

**The Effects of Ownership Structure on Firm Performance: Evidence from
Thailand**

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Abstract

This study examines the effects of ownership structure on corporate performance of Thai non-financial firms between 1993-1996. In this study, the ownership structure is considered in terms of (i) controlling ownership, (ii) types of controlling ownership, including family, domestic-corporation and foreign investor, and (iii) managerial ownership. This study uses market returns and (accounting) profitability (ie, return on assets (ROA) and sales to assets (S/A)) as measures of performance. Overall, the findings confirm that there is a positive association between controlling ownership and firm performance. Also, it is found that firms with controlling ownership have higher performance than those with non-controlling ownership in Thailand. In particular, the results show that family-controlling ownership has a positive and significant relationship to both measures - market returns and profitability. A less significant relationship is found for domestic-corporation-controlling ownership and foreign-controlling ownership. This study also suggests that there is no existence of a non-linear relationship between managerial ownership and firm performance in the case of Thailand. In fact, the non-linear relationship is found between managerial-non-family ownership and market returns.

Keywords: ownership structure, family ownership, Thailand

Introduction

In modern corporations, where diffused owners are separated from the firm's management, it should not be surprising that the conflict of interests between ownership and management (agency problem) exists (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983a, b; Jensen, 1986). That is, the shareholders or 'principal' (who provide risk capital for opportunities to get appropriate returns from their investment) will hire managers to act as their 'agents' to run the firm's business in the way to maximize shareholders' wealth and value of the firm. The managers typically pay less effort in managing the firm's resources and do not run the firm's business in the shareholders' interests. Such the conflict definitely creates difficulties for the investors to ensure that their funds will be appropriately managed in attractive or profitable projects by the managers (Shleifer and Vishny, 1997).

Shleifer and Vishny (1997) argue that concentrated ownership, which has both interests in profit maximization and adequate control rights over the assets of the firms, can control a firm's management effectively. As a result, agency costs are mitigated and hence firm performance increases. The concentrated ownership, however, is not without limitations.

That is, a fundamental problem of having concentrated ownership is how to protect the interests of minority shareholders that somehow may not coincide with those of the concentrated ownership.

Jensen and Meckling (1976) suggest that having top management holding a proportion of shares in a firm can align the interests between managers and shareholders. However, this is because managers are less inclined to divert firm's resources away from the firm. There is an argument that managerial ownership does not always improved corporate performance. This is because at a certain level of shareholding managerial shareholders can 'entrench' their power and run the firm's business in their interests (cf., Morck et al, 1988; McConnell and Servaes, 1990; Short, 1999). This action can reduce the power of external or minority shareholders and it is difficult to remove those managerial shareholders when they perform poorly (Stulz, 1988). Several empirical studies (for example, Morck et al, 1988; McConnell and Servaes, 1990) note that a non-linear relationship between managerial ownership and firm performance exists. That is, at the early level of managerial shareholding, the interests between managers and shareholders are aligned resulting in a decrease of agency problems and, hence firm performance increases. When their shareholding rises to a certain level, however, managerial shareholders may act for their own benefits at the expense of minority shareholders or creditors. As a result, the firm's performance declines.

Ownership structure plays an important role in a firm, particularly in determining the directions and goals of the firm which influence on performance, and in turn, effect shareholders' as well as stakeholders' benefits (Porter, 1990; La Porta et al, 1998; Jensen, 2000). Regarding ownership structure in Thailand, the separation of ownership and control is very low and it is lower compared to other Asian countries such as Japan and Singapore (Claessens et al, 2000). Thai ownership is highly concentrated and shareholders mostly exert significant control over the firm's management, which is common given that managers and owners are often the same people (managerial ownership) (Wiwattanakantung, 2000). Some studies argue that such ownership structure may be one of the causes of the financial crisis and a declining of firm performance, such as profitability and stock market returns in East Asia, including Thailand. There is little empirical evidence as yet to be found on the significance of the relationship between ownership structure and firm performance in the case of Thailand. This study therefore examines: (i) the effects of controlling ownership including the different types of them, and managerial ownership, on firm performance, and (ii) whether or not there is a non-linear relationship between managerial ownership and firm performance.

Literature Review of Ownership Structure and Firm Performance

This section presents the relevant literature and issues surrounding ownership structure and firm performance, as follows.

Controlling Ownership and Firm Performance

Since Berle and Means (1932) presented the separation of ownership from control, several researchers have debated and discussed the effects of concentrated (or controlling) ownership on corporate performance. So far, there has been no conclusion as to whether or not there is the relationship between such ownership and firm performance. A number of studies find that there is a significant positive relationship between controlling ownership and firm performance (Monsen et al, 1968; Radice, 1971; Boudreaux, 1973; Stano, 1976; Steer and Cable, 1978; Kesner, 1987; Alba et al, 1998; Xu and Wang, 1999). Recently, Chen (2001) examines the relationship between ownership structure and firm value in the case of China. The results show that there is a strong positive relationship between concentrated ownership and corporate value (Tobin's Q). A positive relationship between corporate value and domestic institutional shareholders is also reported. Moreover, he mentions that managerial shareholders are positively and state shareholders are negatively related to firm value respectively (Chen, 2001).

In addition, Wiwattanakantung (2001) tests the impact of ownership structure on firm performance of Thai non-financial firms listed in the Stock Exchange of Thailand in 1996. The study argues that there is no evidence to support that controlling shareholders extract corporate assets away from the firm for their own benefits. That is, firms with controlling shareholders have higher profitability (as measured by the return on assets and sales-to-asset) than those with non-controlling shareholders. The results also report that firms with family and foreign-controlling shareholders, as well as firms with more than one controlling shareholder, have higher profitability than do firms with non-controlling shareholders.

In contrast, Holderness and Sheehan (1988) suggest that there is no difference between firms with concentrated owners and those with dispersed owners. Mulari and Welch (1989) support this notion that the performance of firms with high concentrated ownership does not differ from other firms with dispersed ownership. Also Demsetz and Lehn (1985) examine the effects of concentrated ownership on firm performance. They also classify concentrated ownership into three groups: all investors, family and individual investors, and institutional investors. The results suggest that there is no significant relationship between concentrated ownership including its three types and return to shareholders. Demsetz and Lehn (1985, p.

1176) argue “the structure of corporate ownership varies systematically in ways that are consistent with value maximization”.

Managerial Ownership and Firm Performance

Jensen and Meckling (1976) suggest that the holding of shares by the managers a firm helps to align the interests between shareholders and managers. When the manager’s interests coincide more closely with those of shareholders, the conflicts between managers and shareholders are mitigated. Also, managers are less inclined to divert resources of the firm away to their own account. Moreover, with a large proportion of shares in the hands of managers, they may work harder to improve the firm performance. This action leads to an increase in firm’s value and also the managers’ private wealth. Kesner (1987) investigates the relationship between members of the board of directors and six performance measures (profit margin, return on equity, return on assets, earning per share, stock market performance, and total return to shareholders). The results illustrate that a proportion of shares held by board members is positive and significant to only two of the performance measures (the profit margin and return on assets). Vance (1964), however, suggests that the managerial shareholding is positively related to the profit margin. Whilst, Pfeffer (1972) finds that the managerial shareholding is positively related to profit margin and return on equity.

Alternatively, Morck et al (1988) argue that the relationship between managerial ownership and its performance is ‘non-linear’. That is, at a certain level of managerial shareholding, managerial shareholders can ‘entrench’ the controlling power over the firm’s activities, leaving external or small shareholders with difficulty in controlling the actions of such ownership. Short (1994) supports this notion and suggests that implicitly assuming the ‘linear’ relationship between managerial ownership and firm performance in the previous research possibly brings misleading results. This is because there may be the opposite relationship between managerial shareholding at a certain level and firm performance. Morck et al (1988) investigate that whether or not there is a non-linear relationship between managerial ownership and firm performance (as measured by firm’s market value and a profit rate) for 456 of the Fortune 500 firms in 1980. To capture this relationship, they categorize managerial shareholding into three different levels: 0% -5%, 5%-25%, and beyond 25%. The results reveal that there is a positive relationship between managerial ownership holding at 0% to 5% and the firm’s value. After that, a negative relationship is found at 5% to 25% of managerial shareholding, and then the relationship becomes positive again (but not significant) beyond 25% of shareholding. In the profit rate regression, they report that there is

only a significant positive relationship between managerial ownership holding at 0% - 5% and the profit rate.

McConnell and Servaes (1990) investigate the effects of managerial ownership on the firm's value. In their study, instead of fixing the level of managerial ownership, as had been conducted in Morck et al's (1988) study, they adopt managerial shareholding and managerial shareholding square as ownership variables. To do so, they draw upon a sample of 1,173 firms in 1976 and 1,093 firms in 1986. The results report that a positive relationship exists between managerial ownership holding at 0% to approximately 50% of shareholding and firm performance. Beyond 50%, a negative relationship between them is found. McConnell and Servaes therefore suggest that the impact of managerial ownership on the firm's value is non-linear. Short and Keasy (1999) also investigate whether there is a non-linear relationship between managerial ownership and firm performance, based on return on shareholders' equity and market value, in the case of UK. Their study adopts the cubic model¹ to investigate this relationship. With this model, the coefficients of managerial ownership variables (DIR , DIR^2 , and DIR^3) will be able to determine their turning points (indicating the maximum and the minimum points of the managerial performance). Short and Keasy also suggest that the performance (as measured by return on shareholders' equity) is positively related to managerial shareholding in the 0% to 15.58% range, negatively related in the 15.58% to 41.84% range, and becoming positively related again beyond 41.48%. In the market return (as measured by Tobin's Q) regression, they suggest that Tobin's Q is positively related to managerial shareholding in the 0% to 12.99% range, negatively related in the 12.99% to 41.99% range, and turning positive again when managerial shareholding exceeds 41.99%.

Recently, Han and Suk (1998) examine the non-linear relationship between insider ownership of 301 firms and average stock returns during 1988 to 1992. To capture the potential of the non-linear relationship, the inside ownership and inside ownership squared variables are applied. The inside ownership in this study consists of not only the board members, but also the officers, beneficial owners and principal stock holders owning ten percent or more of the firm's stock. The results show that the inside ownership is positively related to the stock returns. In contrast, the inside ownership square is negatively related. The minimum turning point is found at 41.8% of insider shareholding. They conclude that "as insider ownership increases, stock returns increase. But excessive insider ownership rather hurts corporate performance" (p. 153).

¹ The cubic model in Short and Keasy's (1999) study is as follows: $Performance = a + \beta_1 DIR + \beta_2 DIR^2 + \beta_3 DIR^3 + \gamma \text{ Control Variables}$. The control variables include firm's sales, growth in sales, debt, and research and development expenditure.

In the case of Thailand, Wiwattanakantung (2001) examines the relationship between managerial shareholders and firm performance in 1996. Managerial shareholding is classified into three levels (25% -50%, 50%-75% and beyond 75%). This study compares these three levels of managerial shareholders with non-managerial controlling shareholders. The study reports that there is a non-linear relationship between managerial shareholders and firm performance based on the return on assets and the sales-asset. That is, managerial shareholders who control between 25%-50% of outstanding shares have poorer returns on assets and sales-asset compared to non-managerial controlling shareholders.

Data and Methodology

This section, first, presents the data sample. Firm's performance measures are discussed in the second section. The elaboration on the ownership structure variables measures are illustrated in the third section, and followed by the discussion on the control variables measures.

Data Sample

This study selects 243 non-financial firms listed in the Stock Exchange of Thailand from each year between 1993 and 1996. The shareholders, financial statements and stock prices monthly data, including dividends, were obtained from the database of the Stock Exchange of Thailand (SET). Other secondary information such as the board of directors list was gathered manually from the Stock Exchange of Thailand Library.

Firm Performance Measures

This study adopts both market returns and accounting (profitability) returns as performance measures. To measure the market returns, Thai non-financial firms whose prices are quoted continuously on the Stock Exchange of Thailand between 1993 and 1996 are selected. A market return, which is measured by an average rate of return (AR), is measured as follows:

$$AR_{i,t} = \frac{\sum_{i=1}^N \left(\frac{(P_{i,t} + D_{i,t}) - P_{i,t-1}}{P_{i,t-1}} \right)}{N}$$

Where:

- $AR_{i,t}$ = average return of security i in period t .
- $P_{i,t}$ = monthly closing price of security i in period t .
- $P_{i,t-1}$ = monthly closing price of security i in period $t-1$.
- $D_{i,t}$ = dividend of security i in period t .

N = a number of months in a year.

Regarding the profitability measures, this study obtains the return on assets (ROA) and the sales-asset (S/A) from the sample firms' financial reports. A simple reason of choosing the ROA is because it is well known that the ROA is one of the most useful measures of the firm's efficiency and profitability. In terms of the S/A ratio, Wiwatanakuntung (2001, p333) states, "the sales-asset ratio could probably reflect the effectiveness of management in utilizing the assets of the firm to the sales revenues and sales also are less affected from manipulation by management". The return on assets ratio (ROA) is calculated by dividing earnings before interests and income taxes (EBIT) by average total assets. The sales-asset ratio is measured from the total sales divided by average total assets.

Ownership Variables Measures

Ownership structure in this study will be categorized as (1) controlling ownership, (2) types of controlling ownership, including family, domestic-corporation and foreign investor, (3) managerial ownership, including managerial-family ownership and managerial-non-family ownership.

Controlling Ownership Variable

The variable of controlling ownership (**Controlown**) is defined as the percentage of shares, at least 25%, held by the largest shareholder². The dummy variable of **Controlown** is set to be one for firm controlled by controlling shareholders, and zero for those controlled by non-controlling shareholders. (The percentage of shares held by shareholders who have the same family name will be combined as a single unit).

Different Types of Controlling Ownership Variables

Variables of different types of controlling ownership are presented as, first, a variable of individual or family controlling ownership (**FAMILY**) that is defined as the percentage of shares (at least 25%) held by family shareholder. The dummy variable of family-controlling ownership is set to be one for firms controlled by individual or family-controlling shareholders, and zero for those controlled by non-controlling shareholders. Secondly, the variable of domestic-corporation-controlling ownership (**CORP**) is defined as the percentage

²The definition of the controlling ownership is adopted from the Stock Exchange of Thailand (SET) and this has been used in Wiwatanakuntung's (2000) study. In Thailand, the shareholder who controls at least 25% of outstanding shares will have adequate controlling rights on the firm's management.

of shares (at least 25%) held by domestic corporation shareholder. The dummy variable of domestic-corporation-controlling ownership is set to be one for firms controlled by domestic-corporation-controlling shareholders, and zero for those controlled by non-controlling shareholders. Thirdly, the variable of foreign-controlling ownership (**FOREIGN**) is defined as the percentage of shares (at least 25%) held by foreign shareholder. The dummy variable of foreign-controlling ownership is set to be one for firms controlled by foreign-controlling shareholders, and zero for those controlled by non-controlling shareholders.

Managerial Ownership Variables

The variable of managerial ownership (**DIR**) is defined as the percentage of shares held by members of the board of directors. The dummy variable of **DIR** is set to be one for firms with managerial ownership, and zero for firms with non-managerial ownership. The managerial ownership is examined in several studies, which mostly are in the case of developed countries such as the US and the UK. The ownership structure of these countries, however, is typically different from Thailand that is dominated by family ownership. This study therefore aims to differentiate the firm performance that may be influenced by managerial-family ownership and managerial-non-family ownership. The variable of managerial-family ownership (**DIR*FAMILY**) is defined as the percentage of shares held by managerial shareholder(s) that have family shareholders involved. The dummy variable of **DIR*FAMILY** is set to be one for the firms with managerial-family ownership, and zero for the firms with non-managerial ownership. The variable of managerial-non-family ownership (**DIR*NONFAMILY**) is defined as the percentage of shares held by managerial shareholder(s) that do not have family shareholders involved. The dummy variable of **DIR*NONFAMILY** is set to be one for the firms with managerial-non-family ownership, and zero for the firms with non-managerial ownership.

In terms of a non-linear relationship between managerial ownership and firm performance, this analysis adopts the Short and Keasy's (1999) cubic form model showed as follows:

$$\text{Performance} = a + \beta_1 \text{DIR} + \beta_2 \text{DIR}^2 + \beta_3 \text{DIR}^3 + \gamma \text{Control Variables}$$

The variables of DIR^2 and DIR^3 are defined as the square and the cube, respectively, of the percentage of shares held by the members of the board of directors. As emphasized earlier, family ownership, which is involved with the firm's management (managerial-family shareholders), may influence firm performance differently from managerial-non-family

ownership. Therefore, the **DIR*FAMILY** and the **DIR*NONFAMILY** will be also investigated for the existence of a non-linear relationship. The **DIR*FAMILY**² and the **DIR*FAMILY**³ variables are defined as the square and the cube, respectively, of the percentage of shares held by managerial-family shareholders. The **DIR*NONFAMILY**² and the **DIR*NONFAMILY**³ variables are defined as the square and the cube, respectively, of the percentage of shares held by managerial-non-family shareholders.

Control Variables Measures

This study will employ a number of control variables such as (1) total risk (RISK), (2) earnings-price ratio (E/P), (3) debt (DEBT), (4) firm's size (SIZE), and (5) age of firm (AGE). The control variables are measured as follows:

RISK	is measured from the standard deviation of returns.
E/P	is measured by dividing earnings per share at the end of the year by outstanding share prices.
DEBT	is measured by dividing total liability by total asset.
SIZE	is measured by the logarithm of sales.
AGE	is measured by the logarithm of the number of years since the firms were set up.

This study therefore attempts to analysis the model as follows:

1) Ownership Structure and Firm Performance

$$\begin{aligned} Y &= \beta_0 + \beta_1 \text{Ownership Structure}_{i,t} + \beta_2 \text{RISK}_{i,t} + \beta_3 \text{E/P}_{i,t} + \beta_4 \text{DEBT}_{i,t} + \beta_5 \text{SIZE}_{i,t} + \\ \text{(Performance)} &\quad \beta_6 \text{AGE}_{i,t} + \varepsilon_{i,t} \end{aligned}$$

2) Non-Linear Relationship between Managerial Ownership and Firm Performance

$$\begin{aligned} Y &= \beta_0 + \beta_1 \text{managerial ownership}_{i,t} + \beta_2 \text{managerial ownership}_{i,t}^2 + \beta_3 \\ \text{(Performance)} &\quad \text{managerial ownership}_{i,t}^3 + \beta_4 \text{RISK}_{i,t} + \beta_5 \text{E/P}_{i,t} + \beta_6 \text{DEBT}_{i,t} + \beta_7 \text{SIZE}_{i,t} + \beta_8 \\ &\quad \text{AGE}_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Empirical Results

Effects of Controlling Ownership on Firm Performance

The effects of controlling ownership on firm performance are captured by the Controlown variable (indicating the percentage of shares, at least 25%, held by the largest shareholder). Table 1, column (a), shows that the coefficient of controlling ownership (Controlown) is positive and significant to the average returns at the 5% level. That is, as the controlling ownership increases, market returns increase. The comparisons between performance of firms with controlling ownership and those with non-controlling ownership are reported in Column (b). These comparisons are captured by the dummy variable of controlling ownership (indicating whether firms are controlled by controlling shareholders).

The results show that the coefficient of Controlown is positively related to the average returns at the 5% level.

Table 1
The Effects of Controlling Ownership on Stock Returns

In this table, column (a) presents the results of the effects of controlling ownership on stock returns (AR). Column (b) presents the results of the comparisons between the stock returns of firms with controlling ownership and non-controlling ownership. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables	
	AR (a)	AR (b)
RISK	0.15*** (5.7)	0.21*** (10.73)
E/P	0.05*** (2.35)	0.015*** (3.56)
DEBT	-0.03* (-2.0)	-0.04*** (-3.5)
SIZE	0.03*** (4.48)	0.025*** (5.76)
AGE	0.002 (-0.2)	0.0041 (0.11)
Controlown	0.06** (2.14)	0.011** (2.4)
Intercept	-0.08*** (-3.53)	-0.06*** (-4.38)
R-squared	0.26	0.26
F-statistic	13.04	40.32
P-Value	0.000	0.00

* Indicate significant at the 10% level.
 ** Indicate significance at the 5% level.
 *** Indicate significance at the 1% level.

Table 2, column (a) and (b) present the effects of controlling ownership on profitability. The results show that the coefficients of Controlown are positive and significant to the ROA and S/A at the 1% level. The difference between the profitability of firms with controlling ownership and firms with non-controlling ownership is reported in Table 2, column (c) and (d). The results show that the coefficients of Controlown are positively related to both ROA and S/A at the 1% level.

Table 2
The Effects of Controlling Ownership on Profitability

In this table, column (a) and (b) present the results of the effects of controlling ownership on profitability (ROA and S/A). Column (c) and (d) present the results of the comparisons between the profitability of firms with controlling ownership and non-controlling ownership. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables			
	ROA (a)	S/A (b)	ROA (c)	S/A (d)
RISK	0.004 (0.13)	-0.5*** (-2.9)	-0.004 (-0.15)	-0.45** (-2.8)
E/P	0.07*** (4.15)	-0.24 (-1.65)	0.014** (2.4)	-0.03 (-0.87)
DEBT	-0.16*** (-10.05)	-0.26*** (-3.0)	-0.16*** (-9.95)	-0.25*** (-2.82)
SIZE	0.05*** (7.39)	0.51*** (13.71)	0.049*** (7.28)	0.50*** (13.47)
AGE	0.0041 (0.37)	0.13** (2.11)	0.0055 (0.50)	0.15** (2.43)
Controlown	0.070*** (2.84)	0.59*** (4.34)	0.018*** (2.58)	0.19*** (4.84)
Intercept	-0.0057 (-0.25)	-0.91*** (-7.47)	0.0031 (0.15)	-0.85*** (-7.2)
R-squared	0.18	0.20	0.18	0.20
F-statistic	27.75	44.92	27.42	46.04
P-Value	0.000	0.000	0.000	0.000

* Indicate significant at the 10% level.
 ** Indicate significance at the 5% level.
 *** Indicate significance at the 1% level.

This study suggests that the controlling ownership has a strong incentive to increase corporate performance based on both market and accounting measures in Thailand. As well, firms with controlling ownership perform significantly higher than those with non-controlling ownership. These results are consistent with Wiwattankantung (2001) who argues that controlling shareholders do not seem to expropriate firm's benefits but have high incentive to increase firm performance. Also, the firms with controlling shareholders do perform higher than those with non-controlling shareholders.

Major Types of Controlling Ownership and Firm Performance

Table 3 presents the effects of different major types of controlling ownership on market returns. The effects of these ownership categories on firm performance are captured by FAMILY, CORP and FOREIGN variables (indicating the percentage of shares, at least 25%, held by family, domestic-corporation, or foreign shareholders respectively). The results show that the coefficient of FAMILY is positive and significant to market returns at the 10% level. The coefficient of CORP and that of FOREIGN are not significant to the stock returns.

Table 3
The Effects of Types of Controlling Ownership on Stock Returns

This table presents the results of the effects of different types of controlling ownership and stock returns (AR). The different types of controlling ownership include individual or family, domestic-corporation and foreign investor. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables		
	AR (a)	AR (b)	AR (c)
RISK	0.27*** (8.92)	0.27*** (8.56)	0.28*** (5.69)
E/P	0.021* (1.95)	0.098* (1.65)	0.056 (1.43)
DEBT	-0.043** (-2.21)	-0.017 (-0.63)	-0.079* (-1.7)
SIZE	0.023** (2.44)	0.012 (1.50)	0.035** (2.10)
AGE	-0.024 (-1.57)	-0.0042 (-0.05)	0.0053 (0.30)
FAMILY	0.044* (1.50)		
CORP		0.036 (1.10)	
FOREIGN			-0.025 (-.050)
Intercept	-0.055* (-1.72)	-0.043 (-1.47)	-0.064 (-1.50)
R-squared	0.33	0.46	0.33
F-statistic	24.15	15.12	7.51
P-Value	0.000	0.000	0.000

* Indicate significant at the 10% level.
 ** Indicate significance at the 5% level.
 *** Indicate significance at the 1% level.

In profitability regressions, Table 4 shows that the coefficient of FAMILY is positive and significant to the ROA at the 5% level, but it is insignificant to the S/A. The results also show that the coefficients of CORP and those of FOREIGN are not significantly associated with the profitability.

Table 4
The Effects of Types of Controlling Ownership on Profitability

This table presents the results of the effects of different types of controlling ownership and profitability (ROA and S/A). The different types of controlling ownership include individual or family, domestic-corporation and foreign investor. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables					
	ROA (a)	S/A (b)	ROA (c)	S/A (d)	ROA (e)	S/A (f)
RISK	-0.01 (-0.58)	-0.6* (-2.61)	-0.003 (-0.14)	0.02 (0.45)	0.04 (0.56)	0.3 (1.1)
E/P	0.03* (1.94)	-0.19 (-1.62)	0.24*** (3.89)	1.17 (1.2)	0.23** (2.72)	0.45 (1.47)
DEBT	-0.2*** (-9.14)	-0.66*** (-3.86)	-0.068** (-2.36)	-0.23 (-0.6)	-0.11 (-1.25)	-0.047 (-1.56)
SIZE	0.061*** (6.02)	0.62*** (7.52)	0.032*** (3.75)	0.62*** (5.56)	0.053* (1.77)	0.58*** (5.37)
AGE	-0.041** (-2.38)	-0.17 (-1.20)	0.027* (1.79)	0.45** (2.25)	-0.013 (-0.36)	0.076 (0.59)
FAMILY	0.11** (2.50)	0.39 (1.25)				
CORP			-0.012 (-0.25)	0.074 (0.12)		
FOREIGN					0.0087 (0.80)	0.58 (1.51)
Intercept	-0.0053 (-0.15)	-0.97** (-3.33)	0.014 (0.46)	-1.19** (-2.94)	-0.0021 (0.26)	-1.24*** (-4.26)
R-squared	0.26	0.15	0.12	0.25	0.10	0.36
F-statistic	23.14	12.60	4.13	8.85	1.05	11.47
P-Value	0.000	0.000	0.000	0.000	0.000	0.000

* Indicate significant at the 10% level.

** Indicate significance at the 5% level.

*** Indicate significance at the 1% level.

This study suggests that, in the case of Thailand, family ownership has a strong positive relationship to firm performance. It is also found that neither domestic-corporation ownership nor foreign ownership has such a relationship to their corporate performance. The results of this study are consistent with those of DeAngelo and DeAngelo (1985) and Smith and Amoako-Adu (1999) who suggest that family-controlled firms tend to have a high incentive to maximize firm performance because the firms they control mostly belong to their family. As well, the family shareholders possibly have information advantages on firm performance compared to the other types of shareholders because of their close relationship with senior managers and directors.

Moreover, comparisons between performance of firms with different types of controlling ownership and those with non-controlling ownership are conducted. These comparisons are captured by the dummy variables of FAMILY, CORP and FOREIGN (indicating whether firms are controlled by each of these controlling ownership: family, domestic-corporation or foreign shareholders respectively). Table 5, column (a), shows that the coefficients of FAMILY, CORP, and FOREIGN are positive and significant to the market returns at the 5% level. In column (b) and (c), the results show that the coefficients of FAMILY are positive and significant to both ROA and S/A at the 1% level. The coefficients of CORP are positive and significant at the 10% and 1% levels, and also those of FOREIGN variable are positive and significant at the 10% and 5% levels to the ROA and the S/A respectively. These results confirm that firms with controlling shareholders, no matter what type they are, have higher performance than those with non-controlling shareholders.

Influence of Managerial Ownership on Firm Performance

The influence of managerial ownership on its corporate performance is examined. It is captured by the DIR variable, which represents the percentage of shares held by members of the board of directors. Table 6, column (a) shows that the coefficient of managerial ownership (DIR) is insignificantly related to the market returns. Comparisons between the performance of firms with managerial ownership and non-managerial ownership are also conducted. They are captured by the dummy variable of DIR (indicating whether firms have managerial ownership). The results in Table 6, column (b), show that the estimated coefficient of DIR is negative and insignificant to the market returns.

Table 5
The Comparisons between Performance of Firms with Different Types of Controlling Ownership and Non-Controlling Ownership

In this table, column (a) presents the results of comparisons between the stock returns (AR) of firms with different types of controlling ownership and non-controlling ownership. In column (b) and (c) presents the results of the comparisons between the profitability (ROA and S/A) of different types of controlling ownership and non-controlling ownership. The different types of controlling ownership include individual or family, domestic-corporation and foreign investor. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables		
	AR (a)	ROA (b)	S/A (c)
RISK	0.26*** (13.31)	-0.006 (-0.28)	-0.28** (-2.46)
E/P	0.015*** (4.36)	0.014** (2.45)	-0.022 (-0.73)
DEBT	-0.05*** (-3.12)	-0.14*** (-7.95)	-0.25*** (-2.54)
SIZE	0.022*** (5.25)	0.044*** (6.31)	0.51*** (13.40)
AGE	-0.002 (-0.27)	0.01 (0.81)	0.15** (2.38)
FAMILY	0.011** (2.00)	0.025*** (3.10)	0.18*** (3.93)
CORP	0.012** (1.9)	0.015* (1.38)	0.27*** (4.55)
FOREIGN	0.014** (2.1)	0.019* (1.56)	0.15** (2.27)
Intercept	-0.051*** (-3.90)	0.0015 (0.69)	-0.82*** (-7.08)
R-squared	0.40	0.14	0.20
F-statistic	49.21	18.32	30.40
P-Value	0.000	0.000	0.000

* Indicate significant at the 10% level.
** Indicate significance at the 5% level.
*** Indicate significance at the 1% level.

Table 6
The Effects of Managerial Ownership on Stock Returns

In this table, column (a), presents the results of the effects of managerial ownership on stock returns (AR). Column (b) presents the results of the comparisons between the stock returns of firms with managerial ownership and non-managerial ownership. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables	
	AR (a)	AR (b)
RISK	0.26*** (12.03)	0.26*** (13.71)
E/P	0.01** (2.54)	0.014*** (4.0)
DEBT	-0.046*** (-3.38)	-0.041*** (-3.63)
SIZE	0.027*** (4.65)	0.024*** (5.80)
AGE	-0.027*** (-3.0)	-0.011 (-1.55)
DIR	0.0029 (1.06)	-0.004 (-1.01)
Intercept	-0.048*** (-2.58)	-0.046*** (-3.29)
R-squared	0.38	0.37
F-statistic	50.63	71.76
P-Value	0.000	0.000

* Indicate significant at the 10% level.

** Indicate significance at the 5% level.

*** Indicate significance at the 1% level.

Based on profitability measures, the effects of managerial ownership on firm performance are presented in Table 7, column (a) and (b). The results illustrate that the coefficients of DIR are positive and significant to the ROA and the S/A at the 1% and 5% levels respectively. The differentiation between the profitability of firms with managerial ownership and non-managerial ownership is showed in Table 7, column (c) and (d). It is found that the coefficients of DIR are insignificant to the ROA and the S/A, respectively.

Moreover, this study also conduce the further investigation of the effects of managerial-family ownership, managerial-non-family ownership on firm performance. The variables of DIR*FAMILY and DIR*NONFAMILY, which represent the percentage of shares held by

managerial-family shareholders and managerial-non-family shareholders, respectively, are used to capture the effects of them on firm performance. The results in Table 8, column (a), (b), illustrate that the coefficients of DIR*FAMILY and DIR*NONFAMILY are both positive but not significant to the market returns. Performance of firms with each of these types of shareholders is also compared with those without managerial shareholders. The dummy variables of DIR*FAMILY (indicating whether firms have managerial-family ownership) and DIR*NONFAMILY (indicating whether firms have managerial-non-family ownership) are used to capture the difference. Table 8, column (c), reports that the coefficients of DIR*FAMILY and DIR*NONFAMILY are insignificantly related to the market returns.

Table 7
The Effects of Managerial Ownership on Profitability

In this table, column (a) and (b), present the results of the effects of managerial ownership on profitability (ROA and S/A). Column (c) and (d) present the results of the comparisons between the profitability of firms with managerial ownership and non-managerial ownership. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables			
	ROA (a)	S/A (b)	ROA (c)	S/A (d)
RISK	-0.01 (-2.1)	-0.39* (-1.94)	-0.01 (-0.38)	-0.28** (-2.29)
E/P	0.0002 (0.34)	-0.035 (-0.8)	0.2*** (3.1)	-0.004 (1.33)
DEBT	-0.18*** (-8.63)	-0.25** (-2.19)	-0.16*** (-9.07)	-0.27*** (-2.75)
SIZE	0.055*** (5.60)	0.52*** (9.69)	0.05*** (7.06)	0.52*** (13.17)
AGE	0.0024 (0.14)	-0.0015 (-0.17)	-0.0056 (-0.50)	0.095 (1.40)
DIR	0.11*** (3.45)	0.42** (2.43)	-0.0028 (-0.33)	0.026 (0.57)
Intercept	-0.025 (-0.77)	-0.80 (-4.48)	0.02 (0.89)	-0.76*** (-5.64)
R-squared	0.16	0.15	0.11	0.17
F-statistic	21.35	21.00	21.75	36.11
P-Value	0.000	0.000	0.000	0.000

* Indicate significant at the 10% level.
** Indicate significance at the 5% level.
*** Indicate significance at the 1% level.

Table 8
The Effects of Managerial -Family Ownership, Managerial -Non-Family Ownership on Stock Returns

In this table, column (a) and (b), present the results of the effects of managerial -family ownership and managerial -non-family ownership on stock returns (AR). Column (c) presents the results of the comparisons between the stock returns of firms with managerial -family ownership, managerial -non-family ownership and non -managerial ownership. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993 -1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables		
	AR (a)	AR (b)	AR (c)
RISK	0.27*** (11.6)	0.24*** (9.35)	0.25*** (15.66)
E/P	0.007* (1.9)	0.047*** (4.41)	0.016*** (4.62)
DEBT	-0.043*** (-2.73)	-0.024 (-1.04)	-0.057*** (-5.73)
SIZE	0.02*** (2.71)	0.024*** (2.61)	0.024*** (5.71)
AGE	-0.03** (-2.36)	0.003 (0.2)	-0.006 (-1.36)
DIR*FAMILY	0.024 (1.05)		0.0022 (0.41)
DIR*NONFAMILY		0.0022 (0.26)	-0.004 (-1.07)
Intercept	-0.03 (-1.41)	-0.063*** (-2.27)	-0.045*** (-3.28)
R-squared	0.45	0.48	0.42
F-statistic	36.92	17.00	88.29
P-Value	0.000	0.000	0.000

* Indicate significant at the 10% level.
** Indicate significance at the 5% level.
*** Indicate significance at the 1% level.

Table 9, column (a) and (b), present the effects of managerial-family ownership and managerial-non-family ownership on the profitability. It is found that the coefficients of DIR*FAMILY are positive and significant to the ROA and the S/A at the 5% level. The results in column (c) and (d), however, show that the coefficients of DIR*NONFAMILY are positive, but not significant to the profitability measures. Comparing the profitability of firms with these two ownership categories and firms with non-managerial ownership, Table 9,

column (e), (f), show that the coefficient of DIR*NONFAMILY is negative and significant at the 10% level to the ROA, while those of DIR*FAMILY are insignificant to the profitability.

Table 9

The Effects of Managerial -Family Ownership, Managerial -Non-Family Ownership on Profitability

In this table, column (a) to (d), present the results of the effects of managerial -family ownership, managerial -non-family ownership, on profitability (ROA and S/A). Column (e) and (f) present the results of the comparisons between the profitability of firms with managerial -family ownership, managerial -non-family ownership and non-managerial ownership. The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the CD-ROM database provided by the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables					
	ROA (a)	S/A (b)	ROA (c)	S/A (d)	ROA (e)	S/A (f)
RISK	-0.05** (-2.1)	-0.4* (-2.01)	-0.017 (-0.18)	-0.09 (-0.35)	-0.01 (-0.48)	-0.28** (-2.33)
E/P	0.001 (0.34)	-0.031 (-1.07)	0.1*** (2.62)	0.1 (0.88)	0.021*** (3.29)	-0.005 (-0.2)
DEBT	-0.24*** (-11.4)	-0.5*** (-2.5)	-0.062 (-0.75)	0.13 (0.57)	-0.14*** (-7.5)	-0.27*** (-2.67)
SIZE	0.06*** (6.62)	0.61*** (7.69)	0.048 (1.5)	0.4*** (4.26)	0.043*** (6.06)	0.52*** (13.03)
AGE	-0.004 (-1.01)	0.01 (0.46)	0.072 (1.5)	0.068 (0.52)	0.0033 (0.27)	0.13* (1.82)
DIR*FAMILY	0.072** (2.31)	0.51** (1.80)			0.0086 (1.02)	0.06 (1.16)
DIR*NONFAMILY			0.13 (0.58)	0.83 (1.08)	-0.018* (-1.85)	-0.022 (-1.13)
Intercept	0.012 (0.91)	-1.1*** (-3.5)	-0.12 (-1.12)	-0.71** (-2.28)	0.020 (0.93)	-0.76*** (-5.62)
R-squared	0.37	0.15	0.1	0.12	0.13	0.18
F-statistic	26.3	10.56	5.31	6.88	18.53	26.94
P-Value	0.000	0.000	0.000	0.000	0.000	0.000

* Indicate significant at the 10% level.
 ** Indicate significance at the 5% level.
 *** Indicate significance at the 1% level.

This study confirms that Thai managerial ownership has a strong positive relationship to the profitability of the firm. A significant relationship, however, is less observed in the market returns regressions. In addition, the evidence supports that the performance of firms

with managerial ownership is not significantly different from that of firms with non-managerial ownership. Indeed, this study finds that firms with managerial-non-family ownership have a lower ROA than those with non-managerial ownership.

Non-Linear Relationship between Managerial Ownership and Corporate Performance

This section presents the empirical results of the non-linear relationship between managerial ownership and firm performance in the case of Thailand. The variables of DIR, DIR² and DIR³, which represent the percentage of shares, the square and the cube of the percentage of shares held by the members of the board of directors respectively, are used to capture this non-linear relationship. To be consistent with the non-linear relationship proposed by the previous studies, such as Short and Keasy (1999), the estimated coefficients for the DIR and the DIR³ variables should be positive, and that of the DIR² variable should be negative.

Based on the stock returns regression, Table 10, column (a), reports that the coefficients of DIR, DIR² and DIR³ are of expected signs (positive, negative, positive) but they are insignificant to the market returns. To capture turning points of managerial performance, this study follows the same method of calculation³ used in Short and Keasy's (1999) study. The turning points are found at 19.53% (a maximum) and 40.03% (a minimum). In the profitability regressions, the results in Table 10, column (b), show that it is only the coefficient of DIR that is positive and significant to the ROA at the 10% level. In column (c), it is only the coefficient of DIR³ that is positive and significant to the S/A at the 10% level. Their maximum turning points are 26.40%, 20.05% and the minimum turning points are 41.44%, 32.25%, related to the ROA and the S/A respectively. The results suggest that managerial shareholders, who hold at 0% to 26.40%, have a significantly positive relationship to the ROA, while those hold at more than 32.25% have a strong positive relationship to the S/A.

This study suggests that the non-linear relationship between managerial ownership and firm performance based on market returns and profitability is not significant in the case of Thailand. This is inconsistent with that of McConnell and Servaes (1990), Han and Suk

³ In the equation, for example, from Table 11, all control variables are assumed to be constant and denote DIR by x and average stock returns by y . The equation therefore is as: $y = 0.251x - 0.00956x^2 + 0.000107x^3$. Then the turning points occur at x value at which the partial derivative is equal to zero. Therefore, setting $\partial y/\partial x = 0$ and solving for x . To determine whether a turning point is a maximum or a minimum, this study calculates the partial second derivative of y with respect to x ($\partial^2 y/\partial x^2$). If $\partial^2 y/\partial x^2 < 0$, the turning point is a maximum, if $\partial^2 y/\partial x^2 > 0$, the turning point is a minimum.

(1998) and Short and Keasy (1999), who strongly confirm the existence of such a relationship between managerial ownership and firm performance.

Table 10

The Non-Linear Relationship between Managerial Ownership and Firm Performance

In this table, column (a) presents the results of the non-linear relationship of managerial ownership and stock returns (AR). In column (b) and (c) present the results of the non-linear relationship between managerial ownership and profitability. The sample consists of non-financial listed firms in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables		
	AR (a)	ROA (b)	S/A (c)
RISK	0.27*** (15.93)	-0.036 (-1.04)	-0.39* (-1.85)
E/P	0.0084*** (2.44)	0.02 (1.59)	-0.08 (-0.21)
DEBT	-0.048*** (-3.97)	-0.18*** (-8.69)	-0.233** (-2.05)
SIZE	0.028*** (5.55)	0.056*** (5.61)	0.51*** (9.49)
AGE	0.0098 (1.18)	0.0034 (0.20)	0.0027 (0.31)
DIR	0.251 (1.58)	0.558* (1.75)	2.25 (1.15)
DIR ²	-0.00956 (-1.61)	-0.0173 (-1.45)	-0.091 (-1.30)
DIR ³	0.000107 (1.7)	0.00017 (1.41)	0.00116* (1.55)
Turning points (Maximum %)	19.53	26.40	20.05
Turning points (Minimum %)	40.03	41.44	32.25
Intercept	-0.073*** (-3.47)	-0.062 (-1.46)	-0.86*** (-3.74)
R-squared	0.45	0.15	0.16
F-statistic	51.35	15.56	15.70
P-Value	0.000	0.000	0.000

* Indicate significant at the 10% level.

** Indicate significance at the 5% level.

*** Indicate significance at the 1% level.

The non-linear relationship between managerial-family ownership and firm performance will now be examined. To capture this relationship, the variables of $DIR*FAMILY$, $DIR*FAMILY^2$ and $DIR*FAMILY^3$, which indicate the percentage of shares held by managerial-family shareholders, the square, and the cube of the percentage of shares held by managerial-family shareholders respectively, are applied. Table 11, column (a), reports that the coefficients of $DIR*FAMILY$, $DIR*FAMILY^2$ and $DIR*FAMILY^3$ are as of expected signs (positive-negative-positive), but are not significantly related to the market returns.

The existence of a non-linear relationship between managerial-non-family ownership and firm performance is also investigated. The variables of $DIR*NONFAMILY$, $DIR*NONFAMILY^2$ and $DIR*NONFAMILY^3$, which represent the percentage of shares held by managerial-non-family shareholders, the square and the cube of the percentage of shares held by managerial-non-family shareholders respectively, are used to capture this relationship. The results in Table 11, column (b) show that the coefficients of $DIR*NONFAMILY$ are all significant to the market return at the 5% level. The turning points of managerial-non-family shareholders are 15.39% (a maximum) and 50.61% (a minimum). This study suggests that the market returns are positively related to managerial-non-family shareholder in the 0% to 15.39% range, negatively in the 15.39% to 50.61% range, and positively related again when their shareholding exceeds 50.61%. In the profitability regressions, Table 12 shows that the coefficients of all $DIR*FAMILY$ and $DIR*NONFAMILY$ variables are as of expected. They, however, are not significant to the profitability. Overall, these results therefore confirm that there is no evidence to support that there is a non-linear relationship between managerial ownership and firm performance regarding market returns and profitability. In fact, the non-linear relationship is existence between managerial-non-family ownership and market returns.

Table 11**The Non-Linear Relationship between Managerial-Family Ownership, Managerial-Non-Family Ownership and Stock Returns**

This table presents the results of the non-linear relationship of managerial -family ownership and managerial-non-family ownership, and stock returns (AR). The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables	
	AR (a)	AR (b)
RISK	0.27*** (12.96)	0.25*** (8.86)
E/P	0.0067 (1.61)	0.040*** (3.53)
DEBT	-0.047*** (-2.82)	-0.031 (-1.41)
SIZE	0.020*** (2.66)	0.028*** (3.23)
AGE	-0.030** (-2.33)	0.0047 (0.36)
DIR*FAMILY	0.135 (0.32)	
DIR*FAMILY ²	-0.00578 (-0.50)	
DIR*FAMILY ³	0.0000722 (0.64)	
DIR*NONFAMILY		0.41** (1.85)
DIR*NONFAMILY ²		-0.01748** (-2.0)
DIR*NONFAMILY ³		0.0001767** (1.89)
Turning points (Maximum %)	17.28	15.39
Turning points (Minimum %)	36.10	50.61
Intercept	-0.034 (-0.68)	-0.076** (-2.47)
R-squared	0.39	0.39
F-statistic	25.67	15.77
P-Value	0.000	0.000

* Indicate significant at the 10% level.

** Indicate significance at the 5% level.

*** Indicate significance at the 1% level.

Table 12
The Non-Linear Relationship between Managerial-Family Ownership, Managerial-Non-Family Ownership and Profitability

This table presents the results of the non-linear relationship of managerial-family ownership and managerial-non-family ownership, and profitability (ROA and S/A). The sample consists of non-financial firms listed in the Stock Exchange of Thailand during 1993-1996. The financial, stock prices and ownership data were obtained from the Stock Exchange of Thailand Library. The *t*-statistic is reported in parentheses.

Independent Variables	Dependent Variables			
	ROA (a)	S/A (b)	ROA (c)	S/A (d)
RISK	-0.05** (-2.11)	-0.4* (-1.94)	0.013 (0.2)	-0.14 (-0.62)
E/P	0.0001 (0.27)	-0.025 (-0.57)	0.83** (2.88)	0.65 (0.68)
DEBT	-0.23*** (-12.34)	-0.40*** (-2.25)	-0.11** (-2.40)	-0.026 (-0.19)
SIZE	0.060*** (6.82)	0.53*** (7.04)	0.050** (2.17)	0.47*** (6.48)
AGE	-0.019 (-1.25)	0.038 (0.29)	0.047 (1.34)	-0.051 (-0.44)
DIR*FAMILY	0.451 (0.83)	2.504 (0.51)		
DIR*FAMILY ²	-0.0145 (-1.49)	-0.11 (-0.77)		
DIR*FAMILY ³	0.00015 (1.05)	0.001445 (1.06)		
DIR*NONFAMILY			0.53 (0.85)	2.421 (1.16)
DIR*NONFAMILY ²			-0.01467 (-0.59)	-0.0786 (-1.07)
DIR*NONFAMILY ³			0.0001342 (0.52)	0.0007476 (1.05)
Turning points (Maximum %)	26.23	17.23	33.08	22.86
Turning points (Minimum %)	38.21	33.51	39.80	47.20
Intercept	-0.0088 (-0.14)	-0.84 (-1.57)	-0.11 (-1.33)	-0.87*** (-3.18)
R-squared	0.35	0.15	0.10	0.18
F-statistic	27.40	9.14	2.85	7.30
P-Value	0.000	0.000	0.000	0.000

* Indicate significant at the 10% level.

** Indicate significance at the 5% level.

*** Indicate significance at the 1% level.

Summary and Conclusions

This study examines the effects of ownership structure and firm performance based on the data sample from Thai non-financial listed firms between 1993-1996. The ownership structure is classified as (i) controlling ownership, (ii) different major types of controlling ownership (namely family, domestic-corporation, and foreigner) and (iii) managerial ownership, including managerial-family ownership and managerial-non-family ownership. Firm performance measures are represented by the average market returns and profitability (return on assets and sales-to-asset). Based on the analysis, the results of the relationship between ownership structure and firm performance in the case of Thailand are presented. First, controlling ownership has a strong positive relationship to the market returns and the profitability. Moreover, it also appears that firms with controlling ownership have higher performance than those with non-controlling ownership. Secondly, there is positive relationship between family-controlling ownership and firm performance (based on both market returns and profitability). Neither domestic-corporation-controlling ownership nor foreign-controlling ownership is significantly related to firm performance. This study suggests that the different types of controlling ownership effect firm performance in different ways. Interestingly this study finds that firms with any types of controlling ownership perform higher than those with non-controlling ownership. Thirdly, the results support that there is a strong positive relationship between managerial ownership and profitability, but it is not significant to the market returns. In comparisons, firms with managerial ownership do not perform higher than those with non-managerial ownership. In fact, firms with managerial-non-family ownership have a lower ROA ratio than those with non-managerial ownership.

Finally, this analysis suggests that the assumed non-linear relationship between managerial ownership and firm performance does not exist in the case of Thailand. In deed, this study suggests that the non-linear relationship is found to be significant between managerial-non-family shareholders and the market returns. The managerial-non-family shareholding is positively related to market returns in the 0% to 15.39% range, negatively in the 15.39% to 50.61% range and positively related when shareholding beyond 50.61%.

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