

# Ownership Structure and Firms' Performance in the Period of Crisis. Evidence From the Listed Food and Beverage Firms in the Athens Stock Exchange

Petros Kalantonis, University of West Attica, Athens, Greece

Konstantina Panagiotakopoulou, Harokopio University, Kallithea, Greece

Roido Mitoula, Harokopio University, Kallithea, Greece

## ABSTRACT

Ownership structure is a crucial determinant factor of the corporate governance measurement and has been associated, in prior studies, with the profitability of firms. The current study investigates the effect of ownership structure on the firm's performance in the period of financial crisis. The authors focus on the food and beverage (F&B) industry since this sector has been affected less than others by the economic recession. Exploring the listed F&B beverage in the Athens Stock Exchange for seven years during the crisis period in Greece, the authors have found evidence for the effect of ownership structure on firm performance as it has been reflected in the accounting and financial market indicators. The findings for the relation between ownership structure and firms' performance, measured with accounting indices, are different from those in which the performance has been measured with market indices.

## KEYWORDS

Corporate Governance, Ownership Structure, Profitability, Return on Assets, Tobin's Q

## INTRODUCTION

It is commonly accepted that in the period of financial crisis firms faced more financial problems than before the beginning of the crisis. Especially firms, in countries which were strongly affected by the financial recession, could not have access to low-cost capital for their investment plans and financial needs. Lending from financial institutions became expensive, and investors were cautious about the return of their investment. Recent studies pointed the corporate governance as a relevant factor to investors confidence for firms' financial performance (Xiaolu et al., 2016). Also, prior research studies have shown that Corporate Governance quality had a significant positive effect on

DOI: 10.4018/IJCF.2019010103

firm's performance (Bhagat & Bolton, 2008). In these terms, firms with high-quality Corporate Governance could be more efficient in attracting investors' funds.

According to Shleifer and Vishny (1997), Corporate Governance seems to be more improved in advanced economies. As he argued, the United States, German, Japan and the United Kingdom developed some of the best governance systems in the world. On the other hand, Enron and Worldcom fraud scandals showed that the legal framework for Corporate Governance must always be revised even in the countries of higher economic status.

At the beginning of the last decade, a revision to the framework for the firms reporting obliged the Greek listed firms - in the Athens Stock Exchange - to include more detailed information for their Corporate Governance in their annual reports. Thus, the investors and shareholders could be better informed, not only for the Board of Directors composition but also, for the profile of its members, the Internal Audit Committee and its activity, the proportion of executive the non-executive members of the Board. Additionally, the reporting of detailed information for the internal audit procedures and committees was included in the reporting requirements due to the revised rules. The contagion of the financial crisis in Greece caused financing problems to business firms. In the first year of the Greek Economy probation period firms faced a significant decrease in their sales and profits. The effect of the financial crisis on firms' performance was not uniformly distributed in all industrial sectors.

Food and Beverage (F&B) industry was affected less than other sectors by the financial crisis (e.g. construction firms). We would expect that the more detailed reporting of Corporate Governance could have a positive effect on firms' performance. Investors would be better informed for the governance of firms, and their confidence in the firms could be increased. On the other hand, if governance reporting affects the interest in investments positively and makes the firms more attractive to investors, then firms would have a specific motive to improve their corporate governance. They could decrease their funding cost and find financial resources more efficiently. Moreover, better "governance" could lead to better and more efficient decisions.

The ownership structure has been recognised as a crucial factor for Corporate Governance (Gang, 2007). Ownership structure and furthermore Corporate Governance have been associated with firms' performance in prior and recent studies (Xu, 1997; Mollah, 2012). Also, there are studies which focus on the early period of crisis. However, the financial crisis did not have a similar impact on all affected countries. There were countries which seemed to control the consequences of the global crisis in the first half of the entire decade.

Nevertheless, in other countries, the global crisis affected more their economy. The Greek economy has been placed under the status of financial probation due to the global crisis for at least eight years. We are looking into the literature and we observe that the effect of ownership structure on the firms' performance - in countries affected by crisis for an extended period in the entire decade - has not been adequately approached.

The purpose of this study is to search for evidence that relates the ownership structure with firm performance. We focused on Greek firms in the period of financial probation of the Greek economy, and we expect the findings of this study will contribute to the existed relevant literature. Since the fact that capital controls had been applied in Greece in 2015, we also examined the sub-periods individually before and after the capital controls setting, in addition to the analysis of the whole study period. We measured firms' performance and ownership structure using indicators which have been used in prior and recent studies in order to compare our findings with those of previous research. This study has been structured as follows: The literature review of relevant studies follows in the next chapter. The research hypothesis and the methodological aspects are presented in the third chapter. We discuss our findings in the fourth chapter, and the conclusion constitutes the last chapter of this study.

## **Literature Review**

Prior and recent studies explored the impact of Corporate Governance on Firms' Performance. Brown and Caylor (2004) composed the Gov-score to measure corporate governance. Their indicator consisted

10 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: [www.igi-global.com/article/ownership-structure-and-firms-performance-in-the-period-of-crisis-evidence-from-the-listed-food-and-beverage-firms-in-the-athens-stock-exchange/227419](http://www.igi-global.com/article/ownership-structure-and-firms-performance-in-the-period-of-crisis-evidence-from-the-listed-food-and-beverage-firms-in-the-athens-stock-exchange/227419)

## Related Content

---

### Tourism Demand Forecasting Based on a Neuro-Fuzzy Model

George Atsalakis, Eleni Chnarogiannaki and Consantinos Zopounidis (2014).

*International Journal of Corporate Finance and Accounting* (pp. 60-69).

[www.irma-international.org/article/tourism-demand-forecasting-based-on-a-neuro-fuzzy-model/107005](http://www.irma-international.org/article/tourism-demand-forecasting-based-on-a-neuro-fuzzy-model/107005)

### The Relationship Between Institutional Investment and Earnings Management: Empirical Evidence from Turkey

Asl Aybars (2014). *International Journal of Corporate Finance and Accounting* (pp. 1-21).

[www.irma-international.org/article/the-relationship-between-institutional-investment-and-earnings-management/107002](http://www.irma-international.org/article/the-relationship-between-institutional-investment-and-earnings-management/107002)

### Are Vietnamese Accounting Academics and Practitioners Ready for International Financial Reporting Standards (IFRS)?

Duc Hong Thi Phan, Mahesh Joshi and Bruno Mascitelli (2016). *Economics and Political Implications of International Financial Reporting Standards* (pp. 27-46).

[www.irma-international.org/chapter/are-vietnamese-accounting-academics-and-practitioners-ready-for-international-financial-reporting-standards-ifs/147316](http://www.irma-international.org/chapter/are-vietnamese-accounting-academics-and-practitioners-ready-for-international-financial-reporting-standards-ifs/147316)

### Innovation, M-Banking, and Customer Satisfaction: An Empirical Evidence From Bangladesh

Syed Moudud-UI-Huq (2021). *International Journal of Corporate Finance and Accounting* (pp. 47-64).

[www.irma-international.org/article/innovation-m-banking-and-customer-satisfaction/270937](http://www.irma-international.org/article/innovation-m-banking-and-customer-satisfaction/270937)

## Banks and People in the Development Process: A District-Level Analysis of the Banking Habits in India

Atanu Sengupta and Sanjoy De (2015). *Banking, Finance, and Accounting: Concepts, Methodologies, Tools, and Applications* (pp. 661-669).

[www.irma-international.org/chapter/banks-and-people-in-the-development-process/115356](http://www.irma-international.org/chapter/banks-and-people-in-the-development-process/115356)