced in the period 1998-2002

	var_asset	var_cap	var_oper	var_pbt	var_marg	var_roa	var_roe
Mann-Whitney U	1445.00	1241.00	1347.00	1170.00	1143.00	1097.00	1156.00
Wilcoxon W	2985.00	2781.00	2887.00	2710.00	2683.00	2637.00	2696.00
Z	-.404	-1.623	-.989	-2.048	-2.209	-2.484	-2.131
Sig. asint. (bilateral)	.687	.105	.322	.041	.027	.013	.033

Associated variable: DJGI_dp
$P \leq 0.05$

Table 8. Variations produced in the period 1998-2001

	var_asset	var_cap	var_oper	var_pbt	var_marg	var_roa	var_roe
Mann-Whitney U	1445,00	1351,50	1250,00	1192,00	1242,00	1263,00	1213,00
Wilcoxon W	2985,00	2891,50	2790,00	2732,00	2782,00	2803,00	2753,00
Z	-,404	-,963	-1,569	-1,916	-1,617	-1,492	-1,790
Sig. asint. (bilateral)	,687	,336	,117	,055	,106	,136	,073

Associated variable: DJGI_dp
$P \leq 0.05$

Table 9. Summary of the results obtained

Periods analysed	Significant differences	No significant differences
1998-1999	-	All variables analysed
1998-2000	-	All variables analysed
1998-2001	-	All variables analysed
1998-2002	var_pbt; var_marg; var_roa; var_roe	var_asset; var_cap; var_oper
1998-2003	var_pbt; var_roa; var_roe	var_asset; var_cap; var_oper; var_marg
1998-2004	var_pbt	var_asset; var_cap; var_oper; var_marg; var_roa; var_roe