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Measuring Corporate Governance Effectiveness in Russia

In this research we investigate the relationship between corporate governance quality and firm performance using the sample of 35 Russian companies. To measure the quality of corporate governance we use RID–Expert RA3 corporate governance rating (National Corporate Governance Rating, NCGR) and then we compare this quality to the level of chosen performance indicators (such as P/E, ROE, Market-to-Book Value) for the period 2003–2005.

The analysis shows some positive correlation between quality of corporate governance practices measured through the NCGR and some indicators of Russian companies' performance. But the correlation is not strong and appears only in the case of Market-to-Book Value and ROE indicators. Companies with good corporate governance have higher level of their Market-to-Book Value indicators than poorly governed companies. And the best-governed companies are more effective in making returns to the shareholders than companies with poor corporate governance. Average value of ROE for companies of A and B++ NCGR classes exceeded value of the same indicator for the companies of B and C++ NCGR classes through 2003-2005.