GOVERNANCE, BOARD DIVERSITY AND FIRM VALUE: THE CASE OF THE ITALIAN PUBLICLY LISTED FIRMS+

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ABSTRACT

This paper investigates the relations firm on board diversity and firm value on a sample of Italian Publicly listed firm. Specifically, we look at the composition of boards (as defined board size, Majority of independent directors, leadership structure) and at his diversity (defined as the percentage of women and directors of other, average age of the board, other board's member appointment). We provide evidence that board diversity positively affect performance.

Keywords: firm value, board of directors, listed firms, Italy

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+This article is the result of joint research. Giovanni Bronzetti has written the first, fourth and eighth sections, Romilda Mazzotta has written the fifth, sixth and seventh sections and Graziella Sicoli has written the second and third sections.

1. Premise

The evolution of the business sector, the increasing process in regulated markets and the consequent fragmentation of sharecapital captured, to the early nineties, the attention of many scholars on the topic of corporate governance.

Business success is, in fact, a target which is conditioned by a set of variables of the external (economic situation, market inputs, etc ...) and internal environment, meaning with this term the choices made for the government's company, synthesized within the term corporate governance. The search for an adequate system of governance is in fact very important in businesses with high sputtering capital in which, due to the separation of ownership (mostly) and control (agent), it is necessary to protect and safeguard the interests of those of management-economic damages could receive capital: minority shareholders, various stakeholders and so on. The role of mechanism of control and monitoring manager is assigned to the Board of Administration (board) but as it works in the best interest of stakeholders is essential that managers and outsider members do not match between themselves, a situation possible only in the presence of independence of these last to the enterprise. The non-collusion, following the approach of agency theory, is based the interest of the first to maintain their reputation for expert controllers. It causes the independence of the board, in our opinion, also its heterogeneity (board diversity). It is understood that differences between members of the board in terms of age, nationality, sex, working level: a set of factors "quality" that allowing a better understanding the market environment and increase creativity, innovation, develop problem-solving and promote better relations (Robinson-Dechant, 1997, Carter et al., 2003). The heterogeneity, in other words, improve independence because people with different age, race, gender and cultural background can pose problems that traditional managers might not show (Arfken, 2004) making an effective monitoring more likely.

The board, its composition and its characteristics are, however, the crucial issue of corporate governance and the foundation of business success.

In this context, fits the purpose of this contribution, which, after a brief discussion on corporate governance in its internal dimension (the Board) and the framework (hard and soft law), focuses on the existing literature on the subject. The review highlights the lack of presence in Italy of studies on the governance-performance relationship and the virtual absence of studies examining the composition of the board in terms of diversity, which leads then to investigate these aspects.

Then the next section presents the characteristic of the board, section three the Italian regulation. Section four presents the link between corporate governance and performance section five examines prior empirical evidence on board composition and diversity and firm value relevant to our study. Section six discussed the data and empirical methodology employed. The result of the empirical analysis are presented in Section seven while section eighth concludes paper

2. The characteristics of the board and corporate performance

You can find a common origin to conflicts of agency and to those of the definition of corporate governance: the dissociation between decision-making and recruitment as risk.

This dissociation, traditionally called "separation of property and control", occurs when in the venture capital firm entry new subjects. (Fama, Jensen, 1983) This leads, in fact, an increasing separation of ownership (participate with the evolution of the economic interest), control (have a power on the enterprise) and direction (act in the firm interests before it and to third parties) (Rappaport, 1990). This is particularly true as we refer to business realities of large dimensions in which the interests of senior management, expressive of a majority shareholding in the capital, are frequently in conflict with those of minority shareholders. The purpose of governance is to protect shareholders from any opportunistic conduct managers. These, with high decisional power, undertake strategies sometimes conflicting, and sometimes very suitable, with owners' interests (Berle, Means, 1932)

In Italy, for example, in large listed companies, where the share to be attributed to the market is relatively low, concentrated ownership structures continue to prevail. The presence and especially the lasting persistence of block holders may be attributed essentially to the failure of regulation, which discourages the first full market placement of securities owned company, owned by the founders or their families, other allows majority shareholders to obtain high private benefits at the expense of minorities. Is clear, therefore, that in our country, the problem of agency theory simply move the location of the conflict in the relationship between directors and shareholder to the shareholder majority and minority shareholders. (Clarke, 2007). It is in this context involved with the law (hard low) reviewing the role, duties and functioning of the supervisory board. The rules in question, however, not concern, except incidentally, the composition and functioning of the Board of Directors. To regulate these aspects involved in almost all countries self-regulation, namely the development and dissemination of codes of best practice reference. The introduction of such rules (soft low) is not binding and is designed to complement and interpret the laws with the aim of providing more detail the choice of governance model best suited to provide an appropriate division of responsibility in terms and powers and a proper balance between management and control.

3. Italian rules

Italy, compared to other countries of Anglo-Saxon origin, is not affected by the need to adopt forms of regulation in corporate governance at least until the end of last century. In the early nineties, following important developments relating to the global market, and covering greater competitiveness among businesses, it is necessary to regulate the capital market and, while protecting the interests of minority shareholders. The first major reference Italian legislation was in 1998 when it enacted the Decree 58 known as the Draghi Law or TUF (Testo unico finanziario). It aims to regulate, through a series of regulations on financial intermediation and credit, capital market to increase significantly the credibility with institutional and potential investors. The decree in question does not provide for at least explicitly, any provisions regarding the composition and functioning of the Board is left to soft-type regulation.

An important step forward was made in 2003, when the Commission of European Communities in a notice stated the necessity to work through a body of company law for protection of shareholders rights and other stakeholders so that, through Decree n. 5 and 6 of 2003 (in accordance with Law 366/2001) takes shape on company law reform.

The reform in question, makes a substantial innovation in the companies governance giving the possibility to choose, based on their ownership structure and geographic context, different patterns of administration and control alternatives to the traditional model now in force. Then is confirmed: the two tier system (structured on a supervisory board and management board) and the one tier system (which provides for a Board and a committee for management control). The model still prevailing is the traditional one where there are present and separate governing organ and control organ, both elected by the shareholders.

Due to major scandals that were raging in the capital market in 2005 intervene 262 law known as the Savings Act, which brought important changes on the TUF and discipline of the Civil Code for corporate governance of listed companies. From 25 January 2007 applies Decree Law 303/2006, Law on corrective savings. Purpose of the decree is to strengthen investor protection, as in corporate governance and audit arrangements for movement of financial products.

A major novelty in the field of governance is in the composition of the Board, regardless of the number of components, must have within it, at least one independent director on the boards of directors consisting of less than seven members, and at least two independent directors the Board of Directors consisting of more than seven members, is also expected to decline from the office of director in case of loss of independence requirements:

To the above legislation should be backed mandatory measures for listed companies prepared Italian stock exchange (Regulation and instructions of the markets organized and managed by it) and Consob (essentially implementing regulations of Decree 58/98).

As always the end of last century, alongside regulation and legislation, there is both national and international development of the soft law. In almost all countries corporations try to adopt a code of conduct with the aim of improving the competitiveness and reliability of the financial market and business thus gaining the consent of investors. Unlike the statutory provisions soft low through codes of conduct Best Practice's attempt to regulate the role, functioning and composition of the board.

In Italy, the code of conduct on corporate governance, also known as Preda code, was developed in 1999 revisited in 2002 and amended further in March 2006. It provides guidance to companies about the attitude of governance more likely to maximize value for shareholders (shareholder value) and that have a positive impact on other stakeholders who come into contact with the company (stakeholders value). The Code of selfdiscipline tried to revitalize the board of directors of listed companies introducing the figure of independent directors.

Since simply rules of best practice code Preda is not binding and its not adoption is not punishable except by the market. The latter, in fact, seek to move towards some and not other companies take in account of what is reported in code increasing the value of these shares

The Preda Code in the composition of the Board, while not specifying a minimum or maximum size of the organ, provides that it should be composed to ensure efficient performance of its functions. Then it is composed in a balanced way by different skills that have relevant knowledge, specific skills and specific skills in relation to various business functions. Preda Code on this point recommends, within the Board, the presence of two categories of directors: executive directors and non-executive directors. Non-executive directors participating in the Board, contribute to recruitment decision in accordance with the social interest thanks to the specific expertise possessed and often acquired externally. Their role is particularly useful if certain issues of executive interest does not coincide with those of shareholders. In the latter 's case, the strangeness of non-executive operational management of the issuer, can contribute effectively to the evaluation of proposals and the work of the executive. (Bebchuk, Fried, 2002)

Part of the non-executive directors must be independent it should not have provided economic relations of society, either directly or indirectly, and thus cannot constraint the autonomy of the view of society. The independent directors play a monitoring role of the executive on behalf of shareholders and, in some cases, specific interests of minorities. Also participate in the formulation of strategies and often have an impact as possible while avoiding ratification business strategies imposed by the controlling shareholders and if approved after extensive and appropriate analysis and discussion. They take care of maximizing shareholder value, assessing, in the Council, if the stock price reflects the trend of corporate management, if the growth prospects of the company are balanced and if necessary take action to achieve a particular growth value of the title.

To fulfil its role of connecting ring between executive and non-executive directors is the Chairman of the Board of Directors appointed to the Board.

The Chairman of the Board can promote opportunities for training and enhancing the skills of directors, especially when they have no previous experience in other boards and therefore does not have much knowledge about the regulatory framework, the business environment, the work to be done (Bertoli, 2007)

Finally, it specifies that the board, without being stripped of its powers, may delegate to one or more of its members, even with the title of Chief Executive, all or part of his powers (see art. 2381 of the Civil Code). The Preda Code on that point, in line with the recommendations from the Cadbury Code, and from international best practice, suggests to avoid the concentration of positions in one person.

4. The link between performance and corporate governance

To understand how efficient and transparent mechanisms of corporate governance impact on the long-term results is now attracting the attention of many scholars. In the "Global Investor Opinion Survey" conducted by McKinsey & co, in 2002 on more than 200 institutional investors are stated very interesting conclusions on the importance that appropriate governance mechanisms may have on investment decisions of financial investors. (McKinsey, 2002). The application of a set of rules of governance encourages investment by shareholders, provides adequate protection to institutional investors which suggest a lower risk of expropriation of wealth managers. In companies with very split share capital, where the majority shareholders do not hold shares to control the company, they may be able to maintain continuity in the ownership structure only through a process of continuous value creation that reflects shares market price.

Alternatively, closed ownership structure companies, to affect the performance is above all the need to raise funds. The lack of openness to the contribution of capital from third parties is an important constraint to growth in size. In all these cases, opportunistic behaviour by administrators, the abuse of minority shareholders, conflicts between majority and minority shareholders as well as hindering the proper functioning of the organs, do not contribute to value creation by the company. The Capacity of the company to raise capital on the market is crucial in the process of value generation. Investors agree to purchase shares of a company rather than another on the basis of future profits from this expect to get. These profits, expressive of dividends or increase the value of equities, represent the key component of corporate performance. The adoption of adequate governance mechanisms that can monitor the work of directors enhances investor confidence and, on equal terms, the potential for the company to attract new financial resources.

Well-governed firm makes the firm less risky, the potential for the investor to see the paid capital and heavily influenced the ability to access capital markets more competitive. Compared to well-governed companies investors are prepared to pay a premium when buying the securities because good governance “improves performance" Please understand what they mean for investors good or bad governance. Good governance does not take into account both the ownership taken by the company, but rather the fundamental role that carries within it the Board of Directors whose composition impact and can greatly affect performance. It is important to understand the proper composition of the Board and, therefore, if for example the choice of administrators "homogeneous", i.e. with similar characteristics (where the benchmarks considered are: age, education, seniority, etc..), Can lead the company to better performance rather than a Board composed of directors called "heterogeneous".

For as diversity increase board independence because people with a different gender, ethnicity and/or cultural background might ask question that would not come from directors with traditional background. Corporate diversity (Robinson-Dechant, 1997) in fact:

1) promotes a better understanding of the market place (the market place us becoming more diverse and diversity of the board potential increase the ability to penetrate markets);
2) increase creativity and innovation[17];
3) produce more effective problem solving.

In the next section we discuss relevant studies on board composition and firm value that lead to the development of our research methodology.

5. Literature review

The addresses of national and international composition of the board are linked to the acquired knowledge that the quality and characteristics of the board may affect firm value. In the composition of boards several disciplines and theories are developed and seem rather complicated to present a literature review though these theories (agency theory, stewardship theory, re-source dependence theory, institutional theory and stakeholder theory) are noteworthy, have a common spirit to highlight the existence of a positive link between the various features of the board and corporate performance.

With reference to the agency theory, we find several empirical studies on the composition of the board, though are essentially related to the Anglo-Saxon context. The empirical evidence, as we shall see, are mixed, although these results are influenced by measures of performance and Corporate Governance taken as a reference for analysis. The composition of the board is studied from different points of view (Mazzotta, 2007) in some cases the emphasis is on the presence of non-executive directors and the size, in others it looks primarily to the leadership structure and other changes involved in the board (board change). This aspect of board composition has a relevance to our analysis because a more diverse board is likely to be a more independent or activist board (Carter-Simkin-Simpson, 2003).

Baysinger-Butler (1985) and Klein (1998), using accounting performance measures demonstrate the existence of a positive correlation between performance and presence of outsider directors and Bhagat and Black (2002) find no correlation between the incidence of independent directors and different performance measures. Weisbach (1988), Barnhart and Rosenstein (1988) point out, for their part, a curvilinear relationship between the incidence of outsiders and corporate performance, while Agrawal-Knoeber (1996) and Cole et al. (2001) reported a negative correlation using the first as a performance measure Tobin's Q and the second using the MVA.

Yermack (1996), using accounting measures of performance (but gets the opposite results using performance measures based on the market) and Daily et al. (1998) between board composition and performance.

In recent studies we found a nonsignificant relationship, remember the study by DeAndres et al. (2005) on businesses of ten OECD countries and that conducted by Adjaoud et al. (2007) on Canadian companies.Few academic studies analyse the relationship between firm value and board diversity. Shader, Blackburn-Iles (1997) analyzed the relationship between the percentage of women in the board and the accounting performance measures (ROA, ROE) and found a significant negative relationship between the percentage of women in boards and firm value in some test. Zahara-Stanton (1998) analyzed the relationship between the percentage of ethnic minority director and several accounting measures of financial value (ROE and EPS) but saw no statistically significant relationship. Carter-Simpson-Simkins (2001) analyzed a sample of U.S. firms finds between board diversity, understood as the percentage of women and persons of other nationalities "minority" on the board and firm value expressed by Tobin's Q, the encounter between two variables a significant positive relationship.

[17] “attitudes, cognitive functioning and beliefs are not randomly distributed in the population, but tend to vary systematically with demographic variables such as age, race and gender”, Robins and Deschant, 1997

The studies on corporate governance in Italy are, in fact, less numerous and mainly concentrated on descriptive aspects of the phenomenon. Tarizzo and Crisci (1995) analyzed 500 firms, with reference to year 1994, show a limited presence of independent directors and where they exist with the sole function of external image. Corbetta and Tomaselli (1996) note that the Board is a body ratifying decisions already taken by the CEO or shareholders. Melis (1999) highlights the presence in the Italian context of separate leadership structures and a virtual absence of participation of advisers without delegating decision-making business. In these studies alongside those aimed at analyzing the level of adherence to the recommendations of the Preda Code and laws on the Corporate Governance. Fiori and Tiscini study shows, for example, that companies take a particular attention to the process of appointment and composition of the board, even if, as presumed Bianchi Martini et al. (2006), adherence to the principles of good governance is only formal.

In Italy, few scholars have analyzed the relationship between governance and performance. Casavola and Bianco, for example, studying the relationships between governance and performance show an ambivalent effect and thus no clear relationship between ownership structure and performance. Brunello et al. (2000) analyze the turnover of the board in order to understand if in case of unsatisfactory performance change the composition of the Board and whether the ownership structure affects the report, show a significant negative relationship between performance and CEO turnover and that this relation depends on the ownership structure. Turnover is lower in firms controlled by a family and is higher in companies controlled by shareholders.

An analysis of the state of the art not permitted to predict the relation between board diversity and firm value. However, the results obtained in the context of Anglo-Saxon cannot be extended to the Italian context for two reasons. Firstly, because the results from international studies have not yet led to unambiguous interpretations nor definitive results, but results of a mixed nature, secondly, because the peculiarities of the Italian context, for profoundly different from the Anglo-Saxon economic climate, financial and for features of ownership structure, requires the establishment of *ad hoc* research projects designed to test the existence of a causal relationship between Corporate Governance and firm performance. The following section discusses our data sources and the methods used to investigate the relationship between board diversity and firm value.

6. Data, Methodology and Hypoteses

Data source and description

In order to examine the board composition of the Italian public listed companies operating in sectors of services we first obtained a list of Italian public companies by market capitalisation at 31st December 2008. Subsequently, information on board composition and diversity was collected from the company's annual report "Corporate Governance Report" published on website Borsa Italiana. For companies not disclosing more detailed information on their directors, in particular, their gender and age, we also examined their website for further information.

Our sample is representative of 82 Publicly traded companies in Italy. For each board structure characteristics companies are collected from the Corporate Governance Report, or where necessary statements or business website.

For the purposes of these study, companies was excluded from the sample if the relevant information on gender and independence of their directors was unavailable. As such, the sample of companies selected comprises 73 largest publicly listed companies by market capitalisation. Information on industry classification was obtained from Bitstat, annual publication of Borsa Italiana. Table 1 provide a descriptive statics for our sample firm.

Table 1. Descriptive statistics for sample firm

This table present descriptive statistcs for sample firm. Bsize is a dimension of board, bcomp represent the incidence of non executive directors in a board, no-duality is a dummy equal at one if CEO differs to Chair, age is average of age of director, workload represent total number of appointments, nr is the number of meetings, total_assets is the total of assets, ndonne the number of women in the board and naltripaesi is the number of administrators of foreign countries.

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. summarize bsize bcomp no_duality age workload nr total_assets ndonne naltripaesi
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Variable	Obs	Mean	Std. Dev.	Min	Max
bsize	73	9.630137	3.246823	2	19
bcomp	73	69.74746	17.97929	0	94.73684
no_duality	73	.6575342	.4778185	0	1
age	73	55.9726	5.364421	43	66
workload	73	3.463151	2.357351	0	10
nr	73	9.60274	4.886886	4	27
total_assets	73	4013764	1.32e+07	11661	8.55e+07
ndonne	73	.6027397	.777098	0	4
naltripaesi	73	.630137	1.359196	0	6

Research Methodology and hypotheses

The "diversity" of the board is analyzed using proxies such as the average age of the Board, the presence of directors women and the other nationalities, and workload of the Board (Carter, Simkins and Simpson, 2002).

We focus our analysis on:
1) gender and presence of directors of other nationalities (gender);
2) average age of the board (age);
4) participation in other boards (woarkload).

The board diversity of sample companies was compiled for each company. Due to the non-subjective and numeric nature of the data, two of the co-authors compiled boar diversity information and gender, age range of board members and independence separately. The realibility of the data was the verified by auditing data randomly selected companies which had been compiled independently and separately.

The variables of control are related to the "board composition" and to the company dimension measured with natural logarithm of the total asset. The variables used and their calculation are:

1) Dimension of the board, measured with the natural logaritm of the board size (lnsize);
2) Leadership structure, a dummy indicating CEO/chair duality (noduality);
3) The percentage of non-executive directors in the board, calculated as numbers of non-executive directors divided by board size (bcomp). The independence of each directors was assessed according to the definition provided by Codice Preda Recommendations. All sample companies disclosed how they define directors independence and whether these definitions are consistent with recommendations. But assessment of independence is very difficult and we collect additional information regarding whether the individual director served the board in a "non executive"capacity.
4) Company dimension, measured through the natural logarithm of the total assets (lnassets).

The performance measures used are the traditional accounting measure (ROE and Net Profit Margin) and firm value measured by approximation of Tobin's Q.

Methodologically, in order to measure the intensity of the association between different board diversity we:

1) Have analyzed, through correlation analysis, relation between board composition and board diversity variables; relation between these last and accounting and market performance value. The dummy variable is the company dimension;
2) The hypothesis analyzed is: Board diversity is correlated with firm value, to get it we regress a measure of firm value against measures of board of director diversity as follows:

$$\text{Firm value} = \alpha_0 + \alpha_1 \text{board\_diversity} + \sum \alpha_{x} + \varepsilon$$

Where the approximation of Tobin's Q is the measure of firm value and x is a vector of other explanatory variables. Board diversity is equal at sum of three variable dummy: *dummy women/minorities* indicating the presence of women/minorities on the board, *D_other*, indicating the presence of director who have other function of director in other board and *D_age*, indicating the age over the median. The maximum value of variable board_diversity is three.

Tobin's Q, similar Bhagat-Bolton (2007) and Gompers, Ishii and Metrick(2003) is equal at:
(Book Value of Assets + Market Value of Common Stock - Book Value of Common Stock - Deferred Taxes) / Book Value of Assets.

In the regression has been preferred to use the firm value as the market variables better represent the qualitative differences of the board.

The performance information was taken from the database Datastream. We include the following control variable board size (natural logarithm of the number of directors) and a measure of firm size (natural logarithm of total assets). In the Regression analysis has been used Stata software.

7. Empirical results

We investigate the relationship between board diversity, corporate governance e firm value with analysis of correlation. The result of analisys is reported in table 2.

Board dimension is correlated with its composition, ceo-duality age, gender. In other words greater is the board higher is the number of non executive administrator (bsize-bcomp, 0,4681), the age. It is showed that in the board there are older administrator (bsize-age, 0,2753), women and administrator coming from foreign countries (bsize-gender, 0,2088) that does not replace previous administrators but are added to the existing ones. La bsize is significantly correlated with company dimension. This indicates when the company dimension increase in the same way board becomes greater.

The presence of non-executive administrators is positively correlated both with no duality and age. No duality and non-executive administrators incidence (bcomp) are positively and significantly correlated with the control variable lnassets. Then the analysis shows that when the board gets wider the CEO/Chair position tends to be different (bsize-no_duality, 0,3469).

The presence of non-executive directors isn't statistically significantly correlated with corporate.

Referring to the performance measure results shows that:

- The Board size has a significant impact on economics performance measured by net profit margin, to indicate a greater board improves net profit margin; but is not possible to show a same correlation referring to Tobin's Q;
- The age is not correlated with the ROE and the Tobin's Q, as the age is not correlated with other appointment;
- The presence of other appointmens is positively correlated with accounting performance measure (ROE and net profit margin) indicating that the company works best with those with more experience, even the best market perceives those with Board members who have more cultural knowledge and skills reconnected to their greater life experience. The presence of administrators with other appointments is positively correlated with Tobin's Q (worload-qtobin). This indicates that the presence of administrators with other appointments is not well seen by the market. We believe this relationship is not linear because the excessive workload reduces the time available for the activities of the Board and being the single administrators with other non-executive positions essentially non executive administrator it finishes to condition the performance.

Table 2. Correlations (Pearson) ROE, TObin's Q, Net margin profit and board characteristics

This table present correlation (Pearson) between accounting performance measure and market value and and governance variable for sample firm. Bsize is the board dimension, bcomp represent the incidence of non executive directors in a board, no_duality is a dummy equal at one if CEO differ to Chair, age is average age of director, workload represent the total amount of appointment in other boards, nr number of meeting, total_assets is the total of assets, ndonne is the number of women in the board and naltripaesi is the number of administrators of other nationality, qtobin represent the firm value, net_profit margin is the profit margin.

. corr bsize bcomp no_duality age workload ndonne naltripaesi total_assets qtobin roe net_profit_data
(obs=73)

	bsize	bcomp	no_dua~y	age	workload	ndonne	naltri~i	total_~s	qtobin	roe	net_pr~a
bsize	1.0000										
bcomp	0.4681	1.0000									
no_duality	0.3469	0.3084	1.0000								
age	0.2753	0.1088	0.2618	1.0000							
workload	0.0406	-0.0007	0.0090	0.0790	1.0000						
ndonne	0.3208	0.0869	-0.0722	-0.0026	-0.1072	1.0000					
naltripaesi	0.2739	0.0426	0.1444	-0.0052	0.1654	-0.0095	1.0000				
total_assets	0.2220	0.1701	0.1519	0.2345	-0.0555	-0.1359	0.3152	1.0000			
qtobin	0.0789	-0.0760	-0.1128	-0.0226	-0.1696	-0.0344	-0.0607	-0.0656	1.0000		
roe	0.0962	0.0236	-0.0026	0.0047	0.1797	-0.0751	0.0928	0.0858	0.0392	1.0000	
net_profit~a	0.1884	-0.0713	0.0803	-0.0086	0.2272	0.0679	-0.0185	0.1523	-0.0086	0.4052	1.0000

The estimates of the relationship between firm value and board diversity are presented in table 3. The dependent variable is Tobin's Q. We find that variable of control (lnassets) is significant relationship with the dependent variable at a level 10 per cent; other independent variable has significant relationship with firm value at level 5 per cent. Form this results, we may conclude that the diversity of the board has a significant influence on Tobin's Q of the Italian firm on the sample. The adjusted R squared seem to very slow but this result could be expected because some firm-specific characteristics, such as credit rating, company history could have a greater influence on Tobin's Q than board diversity.

Table 3. Estimates of relationship between firm value and board diversity

This table present estimate of relationship between firm value and board diversity. Board diversity is equal at sum of three variable dummy: *dummy women/minorities* indicating the presence of women/minorities on the board, *D_other*, indicating the presence of director who have other function of director in other board and *D_age*, indicating the age over the median. The maximum value of variable board_diversity is three. Tobin's is equal at: (Book Value of Assets + Market Value of Common Stock - Book Value of Common Stock - Deferred Taxes) / Book Value of Assets.

```
. regress qtobin board_diversity lnsize lnassets, vce(robust) level(90)

Linear regression                                      Number of obs =      73
                                                       F(  3,    69) =    2.21
                                                       Prob > F      =  0.0944
                                                       R-squared     =  0.1533
                                                       Root MSE      =  .64725
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qtobin	Coef.	Robust Std. Err.	t	P>|t|	[90% Conf.	Interval]
board_dive~y	-.2212069	.0901408	-2.45	0.017	-.3714931	-.0709206
lnsize	.6618373	.3145995	2.10	0.039	.1373249	1.18635
lnassets	-.1171353	.0625293	-1.87	0.065	-.2213866	-.0128841
_cons	1.655805	.6570169	2.52	0.014	.5604012	2.751209

8. Summary and Conclusions

In good corporate governance the relationship between board diversity and firm value is critical. This study examines the relationship among corporate governance, board diversity and firm value of Services companies listed on the Milan Stock Exchange. Board diversity is defined as the percentage of women and directors of other nationalities and workload. After controlling for size we find statistically significant positive relationship between board diversity and firm value. Regression analysis to confirmed these result, in fact, we find a positive correlation between Tobin's Q and board diversity.

Summarizing the research represent an important step in the governance items as focus attention on the importance of such variables which often condition and influence company's performance. Further steps of the research should be represented by the extension to other listed companies of other sectors.

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