

**IMPACT OF OWNERSHIP STRUCTURE ON THE PERFORMANCE OF NIGERIAN
CONGLOMERATES FIRMS**

BY

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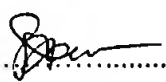
**BEING A RESEARCH DISSERTATION SUMMITTED TO SCHOOL OF
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**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF POST
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DECLARATION

I hereby declare that this project has been written by me and it is a report of our research work. It has not been presented in any previous institution. All quotations are indicated and sources of information have been fully cited and specifically acknowledged by means of references.


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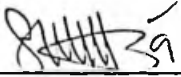
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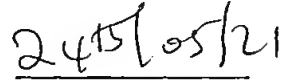
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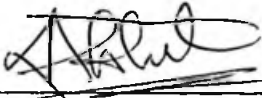
The project "Impact of Ownership Structure on the Performance of Nigerian Conglomerates Firms", meets the regulations governing the award of Post Graduate Diploma in Business Administration, of the School of Postgraduate Studies of Nasarawa State University, Keffi for its contribution to knowledge and literary presentation.



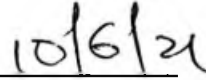
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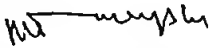
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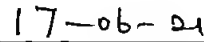
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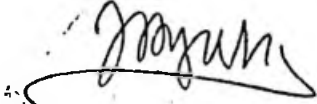
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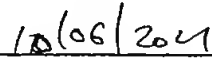
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Abstract

This study examine the Impact of ownership structure on the performance of Nigerian conglomerates firms. The major objective of the study is to ascertain the level to which ownership structures influences the performance of Nigerian conglomerates firms. The population of the study is all 8 conglomerates firms listed on the Nigerian Stock Exchange as at 31st December, 2013. The use of secondary data has been adjudged a better source as it makes available all needed for the empirical investigation in this type of research. Data was extracted from the Published Audited Annual Reports and Accounts of the selected firms from 2008-2013. Ordinary least square regression was used after testing for presence or absence of heteroscedasticity within the study units, longitudinal panel data was used to account for individual heterogeneity of the sample firms. The result revealed that foreign ownership increases the performance of the firm while managerial ownership was found to have negative influence on the performance of the Nigerian conglomerates firms. For institutional ownership and ownership concentration, they were found to have no significant impact on the performance of the firms. The study therefore recommended that, the managers who are the helm of affairs do not control up to 50% or more in shares allotted in the company, as it gives them too much power and control over other shareholders which may be responsible for the poor performance in a bid to get short-term private gains. The institutional ownership has been identified to be an important monitoring mechanism in the listed Conglomerates firms. More room should be given to the institutional investors to own shares so that the higher their interest, the more they will be willing to monitor the activities of the firm. Also, since the firms are aware of the vast knowledge owned by institutional investors about how the accounting system works, the managers will be more careful in manipulating the accounting numbers.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Performance is crucial to any business organization survival and continuous patronage by Investors, Potential Investors, creditors and other stakeholders in the business world. Every business organization has an important decision of making returns. This decision is important since the ability of a firm to make returns in this competitive environment determines to a larger extent its ability to survive in the future. This decision also affects its capital base and the decision of either going for equity financing or debt financing. In debt financing, companies borrow money or capital and resources from external sources that are to be repaid over a period of time, usually with interest (Ibrahim, 2012). In the research conducted by Mallin, (2007), he stated that Corporations around the globe require growth and development in a bid to attract funding from investors and potential investors. These investors, before they invest in a particular business organization, they often want to be sure that the business in which they are investing their money is financially stable, economically viable, secure, and have the ability to generate profits in the long run.

Sound corporate governance principles are the foundation upon which the trust of investors and lenders is built. The recent financial crises rocking major Businesses around the world has had negative effect on the company's performance and continuous existence and survival. Businesses affected amongst others were Enron Corporation, Adelphia, Health South, Wyco, Cendant and WorldCom, Parmalat, Vivendi, Hollinger, Ahold, Adècco, TV Azteca, Royal Dutch Shell, and that of Nigerian Banking Industry. So therefore ownership structure is an

important mechanism within the broad concept of corporate governance that has been identified by Researchers in tackling the problem of firm's performance. Because it is generally believed that a good Ownership Structure will play a significant role in enhancing the performance of firms. However, ownership and performance relationship has been a topic for debate over decades now; there have not been unanimous agreement by researchers on this subject matter as a result of inconclusive nature of their researches and their mixed findings.

Ownership structure of any company has been a serious agenda for corporate governance and that of performance of a firm. Thus, who owns the firm's equity and how does ownership affect firm value has been a topic investigated by researchers for decades. Thus, the impact of ownership structure on firm performance has been widely tackled in various developed markets and more recently in emerging markets, but was less discussed before, in Nigeria in recent changing environment. Though the modern organization emphasizes the divorce of management and ownership; in practice, the interests of group managing the company can differ from the interests of those that supply the capital to the firm. Corporate governance literature has devoted a great deal of attention to the ownership structure of corporations.

Shareholders of publicly held corporations are so numerous and small that they are unable to effectively control the decisions of the management team, and thus cannot be assured that the management team represents their interests. Many solutions to this problem have been advanced, as stated previously i.e. the disciplining effect of the takeover market, the positive incentive effects of the management shareholding stake and the benefits of large monitoring shareholders. A different problem, however, arises in firms with large controlling shareholders. Since a large controlling shareholder has both the incentives and the power to control the management team's actions, management's misbehavior is a second order problem when such a

large shareholder exists. Instead, the main problem becomes controlling the large shareholder's abuse of minority shareholders.

In other words, holders of a majority of the voting shares in a corporation, through their ability to elect and control a majority of the directors and to determine the outcome of shareholders' votes on other matters, have tremendous power to benefit themselves at the expense of minority shareholders. Thus, the type of owners as well as the distribution of ownership stakes will undoubtedly have an impact on the performance of firms. Most of the empirical literature studying the link between corporate governance and firm performance usually concentrates on a particular aspect of governance, such as board of directors, shareholders' activism, compensation, anti-takeover provisions, investor protection etc. This work is a moderate attempt to examine the relationship of ownership structure and performance of Nigerian conglomerates firms.

1.2 Statement of the Problem

The corporate governance culture in Nigeria has consistently failed to be responsible and accountable to the stakeholders and has no deep-rooted mechanism to maintain a balance among the major players (board of directors, shareholders, and management) in corporate governance which have resulted in poor performance (Bello, 2005). The challenges and failure of corporate governance in Nigeria stems from the culture of corruption and lack of institutional capacity to implement the codes of conduct governing corporate governance. Company executives enjoy an atmosphere of lack of checks and balances in the system to engage in gross misconducts since investors are not included in the governing structure (Shehu, 2012).

The empirical investigation of the relationship between ownership structure and performance has produced very vast literature that used different samples, covered many time-periods and revealed mixed results. There are various divergent views about the role of ownership structure (Managerial, Institutional, Block-holders' and Foreign ownership), Warfield, Wild and Wild (1995); Cheng and Warfield (2005); Isenmila and Elijah (2012); Bradbury, Mak and Tan (2006); Soongso (2012); Khanna and Pelapu (2000) and Choi, Jean and Park (2004) are of the view that ownership structure to a greater extent have positive influence on performance of firms, while others such as (Sacchs& Warner, 1995; Shehu&Jibril 2012; Hadi, 2012; Koh, 2007; Omar & Hind, 2012; Salsiahet *al.*, 2008; Sandra, 2012) have contrary view. Available literature in this area are mixed and inconclusive, and to the best of our knowledge, there scarcity study in Nigeria that has attempted to resolve the mixed result especially in Nigerian conglomerates firms.

In Nigeria, studies in this area have ignored the foreign ownership variable. The works of Shehu and Jibril (2012) only used one independent variable (Ownership Concentration). Similarly, the works of Sandra (2012) used three independent variables (Managerial Ownership, Institutional Ownership, Ownership Concentration). In addition, the study conducted by Isenmila and Elijah (2012) also used only three variables (Insider Ownership, Institutional Ownership and Block Holdings). The non-use of the foreign ownership variable may threaten the internal validity of their works which may bring about doubt in their inferences and conclusions drawn. However, this study includes foreign ownership as a variable to establish its influence and direction on performance of Nigerian conglomerates firms).

The works of Sanjar, Maryam, Njima, Jamal and Maryam (2012) study period was between 2006-2008. Apart from the fact that the study period was too short, the research work

that was published in 2012 can be regarded as not too current as a lot of activity such as the changes in the corporate governance code of 2003 to the current one of 2011 by Nigeria Securities and Exchange Commission must have been overtaken by these changes. Similarly, the works of Isenmila and Elijah (2012) study period is not too current as their research stopped in 2010. Furthermore, most studies in this area were either conducted in conglomerate sector or banking sector (see Shehu&Jibril, 2012 and Isenmila& Elijah, 2012). The study has proven to be different from past research, because in Nigeria, researches in this area are few and also unique considering the domain of the study i.e. the Nigerian conglomerates firms.

1.3 Objectives of the Study

The major objective of the study is to ascertain the level to which ownership Structures influences the Performance of Nigerian conglomerates firms. Therefore the following specific objectives are set out below:

- i. to examine the impact of Managerial Ownership (MGO) on Performance of Nigerian conglomerates firms;
- ii. To investigate the influence of Institutional Ownership (INST) on Performance of Nigerian conglomerates firms;
- iii. To ascertain the effect of Ownership Concentration (ONCON) on Performance of Nigerian conglomerates firms;
- iv. To determine the contribution of Foreign Ownership (FRNO) on Performance of Nigerian conglomerates firms;

1.4 Research Questions

- i. Does managerial ownership (MGO) influences performance of Nigerian conglomerates firms?
- ii. To what extend does institutional ownership (INST) affect performance of Nigerian conglomerates firms?
- iii. Does ownership concentration (ONCON) have effect on the Performance of Nigerian conglomerates firms?
- iv. To what extent does foreign ownership (FRNO) influences performance of Nigerian conglomerates firms?

1.5 Hypothesis of the Study

The following null hypothesis were formulated in concordance with the above set out specific objectives of the study to test the influence of ownership structures on performance of Nigerian conglomerates firms.

H₀₁ Managerial Ownership has no significant impact on Performance of Nigerian conglomerates firms.

H₀₂ Institutional Ownership has no significant influence on Performance of Nigerian conglomerates firms.

H₀₃ Ownership Concentration has no significant effect on Performance of Nigerian conglomerates firms.

H₀₄ Foreign Ownership has no significant contribution on Performance of Nigerian conglomerates firms.

1.6 Scope of the Study

The study used the entire population of conglomerates firms listed in the Nigerian stock exchange as at 31st December 2013. It covers the period of six (6) years starting from 2008 to 2013. This period under review is considered appropriate because it falls within the period when different scandals of reported accounting numbers were witnessed both in the developed and developing countries which has affected the firm's performance positively and negatively. Return on asset was used to represent performance in the study while managerial ownership, Institutional ownership, Block Holding and Foreign ownership are the ownership structure variables.

1.7 Significance of the Study

The study would have contribution to literature owing to the four Ownership structure proxies used i.e. Managerial Ownership, Institutional Ownership, Block Holdings, and Foreign Ownership. This will make available, to greater extent, inclusive prove on the interdependent nature of Ownership structure and Performance.

Results from this research will provide an understanding and appreciation of link between ownership structure and performance. Gaining such fact will enable listed conglomerates firms to reap the benefits of having a well-structured share ownership.

This study is expected to help standard setters adjust and determine an optimal level of performance via ownership structure. The results of this study can be used as a consideration for investors in deciding to invest and for the creditor in making lending decisions.

The study investigates the influence of foreign ownership on performance. This may be first of such study in Nigerian conglomerates firms that have empirically investigated the

variable of foreign ownership on performance. Thus, finding will be useful to management and regulators when they design the ownership structure by giving adequate attention to foreign investors.

Lastly, the study would assist the regulators and others such as the management, investors and potential investors to assess the practice of good internal mechanisms within the organization in order to ascertain whether much have to be done by putting an effective and efficient Corporate Governance mechanisms to enhance performance in Nigerian conglomerates firms .

A study of this nature will in doubt serve as an indispensable planning tool for managers, government, policy makers, Investors and potential investors. It will assist managers to see ownership Structures that help them in maximizing shareholders wealth. It would also enable investors and potential investors to identify which amongst the ownership structures that help monitor their wealth and can possibly be relied upon.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the related and relevant literature of the study. The items discussed are as follows: Conceptualization of the ownership structure proxies and the performance, empirical review of ownership structure and performance. The theoretical framework was also captured.

2.2 Conceptualization

In social science researches, the use and application of concepts is of paramount importance since the way they are used in researches could be different from its general application and interpretation. Therefore, in this section the operationalized concepts used in the study are explained exhaustively so that our readers will be able to understand the meaning and value its application. The Concepts highlighted and discussed in this chapter are the ownership structure which are; managerial ownership, institutional ownership, block-holdings and foreign ownership. In addition, the chapter explained the concept of performance.

2.2.1 Ownership structure

Firms may be owned by a diverse mix of different types of investors. With few exceptions, these investors become owners in firms to accomplish financial objectives. However, they may differ with respect to their trading styles, clientele, legal and regulatory environments, and their ability to gather and process information (Brian, Certo, Ireland & Reutzel, 2010).

Ownership Structure of a company refers to the distribution of control and ownership in the company. Control is seen as the ability to affect decisions and for shareholders; it is represented by voting power. While ownership is regarded as the right to cash flows of the company which is proportionate to the shareholdings (Shehu, 2012). Ownership structure is one of the main dimensions of corporate governance and is widely seen to be determined by country-level corporate governance characteristics such as the development of the stock market and the nature of state intervention and regulation (La Porta Silanes, Shleifer & Vishney, 1998).

Ownership structure is defined by the distribution of equity with regard to votes and capital but also by the identity of the equity owners. These structures are of major importance in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage. A classic reference is Jensen and Meckling (1976). The concept of ownership structure has been defined in so many ways but the basic features of the system remains the same in every definition. The study suggest ownership structure to mean the distribution of control and ownership in a firm in terms of the worth of shares and as such those who have more than fifty percent of the shares in the firm controls and have major influence in the firm's decisions.

i. Managerial Ownership

According to Phani, Reddy, Ramachandran, and Asish (n.d.), Insider ownership reflects the governance problem arising due to variance in the cash flow and control rights. Insider ownership as defined in the governance literature has two dimensions. In the first case, insider ownership can be defined as managerial ownership (manager-owner), where managers are assigned ownership rights as a post facto incentive mechanism by owners. In the second case,

insider ownership is defined by the de facto ownership rights held by an insider who promotes and also manages (owner-manager).

Also, Christiawan and Tarin as cited in (Muhammad, Indra and Yunika, 2013) defined Managerial Ownership as a situation where the manager has shares, in other words, the manager of the firm and as well as the company's shareholders. The definitions above look at the possession of shares from insider perspective which is not different from the shares held by those at the helm of affairs, i.e. the managers of the company. This implies that, managerial ownership means the amount of share either in naira amount or units of shares held by those who manage the affairs of the business where they act as an agent of the public (shareholders).

ii. Institutional Ownership

Bartovet *al.* (2000) posited that institutional ownerships are professional investors who have long-term focus. With respect to the amount of their investments and their know-how, they serve to control the management. Chi-keung (2013) sees the institutional shareholders to include holders of pension funds, investment trusts, and insurance companies that are more powerful: they invest large amounts of money into a firm and thus have greater incentive to monitor their interest in the firms. When the firm performs poorly, they can place pressure on the managers of the firm and even withdraw their investment. Murwaningsari (2009) defined institutional ownership as an institution that has a great investment, including equity investments.

Oehl (2000) considers Institutional ownership as an important channel via which minority shareholders are protected against expropriation of controlling shareholders in emerging markets. Institutional Investors refers to the ownership stake in a company that is held by large financial organizations, pension funds or endowments. Institutions generally purchase large blocks of a company's outstanding shares and can exert considerable influence upon its

management. The definitions provided by various authorities as regards institutional ownership basically refers to institutions other than the present organization who also have interest in the organization by subscribing to its shares and having a reasonable percentage of ownership in another organization. The definition given by Chi-keung (2013) would have been more encompassing except for its limitation to only holders of pension funds, investment trusts, and insurance companies. For the purpose of this research, the study adopted the definition given by Bartovet *al.* (2000).

iii. Block Holdings

Block Holdings is an internal governance device that allows the largest shareholders to gain control over management behavior and decision (Omar & Hind, 2012). Under the corporate governance code released by the Securities and Exchange Commission (SEC) in 2003, SEC defined block-holding as any investor with more than a 5% equity stake in the firm. The definition given by Omar and Hind (2012) did not provide specifically what level constitutes block holdings, but as for the definition given by Nigeria Securities and Exchange Commission in its documents relating to corporate governance code sees block holdings as those who have more than 5% equity stake in a firm. Therefore, since this research is carried out in Nigeria, it was appropriate for this study to adopt the definition given by SEC.

iv. Foreign Ownership

Foreign ownership refers to the complete or majority ownership/control of a business or resource in a country by individuals who are not citizens of that country, or by companies whose headquarters are not in that country (Wikipedia, 2013). Foreign ownership means more than 50 percent of the outstanding voting securities of the firm are owned by one or more foreign

persons. Foreign control means one or more foreign persons having the authority or ability to establish or direct the general policies or day-to-day operations of the firm. Foreign control is presumed to exist where foreign persons own 25 percent or more of the outstanding voting securities unless one U.S. person controls an equal or larger percentage (Encyclopedia, 2013). The definition proffered by Wikipedia is found to be more appropriate to suit our research.

2.2.2 Concept of performance

Performance is critical to the economic well-being of the owners and the overall economy. For instance, Flamholtz, Das and Tsui (1985) analyzed the concept of performance and its measurement from traditional perspective, where they regarded the term as an element of planning and control cycle that captures performance data, enables control feedback, influences work behavior. In the words of Simons (1990) the concepts of performance revolves round monitoring and strategic implementation. It's mainly underpinned by a financial perspective (Johnson & Kaplan, 1987). Generally, performance measurement plays a key role in the development of strategic plans and evaluating the achievement of organizational objectives and serve as a signaling and learning device (Simons, 1990 and Ittner&Larcker, 1998).

Therefore, Khan, Shah and Atta (2009) regarding the company's present and future performance opined that performance can be seen from many variables, such as stock price performance, reported earnings, or market share of a firm. According to them, investors are keen in the stock return and upward trend in the stock return, which attracts investors towards investment in stock that will further raise the demand in the stock market and will lead to increasing stock prices and performance of the stock market.

Sonnentag and Micheal (2001) documented that when conceptualizing performance, one has to differentiate between an action (that is behavioural) aspect and an outcome aspect of

performance. According to them, the behavioural aspect refers to the consequences or result of the individual behaviour. The outcome aspect describe behavior which may results in outcomes such as number of engines assembled, and sales figures and etc. Based on this, financial performance is defined as subjective measures of how well a firm can use asset from its primary smode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It can also be referred to as the business independent criteria to assess its overall outcomes, in relation to its own goals.

Zeitun and Tian (2007) sees the concept of performance as controversial issues in the financial strategy of most corporate organization due to its multi-dimensional meanings. According to them, performance measures are either financial or organizational. Financial performance such as profit maximization, maximizing profit on 'assets, and maximizing shareholders benefits are core measure of firms' effectiveness (Chakravarthy, 1986). Operational performance measures such as growth in sales and growth in market share provide a broad definition of performance as they focus on the factors that ultimately lead to financial performance (Zeitun&Tian, 2007).

Similarly, Heng and San (2011) advanced other ways of measuring corporate performance which are productivity, profitability, growth or even customer's satisfaction. Additionally, Barbosa and Louri (2005), opines that financial measurement is one of the tools which indicate the financial strengths, weakness, opportunities and threats. These financial measurements according to them include return on investment (ROI), residual income (RI), earnings per share (EPS), dividend yield, price earnings ratio (PER), book value per share. Etc.

However, the most commonly used performance measure proxies are return on asset (ROA), return on equity (ROE) or return on investment (ROI). These performance measures proxies are termed as accounting measures. There are other measures of corporate performance called market performance measures such as ratio of price per share to the earnings per share (P/E), Market value of equity, Tobin's Q. All these can also be referred to as the financial measures of performance.

Mubaraq (2005) opines that there are many measures of performance based on non-financial information as not all activities of an enterprise are capable of being expressed in monetary terms, and financial statements only are not adequate to measure all aspect of performance. The following points are what he termed as non-financial measures of performance: Staff turnover, training time per employee, number of production stoppage through strikes, absenteeism and accidents, number of complaints received, number of customers and suppliers, output per employee, production lead time, adherence to quality and product quality.

As a performance measure, ROA is generally considered as good internal management ratio because it measures profit against all of the assets an organization uses to make those earnings. Hence, it is a way to evaluate the organization's profitability, performance and effectiveness. ROA provides good information about a firm's financial performance in terms of using assets to create income. It shows the percentage of profit that a corporation earns in relations to its overall resources. Thus, it is considered as a measure of efficiency too. A firm with high ROA means that it is good at translating assets into profits. ROA is generally seen as a stable financial performance ratio; an increasing ROA indicates that a firm generates more profitability while a decreasing ROA indicates that a firm generates less profit.

Earnings per share represent the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. Earnings per share are used for the purpose of evaluating the prices of company's shares and it gives an idea of its growth in earnings over the years. Earnings per share enable comparison to be between the company's earnings and its dividend payout.

Net profit margin is a ratio derived from the operating income section of an income statement compared to sales. Net profit margin is obtained by dividing profit before tax by sales and this shows how efficiently the company is able to generate profits from its primary operations. This measurement is especially useful to investors wanting to see how profitable and stable the company operations are.

2.3 Proxies of Performance

Various studies have come up with different measures of firm's performance. These include, return of assets (ROA) which measures the firm's ability to effectively make use of its assets to generate profits. Return on equity (ROE) which measures and reveals the appropriate return investors take for their investment. Return on sales which measures profit associated with sales. This research adopts return on assets (ROA) and return on equity (ROE) as the financial performance measures.

i. Return on Assets (ROA)

Managers must make sure the capital they employ is used productively. Capital is relatively mobile. If it isn't used productively, it will eventually move on to where it can generate a competitive return. ROA provides a measure for assessing the overall efficiency with

which business assets are used to produce net income from operations. It also is indicative of management's effectiveness in deploying capital, because it is certainly possible to be efficient and yet poorly positioned in terms of how capital is being utilized.

Return on assets, as an absolute dollar amount, is calculated as net business income plus farm interest expense minus the estimated value of any unpaid operator labour and management used in the business operation. That absolute dollar amount is converted to ROA by dividing by the average total value of business assets. ROA is probably the single best overall measure of operating performance because it considers the total asset as a basis for division rather using only the equity of the firms (Etim, 2011). It ties together the results of operations with the resources used to produce those results. It is also relatively easy to interpret. But what action should be taken to correct a poor return on assets? Everything the manager did both right and wrong in operating the business is reflected in the ROA, which makes the appropriate corrective action difficult to determine without more information. The fact that financial measures are interrelated can help solve this dilemma.

ROA is a widely used accounting metric of firm performance (Chen, Church, 1996). It measures firms' profitability by dividing the firm's profit before interest and tax (PBIT) by its total assets (Westerfield, Ross, & Jaffe, 2005). Return on assets determines the effectiveness with which assets are used to generate income. The higher the ROA measure, the more favourable it is because the company is earning more than it has invested (Ćuraka, Poposkib, & Pepura, 2010). This study adopts the same measurement criteria used by Ćuraka, et al. (2010) where return on assets is measured by dividing profit after tax by the total assets.

ii. **Operating Profit Margin (OPM) & Asset Turnover Ratio (ATR)**

ROA measure is itself the product of a measure of financial efficiency and a measure of profitability. The ROA may be calculated by multiplying the operating profit margin ratio (OPM) times the asset turnover ratio (ATR). The interrelatedness of these three performance measures emphasizes the fact that there are two primary ways to enhance the efficient use of firm resources to produce profit. One is to increase the profit per unit of output. Operating profit margin is a measure of profit per unit (Naira) of product produced or output. It is calculated by dividing the Naira amount of return on assets by gross revenues. A business operation that has a high operating profit margin percentage is a low cost producer. Thus, the manager may respond to a poor or small operating profit margin by instituting cost controls in order to increase profits per unit.

The other way to enhance performance is to increase the revenues generated per Naira of business assets, as indicated by the asset turnover rate. For example, higher value equipment might be added to the equipment mix to affect an increase in asset turnover. ATR is calculated by dividing gross revenues by the average value of total assets. For a given set of business resources or size of firm, operating profit margin and asset turnover are the two key determinants of profit that the manager must try to influence in order to improve financial performance. An increase in either or both will increase ROA and is generally indicative of improved financial performance.

iii. **Return on Equity (ROE)**

Debt is an important component of the capital structure of many businesses. Debt provides needed resources to take advantage of profit opportunities. When used productively,

debt can leverage equity capital in a way that is very beneficial financially. But financial leverage is impartial and unforgiving. Debt works just as well to the detriment of a farm business when it is used unproductively, as it works to benefit a business that is managed wisely.

Managers need to know whether and to what extent financial leverage is working either for or against their business. The rate of return on equity (ROE) provides useful information about the performance of debt in the capital structure. ROE is calculated by dividing net income minus the estimated value of any unpaid operator labour and management by average total equity (net worth). ROE should exceed ROA for businesses that borrow money. If ROE doesn't exceed ROA, it means that borrowed capital isn't earning enough to pay its cost. Alternatively, ROE may be well above ROA and may indicate potential to benefit from additional investments in the business.

ROE is also a very useful measure of the performance of the business owners' invested or equity capital. Business owners generally have other alternatives to investing in the business operation and need a basis for comparing the likely performance of investments in the business to their investment alternatives. ROE is not a risk-adjusted return measure. So ROE should be adjusted for differences in the perceived riskiest of alternative investments when making head-to-head comparisons. Because business entails significant amounts of financial risk, ROE should be higher than a relatively less risky alternative such as a longer term certificate of deposit. ROE is related to and heavily influenced by ROA. Increasing ROA by taking management action that will either increase operating profit margin and/or asset turnover should have a favourable impact on ROE.

Return on Equity (ROE) is the amount of net income returned as a percentage of shareholders equity, it measures a corporation's profitability by revealing how much profit a

company generates with the money shareholders have invested (Khatab, Masood, Zaman, Saleem and Saeed (2011). In other words, return on equity reveals what return investors take for their investment. It is measured by dividing Net profit after Tax by Shareholders Equity (Khatab et.al). For the purpose of this research, the study use Return on Asset to proxy performance as against other measure of performance like return on equity and net profit margin because return on asset is rated a better measure as it a weighted measure of how the asset of the company is yielding return when compare with using just the equity value.

2.4 Ownership Structure and Performance

	YEAR	TITLE	OBJECTIVE	PLACE OF STUDY	IV	DV	METHODOLOGY USED	FINDINGS/RESULT	REF
and y	(1999)	Impact of Ownership structure on Performance	To establish impact of ownership structure on performance	Great Britain	Mg	Roe/ Tobin's q	Correlational	+ ownership structure is positively significant in influencing performance	Journal of Law and Economics 42: 209 - 238
c	(2007)	Impact of Insider structure on Performance	To what extent does managerial ownership influences performance	Nigeria	Mg	Tobin's q	Ex-post facto	- impact of insider structure is negatively influence on the performance	Economic Journal, 93: 351 - 369
en kling	(1976)	Managerial Shareholdings and		U.K	Mg	Roa	Correlational	+managerial shareholding is positively significance in determine the	Journal of Law and Economic

		Performan ce						performance	s. 26, 375-390
scitz	(1983)	Impact of Ownership structure on Performan ce		U.K	Mg	Roa	Ex-post facto	-ownership structure is negatively significance in explaining the performance	Journal of Economic s, 26, 375-390
z	(1988)	Impact of Ownership structure on Performan ce		U.K	Mg	Roa	Correlational	-impact of ownership structure is negatively significance in elucidating the performance	Review of Financial Economic s, 7:2-143
onnell ervacs,	(1990)	Effect of Ownership structure on Performan ce		Poland	Inst	Roe	Correlational	+ effect of ownership structure is positively significant in influencing performance	The Accountin g Review, 1: 65:4- 740
&	(1998)	Impact of Ownership structure on Performan ce		India	Inst	Roa	Correlational	+ownership structure is positively significant in impacting the performance	The Economic s Journal, 101: 1418- 1437
i & Gu	(2007)	Impact of Ownership structure on Performan ce		India	Inst	Tobi n's	Ex-post facto	+ impact of ownership structure is positively significant in explaining the performance	Journal of Financial Economic s, 27, 595-612
hal	(1996)	Does Institution al shareholdi ngs influences the		U.K	Inst	Tobi n's	Correlational	- institutional shareholdings has negatively significance influence on the performance	Journal of Financial Economic s, 27, 595-612

		Performan ce							
id	(1988)	Impact of Ownership structure on Performan ce		U.K	Inst	Roc	Correlational	- impact of ownership structure is negatively significant in determining the performance	Journal of Financial Economic S. 1988 293-315
d	(1990)	Impact of Ownership structure on Performan ce		U.S	Inst	Roa	Correlational	+ ownership structure is negatively significant in impact the performance	Journal of Financial Economic s. 27:143- 164
nsen ersen	(2000)	Impact of Ownership structure on Performan ce		Australia	Oc	Roa	Correlational	+ ownership structure is positively significant in manipulating the performance	Journal of Financia Economi cs, 29:143- 187
en ecklin	(1976)	Impact of Block Holding structure on Performan ce		Scotland	Oc	Tobi n's q	Ex-post	+impact of block holding structure is positively influences the performance	Internati onal Journal of Economi cs and Financia l Issues 1: 3: 2011-99- 122
ifer& ny	(1986)	Impact of Ownership structure		India	Oc	Roa	Ex-post facto	+ ownership structure is positively significant in impacting the performance	Journal of Corporate Finance.

		on Performan ce							5(4), 323- 339
Amstutz,	(1983)	Ownership Concentrat ion on Performan ce		U.K	OC	ROc	Correlational	+ ownership concentration is positively significance on the performance	Journal of Financial Economic s, 22:2: 207
Leech and Gibby	1991)			U.K	OC	RO A	Correlational	+	
Shah and Sundersso	(1999)	Ownersh p concentra tion and Performa nce		U.K	OC	ROE	Correlational	+ ownership concentration is positively significant in influencing the performance	Journal of Financial Economic s, 20, 25- 54
Metzger et	2007	The impact of institution al ownership on corporate operating performan ce".		US	IO	ROA	Export Facto	+institutional ownership is positively significance in influencing corporate operating performance.	Journal of Hospitalit & Tourism Research, 31:1:19
Agarwal & K Sanyal	2011	The impact of ownership concentrati on and governme nt, on firm performan ce		Kenya	Hilfindel index	Profi tabili ty	Correlational	_the impact of ownership concentration is positively significance in explaining government and firms performance	Journal of Financial and Quantitati ve Analysis, 31:1:1.

		on Performan ce							5(4), 323- 339
msetz,	(1983)	Ownership Concentrat ion on Performan ce		U.k	OC	ROE	Correlational	+ ownership concentration is positively significance on the performance	Journal of Financial Economic s, 22:2: 207
ech and ahy	1991)			U.K	OC	RO A	Correlational	+	
ther d idersso	(1999)	Ownersh p concentra tion and Performa nce		U.K	OC	ROE	Correlational	+ ownership concentration is positively significant in influencing the performance	Journal of Financial Economic s, 20, 25- 54
nell et	2007	The impact of institution al ownership on corporate operating performan ce"		US	IO	ROA	Export Facto	+institutional ownership is positively significance in influencing corporate operating performance.	Journal of Hospitalit & Tourism Research, 31:1:19
ore&K' nyo	2011	The impact of ownership concentrati on and governme nt, on firm performan ce		Kenya	lilifidel index	Profi tabili ty	Correlational	_the impact of ownership concentration is positively significance in explaining government and firms performance	Journal of Financial and Quantitati ve Analysis, 31:1:1.

The syntheses of the summary of studies presented in the table above are presented as follows under headings of the respective variables of the study.

2.4.1 Managerial Ownership and Firm Performance

Managerial ownership appears to be one of the most contentious ownership structures as it has an inconclusive and mixed effect on company's performance. This ownership form is considered as a tool for alignment of management interests with that of individual shareholders in the organization, while at the other end, it encourages entrenchment by managers, which is often cost effective when they (managers) do not act in the best interest of shareholders (Mork et al., 1988; Stulz, 1988). The general impact of managerial ownership on corporate performance depends on the relative strengths of the incentive alignment and entrenchment effects whilst state ownership has been regarded as inefficient and bureaucratic. Morck, Shleifer and Vishny, (1998) studied and analyzed the relationship between the managers' percentage shares and corporate financial performance. They gave a positive relationship for holding within three ranges, from 0% to 5%, beyond 25%, but negative one between 5% and 25%. Also the works of Short and Keasy (1999) conducted in Great Britain for 1998 to 1992 and used two measure methods: accounting measure (return on shareholder's equity) and market measure (like Tobin's Q). They found that a positive relationship between managerial ownership and firm performance from 0% to 16% (0% to 13% in market measure), beyond 42% and is negative from 16% to 42 % (from 13% to 42% in market 25 measure).

On the other hand the research conducted by Ngoc (2007) showed that the relationship between manager ownership and firm performance was inverse U-shape and Tobin's Q, with the inflection point is from 40% to 50%. The relationship between ownership structure and firm

performance has been the subject of interest in the literature. There are mixed results on how ownership structure impacts on firm performance. Most of the empirical results were derived from developed countries such as the U.S. and U.K. However, differences in prevailing institutional, legal and economic influences between the U.S. and other countries resulted in different impacts of ownership structure on firm performance. According to the agency model, Jensen and Meckling (1976) argue that there is a convergence of interests between shareholders and managers as the managers' ownership increases, and thus higher managerial ownership should reduce agency costs and hence increase firm performance.

Morck, Shleifer and Vishny (1988) and McConnell and Servaes (1990) find a significant relationship between managerial ownership and firm performance. However, Demsetz (1983) implies that the increased level of insider ownership may reduce corporate performance. This notion is classified as the entrenchment hypothesis, an explanation of which is offered by Stulz (1988), who argue that in situations with a low level of managerial ownership, firm value will increase because rights to transfer control will be more formally vested with insiders. Further, insiders are more organised than diffused shareholders and will have a greater probability of securing high premiums in the case of takeovers.

2.4.2 Institutional Ownership and Firm Performance

The studies carried out by McConnell & Servaes (1990), Han & Suk (1998) and Tsai & Gu (2007), found significant Positive influence between institutional ownership and firm performance. They further explain that they (Institutional Investors) serve as positive effect by the active monitoring argument and therefore the monitoring influence is expected to be stronger for institutional investors than general shareholders. Also the works of Hand (1990) found that institutional investors are more sophisticated than other shareholders because they are more

professional regarding capital markets, industries and businesses and they are better informed. In addition, institutional shareholders have higher capabilities in taking actions and can therefore monitor managers more effectively and less costly. Wahal (1996) find only short term positive effects of institutional ownership but not long term, as he then argues that institutional investors have a time preference for short term result than long term result.

On the other hand negative effects are also found in the studies of Pound (1988) and Hand (1990). One argument to support this result is the institutional myopia argument, which implies that the institutional investors prefer short term returns and will use their influence to encourage managers to pursue short term gains. In the same line, another argument is the strategic-alignment-conflict-of-interest by Pound (1988). The conflict of interest and the strategic alignment hypothesis suggest that institutional investors tend to support managers instead of monitoring and controlling them, because of their interpersonal business relationship with the firm in which they are investing and because the benefit they gain from supporting the managers is higher than the effective monitoring gain. Therefore institutional investors may have incentives to cooperate with managers. Cornett et al (2007) in a research titled "the impact of institutional ownership on corporate operating performance" analyzed the relationship between institutional shareholders as one of the mechanisms of corporate governance and operational yield of large companies. They found a significant and positive relationship between the ratio of operating cash flow to sales as a measure of performance and the number and percentage of institutional shareholders as corporate governance mechanism (Cornett et al, 2007).

Karami (2008) in the research entitled "Relationship between institutional owners and informational content of profit" collected evidences in connection with the supervisory role of institutional investors from the perspective that whether institutional ownership has effect on the

informational content of reported profit? In this research, the different attitudes (i.e. the active monitoring hypothesis and the self-interest hypothesis) were examined about institutional investors. To test the relationship between informational content of corporate profit and institutional ownership two models of multiple linear regression used. Based on the results of this research, the number of institutional ownership does not increase informational content of profit and may also degrade it, while the level of institutional ownership structure does not reduce the informational content of profit, but it is also possible to increase it (Karamu, 2008). Taylor (1990) find that the percentage of US equity held by institutional owners has increased from 8% in 1950 to 45% in 1990. Institution ownership attracts much attention along with its increased importance in the equity markets. Although institutions can be divided into different types (financial and non-financial; domestic and foreign, etc.) in this review such distinctions are not made.

Positive effects of institution ownership on firm performance is found by McConnell & Servaes (1990), Han & Suk (1998) and Tsai & Gu (2007), who explain the positive effect by the active monitoring argument. The monitoring effect should be stronger for institutional investors than general shareholders. According to Hand (1990), institutional investors are more sophisticated than other shareholders because they are more professional regarding capital markets, industries and businesses and they are better informed. Apart from that, institutional shareholders have higher capabilities in taking actions and can therefore monitor managers more effectively and less costly.

The Effect of Ownership Structure on Firm Performance piece of evidence found by Hartzell & Starks (2003) is that the compensations level is negatively related with institutional ownership, as the institutional owners' monitoring effect can replace the incentive alignment

effect by management compensation whereby mitigating the agency problems. Negative effects are also found in the studies of Pound (1988) and Hand (1990). One argument to support this result is the institutional myopia argument, which implies that the institutional investors prefer short term returns and will use their influence to encourage managers to pursue short term gains. Wahal (1996) find only short term positive effects of institutional ownership but not long term, as he argues that institutional investors have a time preference for short term result. Other studies illustrate this argument: institutional investors are sensitive to earning news, because they might use current earnings as proxy under the information asymmetry circumstance (Porter 1992); institutional investors consider the investment in a firm as one asset in a portfolio (Coffee 1991); the managers in the investing institutions are measured on short term results by their principals (Badrinath et al 1989). Another argument is strategic-alignment-conflict-of-interest by Pound (1988). The conflict of interest and the strategic alignment hypothesis suggest that institutional investors tend to support managers instead of monitoring and controlling them, because of their interpersonal business relationship with the firm in which they are investing and because the benefit they gain from supporting the managers is higher than the effective monitoring gain. Therefore institutional investors may have incentives to cooperate with managers. Some studies did not find a relation between institutional ownership and firm performance, the natural selection argument is applied once more.

2.4.3 Ownership Concentration and Firm Performance

It is generally accepted that ownership structure is an important component of corporate governance (Shleifer&Vishny, 1986). The relationship between ownership structure and economic performance has been a topic of great interest in strategic management literature (Oswald & John S. Jahera, 1991; Li &Simerly, 1998; Bethel &Liebeskind, 1993;

Demsetz&Villalonga, Ownership structure and corporate performance, 2001). Since Berle and Means (1932) it has been largely argued that ownership structure is related positively related to firm profitability. Continuing this debate, other scholars have examined and generally given supporting evidences to the agency theory expectations (Jensen &Meckling, 1976) that separation between ownership and control provides managerial incentives to diversification because of the personal benefits that managers would acquire from risk reduction. Indeed, large number of shareholders cannot exercise enough power to oversee managerial performance.

Consequently, managers exercise more freedom in the use of firm resources as they would in case of a single shareholder or if the ownership would have been more concentrated (Shleifer&Vishny, 1997). In studies of diversification strategy, it is found that managers assume more personal benefits (financial and reputational) in product or market diversification because of risk aversion, expense preference, and empire building (Thomsen & Pedersen, 2000). Ownership concentration, can counteract corporate diversification and gain more shareholder value. Agency theory argues that managers tend to increase their wealth and reputation by diversification and fast growth without maximizing firm market value (Jensen &Meckling, 1976). Consequently, managers are not willing to downsize or reverse diversification if they are not pressured or obliged by ownership or external investors, to follow owners' interests in increasing firm market value. Therefore, according to the agency theory, managers' propensity to increase firm value depends, *ceteris paribus*, on the ownership structure.

Supporting this theory, in a landmark work, Amihud and Lev (1981) examine empirically this theory, confirming that managers working in firms with large shareholders were less likely to invest in non-related mergers or acquisitions. These findings were supported by Hill and Snell (1989) who conclude that that diversification, investment in R&D, capital intensity, and

ownership structure all determine firm productivity. They argue that large shareholders control is negatively related to product diversification. Another stream of research in corporate governance studies, takes into consideration the controlling mechanisms that induce managers to be aligned with shareholders' interests. An example of these controlling mechanisms is ownership concentration as it involves a trade-off between risk and incentive efficiency (Jensen & Meckling, 1976; Demsetz, 1983; Shleifer & Vishny, 1986). Larger shareholders might have stronger incentives to monitor and therefore, they should oblige managers to be aligned with their objective of increasing the value of their shares. But on the other side, Fama and Jensen (1983) argue that ownership concentration above a certain level will allow managers to become entrenched and expropriate the wealth of minority shareholders. This argument has led scholars in a hot debate over the possible non-linear relation of ownership concentration and firm performance. As ownership dispersion creates possibilities for free riding (Li & Simerly, 1998) because of a lack of monitoring on management, a positive relation of ownership concentration with firm value is expected.

Consistent with this monitoring theory, Shleifer and Vishny (1986) show the important role of large shareholders and how the market value is positively related to increasing values of shares held by larger shareholders. Nevertheless, recent studies have emphasized another source of agency problem created by rising ownership concentration that gives more power to a circumscribed number of shareholders that in turn might expropriate value from minority shareholders (La Porta, Lopez-de-Silanes, & Shleifer, 1999). This is true for certain countries (i.e. in Europe) where the agency problem comes from the conflict between controlling owners and minority shareholders, instead of between ownership and management. In this case, large owners

might be costly as they can redistribute wealth in both efficient and inefficient way from minority shareholders (Shleifer&Vishny, Large shareholders and corporate control, 1986).

Another stream of research has examined the relationship between ownership structure and firm value suggesting that contrary to conventional wisdom, firm performance might influence ownership structure, but not vice versa (Demsetz, 1983; Demsetz& Lehn, 1985; Chang, 2003). Despite this long debate, there is little empirical evidence on the effects of ownership structure in Europe as prior empirical literature has majorly provided documentation for U.S. and U.K. firms (De Miguel, Pindado, & De La Torre, 2004). Furthermore, at the best of our knowledge, there are no studies on the effects of the recent financial crises over the relation between ownership concentration and firm performance. Our analysis fits in this research stream which aims in controlling the relation between ownership concentration and firm performance by giving empirical evidences on the influence of ownership structure over firm performance for all the listed Italian firms over 2006-2009.

In addition we study the changes of this relation due to the financial crisis in 2008 – 2009. We conclude by giving evidences of the changing relationship between ownership concentration and firm performance as effect of the financial crisis. The earliest effort to investigate the contribution of ownership concentration on firm's profitability was conducted by Berle and Means (1932). Ever from this era, there has been series of studies in this area. However, studies comparing profitability of manager-and owner-controlled companies, often categorized by the share of the largest owner, generally found a higher rate of return in companies with concentrated ownership (Cubbin& Leech, 1983). These studies, though, were seriously lacking a theoretical foundation. Theoretically the ownership structure of the firm is an

endogenous outcome of the competitive selection in which various cost advantages and disadvantages are balanced to arrive at an equilibrium organization of the firm (Demsetz, 1983).

Traditionally, concentrated ownership has been thought to provide better monitoring incentives, and lead to superior performance (Leech and Leahy, 1991). Maher and Andersson (1999) indicated that the ownership concentration lead to extraction of private benefits by the controlling shareholders at the expense of the minority shareholders. The argument put across is that if owner-controlled firms are more profitable than manager-controlled firms, it would seem that concentrated ownership provides better monitoring which leads to better performance. Xu and Wang (1999), Wang et al. (2004), Delios and Wu (2005) reported a positive relationship between ownership concentration and firm performance, employing percentage of shares held by top 10 shareholders or the Herfindahl index of ownership concentration (the sum of squared percentage of shares controlled by each top 10 shareholder) as the dependent variable. A study conducted in Kenya by Ongore&K'Obonyo (2011) found a significant negative relationship between ownership concentration and government, and firm performance.

2.4.4 Foreign Ownership and Firm Performance

The effect of foreign ownership on firm performance has been an issue of interest to academics, researchers, and policy makers. As posited by Gorg and Greenaway (2004), the main challenging question in the international business strategy is the outcome gained from foreign ownership of firms. It is duly accepted that foreign ownership plays a crucial role in firm performance, particularly in developing and transitional economies, researchers such as Aydin et al. (2007) have concluded that, on average, multi-national enterprises have performed better than the domestically owned firms. It is therefore, not surprising that the last two decades have witnessed increased levels of foreign direct investments in the developing economies.

A study conducted in Kenya by Ongore&K'Obonyo (2011) found that the evidence of significant positive relationship between foreign and firm performance

2.5 Theoretical Framework

There are many theories in extant literatures that have been used to underpin research of this nature. The theories are stewardship theory, stakeholder theory and agency theory. The agency theory is the one this research work is hinged on. Therefore, the study is based on the proposition of agency theory, the theoretical framework most often used by researchers to understand the relationship between the ownership structure and performance. It involves a contract under which the principal (Owners) engages another party (Managers), called agent, to perform some services on their behalf, where some power of decision making are delegated to the agent (Jensen and Meckling, 1976). In the modern business world, the principal is the shareholders, who are the owners of the company, whereas the management of the company represents the agent.

As posited by Brennan (1995), agency problem may arise as the agent fails to act in the best interest of principal and the effect may be reflected in the company's share price. It specifically exists in the companies when the management has incentives to achieve their own interests at the expense of the shareholders (Agrawal &Knoeber, 1996) and will act in an opportunistic manner to maximize their rewards. As parties internal to the organization, management tends to have an information advantage over the principal due to the day-to-day information and the insider knowledge.

Because of the opportunistic behavior of agents, organizations will try to put in place mechanisms that have to align the interests of the agents and principles or at least minimize the

differences. One of the important mechanisms is through the establishment of board of directors. In addition, to safeguarding the interests of shareholders, board of directors is appointed through the election in the annual general meeting. The board of directors is the agent to the shareholders in ensuring the transparent financial reporting that reflect the real financial position of the companies. Thus, the role of the board of directors is imperative to counter "managerial opportunistic" behavior, which includes taking action for their own personal interests at the expense of the shareholders interests (Donaldson & Davis, 1991). In this sense, corporate governance framework in which board of directors is a part serves as an effective tool in meeting the expectations and needs of the shareholders. Board of directors may provide better monitoring of management, therefore, can lead to transparent and reliable reporting.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter presents details on the research design and methodology adopted in this study. The chapter describes the population of the study. Furthermore, various sources and methods through which the data are collected were discussed. The techniques employed in the analysis with the justification for the method and techniques used were explained. Finally, the variable measurement, and model specification were explained in detail.

3.2 Research Design

In choosing a particular design for a research work, it is usually based on the nature and the problem of the research and how best the research objectives can be achieved. The study adopts the ex-post facto design. Ex-post facto design which is otherwise called the causal comparative design according to Denga and Ali (1983) is a design which helps to investigate possible cause and effect relationship by first identifying some existing consequence and searching back by analyzing data to establish possible causal factors. The design for the study is considered appropriate, in that, it is better in determining the relationship and degree of ownership structure influence on performance in our study which may permit prediction.

3.3 Population and Sample Size of the study

The population of the study is all 8 conglomerates firms listed on the Nigerian Stock Exchange as at 31st December, 2013. The justification for choosing conglomerates firms to the best of our knowledge is premised on the fact that, it is still an area with paucity of studies. The study used the entire population as sample adopting census sampling technique.

3.4 Source and Method of Data Collection

This study used secondary sources of data so that the set out objectives highlighted in chapter one were achieved, and hence the problem of the study solved. The use of secondary data has been adjudged a better source as it makes available all needed for the empirical investigation in this type of research. Data was extracted from the Published Audited Annual Reports and Accounts of the selected firms from 2008-2013. This period under review is considered appropriate because it falls within the period when different scandals of reported accounting numbers were witnessed. The data was quantitative and panel in nature.

3.5 Technique and tools of Data Analysis

Ordinary least square regression was used after testing for presence or absence of heteroscedasticity within the study units, longitudinal panel data was used to account for individual heterogeneity of the sample firms. One steps regression was used in determining the level of influence ownership structure has on Performance of Nigerian conglomerates firms. Heteroscedasticity was estimated using Stata 10 as a tool of analysis, while Statistical Package for Social Sciences was used to run the regression after establishing absence of heteroscedasticity. Various tests were conducted, ranging from multicollinearity test, normality test. The choice of this was based on the fact that both the technique and tool are more informative (i.e. more variability, less collinearity, more degrees of freedom), as estimates were more efficient under it. Also they allow the study of individual dynamics (e.g. separating cohort effects). While this technique and tool gives information on the time-ordering of events, they also allow for control of individual unobserved heterogeneity.

3.6 Variable Measurement and Model Specification

3.6.1 Performance (Dependent Variable)

Performance; PERF is proxied using return on asset and calculated as profit after tax divided by total assets of Bank i at a given time t .

3.6.2 Explanatory Variables Measurement

Table 3.1 Explanatory Variables

Variable	Nature of Variable	Proxy (ies)	Measurement
Ownership structure	Independent Variable	Managerial Ownership	% of Total Shares held by Directors
"		Institutional Ownership	% of Total Shares held by Institutions
"		Ownership concentration	% of Total Shares held by High Block holdings
"		Foreign Ownership	% of Total Shares held by Foreigner(s)

Source: Computed by Author

Managerial ownership is the percentage of total shares in issue held by those with a substantial position in a company that provide significant voting power at an AGM.

Institutional ownership is the percentage of total shares in issue held as long term strategic holdings by investment banks or institutions seeking a long term return.

Blockholders' ownership is the percentage of total shares in issue held by high block holding in the firm.

Foreign ownership is the percentage of total shares in issue held by foreigners in the board either representing self or an Institution.

3.7 Model Specification

The equation below represents the model of the study using balanced panel data of ordinary least square. This equation is represented as follows:

$$PERF_{it} = \beta_{0it} + \beta_1 MGO_{it} + \beta_2 INST_{it} + \beta_3 ONNCON_{it} + \beta_4 FRNO_{it} + \mu_{it}$$

Where:

PERF = Performance

MGO = Managerial Ownership

INST = Institutional Ownership

ONCON = Ownership concentration

FRNO = Foreign Ownership

$\beta_1 - \beta_4$ = Coefficient of explanatory variables

β_0 = Constant or Intercept

μ = Error Term

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This segment presents the analysis of the data and tests of hypotheses formulated in section one of the work. First, descriptive statistics table is presented and analysed, followed by the correlation matrix table and the summary of Regression Result table; The policy implications and Recommendation are made and drawn from the findings of the study.

4.2 Descriptive Statistics

The descriptive statistics for each of the variables were designed to show the Minimum, Maximum, Mean and Standard deviation, and skewness values. Descriptive statistics helps readers to understand the measures of central tendency, measures of variances associated with the variables of the study and the normality of the data used in the study.

Table 4.1: Descriptive Statistics

Variable	Min	Max	Mean	Std. Dev.	Skewness
PERF	-.62	.65	-.0056	.24628	-.300
MGO	.01	.65	.2390	.21962	.573
INST	.00	.72	.4323	.18796	-.653
ONCON	.16	.96	.6900	.20972	-.980
FRNO	.00	.39	.0373	.11064	2.688

Extracted from SPSS 15 output file

From Table 4.1 above, the mean value for Performance is -.01% for firms, while Managerial Ownership, Institutional Ownership were having an average value of 24% and 43 respectively. Institutional Ownership has an average value of about 69% and Foreign Ownership mean value stood at 04% within the period of the study. The minimum value for Performance is -.62 while the maximum is .65. Managerial Ownership and Institutional Ownership have a minimum value of 0.01, 0.00 and a maximum value of 0.65 and 0.72 respectively. Ownership Concentration and Foreign Ownership recorded a minimum value of 0.16, 0.00 and a maximum value of 0.96 and 0.39 respectively. The zero (0) values recorded for both Institutional Ownership and Foreign Ownership indicates that in a certain year the firm do not have any amount of shares held within the observation. It is observed that among the independent variables, Managerial Ownership has the highest standard deviation and therefore it shows that the Managerial Ownership has the least contribution to the endogenous variable. While on the other hand, Foreign Ownership has lowest standard deviation and it therefore shows its highest contribution to the stimulant of the study. The skewness values were all close to 0 and 1 except for Foreign Ownership implying higher than normal, else the data is considered to be tolerably mild and normally distributed. Therefore the result from the two normality test substantiates the validity of the regression result.

4.3 Correlation Matrix

The table below explains the association between the regress and the regressors and also the association between the regressors themselves. The values were extracted from the Pearson correlation of two-tailed significance.

Table 4.2: Correlation Matrix

Variable	PERF	MGO	INST	ONCON	FRNO
PERF	1				
MGO	-0.328*	1			
INST	-0.210	0.111	1		
ONCON	-0.273	0.695**	0.378**	1	
FRNO	0.118	0.589**	-0.135	0.443**	1

Extracted from SPSS 15 output file

- ** . Correlation is significant at the 0.01 level (2-tailed).
- * . Correlation is significant at the 0.05 level (2-tailed).

Table 4.2 above shows that all the independent variables (MGO, INST, and ONCON) are negatively related with Performance except (FRNO) that is positively associated with Performance. However, Managerial Ownership is significantly related with Performance at 5% level of significance indicating a strong relationship, while for Institutional Ownership, Ownership Concentration, Foreign Ownership and Performance is insignificantly related. Amongst the exogenous variables, the relationship was a not very weak as expected except for only two of the independent variables that were insignificantly related. All the independent variables among themselves were positively related except for Foreign Ownership and Institutional Ownership that are negatively related. The tolerance values and the variance inflation factor are two good measures of assessing multicollinearity between the independent variables in a study. The result shows that variance inflation factor were consistently smaller than ten (10) indicating complete absence of multicollinearity (e.g Neter et al; 1996 and Cassey et

al; 1999). This shows the suitability of the study model been fit with the four independent variables. Also, the tolerance values were consistently smaller than 1.00, therefore extend the fact that there is complete absence of multicollinearity between the independent variables (Tobachmel and Fidell, 1996).

4.4 Summary of regression result

This table shows the regression result of the endogenous variable (PERF) and the exogenous variables of the study (MGO, INST, ONCON, and FRNO). The presentation is followed by the analysis of the relationship and contribution of all the independent variables to the dependent variable of the study and also the cumulative analysis.

Table 4.3: Summary of Regression Result

Variable	Coefficient	t-values	P-values	Tolerance	VIF
Constant	.203	1.603	0.116		
MGO	-.588	-2.578	0.013	0.416	2.402
INST	-.073	-.363	0.719	0.739	1.354
ONCON	-.108	-.450	0.655	0.411	2.431
FRNO	1.023	2.695	0.010	0.591	1.691
R					0.510
R ²					0.260
Adj R ²					0.192
F-Stat.					3.783
F-Sig					0.010
D/W					1.793

Extracted from SPSS 15 output file

$$\text{PERF} = 0.203 - 0.588(\text{MGOit}) - 0.073(\text{INSTit}) - 0.108(\text{ONCONit}) + 1.023(\text{FRNOit}) + 0.22145$$

The cumulative correlation between the endogenous variable and all the exogenous variables is 0.510 showing that the association between Performance and Possession Structure used in the study is 51% which is positively, strongly and statistically significant. This implies that for any changes in Possession Structure of Nigerian conglomerates firms ; their Performance will be directly affected.

The cumulative R² (0.260) which is the multiple coefficient of determination gives the proportion of the total variation in the endogenous variable explained by the exogenous variables jointly. Hence, it signifies 26% of the total variation in Performance of Nigerian conglomerates firms is caused by their Managerial Ownership, Institutional Ownership, Ownership Concentration, and Foreign Ownership. This indicates that the model of the study is fit and the exogenous variables are properly selected, combined and used. The Durbin Watson tests of first order auto-correlation which have a value of 1.792 indicates that errors are uncorrelated to each other indicating absence of serial correlation within the period of the study.

i. Managerial Ownership and Performance

From the table above, Managerial Ownership has a t-value of -2.578 and a beta value of -0.588 which is significant at 1%. This signifies that Managerial Ownership has negatively, strongly and significantly impacted on the Performance of Nigerian conglomerates firms. It therefore implies that for every 1% increase in the number of shares held by directors, the Performance of listed Conglomerates will decrease by N0.59. This may be as a result of the entrenchment hypothesis which state that managers may embark on self-serving interest rather than the shareholders interest which will have an adverse effect on the firm's performance.

This provides an evidence of rejecting null hypothesis one of the study which states that

Managerial Ownership has no significant impact on Performance.

ii. Institutional Ownership and Performance

From the table above, Institutional Ownership has a t-value of -0.363 and a beta value of -0.073 which is significant at 74%. This signifies that Institutional Ownership has no significant influence on the Performance of Nigerian conglomerates firms. It therefore implies that for every 1% increase in the Proportion of shares held by Institutions in Nigerian conglomerates firms, the Performance will have no any significant changes. This may be as a result of the argument put forward by Wahal (1996) that institutional investors have a time preference for short term result than long term result which inversely have effect on the overall performance of the firm.

This provides an evidence of failing to reject null hypothesis two of the study which states that Institutional Ownership has no significant effect on Performance.

iii. Ownership Concentration and Performance

From the table above, Ownership Concentration has a t-value of 0.450 and a beta value of 0.108 which is significant at 66%. This signifies that Ownership Concentration has no significant contribution to Performance of Nigerian conglomerates firms. It therefore implies that for every 1% increase in the number of shares held in Block in Nigerian conglomerates firms, the Performance have no any significant changes.

This provides an evidence of failing to reject null hypothesis three of the study which states that Ownership Concentration has no significant contribution on Performance.

iv. Foreign Ownership and Performance

From the table above, Foreign Ownership has a t-value of 2.695 and a beta value of 1.023 which is significant at 1%. This signifies that Foreign Ownership is positively, strongly and significantly influencing the Performance of Nigerian conglomerates firms. It therefore implies that for every 1% increase in the number of shares held by Foreigners in Nigerian conglomerates firms, the Performance will increase by one Naira, two kobo (N1.02). This may be as a result of the expertise and their experience to guide the management in steering the affairs of the firm well in order to achieve desired end.

This provides an evidence of rejecting null hypothesis four of the study which states that Foreign Ownership has no significant impact on Performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study investigates the impact of ownership structure on performance of Nigerian conglomerates firms. A multiple regression model was used with the aim of explaining and predicting empirically the performance of the firms as a result of changes in ownership structure. The model used for the study examined the association between four explanatory variables (managerial ownership, Institutional ownership, Block-Holders ownership and foreign ownership) and one dependent variable (performance) through the use of ordinary least square technique.

The study is premise on the fact that firms have witnessed a lot changes within this period and recorded poor performance. Thus, the need for us to begin look up for indicators to base the firm's performance reliability arise. Therefore, the study seeks to investigate to what extent does ownership structure influences the level of performance of Nigerian conglomerates firms.

The explanatory variable of this study constitute ownership structure which are managerial ownership, Institutional ownership, Block-holder ownership and foreign ownership. The four ownership structure forms the bases of our hypotheses one to four of the study, while the performance was proxy with return on asset.

The findings of this study are based on panel data collected for the period of 2008-2013 from a population of 8 Nigerian conglomerates firms stock exchange as at 31st December 2013. The result revealed that foreign ownership increases the performance of the firm while

managerial ownership was found to have negative influence on the performance of the Nigerian conglomerates firms. For institutional ownership and ownership concentration, they were found to have no significant impact on the performance of the firms.

5.2 Conclusions

As a result of the foregoing discussion and analysis in the previous chapter, the study concludes as stated below:

The positive influence of foreign ownership on performance which may lead to increase in performance of Nigerian conglomerates firms is supported by the strategic analysis hypothesis. Therefore, the study concluded that foreign ownership has impact on performance of Nigerian conglomerates firms. The negative effect of managerial ownership on performance may not be surprising as the managers may only be interested in short term gain rather than long term gain.

The insignificant impact of institutional ownership and block-holders on performance is an indication that firms with a higher numbers of institutional ownership and block-holders may not necessarily influence the performance as this could be attributed to the fact that institutional ownership and block-holder ownership is associated with introduction of agency problem between majority shareholders and minority shareholders. Therefore, the study concluded that institutional ownership and block holdings has not impacted on performance of listed conglomerates firms within the study period and as such the percentage of ownership can still be improved upon.

On the whole, the study concludes that ownership structure has significantly reduced and as well as increased the performance of the firms, except for institutional ownership and Block-holder ownership that were found to be significant.

5.3 Recommendations

The recommendations of this study are made based on variety of people/organizations that are involved directly or indirectly with ownership structure and performance processes in Nigeria.

The responsibility for monitoring the compliance of Corporate Governance practiced by listed companies in the Nigerian stock exchange is vested with the Nigerian Securities and Exchange Commission (SEC). Therefore, SEC should ensure as much as possible that:

- i. The managers who are the helm of affairs do not control up to 50% or more in shares allotted in the company, as it gives them too much power and control over other shareholders which may be responsible for the poor performance in a bid to get short-term private gains.
- ii. The institutional ownership has been identified to be an important monitoring mechanism in the listed Conglomerates firms. More room should be given to the institutional investors to own shares so that the higher their interest, the more they will be willing to monitor the activities of the firm. Also, since the firms are aware of the vast knowledge owned by institutional investors about how the accounting system works, the managers will be more careful in manipulating the accounting numbers.
- iii. The block-holders inability to constrain earnings management may be as a result of the poor corporate governance practice. Therefore, emphasis should be laid on the number of block-holders an organization should have. Proper checks and balance should be done regularly by the Securities and Exchange Commission to ensure strict adherence especially on the percentage of shares the block holders should hold.
- iv. The foreign ownership is one of the identified ownership structure that has been proven empirically in our study, to serve as enhancing mechanism to improve the performance of the

Firms. Therefore, more of the foreigners should be allowed to have more investment and possibly be given a role to be part of the board because their presence only may serve as an encouragement for managers to perform in order to impress the foreign investors.

5.4 Limitations of the Study

Like any other research, the result of the study is subjected to some limitation due to the following factors.

The study is only limited to a particular sector, that is, the listed Conglomerates firms in the Nigerian Stock Exchange. Therefore, the findings and recommendation is only applicable to Conglomerates firms as the ownership structure may vary in other sectors. ;

5.5 Suggestions for Further Research

This work investigates the impact of ownership structure on performance of Nigerian conglomerates firms and is believed to have paved way for further research in the following areas.

i. The study only made use of four ownership structure (Managerial ownership, Institutional ownership, Block-Holders ownership and foreign ownership). Therefore, the study suggest to future researchers who might be interested in this area to include family ownership and state ownership in their ownership structure.

ii. The study made use of return on asset to proxy performance. The study therefore suggests that further studies in this area should make use of other representatives of performance such as return on equity, net profit margin. Etc

iii. As this research is only limited to Conglomerates firms, it is recommended that further studies in this area should add more companies from manufacturing sector or concentrate on the

entire manufacturing sector to make the findings and recommendations more amenable to generalization.

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