Ownership Structure and Sustainable Firm Performance: A Literature Review

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Abstract

Purpose: *This study aims to explore the contemporary issues in ownership structure towards the sustainable firm's performance for strategic managerial policy.*
Design/methodology/approach: *This study followed the systematic literature review technique.*
Findings: *Results found that most of the prior literature on this subject is related to developed countries, while research on this subject in developing countries is found scant.*
Originality: *This study offers new propositions on contemporary issues in ownership structure. The proposition alludes to a significant positive impact of managerial ownership, institutional ownership, and family ownership toward achieving sustainable firm performance.*
Research limitations/implications: *This review offers insights to managers and practitioners from developing countries towards maintaining a balance between the ownership of various stakeholders towards achieving a better and sustainable firm performance.*

Keywords: Ownership structure; sustainable firm performance; ownership concentration; institutional ownership; managerial ownership; family ownership, strategic managerial policy

Introduction

Ownership and control separation are the main features of modern corporations around the globe. There are several pros and cons of this separation of control and ownership. For example, it can be a reason for improving productivity and can also be a reason for agency costs due to the conflict between shareholders and managers. It is because there are chances that the agents can prefer self-interest over the interest of the principal (shareholders)(Jensen & Meckling, 1976). The shareholders can influence managers through the board of directors to act in the best interest of the shareholders. There are executive and non-executive directors on the board. The efficiency of the board depends on the interests, experience, competence, and activities of the board members. If the board members are influencing, the managers can play their roles in improving firm performance and hence can reduce agency costs. Furthermore, it will enhance the firm performance by monitoring and controlling specifically using their influence on board composition (Mehreen et al., 2020). Similarly, agency problems could be mitigated by corporate governance performance and ownership concentration in emerging economies (Rashid, 2020). However, the interest of dispersed shareholders can be ignored which could raise another agency problem. This paper aims to discuss each strand of ownership through the theoretical foundation and empirical evidence. Agency theory and stewardship theory are the underpinning theories for discussion in this study.

The crucial contribution of ownership structure in influencing the value of the firm is always been in the spotlight (Mehreen et al., 2020). Literature is enriched by the importance of ownership structure toward firm performance (Berle & Means, 1932; Mudambi & Nicosia, 1998; Pound & Zeckhauser, 2009; Qi et al., 2000; Xu & Wang, 1999; Zandi et al., 2019). The other school of thought claims that the ownership structure is only a result of financial intermediations' negotiations in a developed financial market. Additionally, the nexus of ownership structure and firm performance is irrelevant, and management proficiency is controlled by the market mechanism dynamics(Demsetz, 1983; Hart, 1983; Jensen & Ruback, 1983; Martin & McConnell, 1991). Consequently, the ownership structure and performance of the firm are irrelevant to each other(Iannotta et al., 2007; Thomsen et al., 2006).

Agency problems can be controlled through the potential of ownership concentration if it is used as a tool to improve firm performance (Khalfan & Wendt, 2020; Leech & Leahy, 1991; Zraiq & Fadzil, 2018). Ownership concentration and firm performance are positively correlated and firm performance can be better explained by ownership concentration than by any other form of ownership (Ma et al., 2010; Nguyen et al., 2015; Zandi et al., 2019). The efficient monitoring hypothesis best explains this beneficial effect of ownership concentration, which contends that large shareholders can get stronger incentives and greater power from a higher concentration of ownership at a lower cost to monitor management. Substantial empirical evidence supports the claim that large blockholders can monitor the management of the firm more competently without increasing agency costs. The decisions of top executives can be influenced by block holders and they can be better monitors(Gedajlovic & Shapiro, 2002; Khan & Zahid, 2020). A firm's financial performance can be reflected in its stock prices and firms having blockholders show higher stock prices(Claessens & Djankov, 1999). However, no common literature is found on this argument. There are contradictory claims about whether concentrated ownership promotes or impairs company performance, some researchers prove a negative association among concentrated ownership with firm performance (Jameson et al., 2014). that supports the conflict-of-interest hypothesis, in that situation block holders are bound to vote in favor of management through other lucrative relationships with the firm and can be unfavorable to dispersed shareholders and in that way, drop the value of the firm. (Thomsen et al., 2006), and (Foroughi & Fooladi, 2011) discovered an inverse relationship between block holders and the value of the firm and supported the conflict-of-interest hypothesis. while (Hu & Izumida, 2008) reported a U-shaped relationship and found that ownership concentration is negatively associated with firm performance. On the other hand, (Tleubayev et al., 2021) reported an inverse U-shaped curve for ownership concentration and performance. (Wang & Shailer, 2015) suggested a negative relationship between ownership concentration and firm value after considering endogeneity, model specification, and population difference in emerging markets.

Broadly, the literature is enriched by two schools of thought. Fama (Fama 1980) claimed that firm ownership structure is an irrelevant concept if the firm is thought to be a set of contracts. An efficient market and a strong regulatory authority can control principal-agent conflicts that may occur as a consequence of separating ownership from control and the managers can be monitored well. According to financial specialists, ownership structure does matter as it has an impact on the operations of businesses (Jensen & Ruback, 1983; Martin & McConnell, 1991). Grossman and Hart (1986) claimed that the investors of firms having dispersed ownership have a lack of motivation to take initiatives to systematically monitor the activities of management. Mitra, (2019); Tleubayev et al. (2021) found that ownership concentration structure does not matter. In other words, a company's concentrated or dispersed shareholding does not affect firm performance. Demsetz (1983) found a negative relation between the dispersed ownership values of the firm and supported the endogeneity of ownership structure. In the capital market, a form of ownership is viewed as an outcome of the choices made by minority and majority shareholders. Some scholars assert that ownership structure and profitability have no significant relationship. Instead, ownership structure emerges naturally from share transactions through value maximization (Al Ani & Al Kathiri, 2019). Moreover, a form of ownership structure will no longer exist if is not lucrative (Demsetz, 1983). Others argue that corporate governance is great when ownership is managed and consequently, it can positively affect firm performance (Abdallah & Ismail, 2017). Therefore, the performance of firms having concentrated ownership is not significantly different from firms having dispersed ownership (Holderness & Sheehan, 1988; Mitra, 2019).

Many scholars pursued the ownership structure and its effect on firm financial health for decades (Laporšek et al., 2021). However, an integrated view of the subject is missing. Secondly, ordinary financial performance is now being replaced with sustainable firm performance. It is due to the consistent propagation of Sustainable Development Goals SDGs managers nowadays consider the role of sustainability in every business decision. In that vein, the traditional firm performance which mostly deals with profitability is now being replaced by sustainable firm performance which accounts for the green environmental factors such as the role of business firms towards climate change, CO2 reduction, waste reduction, and biodiversity among others. Sustainable firm performance also aims to account for the role of firms towards social elements such as ethical financing, diversity, and human rights performance among others (Ikram et al., 2019). Therefore, This study aims to evaluate, from a holistic perspective, how family, institutional, and management ownership contribute to the achievement of sustainable firm performance. In that vein, this study aims to develop a novel proposition to explore the nexus of government ownership, institutional ownership, and family ownership toward achieving sustainable firm performance. The rest of the paper is followed by a literature review and theoretical foundation. Followed by discussion, proposition development, conclusion, and future avenues.

Literature Review

This literature review section of this study first explains the theoretical foundation of this study. It explains the role of agency theory and stewardship theory toward firm performance. In the second place, the literature review section explains the detailed systematic review process. The flowchart of the literature review is presented in Figure 1 below.

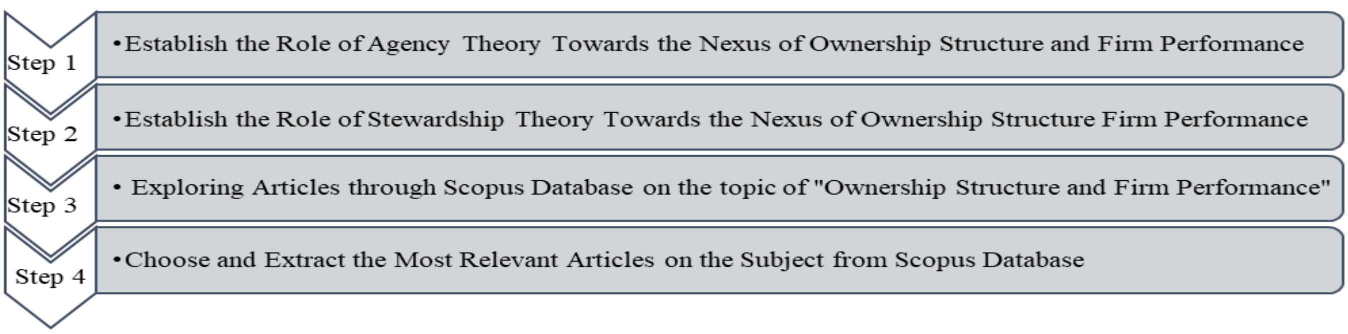

Figure 1. Flow chart of Literature Review

The Agency Theory and Ownership Structure Towards Firm Performance

The nexus of institutional ownership and the performance of the firm is supported by agency theory. When ownership and control are separate, there might be chances of conflict of interest. Agency theory states that managers are agents who work on behalf of the principal (owner) (Jensen & Meckling, 1976) and that the agent is supposed to work only for the wealth maximization of the principal. In consonance with that, the managers are monitored through different mechanisms to keep their interests aligned with the value maximization of the principals. Agency theory mainly deals with the reduction of agency cost which may occur because of principal-agent conflicts. The concept is explained in Figure 2 below.

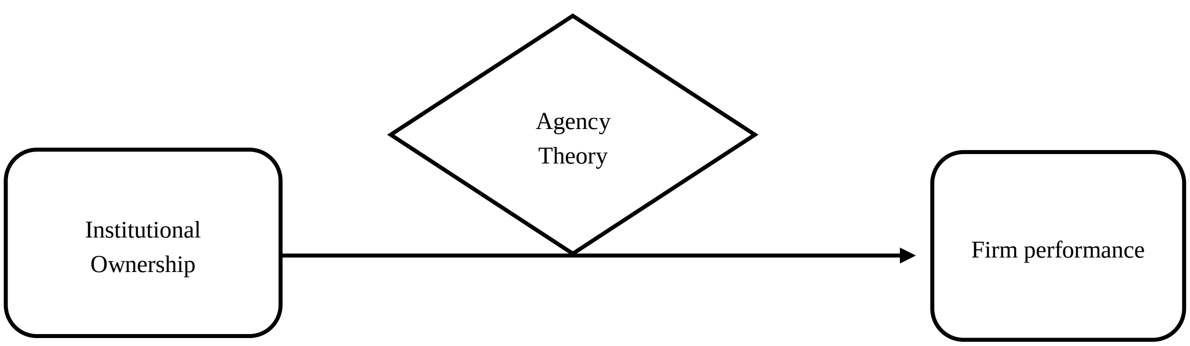

Figure 2. Agency Theory and Ownership Structure

The Stewardship Theory and Ownership Structure Towards Firm Performance

Stewardship theory claims that managers or workers are intrinsically responsible and are motivated to work without any supervision or control. Stewardship theory supports the nexus of family ownership and firm performance (Davis et al., 1997). Stewardship theory is a popular alternative to the principal-agent theory. Stewardship theory, which contends that when managers control a company, their interests coincide with its objective (value maximisation), lends more credence to managerial ownership. In line with the above statement, the managers will act as stewards and their role will be positively reflected in the firm performance. The concept is explained in Figure 3 below.

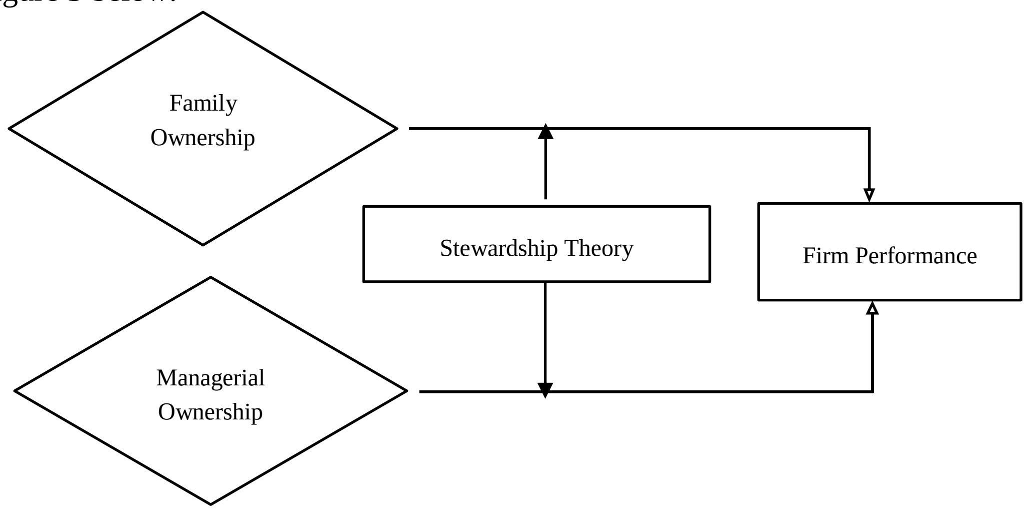

Figure 3. Stewardship Theory and Ownership Structure

Systematic Literature Review: Methodology

This study followed the systematic literature review method for the selection of journal articles.

Findings

The following Table 1 shows the results of the previous empirical studies that were shortlisted from the Scopus database. The literature shows mixed results depending on the nature of firms and their differences in economic structures.

Table 1: Empirical studies on ownership structure and firm performance

Author and year	Research Methodology	Dependent Variable	Key Findings	Journal Name
(Demsetz, 1983)	NA	NA	Ownership is an irrelevant concept, and it does not matter in determining firm performance.	“Journal of Law and Economics”
(Morck et al., 1988)	Regression Analysis	Tobin's Q	As the board of directors' ownership grows, Tobin's Q first rises, then falls, and eventually moves up marginally.	” Journal of Financial Economics”
(McConnell & Servaes, 1990)	Regression	Earnings per share and dividends paid out	Firms with large outside shareholders will have a higher price relative to their reported earnings	”University of Chicago Press”
(Keasey et al., 1994)	Piecewise model	Return on shareholder equity	At higher levels of ownership, management becomes more entrenched. Second, it has been confirmed that there is a non-linear link between company performance and managerial ownership.	”Journal of Corporate Finance”
(Mehran, 1995)	Ordinary least-squares (OLS) analysis.	Firm performance (Tobin's Q and ROA), Compensation structure	The proportion of managers' compensation that is based on equity as well as the percentage of equity they own are both positively correlated with the performance	”Journal of Financial Economics”
(Bethel et al., 1998)	Logistic Regression	ROA	Significant blocks of shares in highly diversified but underperforming companies were more likely to be purchased by activist investors.	”The journal of finance
(Mudambi & Nicosia, 1998)	OLS estimation	Stock returns	Results support the entrenchment and convergence hypotheses using UK data.	Applied Financial Economics”
(Cho, 1998)	Piecewise linear Regression Analysis	Tobin's Q	Empirical data indicates that ownership structure is influenced by business value, but not vice versa	”Journal of Financial Economics”
(Claessens & Djankov, 1999)	Regression Analysis	Profitability and Labor productivity	The positive association between stock prices and ownership concentration	”Journal of Comparative Economics”
(Griffith, 1999)	Regression	Tobin's Q	CEO ownership is found to be a no monotonic function of firm value as measured by Tobin's q. Firm value as measured by Tobin’s q is found to be a no monotonic function of CEO ownership	”Managerial and decision economics”
(Himmelberg et al., 1999)	Panel data techniques	Tobin’s Q	No relation between managerial ownership and firm performance was found.	”Journal of Financial Economics”
(Xu & Wang, 1999)	Pooled Regression	ROA and ROE	A significant positive relationship between business performance and ownership concentration was found.	”China Economic Review”
(Qi et al., 2000)	Regression	ROE	Ownership has a positive impact on firm performance.	”Pacific-Basin Finance Journal

(Chen, 2001)	Regression Analysis	Tobin's Q	firms' performance could be improved by domestic institutional and managerial shareholdings.	Economics of Planning"
(Gedajlovic & Shapiro, 2002)	GLS Random Regression analysis	ROA	The correlation between ownership concentration and financial performance that we observed was positive	"Academy of Management Journal"
(Gürsoy & Aydoğan, 2002)	GMM	ROE, ROA), (P/E), and stock returns (RET)	A higher concentration of ownership adds to better market performance	"Emerging Markets Finance & Trade"
(Lemmon & Lins, 2003)	Regression Models	Stock returns in local currency, Ownership	Crises had a detrimental effect on a company's investment opportunities, which made dominant shareholders more inclined to seize minority stockholders. corporations with management who have segregated their ownership of cash flow and control, despite having high degrees of control rights, have seen 10–20 percentage points lower stock returns during the crisis than other corporations.	"American Finance Association"
(Anderson & Reeb, 2003)	Cross-sectional analysis	Tobin Q, ROA	Non-family businesses outperform family businesses. Further findings indicate that the relationship between family holdings and financial performance is nonlinear, and that performance is greater when family members serve as CEOs than when outside CEOs.	"The Journal of Finance"
(Lins, 2003)	Regression Models	Tobin's Q, Ownership	When a management group's control rights exceed its cash flaw tights, the firm values are lower. The large non-management control limits on block holdings are positively related to firm value	"Journal of Financial and Quantitative Analysis"
(Lee & Ryu, 2003)	Regression Analysis	Tobin's Q	The history of the management ownership matters in determining the firm value	"Discussion Paper"
(Baek et al., 2004)	Multivariate regressions	Tobin's q as firm performance, Ownership structure,	During a crisis, differences in corporate governance measures at the firm level affect firm value.	"Journal of Financial Economics"
(Field & Sheehan, 2004)	Descriptive	Corporate block holders, Market value of equity, IPOs	There is weak correlation between ownership structure and underpricing. Several companies set up outside blocks during the IPO and keep them in place thereafter. There is no distinction between underpriced and non-underpriced enterprises in terms of acquiring new block holders.	"Journal of Corporate Finance"
(Atanasov, 2005)	OLS regression	Firm size, investor capital	The firm-level evidence suggests that weak investor protection leads to concentrated ownership lower firm valuation and lower firm growth	"Journal of Financial Economics"
(Earle et al., 2005)	Regression	Ownership structure, firm performance	When there are "too many cooks" involved in the increasing concentration, the marginal costs of concentration could surpass the advantages.	"Journal of Corporate Governance"
(Thomsen et al., 2006)	Granger causality	Bloc holder ownership, Firm value	In Anglo-American market economies, blockholder ownership has no discernible impact on firm value. inversely, in Continental Europe, high block holder ownership has had a significant detrimental effect on financial efficiency and firm value. This does not suggest that the owners are wealthy.	"Journal of Corporate Finance"

(Firth et al., 2006)	Regression	CEO pay, the performance of the firm, block holders	The CEO remuneration policy tends to be a tool used by the majority shareholders to attain their goals.	"Journal of Corporate Finance"
(Berry et al., 2006)	Regression	Compensation structure, unaffiliated block ownership, inside ownership, and board composition	Alternative governance mechanisms emerge as inside ownership declines, helping to minimize the consequent increase in agency costs.	"Journal of Corporate Finance"
(Maury, 2006)	Regression Analysis	Tobin's Q and ROA	A significant relationship between the active family business and profitability as compared to nonfamily control	"Journal of Corporate Finance"
(Iannotta et al., 2007)	Regress Analysis	Profit	While ownership concentration has little bearing on a bank's profitability, it has been linked to improved loan quality, lower asset risk, and lower insolvency risk.	"Journal of Banking and Finance"
(Farooque et al., 2007)	OLS and 2 SLS	Market-to-book value of equity ratio	When the 2-SLS estimation of a simultaneous equation model is performed, the linear and non-linear relationship between board ownership and performance disappears. A reverse causation connection emerges instead.	"Corporate Governance In Bangladesh"
(Gunasekarage et al., 2007)	Pooled Regression	Tobin's Q	The performance of the companies is negatively impacted by state ownership. Only at high levels of government ownership can such a significant negative association be. Furthermore, we discover that a well-balanced ownership structure improves firm performance, while block ownership appears to have negative consequences.	"Research in International Business and Finance"
(Hu & Izumida, 2008b)	Review paper	Firm Performance and Ownership	Concentrated ownership has linked the costs of the expropriation and the benefits of better monitoring by large shareholders. Nevertheless, in Central Europe and East Asian countries, with an average of high ownership concentration, empirical studies have found comparable results that block holders positively affect corporate performance.	"International Business Research"
(Perrini et al., 2008)	Correlation and OLS Regression	Tobin Q	The five largest shareholders' ownership concentration is favorable to the firm's value. Managerial ownership, on the other hand, is helpful only in non-concentrated firms, implying that the dominating owner might use his or her role in the company to gain personal benefits at the cost of other shareholders by hiring managers who represent its interests.	"Corporate Governance"
(Andres, 2008)	Multivariate regressions	Tobin's Q	Founding family ownership outperforms firms with other types of block holders.	"Journal of Corporate Finance"
(McConnell et al., 2008)	Piecewise linear Regression Analysis	Stock Returns	The relationship between insider ownership and firm value was found to be curvilinear.	"Journal of Corporate Finance"
(Hu & Izumida, 2008a)	Simultaneous Equation Model	Tobin's Q, ROA	Found a significant impact on ownership concentration and corporate performance	"Corporate Governance"
(Chu, 2009)	Univariate comparisons and multivariate regression analysis	Tobin's Q	Family ownership was found to have a positive and significant effect on the performance of SMEs. Generally, the findings imply that for SMEs in Taiwan, family ownership is a successful organizational structure.	"Small Business Economics"

(Schultz et al., 2010)	GMM and OLS	Total returns (TR), Tobin's Q (Q), accounting profit rate (PR) and return on assets (ROA).	There is no link between corporate governance and firm performance.	"Australian Journal of Management"
(Ma et al., 2010)	Regression Analysis	Tobin's Q	Despite who the concentrated owners are, ownership concentration improves firm performance.	"Accounting and Finance"
(Foroughi & Fooladi, 2011)	Panel least squared regression	Stock returns	Iranian listed companies' performance is adversely associated with their ownership concentration. Furthermore, the effect of ownership structure on business performance is industry-specific.	"2011 International Conference on Humanities, Society and Culture"
(Chu, 2011)	regression	Stock returns	Firm performance is positively correlated with family ownership. When family members serve as CEOs, top managers, chairpersons, or directors of the firms, the positive correlation is high; However, the relationship is weak when family members are not actively involved in the management or control of the firm.	"Asia Pacific Journal of management"
(Reyna et al., 2012)	2SLS and GMM	Tobin's Q	The country's institutional framework under which the firms were evaluated. In Mexico, businesses with a high concentration of ownership, particularly families, are looking for a better approach to safeguard their interests.	"International Business Research"
(Luo & Liu, 2014)	Correlation and Regression	Tobin's Q. a wedge of ownership and control and Family ownership.	There is a substantial inverse-U-shaped relationship between firm value and the controlling family's ultimate cash-flow rights.	"International journal of Financial Study"
(Yeh, 2014)	Probit Regression	Returns	Large shareholders can efficiently discipline entrenched management by direct involvement in economies where there is no strong takeover market.	"Corporate Governance: An International Review"
(Miralles-Marcelo et al., 2014)	Regression Analysis	Tobin Q and ROA	Size and age play a moderator in determining the effect of family control on firm performance.	"Journal of Family Business Strategy"
(Nguyen et al., 2015)	Panel data	Tobin's Q	The results support agency theory's prediction that large shareholders in marketplaces with concentrated ownership have an efficient monitoring impact.	"International Review of Financial Analysis"
(Wang & Shailer, 2015)	2SLS, 3SLS, and GMM	Accounting and market performance measure	Across countries, a negative relation between ownership concentration with firm performance was found.	"Journal of Economic Surveys"
(Lozano et al., 2016)	Regression, GMM	Returns	The U-shaped relationship between ownership concentration and firm value was found	"International Business Review"
(Abdallah & Ismail, 2017)	Regression Analysis	Tobin's Q	At low levels of ownership, the quality of corporate governance positively affects firm performance.	"Journal of International Financial

				Markets, Institutions and Money"
(Schmidt & Fahlenbrach, 2017)	OLS	ROA, Returns	A changed ownership structure causes higher agency costs.	"Journal of Financial Economics
(Martínez & Requejo, 2017)	GMM	Tobin's Q	Family control positively affects performance	International Review of Finance"
(Su et al., 2017)	Regression	Tobin's Q	The value of the company is negatively impacted by the existence of a dominant ultimate controlling shareholder and by the discrepancy between its cash flow rights and control. The relationship between the ultimate majority shareholder and firm value is mediated by corporate risk-taking.	"Asia Pacific Basin Review"
(Mohammed, 2018)	Pooled Regression	ROA, ROE, and Tobin's Q	Most firms are following family-based concentrated ownership, which affects firm performance positively.	"Academy of Accounting and Financial Studies Journal"
(Machek & Kubíček, 2018)	Linear Regression	Tobin's Q	A highly concentrated ownership structure can help reduce agency costs.	
(Mitra, 2019)	Panel regression	ROE, ROA, and Tobin's Q	Ownership structure matters. A positive impact of foreign ownership was found on firm performance.	"International Journal on Recent Trends in Business and Tourism"
(Al Ani & Al Kathiri, 2019)	Panel regression	ROA, ROE, and MFV	In the industrial sector, ownership concentration has a significant positive impact on ROA and ROE. While there is no effect on the market's fair worth.	"The European Journal of Applied Economics"
(Khalfan & Wendt, 2020)	Logit Regression	Dividend payout	A mixed relationship between ownership concentration and dividend payouts is found in different countries.	"Journal of Multinational Financial Management"
(Khan et al., 2020)	Panel Regression	ROA and Net Interest Margin	High concentration can help in improving firm performance. The age of the firm has a negative impact on firm performance.	"Journal of Banking and Finance Management"
(Matinez-Garcia et al., 2020)	Univariate analysis and GMM	ROA	Highly concentrated ownership structure found in GCC. Families and the state are the main controllers.	"International Journal of Emerging Markets"

Table 1 presents the findings of the shortlisted studies on the impact of ownership structure on firm performance. The tabulated literature identified several nexuses, including the following: (a) family ownership and business performance; (b) institutional ownership structure and firm performance; and (c) management ownership and firm performance. These various nexuses are discussed below for appropriate proposition development.

Discussion and Proposition Development

Managerial Ownership and firm performance

Firm value is greatly affected by the managers' decisions as their right decisions result in maximizing the firm performance which influences shareholders' value positively and vice versa (Khan et al., 2020). Managerial ownership is found positively associated with the value of the firm (Iwasaki et al., 2022). The relationship between managerial ownership structure and the value of the firm can be reflected in two viewpoints: agency theory and stewardship theory. In light of these theories, empirical literature stated diverse findings (Demsetz & Lehn, 1985; Hermalin & Weisbach, 1991; McConnell & Servaes, 1990). The diverse empirical findings are frequently stated to explicate the complex part played by management. When managers are stewards their interests are similar to owners and thus firm performance is positively affected. From a firm perspective, managers may be involved in pursuing their self-interests, hence, negatively affecting firm value (Berle & Means, 1932), and if a minimal ratio of shares is held by the managers, they will be unable to take advantage by maximizing the shareholders' value (Jensen & Meckling, 1976). In this case, the firm performance is negatively affected by managerial ownership through the utilization of managerial discretionary expenses (Mukaria et al., 2020).

The Nexus of Managerial Ownership and Firm Performance; A Curvilinear Relationship

A substantial body of empirical research indicates that managerial ownership structure and the firm's value have a curvilinear relationship (De Miguel et al., 2004; McConnell & Servaes, 1990; McConnell et al., 2008; Mehran, 1995; Morck et al., 1988; Mudambi & Nicosia, 1998). This association can be enlightened by (i) the Entrenchment hypothesis (agency perspective) and (ii) the Convergence of interest hypothesis (stewardship perspective). According to the stewardship perspective, agency problems start to decline with an increase in the manager's proportion of ownership. As the interest of managers converges and gets aligned with that of shareholders, it solves the agency problem. According to the entrenchment hypothesis, when a manager has a considerable number of shares, he/she will benefit from his or her managerial post and will not be too serious about the value creation of other shareholders. Since as owners, the managers cannot monitor themselves, their interests can be different from increasing firm value. Consequently, according to the agency perspective, managerial ownership and the value of the firm are adversely correlated (Mukaria et al., 2020). Morck et al. (1988) discovered a curvilinear association between ownership structure and firm performance. If the managerial share falls between 5% and 25%, the authors discovered a negative correlation between managerial ownership and business value. The authors claimed that the relationship will be positive if the share is 5% or less. The main reason for this change is the amount of power to fulfill the managers' interest at the shareholders' cost. In the same vein, the goal of shareholders' wealth maximization is inversely aligned with the proportion of insider ownership. A similar trend of firm value increasing and then decreasing was imperially found by (De Miguel et al., 2004; Keasey et al., 1994; McConnell & Servaes, 1990; Mudambi & Nicosia, 1998).

The Nexus of Managerial Ownership and Firm Performance; A Non-Curvilinear Relationship

Craswell et al. (1997) found a weak curvilinear relationship between managerial ownership and firm performance. (Farooque et al. 2007) claimed that the relationship between board ownership and the performance of the firm is not significant and highlighted strengthening the internal control in Bangladesh. Iwasaki and Mizobata (2020) alluded that the concentration of managerial ownership could have a nonlinear effect on business performance: where insiders are the concentrated owners, they have entreated efficient management stemmed from their consistency in management and ownership. Although they may disregard minority shareholders where insiders have assumed dominant roles, and influence from outside stakeholders will be suppressed. Then at the cost of other investors, a large shareholder could abuse management. The results show a sign of managerial ownership of the performance of the firm. Moreover, Agency issues have a negative impact on corporate performance (Shah & Hussain, 2012).

Strategic choices are made when there is a significant managerial ownership stake and when those choices are in the long-term interests of shareholders. According to good management theory (Waddock & Graves, 1997), a company's long-term worth is increased by socially responsible decisions. According to a meta-analysis of 52 studies, (Orlitzky et al., 2003), corporate sustainability is favorably correlated with firm financial performance. Accordingly, managers with high degrees of ownership are probably supportive of company sustainability, which adds to the long-term wealth of shareholders, according to studies on incentive alignment mechanisms. Based on the above discussion, this study has developed the following proposition:

P1: Managerial ownership has a significant positive impact on sustainable firm performance.

Institutional ownership and firm performance

Institutional shareholders are entities such as commercial banks, pension funds, mutual funds, insurance companies, investment firms, and other financial and non-financial, government and foreign institutions (Mukaria et al., 2020). Financial institutions could best monitor managerial behavior. Xu and Wang (1999) Quoted: "It is timely and vital to research corporate governance issues in light of the financial crises in East Asia. The institutional structures and procedures that enable outside investors to exert control over a company's insiders in order to protect their capital are collectively referred to as corporate governance." Financial institutions have played a remarkable part in controlling institutional ownership (Mintz & Schwartz, 1985). They control and adjust management behavior with the size and specialized knowledge they possess. Large outsider investors could play an essential part by screening and monitoring the management of the firm, and by making the right decisions in favor of increasing stock prices and improving firm value (Chen, 2001; McConnell & Servaes, 1990). In this regard, the expertise and motivation of institutional investors also improve management performance and corporate governance (Xu & Wang, 1999). Institutional shareholders play a more important role in the regions where shareholder protection is weak (Jan et al., 2021; Qi et al., 2000).

The value of the firm is positively affected when a firm is supervised by large shareholders as active monitoring reduces agency costs and enhances managers' performance (Lin & Fu, 2017; Nashier & Gupta, 2020). As compared to the other ownership structures, large shareholders could better perform in maximizing the value of the firm (Thomsen & Pedersen, 2000). Nevertheless, the literature suggests that in some cases, institutional shareholders can make alliances with the managers. Pound (1988)presented the strategic alliance hypothesis which claims that institutional shareholders might collaborate with the managers and make agreements on matters of their common interest. In line with that, institutional shareholders might not be effective in performing their role (Craswell et al., 1997). In addition to inducing firm performance and the functions of corporate governance, institutional ownership has an impact, especially on the areas of board composition, CEO duality, block holders, and diversity of leadership (Li et al., 2006).

Foreign investors play an extraordinary part as controllers. An empirical investigation into the relationship between foreign ownership and a company's performance in India was carried out by (Chhibber & Majumdar, 1999). The percentage of foreign shareholders was chosen as a control variable, and return on sales and return on assets were used as proxies for performance. The study found that firms having effective foreign control outperformed. (Konijn et al. 2011) found a negative relationship between blockholder dispersion and the value of the firm, and between complete blockholding and firm value in the US financial market. (Yu and Van 2013) claimed that in Chinese Listed Firms, block holding is better than dispersed shareholding in the presence of political support and government links. The authors found a U-shaped result among state ownership and firm value. On the other hand, (Gunasekarage et al. 2007) identified a negative correlation between a higher amount of government ownership structure and the firm performance.

According to agency theory, Because institutional investors are monitoring management, decisions are made that are consistent with the shareholders' long-term objectives. Therefore, it is likely that businesses will be encouraged to actively participate in corporate sustainability practices by a high level of institutional ownership. Grounded on the above argument, this study has developed the following proposition:

P2: Institutional ownership has a significant positive impact on sustainable firm performance.

Family Ownership and Firm Value

Family ownership can help in increasing the value of a firm, especially if the owner occupies an official position such as president or director (Villalonga & Amit, 2006). In contrast to nonfamily control, proactive and engaged family owners instigate benefits, which can help minimize agency problems among shareholders and managers (Maury, 2006). Similarly, family ownership is deemed to be flanking various types of institutional owners due to their broad legislative control and is especially significant where forming a dynasty is still dynamic and has influence or control over the business (Andres, 2008). Based on the significant impact of family ownership on SME operations, family ownership is recommended as a powerful corporate governance tool (Chu, 2009, 2011; Miralles-Marcelo et al., 2014; Mohammed, 2018). There was no difference in firm profitability between family and nonfamily firms after accounting for firm age and size as mediators, especially for smaller and more experienced firms. Family businesses, on the other hand, are strongly associated with bookkeeping performance while being less zealous in demonstrating efficiency. (Luo and Liu 2014) proposed an interesting opposing U-shaped relationship between the dominant family's fundamental income rights and the firm value calculated by Tobin's Q. That is, when the concentration of family ownership grows, the value of the company rises at first, then declines. This study rekindles our insight into the relationship between family ownership concentration and business value in emerging nations, such as China.

In the Mexican market, the literature demonstrates that ownership concentration makes a significant difference. In Mexico, businesses with a large concentration of ownership, particularly families, preserve their interests by looking for a better strategy. Nonetheless, because of the strong concentration in families, additional approaches, such as debts or board composition, are employed, with unexpected outcomes (Reyna et al., 2012). A high amount of family ownership and pyramid structure is found in GCC countries. Literature found more concentration in non-financial than financial firms. The authors found no relationship without the moderating role of formal institutions (Matinez-Garcia et al., 2020).

Nonfamily firms outperform family businesses. An additional examination reveals that the relationship between family possessions and business performance is curvilinear, and that performance gets better for outside CEOs when relatives step in as CEO. Minority shareholders are strongly influenced by family holdings, proving that family ownership is a sustainable authority ownership structure (Anderson & Reeb, 2003). The largely concentrated block holders proved to be better controllers than the small shareholders in the Italian Market. Although there is a significant relationship between the five largest block holders' ownership concentration and firm profitability, managerial ownership is only beneficial in non-concentrated businesses (Perrini et al., 2008). For the period 1992 to 1998, (Gürsoy and Aydoğan 2002) used a sample of Turkish companies listed on the Istanbul Stock Exchange. They looked at how an ownership structure affects a firm's risk-taking behavior and value. Based on the above discussion, this study has developed the following proposition:

P3: Family ownership has a significant positive impact on sustainable firm performance

Conclusion and Policy Implications

In emerging markets, continued interest in the potential ownership-performance relationship has produced various conflicting outcomes within and between countries. Implicit demographic variations, sampling selection choices, and modeling preferences made by the researchers illustrate significant variability in the findings reported. Considering the environment in which the business operates, all aspects of ownership can be leveraged to improve business performance. If the country's regulations are poor, block holders and institutional investors can help to improve the firm's value by enforcing strict control and minimizing the agency cost (Nashier & Gupta, 2020), If the government is well-regulated, the ownership structure is irrelevant, and management can be managed by rules and laws. The agency problem can be addressed in this scenario. The advantages of stronger supervision and the costs of takeover by block holders are linked to concentrated ownership. Conversely, consistent results from empirical research in relatively high ownership concentration countries in East Asia and Continental Europe suggest that block holders have significant impacts on the success of business firms. The facts allude that a level of concentration of ownership can create profit, but it can produce negative externalities at the macro level in terms of competitiveness, fiscal transparency, and allocation of resources. At the micro-level, corporate sustainability and minority shareholder interests may have unfavorable externalities. Some research has suggested an inverse U-shaped link between business value and managerial ownership, implying that insider ownership has a convergence-of-interest and entrenchment effect. However, the effect has tended to become negligible when attempts are made to control the endogeneity of ownership structure.

Implications for Strategic Managerial Policy Formulation

The proposition of this study offers insights into strategic managerial policy formulation. Most of the prior literature on this subject is related to developed countries, while research on this subject in developing countries is found scant. This study offers novel propositions on contemporary issues in ownership structure toward sustainable firm performance. It insights into managers from developing countries about the role of government ownership, institutional ownership, and family ownership towards achieving sustainable firm performance through maintaining a balance between the ownership of these various stakeholders. Based on the propositions of this study offers various strategic managerial policies.

Managers with high ownership (managerial ownership) are advised to embrace sustainable business practices and Sustainable Development Goals SDGs in their business strategies. It is because the stakeholders' theory alludes that sustainable business practices improve firm performance. In that vein, managers with a high share will record a significant positive increase in their ownership. It is because based on the "convergence of interest" philosophy the interest of managers and that of the firm converge to the common point in this case, 'sustainability". Hence, the P1 in this study insights managers with high shares to embrace sustainable business practices as it will improve their share value in a sustainable manner

Despite the possibility that not all institutional holders' opinions will always be in agreement, institutional owners influence companies to make decisions that are in the best interests of the shareholders. They have advantages over other minority shareholders in terms of information and significant voting power. Institutional owners of substantial shares are also more aware of the company's strategic choices than other shareholders because they find it difficult to quickly sell their equity without decreasing stock prices. According to good management theory, institutional ownership should have a favorable impact on a company's actions regarding its social initiatives. Institutional shareholders are willing to take a more aggressive role in sustainable business practices if socially responsible actions can increase long-term shareholder value. Institutions spend more money on businesses that perform better in terms of corporate social responsibility. Institutional investors reward companies that actively participate in sustainable business practices. Public pension funds often consider a company's long-term effects on sustainability, good corporate citizenship, and the environment when making investment decisions. We contend that while effective institutional shareholder monitoring systems have favorable effects on sustainable business practices, these effects are not linear. Depending on the amount of ownership, a slight increase in institutional ownership will impact sustainable business practices differently. A slight increase in ownership will greatly expand the monitoring role, especially when institutional ownership is relatively modest. Nonetheless, there may be overlap in the monitoring efforts of many organisations when there is a high level of institutional ownership. Under these circumstances, monitoring may not be significantly impacted by a slight increase in institutional ownership. Furthermore, a high proportion of institutional ownership generates a group of institutional investors, and this group may have "conflicting" tastes when it comes to sustainable business practices. This situation might even be harmful to CSR because it requires the unwavering support of major shareholders to be sustained. Conflicting opinions from various institutional investors could discourage such a sustained commitment to sustainable business practices. Lower sustainable business practices ratings are caused by significant levels of institutional ownership of blocks. And thus the desired level of institutional ownership is vital to achieving sustainable performance. Accordingly, this P2 of this study insights into policy-makers to maintain a balanced ratio of institutional ownership toward positive and sustainable firm performance.

In terms of family ownership, the proposition of this study illuminates that family-owned firms can far better contribute to sustainable firm performance due to the lack of block-holding problems. The family-owned firms want to retain their power, and for that to happen they might embrace those business practices that continuously improve their business performance. The proposition (P3) of this study anticipates that compliance with sustainable business practices might lead to sustainable firm performance in family-owned firms. Thus, this study insights into the managers of family-owned firms to perform sustainable business practices which will improve their firms' performance sustainably.

Future Avenues

The scope of the articles selected for this study is limited to the subject areas of economics, econometrics, and finance. Future research can extend the scope of the article selection to other business areas, such as management, marketing, and human resource management. Furthermore, this study selected articles from the Scopus database, future studies can extend the scope of this work by selecting articles from the WOS database.

Statement on Conflict of Interest

The authors do not have any conflicts of interest.

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