The recent corporate scandals such as Enron and WorldCom have highlighted the importance to pay attention to the governance of an organization. All publicly listed corporations are required by stock exchange rules to have a code of ethics and business conduct. A measure known as Market Value Added (MVA) was developed to measure the long-term financial performance of a company.

This article describes a study which measures the MVA for companies listed on the S&P 500. Analysis of the results of the study showed that the mean MVA financial performance of the companies with superior governance attributes was consistently and substantially higher than the mean MVA of the remaining S&P 500 companies.

Full Report