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Blockholders and Firm Performance: A Malaysian Evidence

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Abstract

This study enhances the corporate governance literature by investigating the influence of blockholders on firm performance. Employing panel data estimations, this study works on a sample of 526 non-financial listed firms in Malaysia from 2006 to 2015. Overall, our findings reveal that firm performance is negatively associated with blockholders presence but positively related to blockholders total ownership concentration. Further examinations reveal that identity of blockholders matters in influencing performance of the firm. We also found that board governance mechanisms particularly independent directors and CEO duality play a significant monitoring role in relation to firm performance. More importantly, our findings are robust to a wide variety of performance measure which includes accounting, market and value based measures. Finally, findings of our study could facilitate the regulatory bodies and firm managers in promoting better and effective corporate governance in Malaysia. Investors may also benefit from our findings in understanding corporate governance of Malaysian firms and thus diversify their investment portfolios.

Keywords: Blockholders; Identity; Ownership concentration; Firm performance; Value based measures.

1. Introduction

Corporate governance literature states that concentrated ownership structure is one of the internal governance mechanisms generally applied in mitigating the agency conflict that arises between shareholders and firm managers. Ownership concentration in the hands of the large shareholders (blockholders) is anticipated to foster the alignment of interests between both parties to ensure that the shareholders get the maximum return for their investment (Shleifer and Vishny, 1997). In line with the agency theory¸ due to their sizable equity held, blockholders can play a significant role in governance as it provides them the incentives to bear the cost of monitoring managers. Nonetheless, it is argued that concentrated ownership benefits the firms only if the blockholders' control rights do not exceed the cash flow rights (Denis and Mcconnell, 2003). Conversely, ownership structure that allows the blockholders to have control rights above the cash flow rights generally dampens firm performance and value. This is due to the claims that blockholders tend to have higher propensity to generate private benefits of control at the expense of the other minority shareholders.

Blockholders are predominant not only across companies but also around the world. Claessens and Yurtoglu (2013), for instance disclose that essentially 50% of Malaysian firms are owned by direct large shareholders (blockholders). Hence, it is crucial to provide empirical evidence on the issue of the significance of blockholders influence and ownership on firm performance particularly in Malaysian context. Despite vast corporate governance literature, it is noted that studies related to the influence of blockholders on firm performance in Malaysia is somehow limited. In filling this gap, using a comprehensive sample of non-financial firms listed in Bursa Malaysia, the goal of this study is to empirically examine whether the blockholders (shareholders who own at least 5% of a company's shares) presence and ownership positively or negatively associated with firm performance. Besides, this study further explores the effect of various identities (types) of the blockholders namely family or individual, foreign institutional, domestic institutional as well as state or government on firm performance on the arguments that different types of blockholders varies in terms of their investment objectives as well as monitoring incentives. Within the presence of the blockholders, this study also examines the role of board governance mechanisms specifically board size, independent directors and CEO duality in relation to firm performance. Finally, our study contributes to the literature by providing robust estimates to a wide variety of performance measure which incorporates the value based measure alongside with other commonly employed accounting and market performance measures.

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2. Literature Review

2.1. Theoretical Background

Previous studies posit contradicting arguments based on different underlying theories pertaining to the influence of the presence of blockholders on firm performance. The first strand of arguments state that blockholders can exert governance through two main mechanisms thus lead to improved firm performance and value. The first mechanism relates to direct interventions by the blockholders on firms' operations, or known as "voice" (Edmans, 2014). It is argued that the presence of the blockholders is desirable as they may provide advices on strategic decision makings and implementations, limit managerial discretions, increase monitoring and thereby reduce the agency costs (Shleifer and Vishny, 1997). The second mechanisms involved selling of shares by blockholders in the case of underperformed managers or referred as "exit". Due to this possibility, consecutively the manager has higher incentives in maximising the firm value in the first place (Edmans, 2014). On the other hand, the second strand of arguments highlight that blockholders may also exacerbate governance which is detrimental to firm performance and value. In line with the entrenchment effect hypothesis, blockholders could be seen as being unfair to the minority shareholders particularly by extracting private benefits of control for their own benefits instead of maximising the overall shareholders' wealth (Edmans, 2014; Young *et al.*, 2008). Given these conflicting theories on blockholders and firm performance relationship, it is noted that prior empirical studies report mixed findings, and hence no consensus has been reached (see for instance, (Basu *et al.*, 2016; Konijn *et al.*, 2011; Nguyen *et al.*, 2015; Wiwattanakantang, 2001).

2.2. Identity of the Blockholders and Firm Performance

Blockholders is defined as shareholders who own at least 5% of a firm's shares (Denis and Mcconnell, 2003; Konijn *et al.*, 2011). It is argued that holding minimum threshold of 5% voting rights is considered as a strong control for the blockholders to influence firm performance and value. On this note, existing literature such as Ng (2015) and Basu *et al.* (2016) further state that the power of these blockholders not only influenced by their ownership stakes but also the number of blockholders presence and their identities (types). As such, blockholders identities are significant in determining their relative motivations and power as they have diverse investment objectives, opportunities in making decisions as well as monitoring incentives.

In reviewing the existing literature, it is noted that mixed findings were reported pertaining to the relationship between identity of the blockholders and firm performance. With regards to family or individual blockholders, one branch of studies demonstrates that family firms are more profitable than non-family firms. Consistent with efficient monitoring effect hypothesis by Jensen and Meckling (1976), one of the arguments of having family or individual as the majority shareholders (blockholders) is it could lead to better monitoring of the managers because it is predicted that family ties can improve the information flow among managers and owners. Besides, family or individual blockholders are claimed to have greater incentives for control and monitoring as the firm constitutes majority of their wealth as well as essential part of their patrimony (Isakov and Weisskopf, 2014; Wiwattanakantang, 2001). Miller *et al.* (2007), also state that family blockholders value others' perceptions towards their firms which encourage them to uphold their good reputations and professionalisms. Accordingly, this provides strong incentives for them to increase the overall firm performance instead of being purely self-centred. On the contrary, dominant family (individual) controlled firms are claimed to be relatively underperformed as they might emphasize on their familial interest and firm survival at the expense of other shareholders (Ng, 2015). Besides, family firms are claimed to have less tendency investing in a value creating high risk project as they are less likely to seek fund from capital market as it could cause dilutions of their ownership (Boone *et al.*, 2011).

Moreover, prior studies portray mixed findings with regards to performance of firms controlled by domestic institutions. Institutional investors commonly have larger equity stake are argued to have higher incentives in monitoring managers. As such Brickley *et al.* (1988) state that some institutional investors are likely to be "pressure resistant" from firm managers contributing to better monitoring and reduce cost of agency conflict as they do not directly involved in the business. Conversely, other institutional investors appear to be "pressure sensitive" which lead them to become less effective in monitoring firm managers as consequently enable them to derive benefits because of close relationship with the firm (Al-saidi and Al-shammari, 2015; Ng, 2015). Apart from that, Lin and Chuang (2011) further argue that both pyramid and cross holdings ownership structure that are commonly practiced by domestic institutional investors particularly in the emerging market are among the significant causes of expropriation by majority shareholders (blockholders) that would adversely influence firm performance.

Furthermore, numerous previous empirical works generally report that foreign institutional controlled firms are superior in performance. It is claimed that foreign-controlled firms have the advantage of being run and assists by professional managers as well as fund managers. As such, these managers would avoid investing in low profitability firms in maximizing their return on investment (Boone *et al.*, 2011; Wiwattanakantang, 2001). It is further argued that foreign institutional investors are more likely to be "pressure resistant" to firm managers, implying that they are capable of exercising effective monitoring thus improving firm value and performance (Ng, 2015; Young *et al.*, 2008).

A number of extant literatures provide evidence that state or government blockholders have a positive influence on firm performance. Al-saidi and Al-shammari (2015), for instance argue that state or government blockholders are considered as long term investors and easily obtain guarantees and support from government and state. While other studies reveal that state or government controlled firms produce inferior performance. Wiwattanakantang (2001) and Shleifer and Vishny (1997) indicate that state or government owned firms are less effective as they may have other

social objectives or political mandates instead of increase firm performance and value. Isakov and Weisskopf (2014) further point out that state or government blockholders may not have high incentive in monitoring managers as their own wealth is not directly affected by suboptimal decisions made by firm managers.

2.3. Board Governance Mechanisms and Firm Performance

Board governance is another internal corporate governance mechanism that plays a vital role in setting objectives and promoting firms' effective control and monitoring (Denis and Mcconnell, 2003). As such board governance is supposed to act as a deterrent against any possible exploitative behaviour either by the controlling owners as well as the directors. Nevertheless, previous studies such as Claessens and Yurtoglu (2013) and Lin and Chuang (2011) argue that in a highly concentrated ownership structure, board governance functions appears to be less effective because of the control exerted by the majority shareholders (blockholders). For instance, one branch of studies state that appointing CEO as board chairperson (CEO duality) benefits the firm in terms of enhancing decision making process, having unified control and command systems as well as unconstrained leadership of the board (Gaur *et al.*, 2015; Sulong and Nor, 2010). Another studies however claim that CEO duality has a negative effect on firm performance as it may increase the convergence of control and ownership which will reinforce the expropriation by the majority shareholders (Lin and Chuang, 2011; Young *et al.*, 2008).

Meanwhile, the agency theory highlight the positive impact of the presence of outside independent directors as they can better exercise their monitoring roles to avoid possible opportunistic behaviour and ensuring the board makes decisions that will benefit the interests of all shareholders and firms at large (Jensen and Meckling, 1976). However prior studies such as Gaur *et al.* (2015) argue that there is lesser need for monitoring role by the board (independent directors) if the majority shareholders effectively performs their role. With regards to board size, it is noted that one stream of literature is in favour for smaller board while others prefer larger board size. Larger board is argued to be more effective in monitoring roles and control activities of top management's actions since it is relatively challenging for CEO to control larger boards (Sulong and Nor, 2010). However, the agency theory contends that large board tend to be less effective as it is difficult to coordinate and costly (Jensen, 1993). Besides, large board might be associated with of free-riding among the directors as well as the possibility of a dominant CEO control then board which eventually might deter the effectiveness of the board.

3. Data Description and Methodology

This study works on a sample comprises of 526 firms listed in Bursa Malaysia during the period of 2006 to 2015. This study excludes financial firms, companies that were delisted as well as those without corporate governance reports over the period of analysis. Firms with at least one blockholder holding minimum 5% of the firms' shares were one of the main criterions for firm selection. Additionally, all financial information was obtained mainly from Data-Stream and Osiris databases. While ownership and board governance data were manually collected from each company's annual report.

This study used panel data estimations which provides several advantages such as increase in number of data points and controlling for individual heterogeneity, thus allowing for more efficient and unbiased estimates (Baltagi, 2003). Different methods of pooling panel data were involved which includes Pooled Ordinary Least Square (OLS), Fixed Effect Model (FEM) and Random Effect Model (REM). Redundant Fixed Effect was carried out to compare between the Pooled OLS and FEM. The underlying assumption of the null hypothesis of Redundant Fixed Effect is that the effects are redundant. Rejecting the null indicates that FEM is more appropriate than pooled OLS model. Hausman specification test is then conducted in selecting whether FEM or REM is the most appropriate model. The underlying assumption of the null hypothesis of the Hausman test is that there is no correlation between the individual effects and the explanatory variables. Rejecting the null hypothesis indicates that FEM is more appropriate over REM. Next, potential issue of heteroscedasticity is corrected by using robust adjusted standard error of cross-section SUR (PCSE). On top of that, multiple regressions were separately conducted due to due to near singular matrix issues specifically in examining the effect of the identity of the blockholders on firm performance.

3.1. Variables of the Study

The dependent variables are the performance indicators. Three measures were used namely Return on Assets, Tobin's Q and Economic Value Added as proxies for accounting, market and value-based performance measures respectively. Higher Return on Assets signifies firm's effectiveness in using its assets to serve the shareholders' economic interests while higher value of Tobin's Q may indicate better investor's perceptions and expectations of the firm's future performance, based on past and current performance. On the other hand, EVA is a measure of firm performance based on the residual income model and represents firm's quality earnings because it shows the difference between the firm's net operating profit after tax (NOPAT) and the total cost of all its form of capitals. Higher positive EVA implies that firm's operating profit is sufficient in covering its cost of capital, thus portrays firm's real profitability and how effective firm is performing (Stewart, 1991). Thus, using alternate performance measures will provide the robustness of our estimation results.

Number of blockholders (blockholders presence) and their total ownership (blockholder ownership concentration) are among the main independent variables for this study. Besides that, these blockholders were then grouped according to their respective identities (types). Their identity includes family or individual, foreign institution, domestic institution and state or government. Meanwhile three board governance mechanisms were further examined namely CEO duality, total number of independent directors on board as well as board size.

Drawing from a review of the extant literature, three control variables that appear to have an influence on firm performance were included namely firms' leverage, size and age. It is claimed that leverage plays a predominance role for solving the agency problem in which it may prevent managers in investing in value-destroying investments or projects (Jensen and Meckling, 1976). In effect, greater leverage may also increases the agency cost as well as higher possibility of losing control of the firms. Prior studies such as Ng (2015) further highlight that firms with high level of leverage are exposed to higher financial risk and would negatively affect its profitability. Meanwhile, larger firms generally perform better because they are likely to be more efficient in their operation as well as able to exploit the advantage of economies of scale (Ng, 2015). Nevertheless, it is also argued that as firms become larger, they may suffer from diseconomies of scale, inefficiencies which eventually lead to inferior financial performance. The agency theory also posit that larger firm that are controlled by managers who exercise control in pursuing their self-interest may substitute firm's objective of profit maximization (Jensen and Meckling, 1976). With regards to firm age, older firms generally have greater advantages such as having greater access to capital market and enjoy the benefit of reputation, learning as well as experience (Sulong and Nor, 2010; Vieira, 2017). In contrast, it is argued that older firms are more likely to become inertia which loses their flexibility to adjust to rapid changing circumstances and consequently become less performed.

The following table (Table 1) presents the abbreviations and descriptions of all the variables used in this study.

Table-1. Description of Variables

Variables	Abbreviation	Descriptions
Return on Assets	ROA	Ratio between net profits to total assets
Tobin's Q	TQ	Ratio of book value of assets minus book value of equity plus market value of equity to book value of assets
Economic Value Added	EVA	Net operating profit after taxes less the cost of capital deflated by market value of equity beginning of year
Blockholders	BH	Total number of blockholders
Blockholders Ownership	BHO	Percentage of shares owned by all blockholders
Family or individual blockholder	FBH	Percentage of shares owned by individual or family blockholders
Foreign institutional blockholder	FRBH	Percentage of shares owned by foreign institutional blockholders
Domestic institutional blockholder	DBH	Percentage of shares owned by domestic institutional blockholders
State or government blockholder	SBH	Percentage of shares owned by state or government blockholders
CEO duality	DUAL	Dummies where 1 denotes firms with CEO as board chairperson and 0 otherwise
Independent directors	IND	Total number of independent directors on the board
Board size	BSZ	Total number of directors on the board
Firm leverage	FL	Ratio of total debt to total assets
Firm size	FS	Log of total assets
Firm age	FA	Total number of years since inception

4. Empirical Findings and Discussions

4.1. Descriptive Statistics

Table 2 offers the descriptive statistics about the variables used for this study. The mean values of ROA and Tobin's Q are 5.08% and 1.039 respectively. While EVA on average shows a mean value of -0.125, indicating that the sample firms generate lack of real profit suggesting that their operating profits are insufficient to cover the cost of capital. Results also show that sample firms generally have almost 3 blockholders (mean value of 2.923) with total blockholder ownership of 47.88%. This result is comparable to the findings reported by Claessens and Yurtoglu (2013) that show about 50% of Malaysian firms are in the hands of the majority shareholders. With regards to the identity of the blockholders, this study revealed that domestic institutional constitutes the largest blockholders with the mean value of 29.299%. This is followed by family (individual) and foreign institutional with mean values of 10.427% and 5.599% respectively. In the meantime, with a mean of 2.121%, state or government represents the smallest blockholders for the sample firms. Corroborating with the findings of the previous study by Al-saidi and Al-shammari (2015), institutional blockholders generally own the largest shares compare to other types of blockholders.

Table-2. Descriptive statistics of all variables

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
ROA	5.080	4.770	212.220	-74.590	8.953
TQ	1.039	0.821	65.160	0.172	1.322
EVA	-0.125	0.006	21.288	-22.290	0.896
BH	2.923	3.000	8.000	1.000	1.393
BHO	47.488	49.025	99.160	5.070	17.092
FBH	10.427	0.000	72.700	0.000	15.792
FRBH	5.599	0.000	99.160	0.000	14.340
DBH	29.299	27.695	98.350	0.000	22.701
SBH	2.121	0.000	73.910	0.000	9.734
DUAL	0.105	0.000	1.000	0.000	0.306
IND	3.268	3.000	8.000	1.000	0.979
BSZ	7.375	7.000	17.000	3.000	1.834
FL	19.822	17.560	291.620	0.000	16.861
FS	8.603	8.532	11.069	6.954	0.612
FA	25.924	21.000	108.000	2.000	17.794

where ROA is the Return on Assets, TQ is the Tobin's Q, EVA is the Economic Value Added, BH is the number of blockholders, BHO is the blockholder ownership, FBH is the family or individual blockholders, FRBH is the foreign institutional blockholders, DBH is the domestic instituional blockholders, SBHis the state or government blockholders, DUAL represents CEO duality, IND is the number of independent directors, BSZ is the board size, FL is the firms' leverage, FS is the firms' size and FA is the firms' age.

Furthermore, a low mean of 0.105 for CEO duality supports the separation role of the CEO and board chairperson. This indicates that the separation role of CEO and board chairman as required by Malaysian Code on Corporate Governance (2017) is well observed. The results also demonstrate that on average there are 3 independent non-executive directors on the board (mean value of 3.268). This is consistent with the requirements stated on Bursa Malaysia Listing Requirements (2016) which requires listed firms to have at least two directors or one-third of the board of directors to be independent directors. Besides, the results also show that board size has a mean value of 7.375, indicating that board has an average size of 7 members. This corresponds with the recommended optimal number of board members to be within seven or eight members in order for a board to be more effective (Jensen, 1993).

As for control variables, firms' leverage shows a mean value of 19.82% implying that overall external financing are less preferred by the firms in raising their fund. Meanwhile firm size proxied by log total assets has a mean value of 8.603 while average firm age since inceptions for firms understudy are generally 25 years (mean value of 25.92).

4.2. Estimation Results

The estimation results of the selected Fixed Effect Model (FEM) are presented in Table 3 and Table 4. Findings display on Table 3 show that blockholders presence appears to have a significant negative association with ROA and EVA. Consistent with the previous studies of Konijn *et al.* (2011) a significant negative correlation show that higher number of blockholders is accompanied by lower firm performance. In line with the entrenchment effect hypothesis, the results appears to suggest that blockholders have higher tendency of securing private benefits for their preferential self-treatment at the expense of other shareholders instead of improving firm performance (Shleifer and Vishny, 1997; Young *et al.*, 2008). Meanwhile, a differing result of a positive significant relationship is found between ownership concentration by blockholders and firm performance using ROA. This result corresponds with the empirical findings of Nguyen *et al.* (2015) on the positive effect of concentrated ownership on performance. This finding seems to support the theory of "voice" of the blockholders as highlighted by Edmans (2014). This finding imply that holding a sizable firm's equity enables the blockholders to have direct intervention on firm's operation and monitoring management, thus produce superior performance.

In addition, results displayed on Table 4 illustrate the findings for further examination on the identity of the blockholders. In line with the existing literature, our findings confirm that identity of the blockholders matters and have different influences in relation to firm performance. For firms controlled by family or individual blockholders, a positive significant relationship is found with accounting and value based performance measures (RAO and EVA), supporting the efficient monitoring effect hypothesis by Jensen and Meckling (1976). This finding is similar to Isakov and Weisskopf (2014) and Al-saidi and Al-shammari (2015), in which family presence seems to be advantageous as it helps to reduce the agency problem as well as the possible expropriation by the majority shareholders (blockholders) towards the minority shareholders. However, corroborating with Ng (2015), a negative significant association is evident for firms with individual or family blockholders and market measures (Tobin's Q). In conformance with the entrenchment effect hypothesis, this finding suggests that investors might consider such firms may have high possibility of family opportunism and survival at the expense of other shareholders, which have a detrimental influence on firm value.

Meanwhile, this study discloses that domestic institutional blockholders have a significant positive influence on ROA. It is noted that majority of the institutional investors in Malaysia are the investment and pension funds such as Permodalan Nasional Berhad (PNB), Tabung Haji (TH) and Employees Provident Fund (EPF). These investment

and pension funds are said to be "pressure resistant" from firm managers as argued by Young *et al.* (2008). In this regard, they generally do not involve in direct business relationships and thus have the incentive to monitor management and thus reducing the information asymmetry associated with the separation of ownership and control. In other words, these institutional investors have greater ability and opportunity of monitoring managers in ensuring lesser self-serving behaviour, thus have a favourable impact on firm performance.

Table-3. Estimation results for blockholders presence and concentration on firm performance

	FEM	**FEM**	**FEM**
Variable	ROA	TQ	EVA
C	-41.9467**	6.7316**	-4.2817***
	(17.1434)	(3.0213)	(1.3452)
BH	-0.5314***	-0.0164	-0.0499**
	(0.1387)	(0.0251)	(0.0217)
BHO	0.0459***	-0.0007	0.0029
	(0.0160)	(0.0032)	(0.0023)
DUAL	1.7467**	0.0076	0.1461*
	(0.7023)	(0.0836)	(0.0785)
IND	1.0217***	0.0651*	-0.0142
	(0.2533)	(0.0334)	(0.0244)
BSZ	-0.1996	0.0112	0.0135
	(0.1241)	(0.0189)	(0.0191)
FL	-0.1734***	0.0029*	-0.0090***
	(0.0458)	(0.0017)	(0.0028)
FS	6.7770***	-0.8156**	0.3678**
	(2.2263)	(0.3750)	(0.1437)
FA	-0.4058***	0.0404***	0.0428
	(0.0908)	(0.0138)	(0.0295)
R^2	0.4500	0.3981	0.1967
Adjusted R^2	0.3877	0.3300	0.1049
F-statistic	7.2239***	5.8468***	2.1426***

*where ROA is the Return on Assets, TQ is the Tobin's Q, EVA is the Economic Value Added, BH is the number of blockholders, BHO is the blockholder ownership, DUAL represents CEO duality, IND is the number of independent directors, BSZ is the board size, FL is the firms' leverage, FS is the firms' size and FA is the firms' age. *,**,*** Statistical significance at 10%, 5% and 1% level respectively.*

A positive significant coefficient for both Tobin'Q and EVA show that foreign institutional blockholders bring about an improvement in firm performance. Consistent with Boone *et al.* (2011), it is plausible to claim that foreign fund managers put priority on projects that can contribute and resulted in maximizing their real profit and wealth. Besides, in agreement with prior studies such as Sulong and Nor (2010) and Ng (2015), foreign investors are likely to be "pressure resistant" to firm managers, implying that they are capable of exercising effective monitoring thus improving firm value and performance. On the other hand, state or government blockholders are found to have no significant influence on firm performance. Similar to the previous empirical works such as Wiwattanakantang (2001) and Isakov and Weisskopf (2014), findings appear to suggest that state or government firms may be less effective in monitoring managers because of other social obligations or political objectives rather than maximizing firm value and performance.

Results on Table 3 and 4 illustrate that board size exhibits no significant influence on firm performance using any of the performance measures. Consistent with the findings of Chen *et al.* (2011), this evident seems to suggest that board size may be ineffective in monitoring activities as board size itself may be influenced by other governance mechanisms in relation to firm performance. This study documents a positive significant relationship between both independent directors and CEO duality on firm performance, measured by ROA. Similar to Sulong and Nor (2010) and Lin and Chuang (2011), higher number of independent directors is associated with greater firm performance. This indicates that board openness to outside directors contribute to better monitoring of the management behaviours as well as diffuses control among the shareholders. As evident by the other empirical works of Gaur *et al.* (2015) and Sulong and Nor (2010), findings of this study also appears to suggest that position of CEO and board chairperson should be hold by the same person to improve firm performance. Among the possible benefits of CEO duality includes unified and clear goal alignment, unconstrained leadership of the board as well as enhances decision making. This eventually enables firms to generate superior performance.

Table-4. Estimation results for identity of blockholders and firm performance

	FEM	**FEM**	**FEM**
Variable	ROA	TQ	EVA
C	-43.5995**	6.8506**	-4.4977***
	(17.0652)	(2.9947)	(1.3655)
BH	-0.6899***	-0.0052	-0.0670***
	(0.1413)	(0.0246)	(0.0219)
FBH	0.1118***	-0.0081**	0.0088***
	(0.0259)	(0.0040)	(0.0026)
FRBH	0.0614*	0.0141**	0.0105**
	(0.0318)	(0.0065)	(0.0042)
DBH	0.0403**	-0.0028	0.0010
	(0.0159)	(0.0028)	(0.0021)
SBH	-0.0162	-0.0081	0.0043
	(0.0439)	(0.0069)	(0.0058)
DUAL	1.7349**	0.0340	0.1537*
	(0.7059)	(0.0809)	(0.0801)
IND	0.9932***	0.0558	-0.0191
	(0.2501)	(0.0340)	(0.0242)
BSZ	-0.1924	0.0192	0.0166
	(0.1230)	(0.0190)	(0.0191)
FL	-0.1740***	0.0029*	-0.0090***
	(0.0459)	(0.0016)	(0.0028)
FS	6.9653***	-0.8221**	0.3918***
	(2.2174)	(0.3693)	(0.1451)
FA	-0.4028***	0.0384***	0.0428
	(0.0904)	(0.0136)	(0.0294)
R^2	0.4517	0.4026	0.2001
Adjusted R^2	0.3893	0.3346	0.1081
F-statistic	7.2296***	5.9213***	2.1752***

*where ROA is the Return on Assets, TQ is the Tobin's Q, EVA is the Economic Value Added, BH is the number of blockholders, BHO is the blockholder ownership, FBH is the family or individual blockholders, FRBH is the foreign institutional blockholders, DBH is the domestic instituional blockholders, SBH is the state or government blockholders, DUAL represents CEO duality, IND is the number of independent directors, BSZ is the board size, FL is the firms' leverage, FS is the firms' size and FA is the firms' age. *,**,*** Statistical significance at 10%, 5% and 1% level respectively.*

Table 3 and 4 also displays the results pertaining to the control variables. Leverage is found to be negatively significantly associated with firm performance (ROA and EVA), indicating that firms with higher leverage underperform firms with lower leverage. This finding is thus consistent with previous empirical works such as Ng (2015) and Vieira (2017). A negative association between leverage and performance may imply that higher leverage increases the agency cost of monitoring managers. Besides, it also suggests that highly levered firm requires more resources to pay its debt commitment as well as lesser funds available for investment and shareholders. As a result, higher level of leverage eventually erodes firms' profitably.

Mixed findings are revealed in terms of the influence of firm size on performance. Firm size has a positive significant influence on ROA and EVA, while a negative significant impact on Tobin's Q. Findings show that larger firms outperform smaller firms which is consistent with previous studies such as Ng (2015). This suggests that larger firms are prone to be more efficient and thus able to exploit the advantage of economies of scale. Conversely, as supported by other empirical studies namely Chen *et al.* (2011), a negative correlation between size and performance signifies that larger firms is associated with inferior performance. This finding seems to support the conjecture of the agency theory that larger firms require more monitoring as firm managers may act for their own benefits instead of maximizing firm's value and performance (Jensen and Meckling, 1976).

Furthermore, this study demonstrates that firm age is positively significant to Tobin's Q but negatively significant to ROA. Consistent with Sulong and Nor (2010), firm age has a significant positive effect on performance suggesting that older and established firms have greater access to capital market which ultimately improve their values. On the other hand, corroborating with the previous empirical studies of Al-saidi and Al-shammari (2015), older firms tend to be less profitable compare to younger firms. Among the plausible reason is that older firms tend to lose their flexibility in adapting to rapid changes in a highly competitive market, thus become less performed.

5. Conclusion and Recommendations

Our findings reveal that firm performance is negatively associated with blockholders presence but positively related to their overall ownership concentration. Although blockholders presence weakens firm performance, it is

also related with their level of ownership stakes. Our findings disclose that blockholders with higher level of equity owned is associated with better firm performance. Further examinations also reveal that the identity of the blockholders matters in influencing performance of the firm. Specifically, this study provides evidence that family or individual, domestic and foreign institutional blockholders are found to have a significant influence on firm performance. Additionally, board governance mechanisms particularly independent directors and CEO duality play an essential role in moderating the adverse effect of blockholders presence.

Findings of this study have several significant implications such as facilitate the regulatory bodies and firm managers in promoting better and effective corporate governance in Malaysia. Investors may benefit from our findings in understanding corporate governance of Malaysian firms and consequently diversify their investment portfolios. Notwithstanding the findings discussed, future studies may want to incorporate other types of blockholders such as managerial blockholders as well examine the relationship among different types of blockholders. Future research could also consider other internal and external governance mechanisms in influencing firm performance. Finally, in investigating the generalization of our findings, this study can be replicated by future studies conducted across different sectors or industries in Malaysian market or between Malaysia and other developing countries or against other developed market.

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