



OWNERSHIP CONCENTRATION, INVESTOR PROTECTION AND ECONOMIC PERFORMANCE IN PUBLIC AGROINDUSTRIAL COMPANIES WITH THE LISTING ON WARSAW STOCK EXCHANGE

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Submission: 24/11/2018

Revision: 08/02/2019

Accept: 28/02/2019

ABSTRACT

The study aimed to identify the presence / absence of ownership concentration in agro-industrial companies in Ukraine and to investigate the possible impact of these processes on the economic performance of companies. We have proven that there is a significant level of ownership concentration among analyzed companies in both groups UX and UA. Although there are exceptions, there is a general tendency to hold a large share of equity instruments by the founders or major owners. We describe this phenomenon through a twin agency problem, arguing that such a large share of power concentration serves as a substitute for a weak environment for protecting investor rights. Concentration of property is the bulwark from unwanted interventions from both third parties and from state rulers. The study has found no significant relationship between ownership concentration and several indicators used as proxy for economic performance, namely Net cash flow, EBIDTA, Profit/loss before tax, Tobin's Q.



Our findings indicate that concentration of ownership does not affect the economic performance of analysed companies, regardless of whether we take for the analysis the accounting indicators (Profit) or market-based indicators (Tobin's Q).

Keywords: Equity ownership; Ownership concentration; Corporate governance; Tobin's Q

1. INTRODUCTION

The ownership structure is seen as one of the most important mechanisms of corporate governance, and it becomes particularly important in conditions characterized by a high degree of ownership concentration (ÁVILA; ROCHA; DA SILVA, 2015; CONNELLY, et al., 2010; DEMSETZ; VILLALONGA, 2001; FACCIO; LANG, 2002; FILATOTCHEV, et al., 2007; HOLDERNESS, 2017; ILHAN-NAS, et al., 2018; KALEZIĆ, 2015; LA PORTA; LOPEZ-DE-SILANES; SHLEIFER, 1999; LEPORE, et al., 2017; MUGOBO; MUTIZE; ASPELING, 2016; SHLEIFER; VISHNY, 1986; SINGLA; GEORGE; VELIYATH, 2017; STULZ, 2005; SURESHA; RAVIKUMAR, 2018; THOMSEN; PEDERSEN, 2000; VEGA SALAS; DENG, 2017).

Recently, we witnessed a surge in research from all over the world that are increasingly investigating the impact of ownership structure on the performance of corporations (ÁVILA, et al., 2015; ILHAN-NAS, et al., 2018; KALEZIĆ, 2015; MUGOBO, et al., 2016). A number of those researchers have identified that in many jurisdictions around the world ownership is concentrated (sometimes highly concentrated) in the hands of few - one or more large shareholders (BARCA; BECHT, 2002; LA PORTA, et al., 1999; MAURY; PAJUSTE, 2005).

It should be noted though that traditionally it has been thought that the agency problem is predominantly concentrated on the relationship between managers and dispersed shareholders (BERLE; MEANS, 1991). However these researches focus attention on the ever growing role of another aspect of the agency problem, namely the conflict between large controlling shareholders and minority shareholders (JENSEN; MECKLING, 1976; SHLEIFER; VISHNY, 1986; STULZ, 2005) and large controlling shareholders and state rulers (STULZ, 2005).

It is also necessary to emphasize the dynamic aspect of the problem, since the distribution of power within the ownership structure is not static, for large shareholders constantly clash and compete with each other and with other investors

and authorities for gaining control, forming a ruling coalition and obtaining maximum private benefits from corporation (BENNEDSEN; WOLFENZON, 2000; BOLTON; VON THADDEN, 1998; MAURY; PAJUSTE, 2005; PAGANO; RÖELL, 1998; SELZNICK, 2007; WINTON, 1993; ZWIEBEL, 1995) .

The role of the largest shareholders is reported to be vital on account of the concentration of influence in their hands may have the unintended implications on the company's performance (BENNEDSEN; WOLFENZON, 2000; BOLTON; VON THADDEN, 1998; CLAESSENS, et al., 2002; CONNELLY, et al., 2010).

It is stressed that if large shareholders control the management or controlling owners they can restrain and discourage their opportunistic conduct and thereby be of help to minority shareholders (SHLEIFER; VISHNY, 1986, SHLEIFER; VISHNY, 1997). Even so, the number of lines of conduct for large shareholders is, of course, not limited to this, as they can also pursue their own interests, which may differ significantly from those of other shareholders, and in this way, in effect, expropriate their wealth (BARCA; BECHT, 2002; BURKART; PANUNZI; SHLEIFER, 2003; SHLEIFER; VISHNY, 1997).

So, the issue of concentration and dispersion of companies' ownership is of great significance in terms of the impact it has on corporate governance and the performance of companies (FILATOTCHEV, et al., 2007; SHLEIFER; VISHNY, 1986; THOMSEN; PEDERSEN, 2000).

The issue of ownership concentration, however, is multifaceted and is not exhausted only with abovementioned reasoning as it can be explained from different standpoints, depending on the stance of the person who writes about it.

The concentration of property as we have already ascertained has a significant impact on the results of companies. Given that the question arises - why ownership tends to concentrate, what are incentives behind that process?

There is a consensus among researchers that ownership concentration is closely associated with the protection of investors' rights in each specific jurisdiction, and in this case, property concentration is seen as a way to shield business against unlawful attempts to take over the business from the outside forces (DELL'ACQUA, et al., 2018; LARDON; BEUSELINCK; DELOOF, 2018; PINDADO; REQUEJO; DE LA TORRE, 2014; J. ZHOU; LAN, 2018; JING ZHOU; TAM; LAN, 2015)

There is prevalence of the belief in the overwhelming majority of sources that concentrated property is associated with an unsatisfactory level of legal protection for investors, indicating that the concentration of ownership and the protection of investors are in fact interdependent and concentration of ownership is substitute for investor protection mechanism in jurisdictions there the latter is fledgling, weak or absent (BURKART, et al., 2003; CASTILLO; SKAPERDAS, 2005; ILHAN-NAS, et al., 2018; LA PORTA, et al., 1999; SHLEIFER; WOLFENZON, 2002; WU; XU; YUAN, 2009).

However, some researchers also suggest another assumption that the concentration of ownership and legal protection of shareholders are not necessarily substitutable but complementary ones (BURKART; PANUNZI, 2006; CASELLI; DI GIULI, 2010; DELL'ACQUA, et al., 2018; LARDON, et al., 2018; LEPORE, et al., 2017).

La Porta, Lopez-de-Silanes, Shleifer and Vishny adduce several arguments on why the concentration of ownership occurs (1998). First of all, shareholders need more capital in order to exercise control over their managers and thereby avoid expropriation by them. Secondly, when minority shareholders are poorly protected, they are ready to acquire corporate rights only at such low prices, which corporations considering unattractive for issuing new shares.

Thus low demand for corporate shares by minority shareholders indirectly stimulates concentration of ownership (LA PORTA, et al., 1998, p. 1445). La Porta et al. conclude that "with poor investor protection, ownership concentration becomes a substitute for legal protection, because only large shareholders can hope to receive a return on their investment" (LA PORTA, et al., 1998, p. 1445).

Another important aspect warrants consideration is the dynamics of ownership change. Today, many developing countries are trying to emulate the governing structures and governance mechanism of the United States and other developed countries, but the results of such changes have not yet been fully explored (WU, et al., 2009).

There is also a dearth of research investigating questions about the types of owners and the changes in the proportions of concentration depending on owner's types used (WU, et al., 2009, p. 177). For example, when the owner is a state, then it

may have other mechanisms for securing its property, so it may not rely heavily on the concentration of ownership, on the contrary, it may try to attract as many minority investors as possible to use less public funds.

And finally, the last aspect to which attention should be drawn is that in countries that were on the side of the 'evil empire' ("Reagan, 'Evil Empire,' Speech Text," n.d.) during the Iron Curtain times, the concentration of power is the result of radical and disorderly carried out privatization (BOUBAKRI; COSSET; GUEDHAMI, 2005).

To conclude, the concentration of ownership is seen as an effective internal mechanism of corporate governance, which often leads to the suppression of other external corporate governance mechanisms such as financial markets, and may also lead to a decrease in the efficiency of other jurisdictions such as the legal system (BOUBAKRI, et al., 2005; HOLMSTRÖM; TIROLE, 1993) and matters for firm strategy, innovation, and performance (BHAUMIK; ESTRIN; MICKIEWICZ, 2017; BHAUMIK, et al., 2017; BOZEC, 2005; DELL'ACQUA, et al., 2018; DEMSETZ; VILLALONGA, 2001).

The objects of our study are agro-industrial enterprises of Ukraine, which encompassed all of the abovementioned traits of corporate governance. Being part of 'the evil empire', Ukraine has been an independent state since 1991, which began to evolve on the basis of a market economy. However, the wide, ill-conceived and uncontrolled privatization has led to the property that was before in private ownership ended up in the hands of few. Even the term appeared – 'the red director', depicting the head of the company, who led it in the Soviet Union, and continued it after its collapse, often becoming an official millionaire or billionaire.

After experiencing a period of sharp and chaotic privatization, which brought the emergence of a large number of official owners, but a handful of real owners, Ukraine continued to get used to the new order. Step by step the concentration of property appeared which was the result of weak legal protection, and lack of order in the country as a whole. The gradual development and acquisitions of small enterprises led to the emergence of large agrarian conglomerates, many of which subsequently went to the stock exchanges in Warsaw and London, to seek further funding.

Thus, Ukraine's example includes privatization, a significant concentration of ownership, and then the formation of a pool of powerful landowners who have become public companies. Some of these companies then began to liberalize ownership, disperse property, and some, by contrast, have a significant concentration to date. All this provides a good case for study the concentration of ownership. Moreover, to best of our knowledge, this is the first work that combines such a topic (concentration of ownership) and the object (Ukrainian agro-industrial companies).

The article is structured as follows. In the next section we explicate the research methodology. A brief overview of the twin agency problem is included in the second section. This is followed by a study of concentration of ownership in Ukrainian agro industrial companies, both listed abroad and domestically in Ukraine. The penultimate section devotes to elucidation and discussion of the relation between ownership concentration and economic performance and the paper concludes with a discussion.

2. RESEARCH METHODOLOGY

Our methodology (as methodology is a mix theories and methods) predicates on agency problem, institutional theory, and twin agency problem from the theory' side and uses statistical methods (correlation and regression). In our analysis, we compared the agro industrial companies of Ukraine by dividing them into two groups: public ones that have significant assets in Ukraine and have, in their majority, Ukrainian owners, this group of enterprises we conventionally call group UX.

We compare this group with a group of domestic companies – named by us group UA. This part of paper deals with establishing presence / absent of ownership concentration of analysed companies. But since there are only a handful of Ukrainian companies on Warsaw stock exchange to form a sample for quantitative research, we took data for all the agro industrial companies listed on the Warsaw Stock Exchange. Detailed description of our approach in quantitative research will be laid down in appropriate subsequent section of paper.

3. THE TWIN AGENCY PROBLEM

As Stulz (2005) argues high expropriation risks warrants for corporate ownership to be highly concentrated, which in turn 'limits economic growth, risk-



sharing, financial development, and the impact of financial globalization' (2005, p. 1597). Thus, the impact of financial globalization is less than it could have been both for the host and investing parties and as a result of this the two of them incurring losses.

Stulz (2005) also believes that if that is the case, corporate insiders (owners of the majority shares) expropriate external investors as they maximize their own rather than external investor's wealth. In doing so, they create what the author calls the "agent problem of corporate insider discretion". These private benefits of corporate insiders can take different forms, of course, from the excessive cost on corporate airplanes to direct or covert theft.

In addition, Stulz (2005) believes that public authorities influence this through the rights that they gave to investors in the corporation and the degree of protection of these rights, which in turn affects the degree of costs private investors incur in order to acquire economic benefits from the companies they control. Consequently, when the cost of allocating economic benefits to private investors is low, the concentrated property prevails over the dispersed one.

Regarding the second type of agency problem, Stulz (2005) uses the term "expropriation by the state" to indicate the actions of statesmen to improve their welfare by reducing the return on corporate investment. State rulers can use state power to expropriate investors through a wide range of activities, from direct confiscation to redistribution of tax burden. This voluntarism of state rulers when using state power for their own benefit creates an agent problem that R. Schulz calls "the agency's problem of state ruler discretion".

The author rightly notes that when such an agency problem exists, corporations with professional managers and diffused shareholders are ineffective. The logic behind it is straightforward and convincing. The dispersed ownership is ineffective because managers can better reduce the risks of state expropriation by taking measures when they have greater freedom of action, and when control over their activities is not as stiff as with diffused ownership model. In this case, managers become alter ego of the organizations and can easily take advantage of minority owners (STULZ, 2005).

So adding those two agency problems we get the concept of a "twin agency problems", which arises because sovereign states and corporate insiders pursue their own interests at the expense of foreign investors.

In other words, there are two trends: 1) controlling investors occupy the company, acting without regard to minority shareholders, and 2) the government expropriates the wealth of shareholders, both large and small, which exacerbates the problem. The author calls the first problem "the agency problem of corporate insider discretion" the second one – "the agency problem of state ruler discretion" (STULZ, 2005).

When such a double agent problem is significant, property dispersion is ineffective and corporate insiders are forced to hold a significant share in corporations. As a result, Stulz (2005) believes that concentration of property limits economic growth, financial development, and the country's ability to take advantage of financial globalization.

3.1. Concentration of ownership in Ukrainian agro industrial companies

In our sample we take 10 public companies (we call this group UX) listed on foreign stock exchanges (as of today all Ukrainian agro industrial companies with shares on foreign stock exchanges) and 10 smaller domestically listed companies (group UA). It should also be emphasized here that all these companies from group UX are also registered abroad, legally they are not Ukrainian, but they have the main production sites and / or land in use in Ukraine.

Although most agro-industrial companies in Ukraine have chosen to sell their shares on the Warsaw Stock Exchange, we also have companies that have placed equity instruments (GDP) at London Stock Exchange (Standard GDRs MM), as well on NASDAQ OMX Stockholm (table 1).

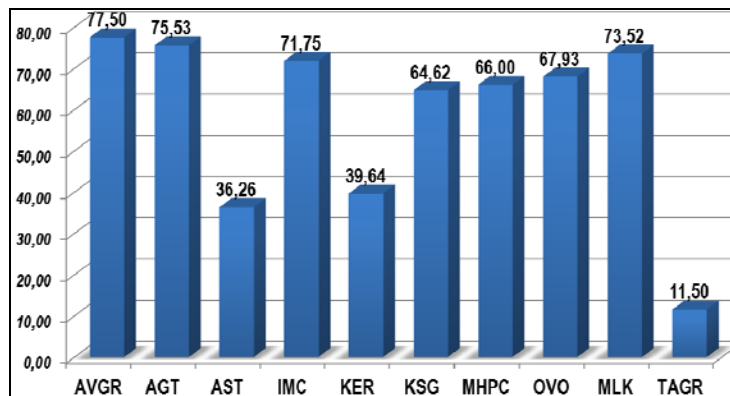
Although non-public companies are not so big, but among them is also one of the largest land users in Ukraine - PJSC «Rise Maksymko».

Table 1: Agro-industrial companies of Ukraine analysed *

	Name of the company	Ticker	Country of incorporation	Stock Exchange	Main regions of operation in Ukraine	Land in use, ha
1	2	3	4	5	6	7
Group of company UX						
1	Avangardco Investment Public Ltd	AVGR	Cyprus	LSE (Standard GDRs MM)	More than 12 regions	-
2	Agroton Public Limited	AGT	Cyprus	WSE (main market)	Luhansk, Kharkiv, Donetsk	151000
3	Astarta Holding N.V	AST	Netherlands	WSE (main market)	Poltava, Kharkiv, Vinnytsia, Khmelnytskyi	250000
4	Industrial Milk Company S.A.	IMC	Luxembourg	WSE (main market)	Poltava, Chernihiv, Sumy	136600
5	Kernel Holding S.A.	KER	Luxembourg	WSE (main market)	13 regions, main Poltava, Khmelnytskyi, Cherkasy, Chernivtsi	604500
6	KSG Agro	KSG	Luxembourg	WSE (main market)	Dnipropetrovsk, Kharkiv	61000
7	MHP S.A.	MHP C	Luxembourg / Ukraine	LSE (Standard GDRs MM)	13 regions, main: Kyiv, Cherkasy, Sumy, Vinnytsia	370000
8	Ovostar union N.V.	OVO	Netherlands	WSE (main market)	Kyiv, Cherkasy	-
9	Milkiland N.V.	MLK	Netherlands	WSE (main market)	Sumy, Chernihiv, Khmelnytskyi, Ternopil	-
10	Trigon Agri	TAGR	Denmark	NASDAQ OMX Stockholm	Kharkiv, Kirovohrad	46000
Group of company UA						
11	«APK-Invest»	APK	Ukraine	-	Donetsk	35000
12	"Ahrokombinat "Slobozhanskyy"	SLO	Ukraine	-	Kharkiv	7500
13	"Ahrokombinat "Kalyta"	KAL	Ukraine	-	Kyiv	-
14	«Ahropromyslova kompaniya»	ACO	Ukraine	-	Zaporizhzhia	11000
15	"Ahro-Soyuz"	ASZ	Ukraine	-	Ivano-Frankivsk	n.a.
16	"Bakhmutskyy ahrarnyy soyuz"	BAS	Ukraine	-	Donetsk	13000
17	"Etnoprodukt"	ETN	Ukraine	-	Chernihiv	4000
18	"Kyiv-Atlantic Ukraine"	KAU	Ukraine	-	Kyiv	13000
19	«Sad»	SAD	Ukraine	-	Sumy	4500
20	«Rise-Maksymko»	RSM	Ukraine	-	All regions but Zakarpattia, Chernivtsi, Odesa. Main regions: Sumy, Poltava	653000

* Sources: sites of companies; WSE; <https://smida.gov.ua/db/emitent>

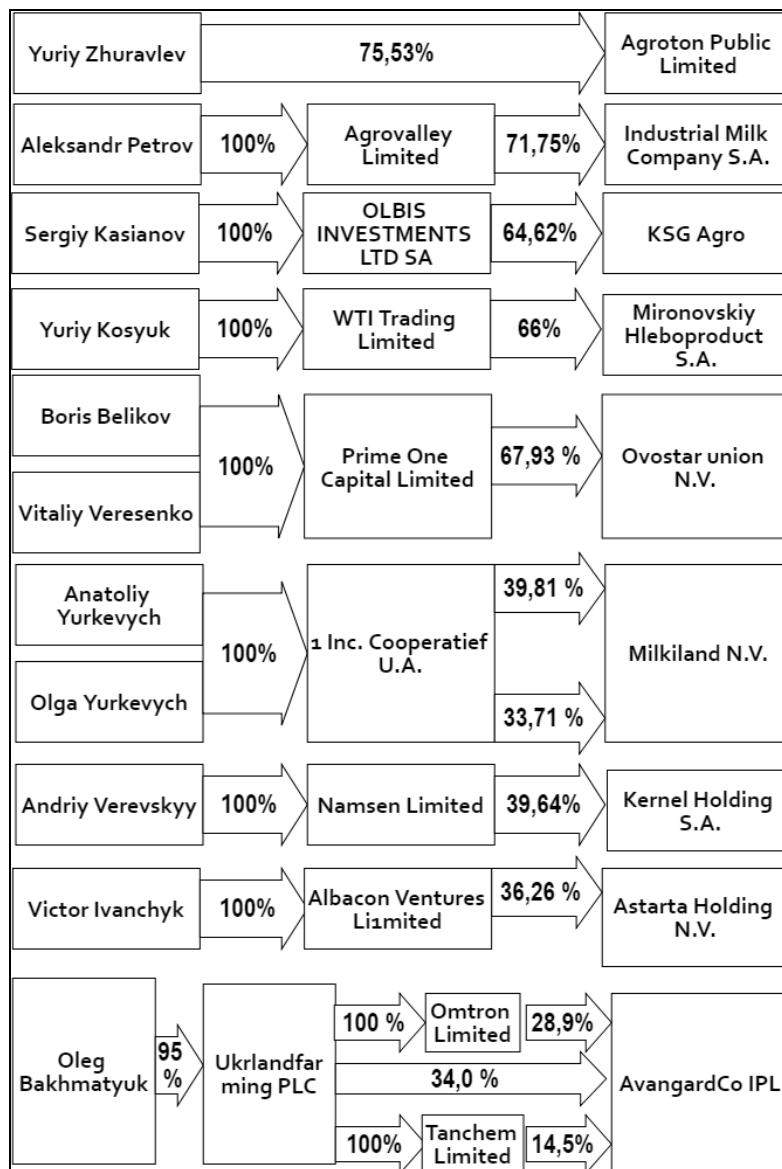
As is discernable from figure 1 and 2 the effect of a twin agency problem is felt in Ukrainian agro-industrial companies. Thus, among UX group companies (Figure 1 and 2), in all companies with the exception of only Kernel, Astarta and Trigon Agri, the founders of the companies (one or more) retain more than 50% of the shares. The largest concentration of property in the Avantguard is 77.5% in the hands of Oleg Bakhmatyuk, who inherits this type of ownership in virtually all of his companies. More than 70% of the property concentration is also Agroton (75.53%) Milkiland (73.52%) and IMC (71.75%). In Agroton, 75.53% belongs to the founder Yuri Zhuravlyov, a similar situation in the IMC, where 71.75% of the shares belong to Cypres' Agrovalley Limited, the end beneficiary of which is company's founder Alexander Petrov. KSG Agro - 64.62% of shares held by Swiss company OLBIS INVESTMENTS LTD SA owned by Sergiy Kasyanov.



Graph 1: Share of equity instruments owned by the founders, main shareholders of UX group companies, %

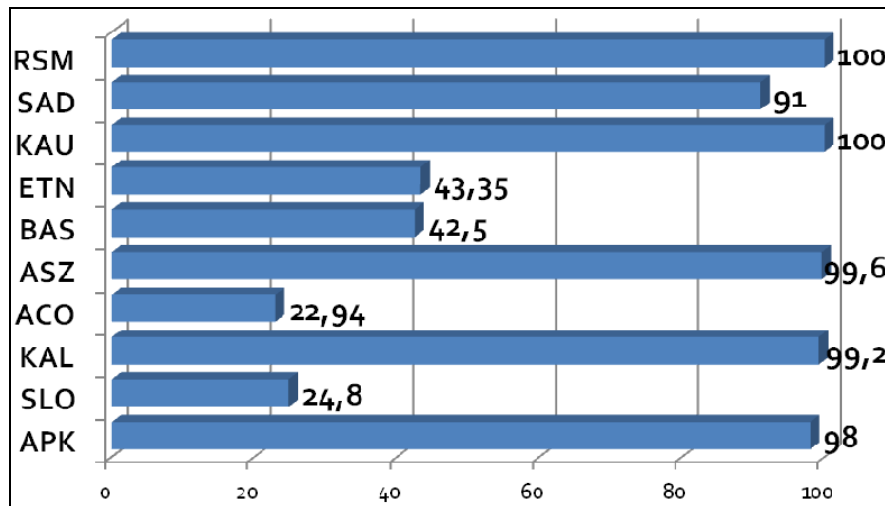
Next, the Cypriot WTI Trading Limited, whose beneficiary is Yuri Kosyuk, holds a 66% interest in MHP. Prime One Capital Limited, which owns more than 70% of the shares of Ovostar, is controlled by Boris Belikov (General Director) and Vitali Veresenko (Chairman of the Board of Directors). Through the Dutch 1 Inc. Cooperatief U.A. Anatoly Yurkevich owns 39.81% of the shares of the company 'Milkiland', while 33.71% in Milkiland, through the same company belong to Olga Yurkevich. Also 5% through the Dutch R-ASSETS COOPERATIEF U.A. owns former top manager Vyacheslav Rekov.

The complicated scheme of ownership is presented in Graph 2. In general, the concept of "50 families" is confirmed. As could be easily discern all but one owner owns companies indirectly through other companies. Only the owner of Agroton Public Limited has control over the company as individual.



Graph 2: Owners and way of owning public companies with a significant share of the leading owner

A slightly different situation is with the UA group companies (figure 3). In most UA group companies, the majority shareholder owns 90% or more. In two cases, the concentration of ownership is absolute - 100%. However, a complete picture of ownership cannot be established due to the lack of disclosure on this issue. In particular, in the Bakhmut Agrarian Union- BAS, there are actually three owners who have worked for a long time in the other big agroholding, and there are no minority shareholders in this company. With regard to the Slobozhansky Agricultural Complex - SLO, the structure of its ownership may indicate that owning it four firms could have two or more owners, but because of the lack of disclosure on this issue, it is difficult to establish final beneficiaries.



Graph 3: Share of equity instruments belonging to the largest owner of UA group companies, %

A significant concentration of property held in Ukrainian companies (both UX and UA), even after the IPO, indicates that trust in other sources of property rights is low and only by concentrating most of the ownership rights in its hands the owner can control the company. Another option is to draw a staid foreign investor to owners who will serve as bulwark for any untoward interest to the company.

This is evidenced in particular by international ratings. "Strength of Investor Protection Index" calculated by Doing Business was indexed by The © Financial Freedom Index and Ukraine ended up 116 from out of 184 countries included in the rankings ("INVESTOR PROTECTION," n.d.). The main problem is protecting the rights of investors, especially minority ones.

In fact, for many companies the unchallenged dominance of large investors, and the usurpation of power by them, is, in fact, the main agency problem. In other words, not only managers' accountability to shareholders, but also the seizure of companies by large shareholders is a major problem for corporate governance. If the law and enforcement of it does not provide sufficient protection for investors the founders are compelled to hold significant shares in their companies, which lead to a high concentration of ownership.

The carried out research of concentration of ownership in the context of a twin agency problem proves the presence of the first component of a twin agency problem in agro-industrial companies of Ukraine - in the absence of reliable mechanisms for the protection of their assets, shareholders hold a predominant share of the equity instruments of companies in their hands. Such an agency

problem between majority shareholders and minority shareholders along with the asymmetry of information and the difference in voting rights may lead to the squeezing of minority shareholders. Such concentration creates a pressure on minority shareholders, which is assigned, for the most part, the role of statisticians or spectators.

The concentration of property today serves as a substitute for the protection of investors' rights, the most reliable mechanism for the protection of property, since the institute for the protection of investors' rights remains very weak. This applies to companies of both group UA and UX.

3.2. Ownership concentration and economic performance

Identifying the presence of a concentration of property is only the first step of our study. The next step is to determine how this concentration affects the performance of the companies. An important part in this is to determine what indicators are to be used as proxy of economic performance.

Our model takes into account the papers of predecessors and has much in common with the models used in (DAHYA; DIMITROV; MCCONNELL, 2008; DEMSETZ; VILLALONGA, 2001; LEPORE, et al., 2017). As a proxy for economic performance we used a market oriented measure like Tobin's Q, and three accounting-based measures namely Net cash flow, EBIDTA, Profit/loss before tax.

The Demsetz and Lehn (2001) study uses accounting profit as a proxy for firm performance. Many studies thereafter use Tobin's Q for measuring economic performance (SURESHA; RAVIKUMAR, 2018; WALTHOFF-BORM; VANACKER; COLLEWAERT, 2018).

There are several significant respects in which these two measures differ. First of all, accounting profit and Tobin's Q contrast with each other in regards of time perspective applied. Accounting figures tends to be rather backward-looking, whereas Tobin's Q is regarded as forward-looking. Effectively there is a difference between '*what management has accomplished*' (accounting profit) ... and '*of what management will accomplish*' (Tobin's Q) (DEMSETZ; VILLALONGA, 2001).

The second difference is who forms these indicators. The financial statement, part of which is profit, is formed by an accountant, while complying with the

requirements of the established standards. Tobin's Q on the other hand is based on impressions, internal experiences and perceptions of investors.

3.2.1. Dependent Variables

For our study, we chose both market-oriented and accounting indicators; in total we used 4 indicators as proxy for economic performance. We used a market oriented measure, the Tobin's Q, and three accounting-based measures, i.e., Net cash flow, EBIDTA, Profit/loss before tax. Tobin's Q was computed as the market value of assets divided by the book value of total assets, so we used the coefficient P/BV provided for each company by the WSE. Accounting indicators have been extracted from financial statements of companies.

3.2.2. Independent variable

We measured the ownership concentration using percentage voting rights of the biggest shareholder as it was at the middle of December 2018. Those data we gathered resorting to open information of WSE as well as the companies' websites where we selectively verified information.

3.2.3. Sample

For our quantitative part of research, we gathered data from Warsaw Stock Exchange first by selecting all the companies in the Main market of WSE, belonging to the category 'Food and drinks'. Since we strived to industry-specific sample, we deducted companies marked as active in drinks business and ended up with 27 companies in the sample. Due to the lack information on ownership one of those companies had to be cut which brought the sample down to 26. For each of remaining 26 firms, for those data are available as of year-end 2018, we extracted the identity and percentage voting rights of the biggest shareholder.

3.2.4. Findings

We are going to proceed laying down the findings in three parts: regression, correlation and test for significance of analysis of variance.

3.2.5. Regression

Based on surveyed literature, we advance the following hypothesis:

H₀: There is no positive association between the ownership concentration and firm performance.

H₁: There is positive association between the ownership concentration and firm performance.

The first table of interest is the Model Summary table, as shown below:

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.350 ^a	.122	-.073	16.80673	.122	.627	4	18	.649

a. Predictors: (Constant), Tobin's Q (4), Net cash flow (1), EBIDTA (2), Profit / Loss before tax (3)

This table 2 above provides us with the R and R² values. The R value represents the simple correlation and is 0.350, which indicates a low degree of correlation. The R² value of 0.122 indicates how much of the total variation in the dependent variable, the ownership of the largest shareholder (CONCEN), cannot be explained by the independent variables, Net cash flow (1), EBIDTA (2), Profit / Loss before tax (3), and Tobin's Q (4).

“The Standard Error of Estimate” is the standard deviation of the residuals [the ownership of the largest shareholder (CONCEN) - the ownership of the largest shareholder (CONCEN)]. The larger the R², the smaller the SEE will be relative to the standard deviation of the criterion or dependent variable. This will be better fit and have less estimation error. The Adjusted R square value of -0.073 tells us that our model cannot accounts for -7.3% of variance in the ownership of the largest shareholder (CONCEN) – a poor model. The Significant F change, p - value of 0.649 is greater than the α – value of 0.05 which makes the regression model not statistically significance.

Therefore, we fail to reject the null hypothesis and accept it. We conclude that, there is no positive association between the ownership concentration and firm performance.

In table 3, under the “Unstandardized Coefficients”, we see the Y intercept, reported as a constant of 61.611, and the slopes (B) of the independent variables. Thus, we can build the regression equation to predict the ownership of the largest shareholder (CONCEN) as:

The ownership of the largest shareholder (CONCEN) = 61.611 + (.000)(Net cash flow) + (-8.775E-5)(EBIDTA) + (4.602E-5)(Profit / Loss before tax) + (1.103)(Tobin's Q).

Again, under the "Standardized Coefficients", we find the standardized partial slopes (Beta). The beta for Tobin's Q (.282) is greater in value than the beta for Profit / Loss before tax (.112), EBIDTA (-.351) and Net Cash Flow (-.246). This tells us that Tobin's Q is the most important of the four independent variables but has not significant impact on the dependent variable.

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	61.611	4.194		14.691	.000
Net cash flow(1)	.000	.000	-.246	-1.049	.308
EBIDTA(2)	-8.775E-5	.000	-.351	-.592	.561
Profit/loss before tax(3)	4.602E-5	.000	.112	.189	.853
Tobin's Q,(4)	1.103	1.292	.282	.853	.405

a. Dependent Variable: The ownership of the largest shareholder (CONCEN)

In the last output (table 3), the significance p – values of Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q were 0.308, 0.561, 0.853 and 0.405 respectively. These values are greater than the α – value of 0.05 which also indicate that their predictor variables do not have large impact on the dependent variable. Thus, we can also conclude that the regression model is not statistically significance. In this case, the predictor variables - Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q does not have much impact to predict dependent variable - the ownership of the largest shareholder (CONCEN).

Table 4: Descriptive Statistics

	Mean	Std. Deviation	N
The ownership of the largest shareholder (CONCEN) (Dependent variable)	59.7026	16.22698	23
Net cash flow(1)	7536.7974	23802.70169	23
EBIDTA(2)	39931.1022	64825.62580	23
Profit/loss before tax(3)	23264.9070	39528.24841	23
Tobin's Q,(4)	1.6230	4.15745	23

The table 4, as shown above gives the mean, standard deviation and the sample size of the ownership of the largest shareholder (CONCEN) as well as the four (4) indicators namely: Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q that were used as proxy for economic performance in companies.

3.2.6. Correlation

The multiple correlation coefficients, thus the Pearson's correlation coefficient (R) was used to test for the significance of how the predictor variables relate to the dependent variable. The scatter plots diagrams with regression line, showing best – fitting straight line that summarizes the relationship the predictor variables and the dependent variable were also used.

The following hypotheses were outlined and tested by means of Pearson's correlation coefficient (R) and the linearity tested from the scatter plots.

H₀: There is no linear relationship between the independent variables and the predictor variables.

H₁: There is linear relationship between the independent variables and the predictor variables.

The Pearson's correlation coefficient "r" values of Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q were found to be - 0.276, - 0.118, - 0.056 and 0.068 respectively (table 5). These values indicate very low negative correlation for the Net cash flow, EBIDTA, Profit / Loss before tax. Though the Tobin's Q had a positive value but it gives a very low positive correlation. In all these cases, no linear relationship exists.

In the second output, the significance p – values of Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q. were 0.101, 0.296, 0.400 and 0.378 respectively. These values are greater than the α – value of 0.05 which also indicate that their predictor variables do not have a linear relationship with the dependent variable.

Therefore, we fail to reject the null hypothesis and accept it. We conclude that, there is no linear relationship between the dependent and predictor variables. In this case, the predictor variables - Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q. does not have a linear relationship with the dependent variable - the ownership of the largest shareholder (CONCEN).

Table 5: Testing the Pearson’s correlation coefficient “r” for significance

	The ownership of the largest shareholder (CONCEN) (Dependent variable)	Net cash flow(1)	EBIDTA(2)	Profit/loss before tax(3)	Tobin’s Q (4)	
Pearson Correlation	The ownership of the largest shareholder (CONCEN)(Dependent variable)	1.000	-.276	-.118	-.056	.068
	Net cash flow(1)	-.276	1.000	.301	.218	.182
	EBIDTA(2)	-.118	.301	1.000	.920	.720
	Profit/loss before tax(3)	-.056	.218	.920	1.000	.738
	Tobin’s Q,(4)	.068	.182	.720	.738	1.000
Sig. (1-tailed)	The ownership of the largest shareholder (CONCEN)(Dependent variable)	.	.101	.296	.400	.378
	Net cash flow (1)	.101	.	.081	.159	.204
	EBIDTA(2)	.296	.081	.	.000	.000
	Profit/loss before tax(3)	.400	.159	.000	.	.000
	Tobin’s Q,(4)	.378	.204	.000	.000	.
N	The ownership of the largest shareholder (CONCEN)(Dependent variable)	23	23	23	23	23
	Net cash flow (1)	23	23	23	23	23
	EBIDTA(2)	23	23	23	23	23
	Profit/loss before tax(3)	23	23	23	23	23
	Tobin’s Q,(4)	23	23	23	23	23

Let us see different variation of dependent variables against independent one by one.

Table 6: Correlations: The ownership of the largest shareholder (CONCEN) and net cash flow variables

		The ownership of the largest shareholder (CONCEN)(Dependent variable)	Net cash flow(1)
The ownership of the largest shareholder (CONCEN)(Dependent variable)	Pearson Correlation	1	-.028
	Sig. (2-tailed)		.890
	N	26	26
Net cash flow(1)	Pearson Correlation	-.028	1
	Sig. (2-tailed)	.890	
	N	26	26

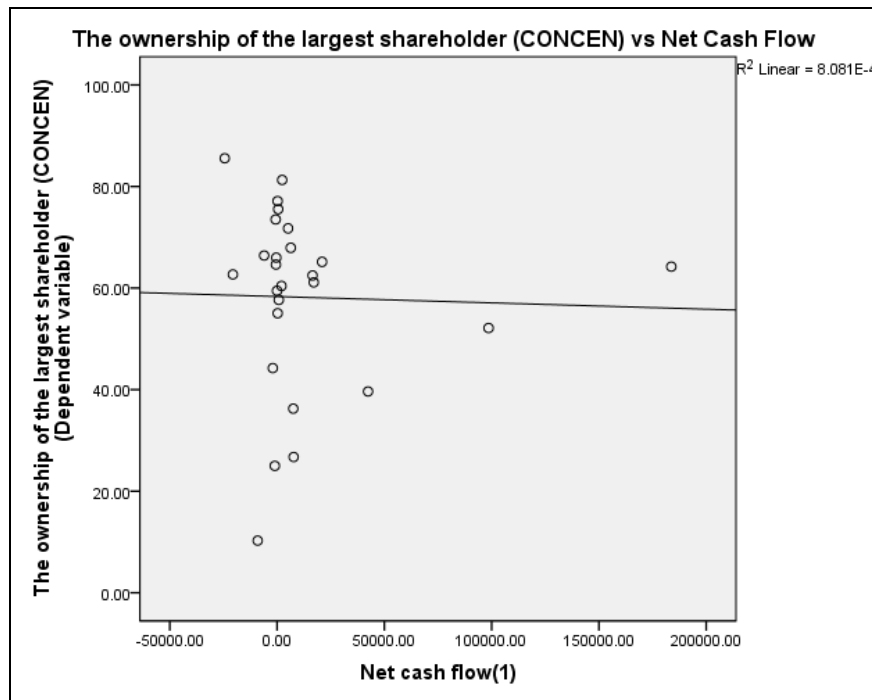


Figure 4: Scatter plot the ownership of the largest shareholder vs. net cash flow

From table 6, the Pearson’s correlation coefficients r , between the ownership of the largest shareholder (CONCEN) and net cash flow variables is - 0.028, which indicates a very low degree of correlation. Again, the correlation between the ownership of the largest shareholder (CONCEN) and net cash flow is not statistically significant ($p > 0.05$). Thus, the ownership of the largest shareholder (CONCEN) and net cash flow variables are not linearly related.

This is shown also in the scatter plots in Figure 4, where the regression line, showing best – fitting straight line that summarizes that there is no linear the relationship the between the ownership of the largest shareholder (CONCEN) and net cash flow variables

Table 7: Correlations: The ownership of the largest shareholder (CONCEN) and EBIDTA variables

		The ownership of the largest shareholder (CONCEN)(Dependent variable)	EBIDTA(2)
The ownership of the largest shareholder (CONCEN)(Dependent variable)	Pearson Correlation	1	-.044
	Sig. (2-tailed)		.831
	N	26	26
EBIDTA(2)	Pearson Correlation	-.044	1
	Sig. (2-tailed)	.831	
	N	26	26

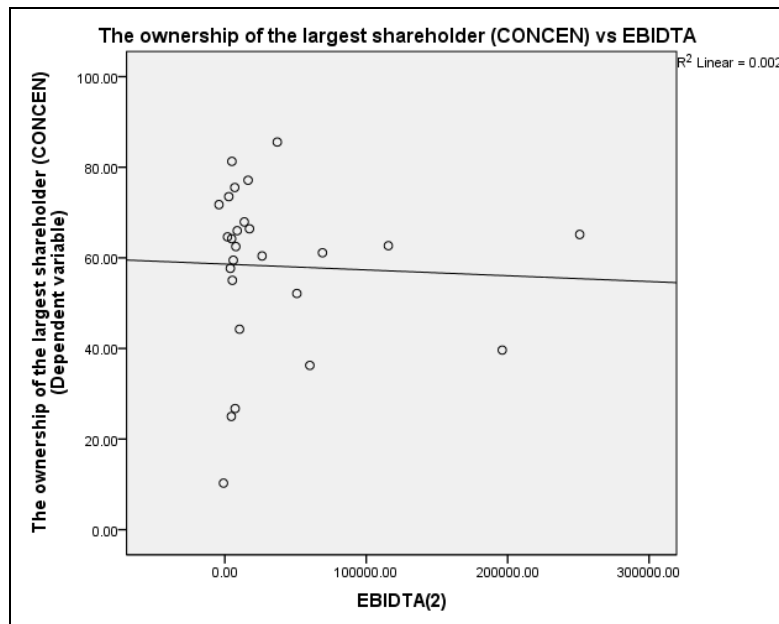


Figure 5: Scatter plot the ownership of the largest shareholder vs. EBIDTA

From table 8, the Pearson’s correlation coefficients r , between the ownership of the largest shareholder (CONCEN) and EBIDTA variables is - 0.044, which indicates a very low degree of correlation. Again, the correlation between the ownership of the largest shareholder (CONCEN) and EBIDTA is not statistically significant ($p > 0.05$). Thus, the ownership of the largest shareholder (CONCEN) and EBIDTA variables are not linearly related.

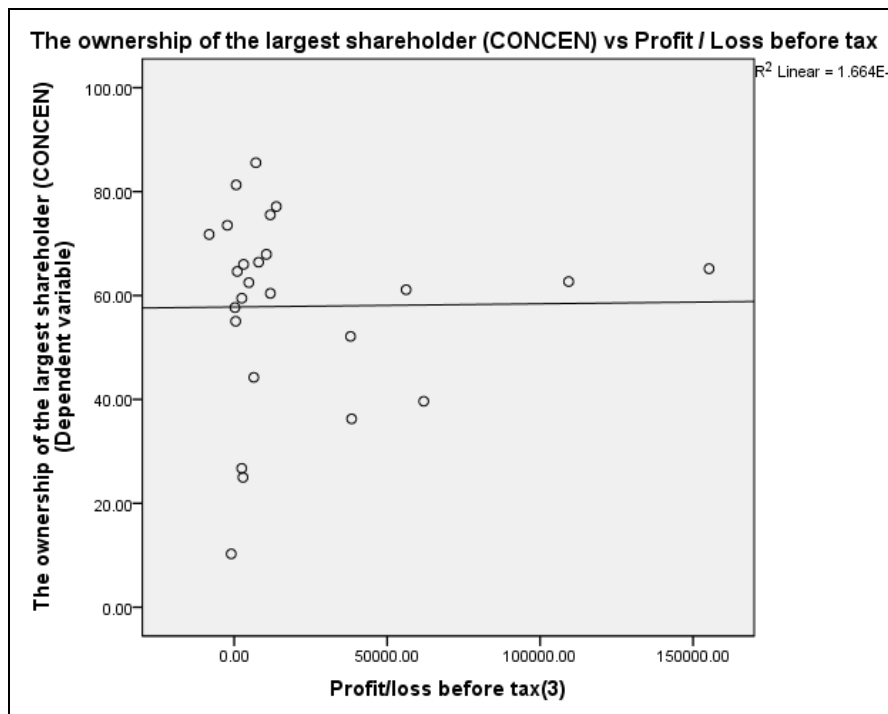
This is shown also in the scatter plots in Figure 5, where the regression line, showing best- fitting straight line that summarizes that there is no linear the relationship the between the ownership of the largest shareholder (CONCEN) and EBIDTA variables.

Table 8: Correlations: The ownership of the largest shareholder (CONCEN) and Profit / Loss before tax variables

		The ownership of the largest shareholder (CONCEN)(Dependent variable)	Profit/loss before tax(3)
The ownership of the largest shareholder (CONCEN)(Dependent variable)	Pearson Correlation	1	.013
	Sig. (2-tailed)		.951
	N	26	25
Profit/loss before tax(3)	Pearson Correlation	.013	1
	Sig. (2-tailed)	.951	
	N	25	25

From table 8, the Pearson’s correlation coefficients r , between the ownership of the largest shareholder (CONCEN) and Profit / Loss before tax variables is - 0.013, which indicates a very low degree of correlation. Again, the correlation between the ownership of the largest shareholder (CONCEN) and Profit/Loss before tax is not statistically significant ($p > 0.05$). Thus, the ownership of the largest shareholder (CONCEN) and Profit / Loss before tax variables are not linearly related.

This is shown also in the scatter plots in Figure 6, where the regression line, showing best – fitting straight line that summarizes that there is no linear the relationship the between the ownership of the largest shareholder (CONCEN) and Profit / Loss before tax variables.



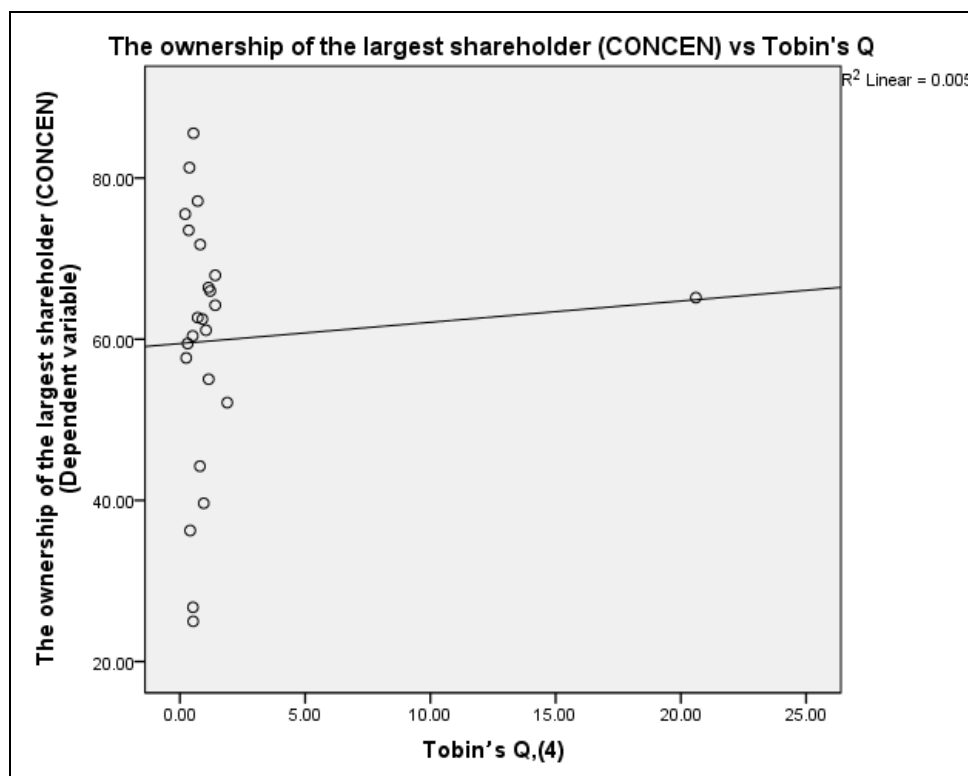
Graph 6: Scatter plot the ownership of the largest shareholder vs. Profit / Loss before tax

From table 9 we see that the Pearson’s correlation coefficients r , between the ownership of the largest shareholder (CONCEN) and Tobin’s Q variables is 0.068, which indicates a very low degree of correlation. Again, the correlation between the ownership of the largest shareholder (CONCEN) and Tobin’s Q is not statistically significant ($p > 0.05$). Thus, the ownership of the largest shareholder (CONCEN) and Tobin’s Q variables are not linearly related.

Table 9: Correlations: The ownership of the largest shareholder (CONCEN) and Tobin's Q variables

		The ownership of the largest shareholder (CONCEN)(Dependent variable)	Tobin's Q,(4)
The ownership of the largest shareholder (CONCEN)(Dependent variable)	Pearson Correlation	1	.068
	Sig. (2-tailed)		.754
	N	26	24
Tobin's Q,(4)	Pearson Correlation	.068	1
	Sig. (2-tailed)	.754	
	N	24	24

This is shown also in the scatter plots in Graph 7, where the regression line, showing best- fitting straight line that summarizes that there is no linear the relationship the between the ownership of the largest shareholder (CONCEN) and Tobin's Q variables.



Graph 7: Scatter plot the ownership of the largest shareholder vs. Tobin's Q

3.2.7. A test for significance of analysis of variance

We used the *F* ratio test for significance. We also take a look at some of the assumptions underlying the ANOVA test. We will use this Model: Independent random variables, Level of measurements, Populations are normally distributed, Population variances are equal.

The hypotheses were:

H₀: There exist equal means between the independent or predictor variables.

H₁: At least one of the population means between the independent or predictor variables is different.

Now we will use the **ANOVA** table, which reports how well the regression equation fits the data (i.e., predicts the dependent variable) and is shown below:

Table 10: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	708.538	4	177.134	.627	.649 ^a
Residual	5084.392	18	282.466		
Total	5792.930	22			

a. Predictors: (Constant), Tobin's Q,(4), Net cash flow(1), EBIDTA(2), Profit/loss before tax(3)

b. Dependent Variable: The ownership of the largest shareholder (CONCEN)

From table 10 above, the regression model used in the ANOVA test does not significantly predict the dependent variable well. In this case, the regression model is not statistically significantly to predict the outcome variable. Thus, it is not a good fit for the data.

Using the F test, with a p - significance value of 0.649, is greater than the α - value of 0.05, and indicates that, we fail to reject the null hypothesis and accept it. Therefore, we can conclude that there exist equal means between the independent or predictor variables.

Consequently, we have not found any confirmation of the existence of a statistically significant relation between the concentration of ownership and the economic performance of enterprises. Although we did not find dependencies, the negative result outcomes, is also an outcome. Concentration of ownership does not affect the economic performance of analysed companies, regardless of whether we take for the analysis the accounting indicators (Profit) or market-based indicators (Tobin's Q).

However, the strongest link exists between CONCEN and Tobin's Q. We believe that is an indication of favourable investor's reaction to such concentration, because they perceive the situation in the same light: the investor's weak protection compels the company, in order to reduce risk of expropriation of property, to

concentrate ownership. The market encourages concentration of ownership in jurisdictions with weak investor protection.

4. CONCLUSIONS

The concentration of property is an issue that is currently acute, especially for countries for which the market economy was not a native environment even a few decades ago. Our study aimed to identify the presence / absence of ownership concentration in agro-industrial companies in Ukraine and to investigate the possible impact of these processes on the economic performance of companies.

We have proven that there is a significant level of ownership concentration among analysed companies in both groups UX and UA. Although there are exceptions, there is a general tendency to hold a large share of equity instruments by the founders or major owners. We describe this phenomenon through a twin agency problem, arguing that such a large share of power concentration serves as a substitute for a weak environment for protecting investor rights.

Concentration of property is the protection from unwanted interventions from both third parties and from state rulers. Some existing exceptions, we argue, are due to the involvement of powerful co-owners who provide for all sorts of shields against untoward interest.

The study has found no significant relationship between ownership concentration and several indicators used as proxy for economic performance, namely Net cash flow, EBIDTA, Profit/loss before tax, Tobin's Q. In our model the R value is 0.350, which indicates a low degree of correlation. Our model cannot account for -7.3% of variance in the ownership of the largest shareholder (CONCEN) (The Adjusted R square value of -0.073 – table 2).

The Significant F change, p - value of 0.649 is greater than the α - value of 0.05 which makes the regression model not statistically significance. Therefore, we fail to reject the null hypothesis and accept it. We conclude that, there is no positive association between the ownership concentration and firm performance. The significance p - values of Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q were 0.308, 0.561, 0.853 and 0.405 respectively.

These values are greater than the α - value of 0.05 which also indicate that their predictor variables do not have large impact on the dependent variable. Thus,

we can also conclude that the regression model is not statistically significance. In this case, the predictor variables - Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q. does not have much impact to predict dependent variable - the ownership of the largest shareholder (CONCEN).

The Pearson's correlation coefficient "r" values of Net cash flow, EBIDTA, Profit / Loss before tax, Tobin's Q were found to be - 0.276, - 0.118, - 0.056 and 0.068 respectively (table 5). These values indicate very low negative correlation for the Net cash flow, EBIDTA, Profit / Loss before tax. Though the Tobin's Q had a positive value but it gives a very low positive correlation. In these cases, no linear relationship exists.

Our findings indicate that concentration of ownership does not affect the economic performance of analysed companies, regardless of whether we take for the analysis the accounting indicators (Profit) or market-based indicators (Tobin's Q). However, we emphasize that the strongest link exists between CONCEN and Tobin's Q.

Investors themselves and the market are also reacting positively to such concentrating, because they perceive the situation in the same light: the investor's weak protection compel the company, in order to reduce risk of expropriation of property, to concentrate ownership. The market encourages concentration of ownership in jurisdictions with weak investor protection.

An agency issue of corporate insider's action at their discretion should be absorbed by properly organized corporate governance. In this regard, the further direction of research in this area would be the development of practical measures to strengthen corporate governance at the company level and the regulation of the protection of minority shareholder rights at the state's level.

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