



Ultimate Owner and Firm Performance - Evidence from Romanian Mining and Quarrying Listed Firms

Iuliana Oana MIHAI*, Cosmin MIHAI**

ARTICLE INFO

Article history:

Accepted June 2012

Available online 1 August 2012

JEL Classification

M 21

Keywords:

Ultimate owner; Financial performance; Voting rights; Cash flow rights

ABSTRACT

The main objectives of this paper are to describe the necessary steps to identify the ultimate owner and to investigate the relation between the ultimate ownership and the financial performance of Romanian mining and quarrying listed firms. The study was conducted for the companies listed on Bucharest Stock Exchange, in both regulated and non-regulated segments. The final sample included 17 companies of mining and quarrying. Return on Equity was used for measuring the financial performance of the firms. The ultimate ownership was measured by the percentage of voting rights held by a shareholder. Econometric tools like multiple linear regression analysis were used for analysis. The results of the study suggest that there is a significant negative link between financial performance and divergence between voting rights and cash-flow rights.

© 2012 EAI. All rights reserved.

1. Introduction

The firm is a major institution of the market economy. Firms can have various shapes and sizes, but they all share the following characteristics: owners, managers, objectives, basic resources (labour, physical capital, financial capital, qualifications and skills) to be allocated by managers, administrative and organizational structures where the activity is organized and conducted, evaluation of performance by managers, owners and other stakeholders. Regardless of size, the firm is owned either by an individual, a group of individuals or an organization. They are called shareholders and are able to determine business objectives and activities. Shareholders can also be managers who make decisions every day. Owners bear the operating risk associated with the company and are entitled to receive a residual income as dividends. If property rights are dispersed, firm control is exercised not by shareholders but by managers [13]. This separation of ownership and control and its implications for the financial and economic performance of the company is at the centre of many of the issues addressed in this paper.

The separation of ownership and controlling right in modern companies give rise to the agency costs. Based on the institutional background of most American and UK companies, Berle and Means in 1932 [1] proposed the hypothesis of dispersed ownership that a firm is owned by many minority shareholders, meanwhile the control right is taken by the powerful managers. Thus, the ownership right diverges from the operating right, which is the research logic of traditional corporate governance. In this case, the conflict between powerful managers and shareholders (principal agent conflicts) is the focus in corporate governance, which brought out the traditional principal-agent theory [12].

2. Literature review

The literature on corporate ownership and firm performance focuses much on managerial ownership, concentration of ownership, structure of ownership. The examination on the relationship based on ultimate ownership is still limited.

Under concentrated ownership environment, majority of the publicly listed firms in Romania are under the control of dominant shareholders or particularly the ultimate owners. The ultimate owner is the shareholder who has determining voting rights and is not controlled by anyone else.

La Porta, Lopez-de-Silanes and Shleifer [11] have written the first study that investigates the issue of ultimate controlling owner. They draw the chain of ownership to find who has the most voting rights. The findings suggest that ownership and control can be separated to the benefit of the large shareholders.

The ownership data used in most of the studies come from the databases which include only the direct shareholdings of the major shareholders. Using the direct shareholdings might not reflect the actual situation

* Department of Business Administration, Faculty of Economics and Business Administration, "Dunarea de Jos" University of Galati, Romania. E-mail addresses: oana.anghel@ugal.ro (O.I. Mihai); cosmin.m.mihai@gmail.com (C. Mihai)

in Romania as a number of firms in this country are controlled indirectly by a chain of firms that are privately held.

In Malaysia, Wiwattanakantang [14] traced the ultimate owner in order to provide a clearer picture that closely reflects the impact of ultimate ownership on firm performance.

Khim, Kok and Wooi [9] found evidence that ultimate ownership is non-linearly related to firm performance. They also found that the identity of the ultimate owner could have different impact on firm performance. The results show that foreign firms significantly outperformed government and family firms.

Our measure for ultimate ownership is based on control rights which consist of direct and indirect shareholdings, instead of cash flow rights which only cover direct shareholdings.

Wang and Xiao [10] showed that 70% of Chinese listed companies are ultimately controlled by government agencies, thereby indicating that state ownership remains widespread in China's stock markets. The results of the research also indicate that the degree of divergence between cash flow rights and government control rights is insignificant and that the State strengthens its control over listed firms by reducing the length of the control chain or by employing state owned enterprises as the immediate shareholders.

Gadhoun [8] documented the overwhelming control of wealth by a small number of families and confirmed a significant separation of ultimate ownership and control.

Through the analysis of 1301 listed firms from East Asian Countries, by disentangling the "incentive effect" and the "entrenchment effect" of controlling shareholders, Claessens [5] found a positive relation between the cash flow right of controlling shareholders and firm performance. And the divergence between control right and cash flow right leads to the reduction of firm performance.

3. Ultimate Owner Identification and Types of Ownership

Corporate ownership is measured by cash flow rights, and control is measured by voting rights. Ownership and control rights can differ because corporations can issue different classes of shares that provide different voting rights for the given cash flow rights. Ownership and control rights can also differ because of pyramiding and holdings through multiple control chains.

Percentage of control is given voting rights of the ultimate controlling shareholders in substantial decisions of target firm. The control right is the sum of the weakest voting right of every chain.

The percentage interest, also known as cash flow right, indicates the part of shares held by the parent company, directly or through other satellite companies. This is strictly a financial concept that underlies the calculation of parent rights and represents the right of the ultimate shareholder to share the firm's profits. The cash flow right is determined by the capital invested in the firm. Ultimate controlling shareholders' cash flow right is computed as the cumulative percentage of ownership on the chain. In every chain, the percentage of ownership at the top node equals the product of percentages of ownership in each layer.

Suppose in each layer on the chain of control, the percentage of shares owned by the ultimate controlling shareholder is noted with "pi", then the voting or control right will be:

$$VR = \sum \min(p_1, p_2, \dots, p_n)$$

The cash flow right will be:

$$CFR = \sum \prod p_i$$

There are no strict rules for defining an ultimate owner. But always the first step consists in analyzing the shareholding structure of a company. The elements of the definition concern the minimum percentage that must characterize the path from a subject company up to its ultimate owner (UO), the shareholding structure of the Ultimate Owner or its public or private character.

If the company has known and recorded shareholders, except for "collective" types, none of which having a significant influence over the company, that means no more than 20%-25% of direct or total ownership, than the company is independent and has no ultimate owner. If the company is not independent, then we have to analyze the shareholders structure and to look for the shareholder with the highest direct percentage of ownership. If this shareholder is independent, he is defined as the ultimate owner of the subject company. If the highest shareholder is not independent, the same process is repeated until we find an Ultimate Owner.

This is the general process that is always applied. However, the threshold of ownership is relative. Accounting standards (IAS 28, IAS 27) assert a threshold of 20% for significant influence and a threshold of 50% for exclusive control. So we can also consider a threshold of 50% percent for characterization of independence. In conclusion independent shareholders can be an independent entity by them selves (like individuals and families, public authorities, state, employees, managers or directors) or must be an independent company (no shareholder with more than 20%/50%).

This means that for entities with an unknown degree of independence, the ultimate owner is one of their subsidiaries. The selection of this parameter enlarges the set of companies that can be an ultimate owner and, consequently the set of companies that have an UO.

The categories of shareholders collectively labelled by the sources are disregarded (since they are considered as unable to exert a controlling power over a company). They include: public (used only for

quoted companies), aggregated shareholders (more than one unnamed individual or family, often named "Other individuals", etc.) or the unnamed aggregated shareholders (more than one unnamed shareholder containing a mixture of companies or of companies and individuals or families).

The ownership path of minimum 50% is followed from Company A to Company C. Company C has no shareholders with more than 50% of ownership. Consequently, it is defined as the Ultimate Owner of Company A.

The ownership path of minimum 20% is followed from Company A to Company C and from Company C to Company E. If Company E is independent we can say that Company E is the ultimate owner of company A. Company E is also the ultimate owner of Company C.

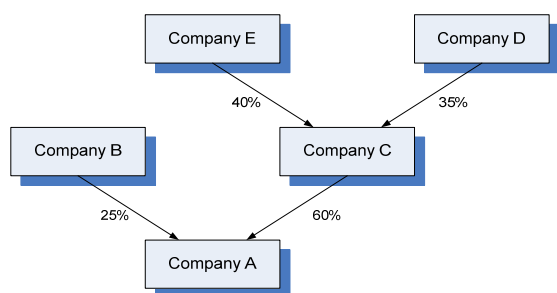


Figure 1. Example of shareholder structure

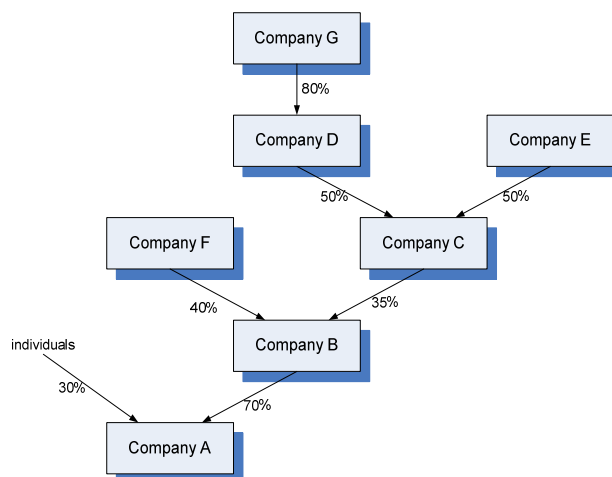


Figure 2. Example of shareholder structure with jointly owned companies

Source: Adapted after BvDEP - Ownership Database

In the case of jointly owned companies (Company C in figure 2), 50% is noted for the ownership percentage of Company D and Company E in Company C.

If the threshold required in the path up to the ultimate owner is 25%, Companies A, B and C will be noted as jointly owned by Company D and Company E. The ultimate owner of Company D is the Company G. The ultimate owner of company E is unknown.

If the threshold required in the path up to the ultimate owner is 50%, then the ultimate owner of Company A is Company B and the ultimate owner of Company D is Company G. Other companies have no ultimate owner.

A special case is when several shareholders have the same highest percentage. In this case we can adopt the following rules:

- If two shareholders have the same total percentage - the shareholder that has no direct percentage or the highest direct percentage is chosen;
- If two shareholders, one with a direct percentage equal to the total percentage of the other, the shareholder with the total percentage is chosen;
- If two shareholders have the same direct and total percentage no ultimate owner can be defined.

According to Claessens, Djankov [6] and Lang, companies can be divided into two broad categories: widely held companies and companies with controlling owners. A widely held company is a company that does not have any owners with significant control rights. In this case we have an independent company. Further, controlling owners or ultimate owners can be classified according to Faccio and Lang [7] into the following six types:

- *Family*: A family (including individuals), or a firm that is unlisted on any stock exchange.
- *Widely-held financial institution*: A financial firm (two digit NACE codes 64, 65, 66) that is widely-held at the control threshold.
- *State*: A national government (domestic or foreign), local authority (county, municipality, etc.), or government agency.
- *Widely-held corporation*: A non-financial firm, widely-held at the control threshold.
- *Cross-holdings*: The firm Y is controlled by another firm, which is controlled by Y, or directly controls at least 20 percent of its own stocks.
- *Miscellaneous*: Charities, voting trusts, employees, cooperatives, or minority foreign investors.

To better understand the variety of ownership structures that determine the ultimate control of companies, this paper focuses on mining and quarrying companies which are listed on Bucharest Stock Exchange. For these companies we identify simple structures, uncomplicated and domination of individuals as controlling owners.

4. Research question and hypothesis

The identification of ultimate ownership structure in Romanian companies faces multiple theoretical, methodological, and empirical challenges. However, empirical studies on the ultimate ownership and control patterns of Romanian listed or unlisted companies are absent in the existant finance literature. All prior attempts deal with only direct ownership and/or rely exclusively on survey data.

The explicit research questions examined by this paper are:

- *Who controls mining and quarrying listed companies in Romania?*
- *Are there significant discrepancies in the identities of the direct and ultimate owners?*
- *Are the ownership structures of Romanian mining companies dispersed or concentrated?*
- *What are the actual control and ownership rights of the state in Romanian listed companies?*

Identification of ultimate control and ownership rights distribution in Romania is not an easy mission. Romanian corporations have very distinctive ownership structures that have changed as a result of multi-stage mass privatization process followed by severe battles for corporate control. In general, ownership structures in Romania are distinguished by extremely low transparency, by dominance of holding structures with complex control chains, and by direct or indirect involvement of governments.

The ownership structures of Romanian listed companies are very concentrated. It is very hard to observe the ownership structure as the owners intentionally split their blocks and hide their identities through the use of nominees and foreign offshore holding companies. All these features require special treatment and can be captured only by making adjustments to the traditional methodology of identifying ultimate owners through the tracing of control chains introduced by La Porta, Silanes, and Shleifer [11]. The adjustments proposed in this study allow the capture of ownership and control patterns in companies from mining and quarrying industry and demonstrate the flexibility of the ultimate ownership identification methodology.

One important issue for the current ownership structure of Romanian companies is the lack of transparencies. There are cases when the real owners cover their identity with complicated structures in tunnelling or intermediation, or simply transfer their capital in off-shore firms. After that, foreign offshore firms are reported as “owners” or shareholders and, at first look, may be taken for foreign companies. However, private firms registered in foreign offshore zones are widely used in Romania for tax optimization. Ownership masked in foreign offshore companies, which are not required to disclose their owners, is non-traceable. In some cases, investment in Romanian firms by foreign offshore companies represents Romanian capital by origin. It is very common for a Romanian company to have several owners registered as foreign offshore firms. Affiliation between these holdings is unobservable, but plausible. In the case of mining and quarrying listed firms I found two examples: Romfor S.A. and Foraj-Sonde S.A

The cost of concentrated equity is the conflict of interest between controlling shareholders and minority shareholders. Concentrated ownership is the necessary condition for controlling shareholders to exert entrenchment behaviours, but it is not the sufficient condition (Su, Yang and Yang, [12]). The separation of ownership and control rights in corporations gives rise to agency costs. If the controlling shareholders’ cash flow rights and voting rights are equal, they won’t have the obvious motive to exert entrenchment behaviours (Bozec and Laurin, [2]). Ultimate controlling shareholders increase their control right through pyramid structure and cross-ownership, and so their control rights are higher than the cash flow rights (Chen, Firth and Xu, [3]). The excess control enhances the misalignment of interests between ultimate controlling shareholder and minority shareholders. The divergence between control right and cash flow right, which has a negative effect on firm performance, is an important factor that leads to the following hypotheses:

- Hypothesis 1: the divergence between the control right and the cash flow right of ultimate controlling shareholders has a negative effect on firm performance.
- Hypothesis 2: the cash flow right of ultimate controlling shareholder is positively related to firm performance.

Next sections of the paper present our findings related to ultimate control and the range of data that are necessary to identify the owners of companies from the sample.

5. Sample and data source

The sample of the research consists of all Romanian mining firms companies listed on the Bucharest Stock Exchange between 2009 and 2010. In literature, 10% or 20% is often taken as the threshold of effective control right. Most countries take 10% as the lowest bound of the control right under compulsory disclosure.

Thus, we get 17 firms. In detail, there are 119 observations in 2010. All the data in this paper come from the databases provided by Central Depositary and Bucharest Stock Exchange. Where the shareholders of a company were an unlisted firm, we tried to trace its owners using all available data sources, like Monitorul Oficial, websites, press-releases, etc. The list of companies from the sample is presented in table 1.

Following the methodology illustrated above, we identified the ultimate owners of 15 companies. We were unable to identify the ultimate owner of 2 companies which have us shareholders off-shore firms. In this case we consider the family type as the ultimate owner.

The list of companies from the sample is presented in table no. 1.

Table 1. Romanian mining and quarrying listed firms and their ultimate owner

	COMPANY NAME	ULTIMATE OWNER	TYPE OF ULTIMATE OWNER
1.	OMV PETROM SA	Corporation	Widely-held corporation
2.	DAFORA SA	Individuals	Family
3.	FORAJ SONDE - ERNEI SA	Individuals	Family
4.	LAFARGE AGREGATE BETOANE SA	Corporation	Widely-held corporation
5.	FORAJ SONDE - CRAIOVA SA	Individuals	Family
6.	ROMPETROL WELL SERVICES SA	GOVERNMENT OF THE REPUBLIC OF KAZAKSTHAN	state
7.	BEGA MINERALE INDUSTRIALE SA	Individuals	Family
8.	FORAJ SONDE - PLOIESTI SA	BAYLINER OVERSEAS LTD	Family
9.	COMREP SA	MEK-MATEI SRL	Family
10.	MECANPETROL SA	Individuals	Family
11.	ROMFOR SA	GLOBAL DRILLING LTD	Family
12.	B.A.T. BASCOV SA	Individuals	Family
13.	FORAJ SONDE - VIDELE SA	Individuals	Family
14.	STICLOVAL SA	Individuals	Family
15.	TALC DOLOMITA SA	Individuals	Family
16.	TERRACOTTA STAR SA	Unknown	Family
17.	TCI RĂZBOIENI SA	SIF	Widely-held financial institution

Source: Adapted after the information provided by Bucharest Stock Exchange website.

The total turnover of these companies represents over 60% of the total turnover of the companies from the mining and quarrying industry. According to the dates provided by The National Institute of Statistic, in Romania, in 2009, there were 101 active stock companies in the field of mining and quarrying industry and 1122 limited liability companies.

6. Variable used and specification

This section describes the variables used and the research models. Due to the immaturity of the Romanian Stock Market, it is inappropriate to use Tobin's Q to measure the performance of the listed companies in Romania. Using accounting measures would be a better choice. Thus, in this study, we use the ROE to measure firm performance. Based on the above theoretic analysis, the independent variables in this paper are the ultimate controlling shareholders' voting right, the divergence between voting right and cash flow right and a dummy variable which express the separation between voting right and cash flow right and the degree of divergence. These variables and the control variables are described below.

Dependent variables:

Return on Equity (ROE) – it is the ratio between net income and equity. ROE is the measure of financial performance. Due to the great difference between Romanian stock market and that of developed countries, the existence of non-tradable shares and the immaturity of the stock market, it is inappropriate to use Tobin's as a measure of performance.

Independent variable:

Based on the above theoretic analysis and hypotheses, the independent variables in this paper are:

- **Cash flow right (CFR)** is the percentage of interests - ultimate controlling shareholders' cash flow right,
- **Voting right (VR)** is the percentage of control or the voting right of the ultimate owner,
- **Dummy (DUMMY)** - whether the control right is separated from cash flow right. The dummy equals to 1 if the control right is different from the cash flow right, and 0 otherwise.
- **Divergence (DIVERGENCE)** – the degree of divergence between cash flow rights and voting rights.

Control variable

We introduce the following control variables based on previous studies:

- **Firm size (SIZE)** - it is the logarithm of sales at the end of the period, so as to control the potential effect of scale on firm performance. It is usually conjectured that firm size is positively related to firm performance.
- **Leverage (LEVERAGE)** – it is the debt- to-asset ratio. It is used to control the tax shield effect of debt and financial crisis effect on firm performance (Yeh, 2005 [15]). The relation between capital structure and firm performance is promiscuous.
- **Growth (GROWTH)** - the growth rate of sales is used to control the impact of growth on firm performance. The firm's fast growth can bring large profit for them.

Three models were constructed in this paper. The first model and the second model are used to examine Hypothesis 1, while Hypothesis 2 can be tested by third model.

$$ROE_i = \beta_0 + \beta_1 DIVERGENCE_i + \beta_2 SIZE_i + \beta_3 LEVERAGE_i + \beta_4 GROWTH_i + \varepsilon_i$$

$$ROE_i = \beta_0 + \beta_1 DUMMY_i + \beta_2 SIZE_i + \beta_3 LEVERAGE_i + \beta_4 GROWTH_i + \varepsilon_i$$

$$ROE_i = \beta_0 + \beta_1 VR_i + \beta_2 SIZE_i + \beta_3 LEVERAGE_i + \beta_4 GROWTH_i + \varepsilon_i$$

The results of multiple regressions are reported in the next section. The results were obtained through SPSS 17.0.

7. Results and interpretation

Descriptive statistics

Table 2 is the descriptive statistics of main variables for the considered samples. It shows that the general level of performance in 2010 for the Romanian listed mining firms is negative, with an average of ROE of -6,18%. The average of cash flow right (percentage of interest) is 59,78%, but the voting right is 62,79% on average. The average divergence is 3,02%. The dummy variable representing whether the controlling shareholders' control rights are separated from their cash flow rights is 0.1176 on average. It means that firms with the phenomenon of divergence take up to about 11,76% of all firms from the sample. Such a divergence phenomenon is not very common in Romanian mining companies. The means of the debt to asset ratio is 55.05%, which is mezzo for list companies. The average growth of private listed firms was negative -2,98%, which is a consistent with the macroeconomic trends of mining industry. Table 1 shows that out of 17 mining and quarrying listed firms, 12 firms have a family or an individual as controlling shareholders. Only five firms do not have any single shareholder who holds more than 25% of shares. 70,59% firms from the sample have us ultimate owner individuals or families.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Number of employees	17	1,00	25176,00	1701,4706	6052,20719
Percentage of interest	17	0,00	0,97	0,5978	0,24691
Percentage of control	17	0,00	0,97	0,6279	0,25211
Return on Equity	17	-0,88	0,17	-0,0618	0,28010
Dummy	17	0,00	1,00	0,1176	0,33211
Divergence	17	-0,03	0,38	0,0302	0,09920
size	17	4,73	10,14	7,3301	1,17341
levier	17	0,07	1,38	0,5505	0,43384
growth	17	-0,82	0,79	-0,0298	0,39206
Valid N (listwise)	17				

Correlation analysis

Correlation coefficients of all variables are shown in Table 3. We can observe that voting right is not significantly correlated to ROE. There is a significantly negative correlation between the dummy of whether the control rights are separated from cash flow rights and ROE. There is also a significantly negative correlation between the divergence variable (degree of divergence between cash flow rights and voting rights) and ROE. These are consistent with the theoretical analysis and hypotheses in previous sections. Thus, there is a weak correlation among independent variables in the models above. It indicates that the problem of multicollinearity does not exist.

Table 3. Correlations

		ROE	Divergence	dummy	PC	size	levier	growth
ROE	Pearson Correlation	1	-0,642**	-0,429	-0,283	0,028	-0,618**	-0,138
	Sig. (2-tailed)		0,005	0,086	0,270	0,914	0,008	0,598
	N	17	17	17	17	17	17	17
Divergence	Pearson Correlation	-0,642**	1	0,921**	0,249	0,202	0,280	0,036
	Sig. (2-tailed)	0,005		0,000	0,336	0,438	0,277	0,890
	N	17	17	17	17	17	17	17
dummy	Pearson Correlation	-0,429	0,921**	1	0,220	0,209	0,123	0,089
	Sig. (2-tailed)	0,086	0,000		0,397	0,422	0,639	0,733
	N	17	17	17	17	17	17	17
PC	Pearson Correlation	-0,283	0,249	0,220	1	0,157	0,055	-0,040
	Sig. (2-tailed)	0,270	0,336	0,397		0,546	0,835	0,879
	N	17	17	17	17	17	17	17
size	Pearson Correlation	0,028	0,202	0,209	0,157	1	0,289	0,518*
	Sig. (2-tailed)	0,914	0,438	0,422	0,546		0,261	0,033
	N	17	17	17	17	17	17	17
levier	Pearson Correlation	-0,618**	0,280	0,123	0,055	0,289	1	0,569*
	Sig. (2-tailed)	0,008	0,277	0,639	0,835	0,261		0,017
	N	17	17	17	17	17	17	17
growth	Pearson Correlation	-0,138	0,036	0,089	-0,040	0,518*	0,569*	1
	Sig. (2-tailed)	0,598	0,890	0,733	0,879	0,033	0,017	
	N	17	17	17	17	17	17	17

Multiple regression analysis

To further test the above Hypothesis, we employed the multiple regression analysis method. The results of the multiple regression analysis are shown in table 4.

Table 4. The results of multiple regression

Dependent variable	Return on Assets (ROA)		
	Model 1	Model 2	Model 3
<i>Independent variables</i>			
Constant	-0,268 (0,453)	-0,133 (0,736)	0,058 (0,893)
Voting rights (VR)	-	-	-0,294 (0,219)
Divergence	-1,505 (0,009)	-	-
Dummy	-	-0,339 (0,050)	-
Size	0,063 (0,186)	0,052 (0,325)	0,046 (0,428)
Leverage	-0,382 (0,013)	-0,486 (0,005)	-0,494 (0,008)
Growth	0,058 (0,720)	0,152 (0,401)	0,133 (0,509)
Adjusted R ²	0,703	0,614	0,528
F	7,116	4,773	3,350
Significance test	0,004	0,015	0,046

For all the models, the F values are all significant at the 5% significance level, indicating that these models can explain the variety of ROE.

Adjust R² in table 3 for the first model is 0,703 and for the second model 0,616, indicating that these models can explain 70,3% of the variety of ROE, respectively 61,6%. This tells us that both the dummy variable and the continuous variable, representing the divergence between control rights and cash flow rights, are significantly negatively related to ROE. That means that we can accept Hypothesis 1 and Hypothesis 2. It means that the divergence of voting right and cash flow right leads to a worse performance. The greater the divergence is, the more severe the expropriation will be, and the worse the firm will perform. In the case of model 3, we can observe that the voting right variable is not statistically significant related to ROE.

7. Conclusions

The major findings and contributions of this essay are as follows. It is the first empirical study on ultimate ownership and firm performance in Romania. It relies on a representative sample of listed companies from mining and quarrying industry. Also the study covers the recent period. The study also describes the steps for the identification of ultimate owner.

Empirical results provide evidence on noticeably high family and individual's shareholdings and on the insignificant role of other categories of owners in Romanian mining and quarrying industry, like widely held financial institutions, widely held corporation or state. Romanian state has no shareholding in Romanian mining and quarrying listed companies, but Kazakhstan state controls a very important company from the sample. There are not substantial discrepancies between voting rights and cash flow rights.

For further research, we would like to know what are the channels through which the ultimate controller can affect firm performance. We hope to separate this problem and carry out further studies to investigate the effects of ultimate ownership on specific financial activities (investment, earning management, corporate transparency, dividend policy, capital structure, etc). In addition, our sample is only for mining and quarrying firms, listed on Bucharest Stock Exchange, while over 50% of the listed firms are manufacturing firms. How about the situations in this industry of other types of firms? This is another direction for further studies.

Acknowledgements

This work was supported by the project "Post-Doctoral Studies in Economics: training program for elite researchers - SPODE" co-funded from the European Social Fund through the Development of Human Resources Operational Programme 2007-2013, contract no. POSDRU/89/1.5/S/61755.

References

- [1] Berle Adolf and Means Gardiner (1932), *The Modern Corporation and Private Property*, Macmillan, New York;
- [2] Bozec Yves, Laurin Claude, (2007), *Large Shareholder Entrenchment and Performance: Empirical Evidence from Canada*, *Journal of Business Finance & Accounting*, Vol. 35, Issue 1-2, pp. 25-49, January-March 2008 - Available at SSRN: <http://ssrn.com/abstract=1091597> or <http://dx.doi.org/10.1111/j.1468-5957.2007.02066.x>;
- [3] Chen Gongmeng, Firth Michael, Xu Liping (2008), *Does the type of ownership control matter? Evidence from China's listed companies*, *Journal of Banking & Finance*, vol. 3, issues 1, pp. 171-181;

- [4] Chernykh Lyudmila, (2005), *Ultimate Ownership and Corporate Performance in Russia*, A Thesis Submitted to the Faculty of Drexel University, Available at idea.library.drexel.edu/bitstream/1860/548/4/;
- [5] Claessens Stijn, Djankov Simeon, Fan Joseph P. H., Lang Larry H. P. (2002), *Disentangling the Incentive and Entrenchment Effects of Large Shareholdings*, *Journal of Finance*, vol. 57, no. 6, pp. 2741–2771;
- [6] Claessens Stijn, Djankov Simeon, Lang Larry H.P., (2000), *The separation of ownership and control in East Asian Corporations*, *Journal of Financial Economics*, vol 58, pp. 81-112;
- [7] Faccio Mara, Lang Larry, (2001), *The Ultimate Ownership of Western European Corporations*, Available at SSRN: <http://ssrn.com/abstract=286053> or <http://dx.doi.org/10.2139/ssrn.286053>;
- [8] Gadhoum Yoser, (2005), *Politics and Finance: An Analysis of Ultimate Ownership and Control in Canadian and US Corporations, Part I, Problems and Perspectives in Management*, vol. 3, pp. 22-33;
- [9] Khim Hooy Guat, Kok Chee Hong, Wooi Hooy Chee, (2009), *Ultimate Ownership, Multiple Control Chains and Performance of Malaysian Firms*, available at <http://www.wbiconpro.com/103-Hooy.pdf>
- [10]Kun Wang, Xiao Xing, *Ultimate Government Control Structures and Firm Value: Evidence from Chinese Listed Companies*, *CHINA JOURNAL OF ACCOUNTING RESEARCH*, Vol 2, Issue 1, 2009, pp. 102-122;
- [11] La Porta Rafael, Lopez-de-Silanes Florencio, Shleifer Andrei, (1998), *Corporate Ownership Around the World*, NBER Working Paper No. 6625;
- [12]Su Kun, Yang Shu'e, Yang Bei, (2010), *Ultimate ownership and firm performance: evidence from Chinese private listed firms*, *International Journal of Management Science and Engineering Management*, vol. 5, issues 3, pp. 182-191, <http://www.ijmsem.org/>
- [13]Trefor Jones, (2004) *Business Economics and Managerial Decision Making*, (UMIST, Manchester, UK), published by Chichester, John Wiley, 2004;
- [14]Wiwattanakantang Yupana, (2001), *The Equity Ownership Structure of Thai Firms*, Center for Economic Institutions - Working Paper Series, No. 8, <http://hdl.handle.net/10086/13952>;
- [15]Yeh Yin-Hua (2005), *Do Controlling Shareholders Enhance Corporate Value? Corporate Governance: An International Review*, Vol. 13, No. 2, pp. 313-325, Available at SSRN: <http://ssrn.com/abstract=684317>.