



International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at <http://www.econjournals.com>

International Journal of Economics and Financial Issues, 2016, 6(S3) 99-108.



Special Issue for "Asia International Conference (AIC 205), 5-6 December 2015, Universiti Teknologi Malaysia, Kuala Lumpur, Malaysia"

Ownership Structure, Corporate Governance and Firm Performance

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ABSTRACT

Based on previous studies, ownership structure is not standardized across different country and economic sectors. In other words, each country or economic sector might have different types of sustainable ownership structure that contribute to the competitive and healthiness of a firm. Failure to establish a sustainable ownership structure may produce a result that is contradicted from what is expected by the shareholders. This situation frames a picture that ownership structure is a vital determinant in enhancing firm performance. By highlighting the corporate governance components that normally used in the academic research, this study tends to identify the important components that applied in the reforms of the Malaysian corporate governance. This study is needed as a tool to proof whether the ownership structures and corporate governance practices are truly influenced firm performance. The purpose of the study is to investigate the relationship between firms' ownership structures, corporate governance practices and firm performance. Specifically, this study narrows the ownership structures categories into; institutional, government, family, foreign, managerial and concentrated. Besides, this study focuses on ten corporate governance components which include board structure, CEO duality, board size, independent board of directors, directors' professionalism/qualification, board meeting, board committee, directors' remuneration, transparency and disclose, merger and acquisition. Firm performance will be measured in the aspect of accounting profitability-return on asset and return on equity; and market performance - Tobin-Q, price to earnings and price to book value. The participating firms of this study are non-financial public firms that are actively listed in the main market of Bursa Malaysia during the 5-year period (2010-2014). The sample will be tested and analyzed by using empirical quantitative method, linear regression, multiple regression and panel data regression analysis.

Keywords: Ownership Structure, Corporate Governance, Bursa Malaysia

JEL Classifications: H5, H7, P4

1. INTRODUCTION

The financial performance of a firm can be analyzed in terms of profitability, dividend growth, sales turnover, asset base, capital employed among others (Almajali et al., 2012). However, there is still debate among several disciplines regarding how the performance of firms should be measured and the factors that affect financial performance of companies (Liargovas and Skandalis, 2008). A single factor cannot reflect every aspect of a company performance and therefore the use of several factors allows a better evaluation of the financial profile of firms.

Numerous of strategic management and finance literatures (Jensen and Meckling, 1976; Bolton and Scharfstein, 1990;

Proffitt, 2000; Cuevas-Rodríguez et al., 2012) showed that agency theory plays as an important link between the ownership structure and firm performance. According to Shleifer and Vishny (1986), agency cost is one of the critical factors that affects a firm's financial and nonfinancial performance. Berger and Patti (2000) stated the ownership structure of a firm should be considered when examining empirically financing issues. This is because differences in ownership structures impact on efficiency of aligning the objectives of insiders (manager) with those of providers of finance (shareholders). Firm performance is very essential to a firm's ownership structure and corporate governance practice as it is an outcome which has been achieved by an individual or a group of individuals in an organization related to its authority and responsibility in achieving the goal

legally, not against the law, and conforming to the morale and ethic (Maury, 2006).

Pedersen and Thomsen (2000) stated that different countries posit different controlling identities such as government and cooperatives which need to be addressed separately due to their different objectives in firms. Claessens et al. (1999) stated that the ownership structure in East Asian corporations grouped into four different categories which includes; families, the state, widely held financial institutions such as banks and insurance companies, and widely held corporations. Consequently, each firm in different ownership structure applied their own operation arrangement and strategies to run their operation and thus affect firm performance in different way.

According to Claessens et al. (2002), unlike other listed companies in economically advanced countries where ownership is diversified owing to numerous shareholders, most East Asian companies are owned and controlled by family groups. In other words, the majority of family firms have relatively concentrated equity ownership in Malaysia. Claessens et al. (2002) and Samad (2004) indicated that many listed firms in Malaysia are owned or controlled by family members and that these companies appear to be inherited by their own descendants. There are two theoretical viewpoints on the role of family ownership (Anderson and Reeb, 2003; Lee, 2006; Jiraporn and Dadalt, 2007; Pindado and Requejo, 2014). First, founding families firms will limit managers' ability to manage earnings and second, there is a likelihood that the controlling families engage in expropriation of minority shareholders' interest that would result in lower performance. For example, members of the controlling family usually hold top management positions and can exercise control over the board which in turn may provide them with opportunities to expropriate minority shareholders.

According to Ball et al., (2003), Malaysia is identified as a country with high political connection and high concentrated shareholding that may reduce the level of financial reporting quality. Prior literatures on corporate disclosure orientation in government owned companies suggest that agency conflicts in these companies are relatively higher than private owned companies (Eng and Mak, 2003; Luo et al., 2006). Prior studies found that the extent of government intervention on firm's performance is mixed due to two different perspectives. Some firms with government intervention performed better as they are under the "watchful eyes of the public" and thus more concerned to maximize the shareholders' value (Ang and Ding, 2006; Lau and Tong, 2008; Najid and Rahman, 2011) while other firms with high government ownership are restricted on their innovation and more focus on public service which resulted in poor performance (Ball et al., 2003; Wei and Varela, 2003). According to Najid and Rahman (2011), Government-linked Companies (GLCs) have been criticized for being too risk-averse and lacking sufficient entrepreneurial drive and also been charges that certain GLCs' investments have been politically rather than commercially motivated. The primary objectives of enhancing the national welfare and other non-profit considerations may not be consistent with value maximization objective of other private commercial enterprises, thus contributing to the high agency costs.

Indeed, the relationship between ownership structure and firm performance has been an issue of interest among academics, investors and policy makers because it is also a key issue in understanding the effectiveness of alternative governance system. Implementing a good corporate governance practice could ensure the flow of firm operation and the return on investment of owner and investors. Denoted from agency theory, corporate governance problem arises with self-interest behavior (Shleifer and Vishny, 1986). The agency problem in this context refers to the investors concerns on their funds are not expropriated or wasted on unattractive projects. In order to minimize firm agency costs, a good corporate governance system should provide some kind of legal protection for the rights of both large and small investors (Loh and Zin, 2007).

The existing corporate governance literatures has largely dealt with an analysis of institutional arrangements in American, British, Australian, German and Japanese firms, with much less attention paid to firms from emerging markets (Elston and Goldberg, 2003, Galbreath and Galvin, 2008; Switzera and Tang, 2009). According to Sulong and Nor (2008), the corporate governance environment in East Asian is much more different in develop markets such as United States and United Kingdom. As a result, the study of relationship between corporate governance and firm's performance does not reach a consensus among researchers. Nevertheless, the variance in results may be related to the firm's sector and time framework in which the studies were conducted. Sun et al. (2010) pointed out that corporate governance research in Asia has not received attention from Western researchers and publications, making Asia a fertile ground for future research in corporate governance mechanisms. Further, due to structural differences in the national political economies, corporate governance practices needs to be understood in the context of specific legal, political, and regulatory systems. Against this backdrop, it is far less known about the corporate governance mechanisms in emerging markets such as Malaysia.

As being mentioned, each type of ownership structures influences the firm performance in a different way. The ownership structure plays an important role in determines a firm ultimate success. Nevertheless, the same issue goes to firms' corporate governance practice. Derived from previous studies, ownership structure and corporate governance practice are not standardizing across different economic situation as there are differences in areas such as corporate law and investor protection (Ugurlu, 2000; Shakir, 2008). In other words, the effects of ownership structures and corporate governance may be mediated by country-specific factors, such as national culture, business practices, national tax incentives, and differences in national legal structures. In sum, each economic sector might have different types of sustainable ownership structure and corporate governance practice that contribute to the competitive and healthiness of the firm. Failure to establish a sustainable ownership structure and corporate governance may produce result that is contradicted from what is expected by the shareholders. This situation frames a picture that ownership structure and corporate governance are vital determinants in enhancing firm performance.

2. LITERATURE REVIEW

2.1. Agency Theory

According to Jensen and Meckling (1976), agency relationship has arisen when; an agent (manager) acts as a decision maker in the firm on behalf for the principal (owner or shareholders). The manager of the firm is essentially an agent of the shareholders. In other words, a firm's shareholders considered to be the principal and manager to be the agent. The principal-agent model enriches a chain of command. For example, a principal, a supervisor, and an agent or one principal and many agents, or other steps towards a full-fledged an organization tree. Generally, the principal and the agent have agreed upon a fee schedule to be paid to the agent for his or her services toward the firm (Jensen, 1993).

To be more precise about principal-agent model, the agent's contribution is to expand shareholders' wealth through the growth of the firm's profitability and market stock price (Shleifer and Vishy, 1986). Basically, the agent receives payment from the principal at the same time he or she has to take a costly action (supply effort) to produce any output (Jensen and Meckling, 1976). However, it is difficult to measure the effort and contribution of an agent. Especially for multiple-agent firm, it is sometimes difficult to define and measure their contribution to firm value (Jensen, 1993). In addition, the nature of strategic interaction among principals and agents becomes an important facet of the problem. As a result, principal is hard to predict the long-run consequences of an agent's actions based on the observation of short-run contribution. Bolton and Scharfstein (1990) stated the central idea behind the principal-agent model is the principal might too busy with works and so hires an agent to conduct a firm's operation. Consequently, being too busy also means the principal cannot monitor the agent perfectly. The difficulty arises in monitoring the act that the agent chooses (decision-making). According to Proffitt (2000), chain of command (ownership structures) may affects agency costs and thereby influences firm performance.

A principal-agent problem arises in many spheres of economic activity (Jensen and Meckling, 1976; Shleifer and Vishy, 1986). Commonly, the agent performs the expected tasks in a way contrary to the principal's best interests. However, there could also be disagreements on the allocation of fund between principal and agent in some cases. The problem here is that the principal cannot verify that the agent has behaved appropriately. Jensen and Meckling (1976) explored the ownership structure of firms, involving how equity ownership by managers aligns managers' interests with those of owners. As a result, Jensen and Meckling (1976) found that if the contract between the principal and agent is outcome based; the agent is more likely to behave in the interests of the principal.

The theory of agency is one part of a broad research program in evaluating firm performance. Although the agency framework is quite broad, however, it provides the applications and fertile ground for further work. The basic issue is whether principal and agent relationship can persist with generating efficient outcomes in the firm. This study focuses on isolating the extent of the principal-agent problem. The oriented towards enrichment of the

theory may improve modeling methods and therefore clarification of existing theoretical work. To address this problem, this study includes ownership structure and corporate governance variables in explaining firm performance. Consequently, be expected that study of the agency relationship will aid the understanding on ownership structures and therefore to identify the most efficient way to govern a firm.

2.2. Past Studies on the Relationship between Ownership Structure and Corporate Governance and the Hypotheses Development

Mak and Li (2001) examined the relationship between corporate ownership and board structure in Singapore, by using a sample of 147 firms listed on Stock Exchange of Singapore in year 1995, the result shown that managerial ownership, government ownership and board size are negatively related to the proportion of outside directors whereas block holder ownership is positively related to dual leadership structure (CEO duality). Booth et al. (2002) examined whether internal monitoring mechanisms control for agency conflicts in a firm. By using 100 largest non-financial firms on Fortune's Custom Ranking in year 1999, Booth et al. (2002) found that the percentage of outside directors is negatively related to managerial ownership and CEO duality less likely when managerial ownership increased. Based on the study conducted by Bekiris (2013) that using an extensive sample of Greek listed firms, the results of the study show CEO is also the chairman of the board tends to have fewer outside directors and lower block holder ownership. The paper also provides evidence that independent boards are more likely to be employed by firms with higher external block holder shareholdings and whose board size is negatively correlated with managerial ownership and board independence. These results demonstrate that ownership structure has significant effects on the composition of corporate boards.

The incentive conflict arising from the separation of the management and ownership of corporate resources has been extensively researched. Based on the study conducted by Claessens et al. (1999) which examined 2,980 publicly-traded firms in East Asian, the result of the study shows that the separation of ownership and control is most pronounced among family-controlled firms and among small firms. Large family-controlled firms in Korea, Singapore, and Taiwan display a significant wedge between ownership and control. In addition, the study also found older firms are more likely family controlled and more than two-thirds of listed firms are controlled by a single shareholder. Claessens et al. (1999) claimed that a dominant and large shareholder with CEO duality is increases managerial opportunism and expropriation of minority shareholders in family firms. By using a sample of 128 publicly-listed firms in Hong Kong in year 2003, Lam and Lee (2008) argued neither agency theory nor stewardship theory can effectively explain the duality-performance relationship. They found CEO duality is good for non-family firms, while non-duality is good for family-controlled firms.

In brief, the composition of boards of directors is related to the effectiveness of an organization. However, with the mixed results, there is no clear understanding on board structure, CEO duality and independence board of directors measures with ownership

structures (shareholding statistic). Furthermore, there are not much empirical evidences who clarify this relationship in Malaysian context. Accordingly, based on the discussion in the literatures, to answer the research questions and to respond to this conflict the following hypotheses are developed:

- H1: Ownership structure has a positive significant influence on board structure.
- H2: Ownership structure has a positive significant influence on CEO duality.
- H3: Ownership structure has a positive significant influence on board size.
- H4: Ownership structure has a positive significant influence on independence board of directors.

It is essential to refer to studies that have attempted to identify a relationship between demographic characteristics of board of directors and organizational performance. Juravich (2012) found that average educational level of directors is positively associated with the level of innovation. Nevertheless, the same authors found no association between innovation and heterogeneity of educational specialities/educational background variety. Horvath and Spirollari (2012) suggested that a lower age favors risks propensity in strategic decision-making and firms with younger managers will experience greater growth and variability in profitability from industry averages than will firms with older managers. On the other hand, Koufopoulos et al. (2008) used a sample of 27 chairman of Greek corporations listed in the Athens stock exchange, the authors, found a positive relationship between age and competitive positioning which indicates that, the older the chairperson, the better the competitive positioning. Whereas, the relationship between age and overall firm performance was found to be negative, indicating that even if the chairperson is older and more experienced the possibly efficient performance of the firm does not depend on that.

Based on this extensive review, it seems that the results of earlier studies on the relationship between a director's characteristics and firm performance are not very conclusive. It seems that although previous studies have adopted mostly accounting-based measures of performance, they have shown contradictory findings that imply that they have not been successful in finding a clear link. Additionally whilst the role of the chief executive continues to receive great scrutiny there is limited research on the role of the board of directors (Koufopoulos et al., 2008). Previous studies contribute to the corporate governance literature by identifying a specific set of demographic and directors' characteristics and testing how those are linked with organizational performance. In short, this study aims to employ a methodology to shed new light onto the professionalism/qualification of board directors nexus across a variety of ownership structure. This study aims to advance the corporate governance research agenda by investigating the link between the ownership structure and professionalism/qualification of board directors. The research also indicates that understanding the variables that influence top management team enhances value creation to investors and shareholders. Accordingly, the related hypothesis is as follow:

- H5: Ownership structure has a positive significant influence on director's professionalism and qualification.

Based on the foregoing, an understanding of the frequency of board meetings and its determinants should presumably shed light on the effectiveness with which the board carries out its oversight functions. From the face of it, the number of meetings held by the board could be evidence of how effective the board has been in monitoring management. According to Vafeas (1999), Hahn and Lasfer (2007), for a board to be effective it need not necessarily meet frequently. Board effectiveness could be a function of number of other factors (i.e., existence of standing committees of the board, independence of directors, director ownership, presence of block holders and the financial position and performance of the company). How these factors influence the frequency of board meetings is not at all clear. Determining the direction of the relationship between the factors and meeting frequency is thus a question that requires empirical testing. This study aims to identify how ownership structure influences board activity as measured by board meeting frequency. Hence, the following hypothesis is presented:

- H6: Ownership structure has a positive significant influence on board meeting.

The relationship between the various characteristics of ownership structure and corporate governance is an open empirical question. Corporate boards perform important decision control tasks, such as determining executive compensation, reviewing the financial statements and nominating new executives and directors (Hayes et al., 2004). These functions are thought to be suited best for non-executive directors, since they require board members to act as monitors over management. Conversely, corporate boards also perform tasks of decision management, such as setting long-term strategy and making suitable investing and financing decisions. Klein (1998) provides an interesting insight into this issue by observing that executive directors should be most useful serving in standing board committees focusing on decision management tasks (investment and finance committees), and non-executive directors in committees focusing on decision control tasks (the remuneration, nomination, and audit committees). This discussion therefore suggests that the standing board committees is what is important, and not the composition of the board as a whole.

Interestingly, most empirical research studying the relationship between ownership structure and corporate structure uses data in developed countries such as United States and provides mixed results (Klein, 1998; Hermalin and Weisbach, 2003; Brick and Chidambaram, 2010). Importantly, the generalizability of these results regarding the corporate governance practices may not extend across national boundaries. While the assumption of a utility maximizing agent is universal, each country's regulatory and economic environment, the strength of capital markets, and current governance practices are different. As a result, the importance and value of various governance structures should be separately examined in each country. This paper focuses on corporate governance in the Malaysia and the results presented here are of potential interest to regulators, managers, shareholder activists,

and investors in the Malaysia, as well as to academic researchers. In particular, put in the backdrop of the recommendations of the Malaysia Code on Corporate Governance (2012), these results are enlightening as to the role of government in corporate governance. More broadly, this study points to the empirical examination of corporate governance in Malaysia contexts as a fruitful task in understanding alternative governance structures. Accordingly, the related hypothesis is as follow:

H7: Ownership structure has a positive significant influence on board committee.

Past studies have shown mixed results regarding the relationship between ownership and directors' remuneration. For example, Wahab and Rahman (2009) examined 434 firms listed on Bursa Malaysia from year 1999 to 2003, they found a negative relationship between institutional ownership and director remuneration and suggesting the result is by reason of the effectiveness of institutional monitoring. Similarly, by using a sample of 546 firms publicly traded in UK over the period of year 2000-2004, Dong and Ozkan (2007) stated that institutions are more involved in corporate governance and serve a better monitoring and disciplining. Jaafar et al. (2012) stated that ownership concentration bring impacts on directors' remuneration in certain firms. For instance, a family-owned firm can manipulate remuneration through combine power and control to mitigate effectiveness monitoring by remuneration committee, which provided an opportunity for them to expropriate private benefit. This actions might results in losses for minority shareholders due to fewer dividends available for pay out. From an investor's point of view, directors' remuneration is one of the measures of a company performance. The directors' remuneration is calculated at a given amount, but, in order to assess performance over time, the difference or change in directors' remuneration from one date to another can be determined to see whether shareholder value has been created or destroy. Regarding the important of directors' remuneration as proxy of created shareholder value; this study emphasized the dimension of created shareholder value process and its relationship with company performance criteria. Therefore, the following hypothesis is presented:

H8: Ownership structure has a positive significant influence on directors' remuneration.

Derived from a study of voluntary disclosure by Hong Kong and Singapore firms, Chau and Gray (2002) report a positive relationship between outside ownership and disclosure. Xiao and Yuan (2007) using an ordinary least-squares-regression model to test the relationship among ownership structure, board composition and the level of voluntary disclosure. Their results show higher blockholder ownership and foreign shares ownership is associated with increased disclosure. However, managerial ownership, state ownership, and legal-person ownership are not related to disclosure. An increase in independent directors increases corporate disclosure while CEO duality is associated with lower disclosure. Their paper also found that larger firms had greater disclosure.

Conversely, the results goes different in the study conducted by Eng and Mak (2003), the results shown that lower managerial ownership and significant government ownership are associated with increased disclosure and the blockholder ownership is not related to disclosure. The results also reveal that an increase in outside directors reduces corporate disclosure while larger firms had greater disclosure. Bekiris (2013) examined 41 listed firms on Bahraini stock exchange in year 2010, the analysis of the study shows that there is a significant negative association between block holder ownership and voluntary disclosures. However, managerial ownership and governmental ownership are not associated with voluntary disclosures. Based on these conflicting results, it is not clear whether the ownership structure are able to affect company disclose and transparency. Furthermore, it is not clear which measures has highest relative content with firms' transparency and disclose. Accordingly, the related hypothesis is as follow:

H9: Ownership structure has a positive significant influence on transparency and disclose.

Ownership has a role in the probability of a firm engaged in merger or acquisition. Caprio et al. (2011) analyze how the ownership stake of the largest shareholder and family control affect mergers and acquisitions decisions. By using 777 Continental European firms in the period of year 1998-2008 as the sample of study, Caprio et al. (2011) found that increase in the size of the largest shareholder's voting rights lowers the probability of an acquisition, and family control further decreases it. The result also reveal that family firms are less likely to make acquisitions than non-family firms. The same results goes to the study conducted by Shim and Okamuro (2011). They analyze the differences in merger decisions and the consequences between family and non-family by using a unique Japanese dataset from a period of high economic growth (1955-1973), the results suggest that family firms are less likely to merge than non-family firms are and non-family firms benefit more from mergers than family firms do. Based on this extensive review, it seems that the ownership structure is one of the important determinants in forming mergers and acquisitions. Hence, the following hypothesis is presented:

H10: Ownership structure has a positive significant influence on merger and acquisition.

According to one definition, corporate governance is the system by which business corporations are directed and controlled (OECD, 2004). Corporate governance delimits the distribution of rights and duties amongst the different participants in the firm, and sets rules and procedures for making decisions. Corporate governance also provides structures through which aims and objectives are set, and through which monitoring is carried out (McKinsey and Company, 2000). Bebchuk et al. (2008) and Khatab et al. (2011) stated that corporate governance decreases shareholder risk through the legal protection of shareholder rights and creating mechanisms of company management that allow shareholders to be assured that the management uses the investment efficiently. In other words, corporate governance is generally considered be important in contributing to owners' rights and benefits and through strategic policies enhancing performance and creating wealth. A firm

corporate governance practices affect its overall operation and performance. Comprehensive cross-industry comparisons of corporate performance are extremely difficult to carry out and to interpret. In order to extend the literatures, this study tends to examine the association between ownership structures and a comprehensive set of corporate governance variables.

2.3. Past Studies on the Relationship between Ownership Structure, Corporate Governance and Firm Performance and the Hypotheses Development

Amran and Ahmad (2009) used 896 firms that were listed on Bursa Malaysia from year 2000 to 2003 as the sample of their study, the findings reveal that not all elements of governance mechanisms are significant and the effects differ between family-businesses and non-family businesses. The results indicate that board size and leadership structure affect the firm value for all sample. Businesses do practice separate leadership structure outperform than duality leadership. Further analysis shows that smaller board size contributes positively towards better performance in non-family firms. Tham and Romuald (2012) examined relationship between corporate governance mechanisms and firm performance by using panel data of 20 public listed firms in Bursa Malaysia from the period of year 2006 to 2010, consistent with the study conducted by Amran and Ahmad (2009), they found smaller board size leads to better firms' performance. The study also suggested that higher proportion of managerial ownership (directors who are also owner) tend to benefit firm performance.

Conversely, based on the study conducted Fauzi and Locke (2012) examined 79 firms that listed in New Zealand stock exchange, the result reveals that board size, board committees, and managerial ownership have a significant impact on firm performance. Fauzi and Locke (2012) claimed that large boards improve firms' performance as it can provide greater monitoring. Meanwhile, non-executive directors, female directors on the board and concentrated ownership lower the firm performance. Sulong and Nor (2008) examined the relationships between dividends, types of ownership structure and board governance variables on firm performance among Malaysian listed companies. By using 406 firms non-financial listed in Bursa Malaysia for the period of year 2002-2005 as the sample of their study, the result shows that dividend has a positive significant effect on firm performance. The finding suggests that dividends can play its important monitoring role in reducing agency costs among Malaysian listed firms. Whereas ownership concentration, managerial ownership and on board governance variables (board size, independent board of directors and CEO duality) provided insignificant effect to firm performance in their study.

Krivogorsky (2006) examined 81 firms from nine European countries, the results indicate a strong positive relation between the level institutional ownership, portion of independent directors on the board and profitability ratios. However, there is no strong relation between the portion of inside directors or level of managerial ownership and profitability in these 81 European firms. Dehaene et al. (2011) whose analyzed a sample of 122 Belgian firms and verified whether the board composition has an impact on the firm performance, as measured by return on equity and assets.

Their study found that firms with duality leadership shows higher return on asset (ROA) compared to firms with separate leadership. The study also reveal a significant positive relationship between the number of external directors and ROE, this means that the more external directors, the better the performance.

Gupta et al. (2006) used a sample of 178 firms in S&P/TSX index (year 2002-2004) and correlating the composite corporate governance scores (board composition; board and CEO compensation; shareholder rights; and board governance disclosure) with various financial and market measures (Tobin's Q, price to book value [PTBV] and ROA). Overall, the study did not find any association between the composite corporate governance scores and various measures of firm performance. The same results goes to study conducted by Ghazali (2010) whose tested 87 non-financial firms that listed on Bursa Malaysia in year 2001, the results showed that board size and independence were not statistically significant in explaining corporate performance. However, the study found that government as a substantial shareholder and foreign ownership were statistically significantly associated with Tobin's Q.

While many previous studies have examined the direct effect of ownership structure, corporate governance and firm performance, there is a need of comprehension on how the different types of ownership structures and corporate governance practices impact on the firm performance. Hence, this study intends to investigate the joint effects of corporate governance mechanisms on the relationship between types of ownership structure and firm performance. In addition, this study tends to identify which type of ownership structure and corporate governance practice are more feasible, practical and profitable in each type of economic sector in Malaysia since most researches concentrating on ownership structure, corporate governance and firm performance were conducted overseas with little research actually taking place in Malaysia. In order to achieve these objectives, the hypotheses developed in this study are as below:

- H11: Ownership structure has a positive significant influence on firm accounting profitability.
- H12: Ownership structure has a positive significant influence on firm market performance.
- H13: Corporate governance has a positive significant influence on firm accounting profitability.
- H14: Corporate governance has a positive significant influence on firm market performance.
- H15: Ownership structure and corporate governance have a positive significant influence on firm accounting profitability.
- H16: Ownership structure and corporate governance have a positive significant influence on firm market performance.

3. RESEARCH METHODOLOGY

In competitive business environment, the ownership structure and corporate governance have played and will continue to play a strong role in facilitating business growth by putting in place procedures and regulations that will support a business-friendly environment. This study aims to achieve few results, firstly,

to identify the relationship between ownership structures and corporate governance (Hypotheses 1-10), secondly, to examine the effects of ownership structure on firm performance (Hypotheses 11 and 12), thirdly, to examine the effects of corporate governance on firm performance (Hypotheses 13 and 14), and lastly, to identify the relationship between ownership structure, corporate governance and firm performance associate with control variables (CVs) (Hypotheses 15 and 16). In sum, the relations between these variables in this study is summarized in the research conceptual framework (Figure 1).

This study aims to investigate the relationship between firms' ownership structures, corporate governance and firm performance. Specifically, this study narrow the ownership structures categories into; institutional-owned, government-owned, family-owned, foreign-owned, managerial-owned and concentrated-owned. This study focuses on ten corporate governance components which include board structure, CEO duality, board size, independent board of directors, directors' professionalism/qualification, board meeting, board committee, directors' remuneration, transparency and disclose, mergers and acquisitions. Firm performance will be measured in the aspect of accounting profitability- ROA and return on equity (ROE); and market performance- Tobin-Q, price to earnings (PE) and PTBV.

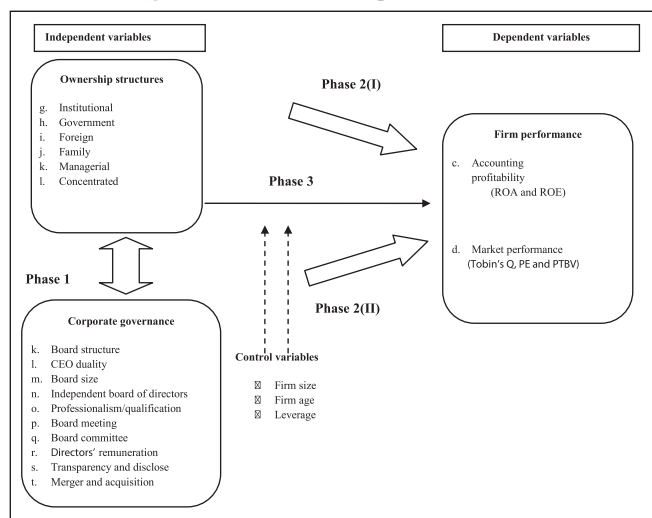
This study conduct long-term post-performance evaluation which covering 5 years financial data period starting from year 2010 to the end of year 2014. Specifically, the study will be carried out by empirical analysis which is based on the available firms' data provided by Bursa Malaysia. According to Glasow (2005), 5 years post-performance evaluation provide more current information about areas that have changing population and/or characteristics because they are based on the data from the previous year and data that are less than 5-year-old. Moreover, long-term post-performance evaluation is based on larger sample sizes and will therefore be more reliable (Hooy and Tee, 2009; Liu, 2011). The 5 years post-performance evaluation is based on five times as many sample cases than the short term evaluation (1-3 years). For some characteristics this increased sample is needed for the evaluation to be reliable enough for use in certain applications.

The population of the study is the firms that publicly listed in the main market of Bursa Malaysia from the year 2010 to 2014. However, all finance-related firms, banks, insurance, unit trusts and utilities companies were excluded from the sample due to their difference in the regulatory requirements, financial reporting standards and compliance (Claessens et al. 2002; Sulong and Nor, 2008). Firms that are classified as PN4 companies and industries with less than eight firms were also excluded from the sample (Davidson et al., 2005; Hashim and Devi, 2008). Finally, this study was left with the sample of 696 firms covering the sectors of construction, consumer products, industrial products, plantation, properties, technology, trading and services. The larger numbers of firms sample were expected to make the study more transparent and representative of firms in Malaysia.

In the case of 5 years financial data analysis, the period is 5 calendar years (cover from 1st January 2010 to 31st December 2014). This study collects firms' information continuously and then aggregates the results over a specific time period (5-year). The information and financial data of firms are collected through the audited company annual report. Data related to ownership structure (e.g., shareholding statistic) and corporate governance (e.g., board composition, board size and leadership structure) will manually collected from firms' annual reports, whilst accounting performance measures were retrieved from the Datastream provided by Universiti Teknologi Malaysia. After collecting data, the data will be entered to the software (Statistical Package for the Social Sciences and Eview) for processing and developing information patterns related to the context of testing research hypotheses. A 95% confidence level is the conventionally accepted level for most business researches, most commonly expressed by denoting the significant level as $P \leq 0.05$ (Hamid, 2010; Nakhaei, 2014). The analyzing of data involves three parts: (i) Descriptive statistics, (ii) linear and multiple regression (iii) panel data regression analysis.

The variables of the study are categorized into three types: The independent variables (IVs), dependent variable (DVs) and CVs. For the purpose of achieving the research objective and hypotheses, the DVs for this study is firm performance. The firm performance is proxy by the accounting profitability and market based performance while the IVs are types of ownership structures and corporate governance components. Table 1 shows all the variables that will employ in the study including the measurement for each of them.

Figure 1: Research conceptual framework



4. CONCLUSION

The subject of financial performance has received significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since financial performance has implications to organization's health and ultimately its survival. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the country's economy at large. The importance of the study emerges from the fact that ownership

Table 1: Summarization of variables and the measurements

Variables	Measurements
IVs	
Ownership structures	
Government ownership	Percentage of ordinary shares held by government ownership in firm
Institutional ownership	Percentage of ordinary shares held by institutional ownership in firm
Family ownership	Percentage of ordinary shares held by family members ownership in firm
Foreign ownership	Percentage of ordinary shares held by foreign company ownership in firm
Managerial ownership	Percentage of ordinary shares held by director/executive ownership in firm
Concentrated ownership	Percentage of ordinary shares held by top ten shareholders ownership in firm
Corporate governance	
Board structure	Composition of board
CEO duality	A CEO that also serves as a chairman
Board size	The number of directors
Independent board of directors	Proportion of non-executives independent directors
Professionalism/qualification	Directors attended the mandatory accreditation program
Board meeting	The number of board meeting per annum
Board committee	The number of board committee
Remuneration	Total cash amount of directors' remuneration
Transparency and disclose	Transparency and disclosure scorecard
Mergers and acquisitions	Mergers or acquisitions activities occurred
DVs	
Accounting profitability	
ROA	Net income/total assets
ROE	Net income/total equity
Market performance	
Tobin's Q	Market capitalization+total debt/total asset
PEs	Current market price/earning per Share
PTBV	Current market price/book value per share
CVs	
Firm size	The natural log of total assets
Firm age	Continuous variable which begins from the firm's date of corporation
Leverage	The ratio of total debt to total assets

ROA: Return on assets, ROE: Return on equity, CVs: Control variables, PEs: Price to earnings, PTBV: Price to book value, DV: Dependent variables, IV: Independent variables

structures and corporate governance plays a significant role in enhancing firm performance, and providing critical information to researchers, shareholders, manager and investors.

With the mixed result from previous research papers, the study of the ownership structures and corporate governances are great important to explore as they brings impact on firm performance. Different types of ownership structures and corporate governances mechanisms that applied in each firms resulted in diverse firm's performance. From a risk tolerance perspective, it is important to consider the identity and position of each entity in the ownership structure and how it may be exposed to firm performance or other risks through their involvement in the board. It is questionable that shareholders are most certainly focuses on the financial beneficial while some managers are looking for intense managerial authority rather than pursuing firm goal.

Besides provides a significant proof, a study that focus on each economic sector in Bursa Malaysia is needed as an added literature which is currently lack of compared to develop market studies. On the surface, every economic sector is different. To understand sector competitiveness and profitability, one must look beyond their differences and view industries at a deeper level. An analysis of firms in a specific sector reveals the roots of the sector's profitability at any point in time while providing a framework for anticipating and influencing changes in sector competitiveness and profitability over time.

With the objective of identification on which type of ownership structure and corporate governance component has the most impact on firm performance, the result of this study is relevant in the evaluation of possibility for existing firms to reform their ownership structures and corporate governance practices in order to achieve superior performance. In other words, this research aims to explore the benefit of generates new models for more effective deliberation and exceptional ownership structure and corporate governance practice. Besides, the result of the study would enhances the understanding of the role of ownership structures and corporate governance components in each economic sector which is an issue that is surprisingly neglected in the literatures. There is a need of comprehension on the different types of ownership structures and corporate governance practice that suitable to each economic sector.

This study will empirically implement a comprehensive analytical framework of firm performance in the case of listed firms on Bursa Malaysia. This study meant to answer the question of which type of ownership structure and corporate governance practice have the greatest impact on the firm performance in the aspect of accounting profitability and market performance in each sector. In other words, this study tends to identify which type of ownership structure and corporate governance practice are more feasible, practical and profitable in each type of economic sector in Malaysia. The information of the study can be used as a guideline for firms in considering which types of ownership structures and

corporate governance practice will benefit most to the firm and drive the firm into competitive edge. Two features of this study deserve emphasis. First, a change in ownership is inevitably tied to a change in sample data; the model has the feature that a redistribution of shareholdings has no perfect substitute. The analysis will prove that an integrated firm and a non-integrated firm have access to identical performance measures. Second, this study examines the importance of alternative corporate governance components in Malaysia public listed firm. Unlike the earlier literatures on the corporate governance effects of firm performance, this model has the feature of identify the influences of various corporate governance components. The objective is to provide some systematic evidence on the extent to which different governance forces discipline performing managers.

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