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Ownership Structure Characteristics and Firm Performance: A Conceptual Study

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Abstract

This study aims to offer a comprehensive description of the relevant literature related to the association between the ownership structures, namely; ownership concentration, managerial ownership, government ownership, foreign ownership and institutional ownership; and firm performance. Ownership structure is among the corporate governance primary mechanisms that has been a focus of many researchers and scholars for few decades. Despite that, there is a lack of prior studies that examine these relationships in the developing countries. In the developed countries context, there are few studies to examine the aforementioned relationship. So, the main objective of this study was to bridge this gap and try to enrich existing literature.

Keywords: Corporate Governance, ownership concentration, managerial ownership, government ownership, foreign ownership and institutional ownership and Performance.

1. Introduction

Ownership structure is one of the core mechanisms of corporate governance (CG). Ownership structure has been an attention seeker to both scholars and analysts alike. The pioneering study in the theory of the firm on contemporary firm was conducted by Berle and Means (1932). They discussed the conflicts of interest between controllers and managers and concluded that with increasing ownership diffusion, the authority of the shareholders to control management is minimized. Moreover, Demsetz and Lehn (1985) stated that ownership is always endogenously determined for the maximization of firm performance as these benefits all owners. There should be a lack of systematic association between ownership structures and performance as the existence of such a relationship would reflect the potential for performance enhancement stemming from reshuffling of ownership structure.

Corporate governance mechanisms are developed to minimize agency costs that are related to the ownership and control separation (Fama & Jensen, 1983; Jensen & Meckling, 1976). Prior studies show that governance mechanisms enhance firm value to a certain degree (Weir, Laing & McKnight, 2002). Similarly, the distinction between ownership and management is common in today's contemporary public corporations. Some of them make use of performance-based incentive contracts to align owners interests with that of managers while others depend on the markets for managerial expertise and corporate control to stop managers from manipulating investments to their own interests (Sing & Sirmans, 2008). In the same context, the findings of Jensen and Meckling (1979) and Pfeffer and Slanick (1979) provided the first basis of assumptions. Firm value is defined as a function of ownership structure as the latter is linked to corporate governance and it can have positive as well as negative impact upon corporate governance (Jiang, 2004). Consistent to the above are the findings of Lemmon and Lins (2001), who examined the relationship between the two variables through (Tobin-Q) and involved over 800 firms in eight East Asian countries. Their study found a positive relationship between ownership structure and firm performance. As it provide, the main objective of this study is to offer a comprehensive review of the association between ownership structure and firm performance. Therefore, this study is an attempt to achieve this target as will provide below.

2. Literature Review and Hypotheses Development

The ownership structure-corporate performance relationship has been receiving significant attention in financial literature (Jiang, 2004; Karaca & Ekşi, 2012). Among the trademarks of the contemporary firm is the separation of ownership and control (Uwuigbe & Olusanmi, 2012). Consistent to the context is that fact that ownership structure is a way to minimize the asymmetric information disclosure within capital markets among insiders and outsiders (Wahla et al., 2012). In the same context, Fama and Jensen (1983) and Jensen and Meckling (1976) revealed that the ownership diffusion has a significant effect on the validity of the profit-maximizing aim of firms as the separation control enables corporate managers to exert effort to serve their own interests. Moreover, Demsetz (1983) claimed that ownership structure is an endogenous aspect that maximizes the profit and value of a firm.

Based on the above arguments, managers along with shareholders should have a united objective of increasing firm value (Jensen, 2000). Similarly, ownership structure can be categorized into widely held firms and firms having controlling owners/concentrated ownership where the former category of firms' owners does not have substantial control rights (Haslindar & Fazilah, 2011). From another perspective, under the resource dependence theory, it is argued that ownership signifies a source of authority that can be utilized to support or to go against management, according to the level of concentration and use (Pfeffer & Slanick, 1979). Furthermore, Fazlzadeh, Hendi and Mahboubi (2011) claimed that ownership structure plays a key role in firm performance and provides policy makers with insights for enhancing corporate governance system. In the majority of developed countries, ownership structure is significantly dispersed. On the contrary, in the developing countries characterized by a weak legal system safeguarding the investors' interests, the ownership structure is concentrated (Ehikioya, 2009). As such, the present study focuses on the examination of the ownership structure-firm performance relationship.

Although the essence of the ownership structure, role is to improve performance, there are extensive studies, ignoring the examination of this role in firm performance. However, there are many studies that confined their study to only the relationship between board characteristics, audit committee, CEO with firm performance (e.g. Abdurrouf, 2011; Avantika, 2011; Chahine & Safieddine, 2011; Chiang & Lin, 2011; Chowdhury, 2010; Chugh et al., 2011; Dar et al., 2011; Galbreath, 2010; Heenetigala & Armstrong, 2011; Jackling & Johl, 2009; Kang & Kim, 2011; Khan & Javid, 2011; Kota & Tomar, 2010; Lin, 2011; O`Connell & Cramer, 2010; Rachdi & Ameur, 2011; Sa´nchez-Marı´n et al., 2010; Shao, 2010; Stanwick & Stanwick, 2010; Valenti et al., 2011; Yasser, Entebang & Al Mansor 2011). In addition, only a few researchers have investigated the association between some factors of ownership structure with firm performance (e.g. Akimova & Schwodiauer, 2004; Chen, Chen & Chung, 2006; Douma et al., 2006; Ganguli & Agrawal, 2009; Kapopoulos & Lazaretou, 2007; Lemmon & Lins, 2001; MoIlah & Talukdar, 2007; Sánchez-Ballesta & García-Meca, 2007). Therefore, given the importance of ownership structure, role to attract investors either local or foreign, to ensure future investment, this study investigates the relationship between ownership structure and firm performance.

Based on the extensive discussion and recommendations above, that the true importance of ownership structure to improve the company's performance were addressed by the theoretical, practical and empirical studies along with the ownership structure. In sum, as mentioned above, the goal of the study is to examine the relationship between ownership structure comprising of ownership concentration and types of ownership, including government ownership, managerial ownership, foreign ownership and institutional ownership and firm performance.

2.1 Ownership Concentration and Firm Performance

The first element of the CG mechanism of ownership structure examined in this study is the concentration of ownership. It is a reaction to the various levels of legal protection of minority shareholders in the countries (Azam et al., 2011). Ownership concentration is also defined as the proportion of a firm's shares owned by a number of the major shareholders (Sanda et al., 2005). In the same context, ownership concentration is measured by the fraction owned by the five largest shareholders or by the significant shareholders (Karaca & Ekşi, 2012; Obiyo & Lenee, 2011; Singh & Gaur, 2009).

While Berle and Means (1932) revealed a positive correlation between ownership concentration and performance, other studies revealed an absence of relation between the two (Demsetz & Lehn, 1985; Demsetz, 1983). This does not however negate the importance of ownership concentration as Shleifer and Vishny (1997) claimed that ownership concentration coupled with legal protection forms one of the two key elements that determine corporate governance. In other words, large shareholders can benefit their minority counterparts as they have the authority and incentive to stop managers from expropriation or asset stripping. In this vein, ownership concentration can be considered as a governance mechanism that is efficient. The agency theory postulates that ownership concentration is a critical factor for good corporate governance (Siala et al., 2009). Nevertheless, ownership concentration at a high level offers an opportunity for controlling shareholders and managers to take part in preventing expropriation from minority shareholders (La Porta, Lopez-De-Silanes & Shleifer, 1999; Morck et al., 1988; Shleifer & Vishny 1997).

Regarding to above extensive debate among agency theory, resource dependence theory and empirical evidence, the relationship between ownership concentration and firm performance is still inconclusive. Indeed, there many authors around the world who revealed the relationship between concentration ownership and firm performance as positive whether in developed countries. On the other hand, empirically, there are many studies that found a negative relationship between ownership concentration and firm performance. With inconclusive findings found by previous discussions, this study offers extensive review and found both positive and negative association between ownership concentration and firm performance and there are some researchers who found no relationship. For more information, should refer to below tables.

Table 1.1: *Summary of previous literature the discover there is a positive association between Ownership concentration and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Singh & Gaur (2009)	China & Indian	813 firms, 400 of which were India, while 413 Chinese in 2007.	Multiple regression	ROA, ROE & ROS
Wang & Oliver (2009)	Australia	384 firms of the top 500 companies	OLS regressions	firm risk
Siala et al. (2009)	Canada	467 firms non-financial listed companies during the period from 2002 to 2004.	Panel data	Tobin-Q
Jandik & Rennie (2008)	The Czech Republic	All firms were listed on the Czech stock exchange during 1993 to 2003.	Panel data	Accounting performance
Kapopoulos & Lazaretou (2007)	Greek	175 listed firms through 2000	Regression	Tobin-Q & profit ration
Lin et al. (2002)	China	461 publicly listed manufacturing firms in China between 1999 and 2002.	Regression analysis & Tobit regressions	firm efficient
In the developing countries				
Karaca & Ekşi (2012)	Turkey	50 firms from manufacturing industry on the Istanbul stock exchange during 2005-2008.	Panel regression	ROA
Obiyo & Lenee (2011)	Nigeria	10 firms (Banks, food, construction and oil firms) of 51 firms over 2004 and 2008.	The simple linear regression.	ROE, NPM & DY
Azam et al. (2011)	Pakistan	Non-financial data from a sample of 14 companies has been taken for 6 years 2005-2010.	Canonical regression	ROA, ROE & NPM
Khan et al. (2011)	Pakistan	Tobacco sectors through 2004-2008.	Multiple regressions.	ROA & ROE
Mandacı & Gumus (2010)	Turkey	Non-financial companies on the ISE during 2005. 203 companies.	Multiple regressions.	ROA & Tobin-Q
Ganguli & Agrawal (2009)	India.	100 firms which were listed in Indian Stock Exchange through 2007.	OLS & SLS.	Tobin-Q
Imam & Malik (2007)	Banglades h	All non-financial through 2000-2003	The multiple regression	Tobin-Q
Ehikioya	Nigeria	107 firms quoted in the	Regression	ROA, ROE,

(2009)		Nigerian Stock Exchange for the fiscal years 1998 to 2002.		Tobin-Q & PE ratio
Roszaini & Mohammad (2006)	Malaysia	347 companies listed on the main board of the KLSE between 1996 and 2000	OLS regression	Tobin-Q

Table 1.2: *Summary of previous studies that find there is a negative association between Ownership concentration and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Garcı´a-Meca & Sa´nchez-Ballesta (2011)	Spanish	Non-financial firms listed on the Madrid Stock Exchange that it was 254 firms -year observation for the period from 1999 to 2002.	Panel data regressions	Tobin's-Q
Millet-Reyes & Zhao (2010)	France	665 non-financial firm-year observations covering 174 French companies from 28 industries over the period 2000–2004.	Multiple regressions.	OCF, ROA & Tobin’s Q
Hu et al. (2010)	China	304 from 1271 firms listed on the Shanghai and Shenzhen Stock Exchange that it was selected during 2003.	Multivariate regression and this study was using SEM.	Tobin-Q
Filatotchev et al. (2007)	Poland & Hungary	500 largest non-financial firms in Poland And250 largest companies from the Hungary.	Structural Equation Modeling (SEM).	ROS & ROA
Belkhir (2005)	US	260 banks that were through 2002.	OLS	Tobin-Q
In the developing countries				
Roszaini & Mohammad (2006)	Malaysia	347 companies listed on the main board of the KLSE between 1996 and 2000	OLS regression	ROA

Table 1.3: *Summary of previous authors that disclose there is not association between Ownership concentration and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Shan &McIver (2011)	China	540 firm from non-financial sectors which listed in Hong Kong Stock Exchange over 2001-2005.	Ordinary least squares fixed effects methods.	Tobin-Q
Sánchez-Ballesta & García-Meca (2007)	European	33 studies around the world from 1988 to 2006.	Linear regressions and non-linear regressions.	RAO, ROE, ROS & Tobin-Q
Earle et al. (2005)	Hungary	All firms that were listed on the Budapest Stock Exchange over 1996 to 2001.	Multiple regressions	ROE & operation efficiency
In the developing countries				
Karaca & Ekşi (2012)	Turkey	50 firms from manufacturing industry on the Istanbul stock exchange during 2005-2008.	Panel regression.	Tobin-Q
Najjar (2012)	Bahrain	5 insurance firms during 2005 2010.	E-views program and the method the Pooled data.	ROE
Wahla et al. (2012)	Pakistan	138 firms of seven non-financial sectors of Karachi stock exchange through 2008-2010.	Multiple regressions.	Tobin-Q
Tsegba & Ezi-Herbert (2011)	Nigeria	73 firms listed on the Nigeria Stock Exchange during the period 2001-2007.	OLS	Market price per share (MPS) & EPS)
Fazlzadeh et al. (2011)	Iran	137 listed firms of Tehran stock exchange within the period 2001 to 2006.	Panel data regression analysis method.	ROA
Ibrahim et al. (2010)	Pakistan	The data was selected from two manufacturing sectors Chemical and Pharmaceutical of Pakistan from 2005 to 2009.	Multiple regressions.	ROA & ROE
Bektas & Kaymak (2009)	Turkish	All banks sectors the period was during 1994-2004.	Cross-sectional regression analysis.	ROA & Tobin-Q
Al-Hussain &	Saudi	Nine banks during	Multiple regression	ROA

Johnson (2009)	Arabia	2004-2007.		
Omrana et al.(2008)	Egypt, Jordan and Tunisia	304 firms from different sectors of the economy, and from a representative group of Arab countries (Egypt, Jordan and Tunisia) during 2000 to 2002	Regression	ROA, ROE & Tobin-Q

Therefore, this study attempted to contribute to literature by introducing the following hypotheses to be tested.

H1: There is a negative relationship between the ownership concentration and firm performance.

2.2 Managerial Ownership and Firm Performance

The second vital factor of quality of ownership structure is the managerial ownership. The managerial ownership is represented as the proportion of shared owned in the firm by insiders and board members or insider ownership (Liang et al., 2011; Mandacı & Gumus, 2010; Wahla et al., 2012). While insider ownership appears to act as an effective corporate mechanism, managerial ownership is considered by Jensen and Meckling (1976) as a signal to align the shareholders' interests with that of the manager's. On a similar note to the latter contention, Khan et al. (2011) and Shleifer and Vishny (1988) revealed that high managerial ownership may lead to management entrenchment as they have less BOD governance and market discipline for corporate control.

There are theoretical and empirical evidence that examined the relationship between managerial ownership and firm's performance and revealed mixed findings. This inconclusive finding will be reviewed in the following discussion. First of all, the agency theory perspective is discussed - Jensen and Meckling (1976) stated that managerial ownership leads to the improvement of manager-owner agency conflict as managers are also the owners of a majority of firm shares and hence they are encouraged to maximize job performance to realize superior performance. However, Demsetz (1983) and Fama and Jensen (1983) considered high managerial ownership as the cause of management entrenchment and thus leading to serious agency problems.

Moreover, Jensen and Meckling (1976) claimed that agency cost and managerial ownership are negatively related, while firm's performance and managerial ownership are positively so. On the other hand, Morck et al. (1998) and Wahla et al. (2012) stated that high managerial stake on firm ownership can act as a mechanism that influences the alignment of interests between managers and owners and eventually affect firm market value . On the other hand, the resource dependence theory supports a partnership with external resources because they provide the company with multiple sources and different experiences as they work to maximize shareholder rights and all parties associated with the company. It focuses on the involvement of all confiscated resources and merges them together in order to make the most of the experience and confiscation, which in turn helps to achieve the goals of the beneficiaries of the company. Therefore, the large ownership by members of the board do not help to improve performance of companies (Pfeffer, 1972).

Regarding the above discussion, the relationship between managerial ownership and firm performance should be negative. For this logic, there are many researchers in developed countries that have verified the relationship between managerial ownership and firm performance. They have been revealing a negative association between them. On the other hand, this section also highlights some evidence in the developing countries. There were many researchers in developing countries that verified the relationship between managerial ownership and firm performance and found a negative association between them. For further information, should refer to below tables.

Table 1.4: *Summary of previous studies that reveal there is a positive relationship between Managerial ownership and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Leung & Horwitz (2010)	China	506 non-financial firms that were listed on the Hong Kong Stock Exchange over 1997-1998.	Panel regression.	Market adjusted
Bhagat & Bolton (2009)	US	1500 large firms during from 1999 to 2007.	Logit regression	ROA & Tobin-Q
Bauer et al. (2009)	US	113 observations (firm-years) during 2004 and 2006.	OLS regression	Tobin-Q, ROA, ROE & NPM
Juras & Hinson (2008)	US	Public banks of available data and commercial database that the period was during 1999-2003.	OLS regressions	Efficacy ratio
Dey (2008)	U.S	371 firms through 2000 to 2001.	Multiple regressions.	ROA & Tobin-Q
Bhagata & Bolton (2008)	US	All firms through 990 to 2004.	Multinomial logit regression	ROA & Tobin-Q
Kapopoulos & Lazaretou (2007)	Greek	175 Greek listed firms through 2000.	Regression	Tobin-Q & profit ration
Sánchez-Ballesta & García-Meca (2007)	European	33 studies around the world from 1988 to 2006.	Linear regressions and non-linear regressions.	RAO, ROE, ROS & Tobin-Q
Florackis (2005)	UK	962 non-financial large firms that were listed on the UK Stock Exchange.	Multiple regressions.	Tobin-Q
In the developing countries				
Uwuigbe & Olusanmi (2012)	Nigeria.	31 firms of all firms in financial sector during 2006-2010.	Multivariate multiple regression.	ROA
Swamy	India	83 unlisted families over	Panels Regression GLS. Primary	ROA & ROE

(2011)		2008 until 2010.	data	
Hasnah (2009)	Malaysia	520 companies during 2007	Multiple regression	Tobin` Q and ROA
Sing & Sirmans (2008)	Singapore	228 Real Estate firms that were listed on the Singapore Stock Exchange that the period was during 2000-2006.	SLS.	Tobin-Q
Chung et al. (2008)	Korea	377 firms that the period was during 1999 to 2005.	Multiple regressions	ROA
Ehikioya (2009)	Nigerian	107 firms quoted in the Nigerian Stock Exchange for the fiscal years 1998 to 2002.	Regression	ROA, ROE, Tobin-Q & PE
Imam & Malik (2007)	Banglades h	All non-financial over 2000-2003.	The multiple regression	Tobin-Q
Kyereboah-C oleman & Biekpe (2006)	Ghana firms	All non-traditional export sectors that the period was covering from 1995 to 2004.		ROA & ROE
Akimova & Schwodiauer (2004)	Ukraine	202 medium and large industrial companies in Ukraine. The period of study was during 1998-2000.	OLS.	Sales per employee

Table 1.5: *Summary of previous studies that there is a negative relationship between Managerial ownership and firm performance*

Authors and year	Country	Sample	Methods	D.V
Irina & Nadezhda (2009)	German	270 companies for the period of 2000-2006.	Regression.	Tobin-Q & ROA
Switzer & Tangb (2009)	US	245 small-cap firms through 2000 to 2004.	SLS	Tobin-Q
Juras & Hinson (2008)	US	Public banks available data and commercial database that the period was during 1999-2003.	OLS regression.	ROA
Belkhir (2005)	US	260 banks that were through 2002.	OLS	Tobin-Q
In the developing countries				
Wahla et al. (2012)	Pakistan	7 non-financial sectors of Karachi stock exchange. Total number of companies under these sectors is 138.	Multiple regression	Tobin-Q
Tsegba & Ezi-Herbert (2011)	Nigeria	73 firms listed on the Nigeria Stock Exchange during the period 2001-2007.	OLS	Market price per share (MPS) & EPS
Liang et al. (2011)	Taiwan	907 firm-year observations are in the growth stage, 2,654 are in the maturity stage, and 882 are in the stagnation stage. The period of study was during 1999-2008.	Panel data.	ROA & Tobin-Q
Shahab-u-Din & Javid (2011)	Pakistan	60 firm non-financial firms of manufacturing firms during 2000-2007.	2SLS regression	ROA, ROE & Tobin-Q
Mandacı & Gumus (2010)	Turkey	Non-financial companies on the ISE during 2005. 203 companies.	Multiple regressions.	ROA & Tobin-Q
Muravyev et al. (2010)	Ukraine	916 companies with a total of 3,012 observations over a five-year period from 2002 to 2006.	Logit Regressions	ROA, Return on sales (ROS) & labor productivity (LP)
Uadiale (2010)	Nigeria	30 quoted companies for the period 2007.	OLS regression.	ROE & ROCE

Abdullah et al. (2008)	Pakistan	50 listed firms for the period 2002– 2005.	The regression analysis.	ROA & MVA
Al Farooque et al. (2007)	Bangladesh	All listed financial and non-financial that was listed on Dhaka Stock Exchange. The sample was based on 723 companies covering 8 years from 1995 to 2002.	SLS regression.	Market-to-book value
Dwivedi & Jain (2005)	India	340 large listed Indian firms for the period 1997-2001 spread across 24 industry groups.	Regression.	Tobin-Q

Table 1.6: *Summary of previous literature that finds there is no relationship between Managerial ownership and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Siala et al. (2009)	Canada	467 firms non-financial listed companies during the period from 2002 to 2004.	Panel data	Tobin-Q
Juras & Hinson (2008)	US	Public banks of available data and commercial database that the period was during 1999-2003.	OLS regressions	ROE
In the developing countries				
Mohd (2011)	Malaysia	162 non-financial firms through 2006 and 2008.	Multiple regressions.	ROA
Nuryanah & Islam (2011)	Indonesia	From 315 listed companies, only 46 companies were selected for this study. The sample data was selected from financial sectors over 2002-2004.	Multiple regressions	Tobin-Q
Garcı´a-Meca & Sa´nchez-Ballesta (2011)	Spanish	Non-financial firms listed on the Madrid Stock Exchange that it was 254 firms -year observation for the period from 1999 to 2002.	Panel data regressions	Tobin's-Q
NazliAnum (2010)	Malaysia	87 non-companies in 2001.	Multiple regression	Tobin-Q
Chang (2009)	Taiwan	Public traded firms during 2002-2007.	Logistic regression.	financial distress firms
Zubaidah, Nurmala & Kamaruza	Malaysia	75 companies during 2003	Multiple regression	VA

man(2009)				
Abdullah et al. (2008)	Pakistan	50 listed firms for the period 2002– 2005.	The regression analysis.	ROE & Tobin-Q
Kyereboah-Coleman & Biekpe (2006)	Ghana	All non-traditional export sectors that the period was covering from 1995 to 2004.	Panel regression.	export sales growth
Roszaini & Mohammad (2006)	Malaysia	347 companies listed on the main board of the KLSE between 1996 and 2000	OLS regression	ROA
Joher & Ali (2005)	Malaysia	100 firms over 5 years from 1997 to 2001.	Cross-sectional annual	ROA
Sheu & Yang (2005)	Taiwan	333 Taiwanese electronics firms that were listed on the Taiwan Stock Exchange through 1996 to 2000.	Regression	Productivity

To empirically re-examine this relationship, this study proposes the following hypotheses.

H2: There is a positive relationship between the managerial ownership and firm performance.

2.3 Government Ownership and Firm Performance

The third important issue of value of ownership structure is government ownership. The government ownership is measured by the ratio of shares owned by the government in the firm (Imam & Malik, 2007; Irina & Nadezhda, 2009; NazliAnum, 2010; NurulAfzan & Rashidah, 2011; Rhoades, Juleff & Paton, 2001) revealed that the choice of suitable governance mechanisms among owners and managers will guarantee the alignment of their interests.

Under the agency theory, government ownership can be a solution to the issue of asymmetry of information provided to investors concerning the firm value and the shares owned by the state can align the interest between owners and managers (Jensen & Meckling, 1979). Generally, the government is capable of obtaining information from sources and it has a convenient access to various financing organizations and non-state firms (Eng & Mak, 2003). In addition, the aim of the government is mainly linked to the nation's well-being. However, according to Mak and Li (2001), the government will not be as likely to be active in investment monitoring in GLS. More importantly, the GLCs adoption of strong governance may be hindered by factors including weaker accountability for financial performance, easier access to financing, lack of exposure to market for corporate control and weaker monitoring by shareholders. Theoretically and empirically, there has been a growing researcher to examine the relationship between government ownership and firm performance. However, the result is still mixed. For explanation of these mixed findings, the next paragraphs provide a justification.

From another perspective, under resource dependence theory, outsourcing helps to provide established sources of finding a variety of different and varied experience qualifications that work to reduce the cost of capital. It also works to provide an efficient control mechanism of

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several aspects in order to help create a favourable working and effective environment. This, in turn, works to improve the performance of the company (Pfeffer, 1972). And hence, the current study expects that the government is one of the most important outsourcing mechanism and effective and efficient in improving the function of the companies.

Regarding both agency theory and resource dependence theory, the relationship between government ownership and firm performance should be positive. However, there is lack of empirical research that examined the relationship between government and firm performance. They revealed a positive relationship in the developed countries. On the other hand, very little evidence has revealed a negative association between government ownership and firm performance. . Finally, there is some studies that found there is no significant relationship between government ownership and firm performance. For more details, you can refer to provide below table;

Table 1.7: *Summary of previous studies that find there is a positive relationship between Government ownership and firm*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Irina & Nadezhda (2009)	German	270 companies for the period of 2000-2006.	Regression.	Tobin-Q & ROA
In the developing countries				
NurulAfzan & Rashidah (2011)	Malaysia	47 GLCs and 47 non-GLCs companies listed on Bursa Malaysia over a 6-year period of 2001-2006.	Multiple regressions.	ROA, ROE, Expense to assets, Expenses to sale, Sales to assets, Cash to assets, Tobin-Q, Price to earnings & Price to book value
NazliAnum (2010)	Malaysia	87 non-companies in 2001.	Multiple regression	Tobin-Q
Imam & Malik (2007)	Banglade sh	All non-financial over 2000-2003.	The multiple regression	Tobin-Q
Aljifri & Moustafa (2007)	UAE	51 firms through 2004	Cross-sectional regression	Tobin`s Q
Mollah & Talukdar (2007)	Banglade sh	55 firms which were listed on Dhaka Stock Exchange in Bangladesh. The data were obtained from 2002 to 2004.	OLS regressions.	ROA, ROE, log of market & capitalization.

Table 1.8: *Summary of prior writers that find there is a negative relationship between Government ownership and firm*

Authors and year	Content	Sample	Methods	D.V
In the developing countries				
Al Farooque et al. (2007)	Bangladesh	All listed financial and non-financial that was listed on Dhaka Stock Exchange. The sample was based on 723 companies covering 8 years from 1995 to 2002.	SLS regression.	Market-to-book value

Table 1.9: *Summary of previous literature that discover there is no relationship between Government ownership and firm*

Authors and year	Content	Sample	Methods	D.V
In the developing countries				
Al-Hussain & Johnson (2009)	Saudi Arabia	Nine banks during 2004-2007.	Multiple regression	ROA

The present study attempts to contribute to literature regarding this relationship by proposing the following hypotheses.

H3: There is a positive relationship between the government ownership and firm performance.

2.4 Foreign Ownership and Firm Performance

The fourth aspect of superiority of ownership stature is foreign ownership. The present study focuses on foreign shareholders' influence upon corporate performance. Foreign ownership is measured by the ratio of foreign ownership stake to total shareholding as evidenced by Al Manaseer et al., (2012), Chari et al., (2012) and Uwuigbe and Olusanmi (2012).

The impact of foreign ownership upon bank profitability is associated to various reasons (Al Manaseer et al., 2012); first the capital contributed by foreign investors minimizes the fiscal costs of restructuring of banks (Tang, Zoli & Klytchnikova, 2000). Second, foreign banks may offer expertise in risk management and a more superior culture of corporate governance, resulting in more efficient banks (Bonin et al., 2005). Third, the presence of foreign banks heightens the competition and urges local banks to cut costs and enhance their efficiency (Claessens & Fan, 2002). Moreover, if a significant portion of the firm's shares is held by foreign shareholders, it may be an indication that foreign shareholders trust those companies which may result in the higher companies' valuation (NazliAnum, 2010). More importantly, the opening of national economies to foreign trade and investment has great significance on corporate governance practices in the economies (Kim & Yoon, 2007).The introduction of foreign financial institutions into developing economies is associated to implications in two aspects; first, foreign financial institutions, as they are privately owned and managed, have greater incentives to monitor management to guarantee higher returns on investment compared to public financial institutions. Second, the institutions have superior tools to monitor managers compared to their local counterparts in developing economies (Khanna & Palepu, 2000; Rapaczynsky, 1996).

As mentioned time and again in this research, the agency theory has its basis on the owners-managers relationship. The distinction of managers from owners in contemporary firms offers the context of the agency theory function. Contemporary firms are characterized as having widely dispersed ownership, in light of shareholders who have no role in the companies' management. In the same context, Jensen and Meckling (1976) suggested that the firm can be considered as a network of contracts (implicit and explicit) among parties or stakeholders including shareholders, bondholders, employees and even the society. There is a lack of supporting this variable in the previous empirical studies but the current study believes the foreign ownership is a factor that helps to align the interrelationship between owners and manager and at the same time it mitigates the agency cost between the owners and managers.

From resource dependence theory, discussed by Pfeffer (1972) and Pfeffer and Salancik (1978) foreign sources are one outsourcing mechanism which helps to finance the company's capital. Moreover, foreign investors are of the most fundamental factors that help the separation between owners and shareholders and also helps the company to expand control over managers in the decision making process. It also provides established foreign expertise that gives a clear picture about the foreign investments. Finally, the foreign ownership helps to improve performance of firms.

This present study provides many studies around the world that have investigated the relationship between foreign ownership and firm performance in both the developed countries and developing countries. In the end, they found a positive relationship. This current study begins to review the research done in the developed countries. On the contrary, there some authors who have examined the association between foreign and firm performance in both developed countries but they found no relationship (insignificant) between them as provided below.

Table 1.10: *Summary of previous studies that there is a positive relationship between foreign ownership and firm performance*

Authors and year	Country	Sample	Methods	D.V
Chari et al. (2012)	U.S.	The data was selected during 1980-2006.	Probit regression	ROA
Ghahroudi (2011)	Japan	3500 foreign firms that the data was obtained by primary through 2006.	Binary logistic regression	Net profit, ROA & ROS
Sueyoshi et al. (2010)	Japan	270 Japanese leading companies in manufacturing industry from 1999-2006.	OLS regression.	Operational performance
Filatotchev et al. (2007)	Poland & Hungary	500 largest non-financial firms in Poland And250 largest companies from the Hungary.	Structural Equation Modeling (SEM).	ROS & ROA
Xu et al. (2005)	China	40246 industry firms that were the period 1997 and 1998.	Multiple regressions. The data was obtained	ROA

			by questionnaire.	
Ben-Amar & Andre (2006)	Canada	327 firms that the period was during the 1998 to 2002.	Regressions.	
In the developing countries				
Uwuigbe & Olusanmi (2012)	Nigeria	31 firms of all firms in financial sector during 2006-2010.	Multivariate multiple regression.	ROA
Al Manaseer et al. (2012)	Jordan	15 banks in Jordan over 2007- 2009.	Multiple Regression	ROE, ROA, PM & EPR
NazliAnum (2010)	Malaysia	87 non-companies in 2001.	Multiple regression	Tobin-Q
Kim & Yoon (2008)	Korea	662 firm's observations from two-year period of 2004-2005.	Regression.	ROA, COC & RET
Choi et al. (2007)	Korea	457companies during 1999 to 2002.	Basic regressions,	Tobin-Q
Imam & Malik (2007)	Banglade sh	All non-financial over 2000-2003.	The multiple regression	Tobin-Q
Douma et al. 2006)	India	1005 companies that were listed in Bombay Stock Exchange through 1999 – 2000.	OLS regressions	ROA & Tobin-Q
Filatotchev et al. (2005)	Taiwan	All firms listed on the Taiwan Stock Exchange through 1999 which was complied. The final sample was 228 companies.	OLS regressions.	ROCO, ROA, EPS & STIC
Dwivedi & Jain (2005)	India	340 large listed Indian firms for the period 1997-2001 spread across 24 industry groups.	Regression.	Tobin-Q
Akimova & Schwodiauer (2004)	Ukraine	202 medium and large industrial companies in Ukraine. The period of study was during 1998-2000.	OLS.	Sales per employee

Table 1.11: *Summary of previous authors that find there is no relationship between foreign ownership and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Shan &McIver	China	540 firm from non-financial sectors which listed in Hong	Ordinary least squares fixed effects	Tobin-Q

(2011)		Kong Stock Exchange over 2001-2005.	methods.	
Millet-Reyes & Zhao (2010)	France	665 non-financial firm-year observations covering 174 French companies from 28 industries over the period 2000–2004.	Multiple regressions.	OCF, ROA & Tobin's Q
In the developing countries				
Tsegba & Ezi-Herbert (2011)	Nigeria	73 firms listed on the Nigeria Stock Exchange during the period 2001-2007.	OLS	Market price per share (MPS) & EPS
Gurbuz & Aybars (2010)	Turkey	205 non-financial listed companies covering the 3 year time period from 2005-2007.	Employs quantile regression	ROA

Therefore, this study is planning to contribute to the literature by testing the following hypotheses.

H4: There is a positive relationship between the foreign ownership and firm performance.

2.5 Institutional Ownership and Firm Performance

The fifth influence of value of ownership structure is institutional ownership. The institutional ownership is gauged through the ratio of shareholding held by institutions to the total number of shares (Fazlzadeh et al., 2011; Nuryanah & Islam, 2011).

Institutional investors comprise of organizations pooling significant amounts of money to invest in companies for instance, banks, mutual funds, insurance companies among others. They can command the board to provide shareholders' protection and enhances company governance. With the authority to select directors (for some board seats), they may be able to employ them to oversee the company on their behalf. Lately, directors are more inclined to commit their loyalty to corporate officers as opposed to shareholders who the directors nominally serve. The separation of ownership and control also has a significant role. According to Khanchel (2007), the institutional investors' role in corporate governance system of the company is debatable. However, some are convinced that their role in governance moves the firm from good to great (Khan et al., 2011).

Studies reveal that institutional investors must have some say in the company's corporate governance system. The findings of these studies indicate that for the corporate governance system in the companies to be successful, institutional investors should play a role in the complete process. For instance, Shleifer and Vishny (1986), noted that institutional investors because of their large stock holdings would possess greater incentives for monitoring corporate governance in order to obtain benefits. Additionally, Cremers and Nair (2005) stressed that some institutional investors like pension funds may be more encouraged to monitor compared to others and as such, they are more insistent shareholder activists. In the same context, Moshe (2006) noted that the separation of ownership and control results in an agency problem because managers may run the firm for their benefit and not for the shareholders'; in other words, they may choose maximization of their personal utility and not of shareholder value (Khan et al., 2011). This perspective is similar to agency theory where it recalls the separation between ownership and management to maximize the shareholder's value and give freedom to take decisions. And also resource dependence theory proved that outsource gives a firm a background to deal with expertise and professional person. The outsider has an important incentive to maximize the significance of shareholders.

From both agency theory and resource dependence theory and the above broad discussions, the relationship between institutional ownership and firm performance is supposed to be positive. There are some authors who examined the relationship between institutional ownership and firm performance in the developed countries such as Harjoto and Jo (2008) and Irina and Nadezhda (2009).

Table 1.12: *Summary of previous studies that find there is a positive relationship between Institutional ownership and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Irina & Nadezhda (2009)	German	270 companies for the period of 2000-2006.	Regression.	Tobin-Q & ROA
Harjoto & Jo (2008)	US	14,757 firm-years during the 1995 to 2005.	Probit regressions and Heckman regressions	ROA, operating profit & Tobin-Q
In the developing countries				
Uwuigbe & Olusanmi (2012)	Nigeria	31 firms of all firms in financial sector during 2006-2010.	Multivariate multiple regression.	ROA
Fazlzadeh et al. (2011)	Iran	137 listed firms of Tehran stock exchange within the period 2001 to 2006.	Panel data regression analysis method.	ROA
Nuryanah & Islam (2011)	Indonesia	From 315 listed companies, only 46 companies were selected for this study. The sample data was selected from financial sectors over 2002-2004.	Multiple regressions	Tobin-Q
Liang et al. (2011)	Taiwan	907 firm-year observations are in the growth stage, 2,654 are in the maturity stage, and 882 are in the stagnation stage. The period of study was during 1999- 2008.	Panel data.	ROA & Tobin-Q
Kyereboah-Coleman (2007)	Africa	103 listed firms drawn from Ghana, South Africa, Nigeria and Kenya covering the five year period 1997-2001.	Regressions.	Tobin-Q
Imam & Malik (2007)	Bangladesh	All non-financial over 2000-2003.	The multiple regression	Tobin-Q

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Choi et al. (2007)	Korea	457companies during 1999 to 2002.	Basic regressions,	Tobin-Q
Douma et al. 2006)	India	1005 companies that were listed in Bombay Stock Exchange through 1999 – 2000.	OLS regressions	ROA & Tobin-Q
Filatotchev et al. (2005)	Taiwan	All firms listed on the Taiwan Stock Exchange through 1999 which was complied. The final sample was 228 companies.	OLS regressions.	ROCO, ROA, EPS & STIC
Leng (2004)	Malaysia	77 firms that were listed on the KL Stock Exchange that the period of study was through 1996-1999.	OLS regression.	ROE & dividend payout

Table 1.13: *Summary of previous authors that find there is a negative relationship between Institutional ownership and firm performance*

Authors and year	**Country**	**Sample**	**Methods**	**D.V**
Mura (2007)	UK	1100 listed non-financial firms.	Multivariate Regression	Tobin-Q
In the developing countries				
Mashayekhi & Bazazb (2008)	Iran	All companies listed in the Tehran Stock Exchange (TSE) for the years 2005-2006.	Multiple regression analysis.	ROA, ROE & EPS
Al Farooque et al. (2007)	Banglade sh	All listed financial and non-financial that was listed on Dhaka Stock Exchange. The sample was based on 723 companies covering 8 years from 1995 to 2002.	SLS regression.	Market-to-boo k value
Kyereboah-Coleman (2007)	Africa	103 listed firms drawn from Ghana, South Africa, Nigeria and Kenya covering the five year period 1997-2001.	Regressions.	ROA

Table 1.14: *Summary of previous studies that find there is no relationship between Institutional ownership and firm performance*

Authors and year	**Content**	**Sample**	**Methods**	**D.V**
Mizuno (2010)	Japan	The sample was the voting quid lines of the Pension Fund Association (PFA) of Japan during 2004-2007.		Tobin-Q

Herrmann et al. (2010)	US	350 large manufacturing companies during 1991, 1994, 1997 and 2000.	Multiple regression	R&D investment
In the developing countries				
Chung et al. (2008)	Korea	377 firms that the period was during 1999 to 2005.	Multiple regressions	ROA
MoIlah & Talukdar (2007)	Bangladesh	55 firms which were listed on Dhaka Stock Exchange in Bangladesh. The data were obtained from 2002 to 2004.	OLS regressions.	ROA, ROE, log of market & capitalization.
Aljifri & Moustafa (2007)	UAE	51 firms through 2004	Cross-sectional regression	Tobin`s Q
Joher & Ali (2005)	Malaysia	100 firms over 5 years from 1997 to 2001.	Cross-sectional annual	ROA
Dwivedi & Jain (2005)	India	340 large listed Indian firms for the period 1997-2001 spread across 24 industry groups.	Regression.	Tobin-Q

Thus, the following hypotheses are proposed for empirical examination.

H5: There is a positive relationship between the institutional ownership and firm performance.

3. Conclusion

This study is an attempt to provide a comprehensive review of the relationship between ownership structure factors that related to the performance of the company. As the researcher approved that there is a lack of previous studies, in general, in the developed countries and, in particular, in the developing countries to investigate all these factors together with firm performance. So that, this study focused to fill this gap and enrich existing literature review for more improvement in this relation and give a clear recommendations for future studies. As a matter of fact, some authors proved that the ownership structure has a value and positive role to enhance the performance of the firm through offering a high disclosure of information report which, in turn, to lead attractive both local and foreign investors. The ownership is mechnisim that arrange the main relationship between owner and managers as well as, it helps to reduce the agency cost for improvement the firm's performance.

This study is similar to prior study those have many recommendations. Firstly, as important points, this study highlighted the lack of the studies in literature with future recommendations to test this relation empirically in the emerging markets such as gulf countries. Secondly, this study suggested future studies to moderate or meditate some variables that have a significant relationship between ownership structure and firm performance and may lead to more improvement because of the inclusiveness in the previous research results. Thirdly, future studies should integrate ownership structure factors with corporate governance mechanisms , such as board of director's characteristics, audit committee characteristics, risk committee characteristics, executive committee characteristics, compensation committee and others that have an important association with firm performance and will help to enhance it. Finally, this study recommended future studies to test the firm performance through different perspective like accounting and marketing measurements because the integration between short term and long term that may help to maximize shareholder wealth.

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