

OWNERSHIP STRUCTURE, EXECUTIVE STRUCTURE AND FIRM PERFORMANCE: EVIDENCE FROM TURKEY

İhsan YİĞİT*

Abstract

This study investigates the relationship between corporate governance and company performance. I consider two measures of corporate governance during the period 2005–2011. Financial ratio, Return on Sales (ROS) was applied to measure organizational performance. A significant positive relationship between ownership structure and organizational performance and between executive structure and organizational performance was found. The data from businesses listed in Borsa Istanbul was used to understand the relation between corporate governance and organizational performance.

Keywords: Ownership structure, Executive structure, agency theory, stewardship theory.

Jel Classification:M 20.

SAHİPLİK YAPISI, YÖNETİM YAPISI VE FİRMA PERFORMANSI: TÜRKİYE'DEN BULGULAR

Özet

Bu çalışma şirket yönetişimi ve örgütsel performans arasındaki ilişkiyi anlamayı amaçlamaktadır. 2005-2005 yılları arasını kapsayan bu araştırmada şirket yönetişimi için iki ölçü düşünülmüştür. Örgütsel performans ölçütü olarak ROA ve ROS değerleri kullanılmıştır. Sahiplik yapısı ile örgütsel performans arasında istatistiki olarak anlamlı pozitif yönlü korelasyon tespit edilmiştir. Diğer taraftan yönetim yapısı ile örgütsel performans arasında istatistiki olarak anlamlı farklılık tespit edilmiştir. Araştırmada Borsa İstanbul verileri kullanılmıştır.

Anahtar Kelimeler: Sahiplik Yapısı, Yönetim Yapısı, Vekalet Teorisi,

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* Öğr. Gör. Dr., Marmara Üniversitesi İşletme Fakültesi, ihsanyigit@marmara.edu.tr

1. Introduction

While there are a few studies about organizational performance with agency theory propositions in Turkish literature, there are lots of studies in this area in foreign literature. In the theoretical study of Jensen and Meckling the importance of ownership structure was mentioned. Also, they told that agent manager's shirking, monitoring and control problems organizational can have a negative effect on performers¹. Ezzamel and Watson studied the possible effect of control and ownership structure on organizational performance. In this study carried out in England, agency theory based measures such as the percentage of agent managers in board of management, distribution of decision process and control of decisions were used. It was identified that these variables have a direct effect on organizational performance². Arthur et al. found that the ownership structure is not a major determinant of the differences in profitability across firms in the trucking industry in USA. They attribute this result to the extreme competition among market participants in this industry which drives profitability levels to their minimum³. Bhagat and Bolton's study in USA found a shift in the relationship between board independence and firm performance after 2002. Prior to 2002, they documented a *negative* relationship between board independence and operating performance. After 2002, they found a *positive* relationship between independence and operating performance. They claim that this result is driven by firms that increase their number of independent directors⁴. Dickins and Homes reexamined the possibility of the existence of a positive relationship between insider ownership and financial firm performance. They found that the formerly identified positive relationship may be diminished when the stock market is in a down period. Their findings were generally consistent, using various measures of insider ownership and financial performance, and were strongest when insider ownership was very high⁵.

Hu and Izumida claim that Concentrated ownership is associated with the benefits of better monitoring and the costs of the expropriation by large shareholders. However, in Continental Europe and East Asian economies, with a high average ownership concentration, empirical studies find similar results as blockholders have a positive effect on corporate performance. Some empirical research has tended to find that the relationship between firm value and managerial ownership would be inverse

¹ M.C. Jensen and W.H. Meckling, "Theory of the firm: managerial behaviour, agency costs and ownership structure", **Journal of Financial Economics** 3, 1976, pp.305-360.

² M. Ezzamel, R. Watson, "Organizational form, ownership structure and corporate performance: a contextual empirical analysis of UK companies", **British Journal of Management** 4, 1993, pp. 161-176.

³ A.J. Francia, M.C. Porter, and C. K. Sobngwi, "Ownership Structure And Financial Performance In The Trucking Industry", **Academy of Accounting and Financial Studies Journal**, 15, Special Issue Number 1, 2011, pp. 9-22

⁴ S. Bhagat and B. Bolton, "Director ownership, governance, and performance", **Journal Of Financial And Quantitative Analysis** 48(1), 2013, pp.105-135.

⁵ D. Dickins, and R. Houmes, "Revisiting the relationship between insider ownership and performance", **Journal of Business & Economic Studies** 15(2), 2009, pp. 32-43.

U-shaped, suggesting the convergence-of-interest and entrenchment effect of insider ownership. But the effect has tended to become insignificant when attempts are made to control for the endogeneity of ownership structure⁶. Huang and Boateng's study in China claims that better firm performance is related to either very low or very high levels of legal person shareholdings. Management share ownership has a positive influence on performance. The effect of ownership concentration on performance is also positive in general⁷. According to the study of Pervan at all, the empirical findings for Croatian firms show that more concentrated ownership results in lower firm performance. Furthermore, the results indicate that foreign controlled Croatian companies on average generate performance that is superior to that of domestically controlled companies⁸. Fung and Tsai emphasized the importance of institutional investors in improving firm performance through their monitoring roles and the channel of corporate investment⁹.

There are few studies in Turkey. The results of the analyses in the study of Gurbuz et al., demonstrate the positive influence of corporate governance and institutional ownership on financial performance. Also, they found that the effect of institutional investors is more strongly pronounced on firms listed on the corporate governance index¹⁰. The results of Bektas and Kaymak's study indicate that board size and duality do not significantly influence the returns on assets of Turkish banks. On the other hand, the tenure of board members is negatively related to performance¹¹. The findings in the study of Arslan et al. show that, while board ownership has no effect on the accounting performance, it has a fairly positive influence on the stock market performance of firms¹². The study of Gurbuz et al., included the data between the years 2005 and 2008 that consisted of 41 businesses. Bektas and Kaymak's study is based on banking sector. The study of Arslan et al. includes just the crisis period. However, this study differs from others as it is not based on any sector but includes at least 5-year data of all businesses listed in Borsa Istanbul. Thus, it will be easier to generalize this relationship in Turkey.

⁶ H. Yabai and S. Izumida, "The relationship between ownership and performance: a review of theory and evidence", **International Business Research** 1(4), 2008, pp.72-81.

⁷ W. Huang and A. Boateng, "The role of the state, ownership structure, and the performance of real estate firms in China", **Applied Financial Economics** 23(10), 2013, pp.846-859.

⁸ M.Pervan, I. Pervan, and M.Todoric, "Firm ownership and performance: evidence for Croatian listed firms", **World Academy of Science**, **Engineering and Technology** 61, 2012, pp. 964-970.

⁹ S. Fung, S.C. Tsai, "Institutional ownership and corporate investment performance", **Canadian Journal of Administrative Sciences** 29, 2012, pp.348-365.

¹⁰ A.O. Gurbuz, A. Aybars, and O. Kutlu, "Corporate governance and financial performance with a perspective on institutional ownership: empirical evidence from Turkey", **Jamar** 8(2), 2010, pp.21-37.

¹¹ E.Bektas, and T.Kaymak, "Governance mechanisms and ownership in an emerging market: the case of Turkish banks", **Emerging Markets Finance & Trade** 45(6), 2009, pp.20-32.

¹² Ö. Arslan, M.B. Karan, and C.Ekşi, "Board structure and corporate performance" **Managing Global Transitions** 8(1), 2010, pp. 3-22.

This article was organised as follows. The first section provides an overview of related literature. Next section describes the relationship between organizational performance and agency theory. This relationship will be explained with reference to Turkey and the hypotheses will be suggested. In the following section the methodology and empirical models are presented. The last section shows the results and conclusions of the study.

2. Literature Review

The transition process is seriously affected by the type of institutional system, which is characterised by restructuring of firms and ownership transformation¹³ and the occurrence of corruption. According to the literature, it is possible that the economic results of transformation are widely different across countries while the countries have carried on similar reforms at a similar speed, and that these differences can be partially referred to corruption.¹⁴ There are different results about the relationship between ownership structure and firm performance in both developed markets and developing markets.

Berle and Means argue that if the percentage of ownership increases, the professional managers will have less control and there must be a negative relationship between ownership structure and performance due to this reason¹⁵. Demsetz and Lehn suggest that levels of ownership are determined by internal factors and they are independent from each other¹⁶. Also, this theory is supported in a lot of researches.¹⁷ Additionally, though there are studies that show a significant and negative relationship between ownership structure and firm performance, some other studies assert this relationship as significant and positive¹⁸.

¹³ A. Shleifer, "State versus private ownership", **Journal of Economic Perspectives** 12, 1998, pp.133–50.

¹⁴ A. Shleifer, and R.W. Vishny, "Corruption", **The Quarterly Journal of Economics** 108(3), 1993, pp.599-617.

¹⁵ A. Berle, and M.C. Gardener, **The Modern Corporation and Private Property**, Harcourt, Brace, & World: New York, 1932.

¹⁶ H.Demsetz, and L. Kenneth, "The structure of corporate ownership: causes and consequences", **Journal Of Political Economy** 93(6), 1985, pp.1155-1177.

¹⁷ A. Agrawal, and R.K. Charles, "Firm performance and mechanisms to control agency problems between managers and shareholders", **Journal of Financial and Quantitative Analysis** 31(3), 1996, pp.377-397; C.P. Himmelberg, R.G. Hubbard, and D. Palia, "Understanding the determination of managerial ownership and the link between ownership and performance", **Journal of Financial Economics** 53, 1999, pp.353– 384; H. Demsetz, and B.Villalonga, "Ownership structure and corporate performance", **Journal of Corporate Finance** 7, 2001, pp.209–233; E. Welch, "The relationship between ownership structure and performance in listed Australian companies", **Australian Journal of Management** 28(3), 2003, pp. 287- 306.

¹⁸ G. Gorton, and F. Schmid, "Universal banking and the performance of German firms", **Journal Of Financial Economics** 58(1), 2000, pp.29-80; S.Thomsen, and T. Pedersen, "Ownership structure and economic performance in the largest European companies",

It is claimed that higher concentrations of ownership reduce inadequacy in national Corporate Governance structures. For example, according to La Porta et al., ownership concentration and institutional differences occur due to differing degrees of legal protection of minority shareholders across countries¹⁹. Pagano and Lombardo claim that differences in ownership concentration are mainly explained by political determinants²⁰. Furthermore, there are obviously significant differences in ownership structures within the European Union²¹.

The fact that the separation of ownership and control creates disagreement between management and shareholders is well-documented in the literature. Providing general private benefits without really bearing costs is something that encourages managers to work for their own advantage and have non-value-adding behaviour which has an effect on firm performance. For that reason, Jensen and Meckling support managerial ownership to end agency problems and stimulate firms to carry out a better performance²². Kim et al., underline that managerial ownership is important in emerging economies owing to the serious information asymmetry between insiders and outsiders when strong legal protection and other governance mechanisms do not exist²³.

It has been suggested that ownership concentration reduces the agency problems in an effective way. According to Shleifer and Vishny²⁴, La Porta et al²⁵., and Edwards and Nibler²⁶ large shareholders obtain concentrated control rights and the incentives to monitor management through ownership concentration as a result of forcing managers to maximize shareholder wealth and improve the quality of per-

Strategic Management Journal 21(6), 2000, pp.689-705; L. Çitak, "The impact of ownership structure on company performance; a panel data analysis on Istanbul stock exchange listed (ISE-100) companies", **International Research Journal of Finance and Economics** 9, 2007, pp.231-245.

¹⁹ R. La Porta, L.F. Silanes, A. Shleifer, and R.W. Vishny, "Law and finance", **Journal of Political Economy** 106(6), 1998, pp.1112-1155; R. La Porta, L.F. Silanes, A. Shleifer, and R.W. Vishny, "Legal determinants of external finance, journal of finance", **American Finance Association** 52(3), 1997, pp.1131-1150.

²⁰ D. Lombardo, and M. Pagano, "Legal determinants of the return on equity", **Stanford Law and Economics Olin Working Paper** 193, 1999, pp.1-51.

²¹ F. Barca, and M. Becht, **The Control of Corporate Europe**, Londra:Oxford, 2001; M.L. Faccio, "The ultimate ownership of western European corporations", **Journal of Financial Economics** 65(3), 2002, pp.365-395.

²² M.C. Jensen, W.H. Meckling, "Theory of the firm: managerial behaviour, agency costs and ownership structure", **Journal of Financial Economics** 3, 1976, pp.305-360.

²³ E. Kim, D. Nam, and J.L. Stimpert, "The applicability of porter's generic strategies in the digital age: assumptions, conjectures, and suggestions", **Journal of Management** 30(5), 2004, pp.569-589.

²⁴ A. Shleifer, and R.W. Vishny, "A survey of corporate governance", **The Journal of Finance** 52, 1997, pp. 737-83.

²⁵ La Porta, Silanes, Shleifer, and Vishny, 1997, *ibid*, pp.1131-1150.

²⁶ J. Edwards, and M. Nibler, "Corporate governance in Germany: the role of banks and ownership concentration", **Economic Policy** 15, 2000, pp. 237-267.

formance. There are plenty of studies supporting this argument. For example, Kang and Shivdasani found that concentrated ownership makes non-routine management turnover more likely, which probably affects a company's stock price performance positively²⁷. Yafeh and Yosha reported that expenses on management's activities and managerial moral hazard are reduced by concentrated ownership²⁸.

3. The Relation Between Organizational Performance and Ownership Structure, Executive Structure and the Hypotheses of the Study

3.1. Stakeholder Control and Organizational Performance

There are three main approaches about the relationship between organizational performance and executive structure or ownership structure. These are named as agency theory, strategic approach and stewardship theory and Table 1 demonstrates the relationships among these approaches²⁹.

3.1.1. Agency Theory Approach

Agency theory viewing agent-principal relationship organizations was mentioned first by Eisenhardt³⁰. This theory deals with the relations of two people whose aims and interests are different from each other³¹ and focuses on that the agent will not always make an effort for enhancing the organization's interests because of different aims³². This is because human beings are inherently selfish and willing to enhance their own interests³³.

According to opportunism based economic approach, the agent will make an effort for enhancing his personal interests. Thus, the economic actors can keep their own interests superior by wrong information, hiding the existing situation or deflect-

²⁷ J.K. Kang, and S. Anil, "Firm performance, corporate governance, and top executive turnover in Japan" **Journal of Financial Economics** 38, 1995, pp.29-58.

²⁸ Y. Yafeh, O.Yosha, 2003, "Large shareholders and banks:who monitors and how?", **The Economic Journal** 113, pp.128-46.

²⁹ I.Ducassy and F.Prevot, "The Effects Of Family Dynamics On Diversification Strategy: Empirical Evidence From French Companies", **Journal of Family Business Strategy** 1, 2010, pp.225.

³⁰ E. Kim, D.Nam and J.L. Stimpert, "The applicability of porter's generic strategies in the digital age: assumptions, conjectures, and suggestions", **Journal of Management** 30(5), 2004, pp.569-589; K.M. Eisenhardt, "Agency theory: an assessment and review", **Academy Of Management Review** 14(1), 1989, pp.57-74.

³¹ T. Koçel, **İşletmeYöneticiliği**, İstanbul:Arıkan Basım,10. Basım, 2005.

³² P. Wright, A. Mukherji, and M.J. Kroll, "A re-examination of agency theory assumptions: extensions and extrapolations", **Journal of Socio-Economics** 30, 2001, pp.413-429.

³³ A. Cohen, and Y.Baruch, "An agency theory perspective of the Israel labor market segmentation: past, present, and future", **Human Resource Management Review** 20, 2010, pp.186-193.

ing it. In order to minimize this opportunism based risks that can be because of agents, the principles want to detail this relation by obtaining a contract which is for following and controlling the agent's actions³⁴.

This approach focusing on economy is based on agency theory. According to the results of the studies³⁵ based on agency theory, the existence of stakeholder control in management effects performance level negatively³⁶.

Table 1. Agency theory, strategic approach and stewardship theory

	Agency theory	Strategic approach	Stewardship theory
Foundations	Economy	Strategy	Sociology and psychology
Model of human behaviour	Individual interests	Interests of the organization	Collective interest
Incentives to motivate managers	Financial incentives Share ownership	Performance maximizing	Commitment
Relationships between shareholder and managers	Divergence of interests	Shareholders do not have enough information to evaluate the strategic decisions	Convergence of interests
Organization of the relationship	Control	Delegation	Confidence
Control mechanisms	Financial incentives Governance founded on an external control	Autonomy of the manager Demand of maximizing share value	Participation of the managers in governance

Source: I. Ducassy and F. Prevot, "The Effects Of Family Dynamics On Diversification Strategy: Empirical Evidence From French Companies", **Journal of Family Business Strategy** 1, No.2010, p.226.

3.1.2. Stewardship Approach

This management based theory claims that the social environment and institutional ethical values will shape the behaviors of agents³⁷. According to this approach,

³⁴ P. Wright, A. Mukherji, and M.J. Kroll, "A re-examination of agency theory assumptions: extensions and extrapolations", **Journal of Socio-Economics** 30, 2001, pp. 413–429.

³⁵ Y. Amihud and B. Lev, "Does Corporate Ownership Structure Affect Its Strategy Towards Diversification?", **Strategic Management Journal**, 20, 1999, pp.1063-1069; T.R. Eisenmann, "The effects of ceo equity ownership and firm diversification on risk taking", **Strategic Management Journal** 23, 2002, pp.513- 534.

³⁶ Ducassy and Prevot, 2010, *ibid*, p.226.

³⁷ D.P. Quinn and T.M. Jones, "An agent morality view of business policy", **Academy Of Management Review** 20(1), 1995, pp.22-42; T. Donaldson, E.P. Lee, "The stakeholder

agents can give more attention to their corporation's interests instead of being selfish because of the factors mentioned in order to enhance their own interests. As a result, agents will make their decisions on enhancing corporation interests unlike the approach which indicates managers have an economic-oriented view of organizational performance³⁸.

3.1.3. Strategic approach

Strategic approach describes why agents have more interest in corporation than stakeholders. They prefer organizational interest if it enhances organizational performance³⁹. Thus, they are likely to get all of the companies owned under control.

Also, Firth et al. expressed that higher ownership concentration leads to lower agency costs when performance is measured using operating, general, and administration expenses to sales ratio in China⁴⁰. Since agency theory propositions are more dominant in Turkey, an emerging country like China, I developed the following hypothesis 1;

H₁: There is a positive significant relationship between percentage of ownership and organizational performance in Turkey.

3.2. Turkey, A Developing Country, and Organizational Performance-Executive Structure Relation

Unlike large US and UK corporations with their dispersed ownership structures, many of the largest corporations in Germany show concentrated ownership structures. It was reported that out of 171 large corporations, 85% have a shareholder with at least 25% and 57% have a shareholder owning more than 50% of the equity⁴¹. It is understood that ownership structure is concentrated in Turkey⁴².

Yurtoglu stated that the Turkish corporations have a centralist and ownership concentrated structure. The institutional executive structure in Turkey is a system based on in-house management. Families have got most of the shares of corporations directly or indirectly and protect the majority of control. Ownership and separation

theory of the corporation:concepts, evidence, and implications", **Academy Of Management Review** 20(1), 1995, pp.85-91.

³⁸ Ducassy and Prevot, 2010, *ibid*, p.226.

³⁹ Ducassy and Prevot, 2010, *ibid*, p.226.

⁴⁰ M. Firth, P.M.Y. Fung, and O.M. Rui, "Ownership, governance mechanisms, and agency costs in China's listed firms", **Journal Of Asset Management** 9, 2008, pp.90-101.

⁴¹ A. Haid, and B.B. Yurtoglu, "Ownership Structure and Executive Compensation in Germany", 2006, SSRN: <http://ssrn.com/abstract=948926> or <http://dx.doi.org/10.2139/ssrn.948926>.

⁴² B.B. Yurtoglu, "Ownership, control and performance of Turkish listed firms", **Empirica** 27, 2000, pp.193-222.

of control are created by using pyramid capital structures or coalitions with other families and foreign firms. Also, it is known that the government has been the founder and executive of large and medium-sized firms in banking and industry fields since 1930⁴³. Hypothesis 2;

H₂: There is a significant difference between executive structure and organizational performance in Turkey.

4. A Research About Borsa Istanbul Companies

The goal of this research is to see if there is a correlation between organizational performance measured as Return on Sales (ROS) and the ownership percentage of the businesses included in the research population and if there is a significant difference between executive structure and organizational performance (ROS). The research universe is the 365 companies listed on Borsa Istanbul whose shares got traded in the period of 2005-2011. Instead of selecting a sample this study included all of the companies for the analysis. Although shares of these 365 companies were traded as of 2011, only data of the 227 companies listed on BIST were analyzed. 138 of them were excluded because they did not have five-year data.

The independent variable of the research is ownership structure and the dependent variable is diversification. Return on Sales (ROS) value is a significant factor in measuring operational activities' efficiency when used alone or with other financial measures to measure organizational performance since it deducts taxes and other expenses in its calculation as shown below (Palepu 1985; Markides and Williamson 1994).

$$\text{ROS} = \text{Net Income (Before Interest and Tax)} / \text{Sales}$$

Ownership structure is measured as the percentage of shares outstanding owned by CEO⁴⁴. Thus, a percentage stake in a diversified firm is likely to be more costly than a stake in a focused firm. The use of percentage stake is warranted by the signalling theory proposition that the credibility of a signal is related to its cost.

Considering the circumstances in Turkey, executive structure was classified in four subgroups named owner controlled, owner concentrated, manager concentrated and management controlled. If board of directors are under the control of shareholders, it is called owner controlled. If board of directors consists of two or more families but mainly shareholders, it is owner concentrated. If mostly professional managers are board members, it is named as manager concentrated. There are also family members as managers in this classification. The last classification where all the managers are professional is called management controlled.

⁴³ Yurtoglu, 2000, *ibid*, pp.193–222.

⁴⁴ D.J. Denis, D.K. Denis and A.Sarin, "Agency theory and the influence of equity ownership structure on corporate diversification strategies", *Strategic Management Journal* 20, 1999, pp.1071-1076.

4.1. Analysis

First, normal distribution analysis (one sample KS; and histograms) was applied to decide on the statistical test,. Non-parametric analysis was chosen because the results were not normal. Secondly, correlation analysis was applied to the dependent and the independent variables to see the probable relation of percentage of ownership with organizational performance. Then, Mann-Whitney U test was applied in order to see if there is a significant difference between organizational performance (ROS) and executive structure.

4.1.1. Organizational Performance and Percentage of Ownership Correlation Analysis

In order to understand if there is a relationship between the percentage of ownership and organizational performance, the data were subjected to correlation analysis separately. Table 2 demonstrates that there is correlation between percentage of ownership and ROS. Thus, the hypothesis is accepted. Accordingly, there is a positive weak relation between percentage of ownership and ROS (p=0,038).

Table 2. Organizational Performance, Percentage of Ownership Correlation (Spearman) Analysis

Organizational Performance		ROS	Percentage of Ownership
Percentage of Ownership	Correlation Coefficient	1,000	.138(*)
	Sig. (2-tailed)	.	.038
	N	227	227

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

Hypothesis H₁, is accepted

4.1.2. Organizational Performance, Executive Structure

As seen in Table 3, the results of Kruskal Wallis analysis applied to test Hypothesis 2 show that there is a statistically significant difference between ownership structure and ROS with a %5 error margin (Chi-Square=13.165, p=0.004).

According to the results of the research, Hypothesis 2 was partially confirmed. Dual comparisons of ownership structure were analyzed via Mann-Whitney test to understand which subcategories have differences. The results of Mann-Whitney U test show that there is no significant difference among owner controlled-owner concentrated, owner controlled-manager concentrated, manager concentrated-management controlled, owner concentrated-management controlled and manager concentrated-management controlled. These sub-hypothesizes were rejected.

**Table 3. Executive Structure and Organizational Performance
(Kruskall Wallis)**

Executive Structure	Frequency	Percentage	Mean Rank	Kruskall Wallis	
Owner controlled	89	39,20	94.94	Test Statistics ^{a,b}	
Owner concentrated	30	13.21	118.67	Chi-Square	13.165
Manager concentrated	26	11.45	122.04	Df	3
Management controlled	82	36.12	130.43	Asymp. Sig.	0,004
Total	227	100		a. Kruskal Wallis Test b. Grouping Variable: Exucutive	

**Table 4. Owner Controlled-Management Controlled and
Organizational Performance (Mann-Whitney U)**

Executive Structure	N	Mean Rank	Sum Of Ranks	Mann-Whitney U 2556.000	
Owner controlled	89	73.72	6561.00	Wilcoxon W	6561.00
Management controlled	82	99.33	8145.00	Z	-3.379
Total	171	-	-	Asymp. Sig. (2-tailed)	0,001
-	-	-	-	a.Grouping Variable: Executive	

*Analyses were performed to correct Benfoni. Accordingly, While we use $p=0,005$ for Kruskall Wallis analysis, used $p=0,05/4=0,0125$ for Mann-Whitney U test (Field, 2005).

H_{2e} , the sub hypothesis of H_2 , was accepted.

As shown in Table 4, according to the results of the analysesto test H_{2e} , the sub-hypothesis of H_2 , organizational performance has a significant difference ($p=0,001$) between owner-controlled and manager- controlled structures. As a result, organizational performance of management controlled businesses is higher than owner controlled businesses.

5. Conclusions

When the findings are evaluated in terms of organizational performance and ownership percentage, it is understood that there is a positive relationship between

ownership percentage and organizational performance. It is thought that the high number of owner managers causes this result which is parallel to agency theory arguments. According to agency theory, managers care about their own interests rather than their firms' interests, which decreases organizational performance.

Hypothesis 2 about the relationship between management structure and organizational performance was partially accepted. Accordingly, the performance of the businesses where professional managers' work is significantly higher than the other businesses. This result seems as if it is contrary to agency theory. It is possible to say that the results are in this way because of the conditions in Turkey. Most of the ownership percentage of a business belongs to a single family or an individual in Turkey. Although it seems that professional managers are in the charge of management, these managers are mostly affected by the owners in the process of making decisions. The owners increase their control over the managers and these managers are sometimes assigned due to legal obligation.

Researchers interested in this field can design studies comparing developed countries and developing countries because ownership percentages differ in developed countries and developing countries. The effects of these differences on management structure and organizational performance can be compared based on agency theory.

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