

FIRM OWNERSHIP AND INVESTMENT IN HUMAN CAPITAL OF MULTINATIONAL CORPORATIONS IN NIGERIA

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Abstract: The study examines firm ownership and investment in human capital of multinational corporations in Nigeria. The objective of the study is to examine the effect of firm ownership, ownership identity, investment in human capital and firm size on multinational corporation performance. The sample population of this study is made up of eleven (11) quoted companies in Nigerian Stock Exchange (NSE) as at 31 December, 2018 that possessed the status of Multinational Corporations for six consecutive years (2013-2018). The study used descriptive statistic, Pearson correlation matrix, Variance Inflation Factor, Heteroskedasticity test and employed ordinary least square regression technique to test the formulated hypotheses. The ordinary least square regression results show that firm ownership has a significant negative effect on multinational corporation performance, ownership identity has insignificant negative effect on multinational corporation performance and investment in human capital of multinational corporation has insignificant positive effect on multinational corporation performance while firm size has a significant positive effect on multinational corporation performance. The study recommends that management of multinational corporations in Nigeria should consider the presence of firm ownership because of its negative effect on performance and also recommends that relevant stakeholders of multinational corporations should show strong commitment to the development of human capital because it would enhance the performance of the multinational corporations in the long-run.

Keywords: Firm Ownership, Firm Size, Investment in Human Capital, Ownership Structure, Ownership Identity and Performance of Multinational Corporations.

1. INTRODUCTION

Multinational corporations play an indispensable role in global business organisation and also promising in an emerging economy like Nigeria (Kumar, 2015). Human capital development of multinational corporations becomes a part of an overall effort to achieve cost-effective of the business. Multinational corporations are a dynamic business environment where business organisations invest heavily in human capital development. Therefore, multinational corporations are business organizations which operate strategically on an international scale (Krugman, 1979). It has been recognized that human capital or intellectual capital is not only individualistic but that some skills and knowledge are formed in global context and embodied only in a team of employees (Chillemi & Gui, 2001). However, the presence of human resources is always the pillar to the success of multinational corporations (Annu & Sanjeev, 2013).

The modern business organization is highly driven by technology, knowledge, expertise and relation with various stakeholders especially in multinational corporations. Technological economy was driven by human capital (Adebawojo, Enyi & Adebawo, 2015). Rehman, Rehman, Rehman and Zaliad (2011:8), intellectual capital is made up of inventions, ideas, general knowledge, designed approaches, computer programs and publications. Intellectual capital and intangible assets are knowledge and information which creates the value added efficiency to create wealth and development of the economy. But the value of human resources, or human capital, may not be adequately reported to stakeholders partly due to strict recognition criteria for intangible assets that do not allow human resources to be shown as an asset in the balance

sheet (Tayles, Pike & Sofian, 2007). Nevertheless, information on human capital and its development is important to financial analysts and fund managers of multinational corporations, who need to assess the future direction, potential and values of these companies. To the best of my knowledge, little or no empirical studies have undertaken in Nigeria on the area of firm ownership and investment in human capital of multinational corporations in Nigeria and this is the research gap. This study added to the body of knowledge whether investment in human capital drive the performance of the multinational corporation in Nigeria.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Performance of Multinational Corporations

Multinational corporation performance depends on the level of investment in human resource capital which plays an important role in the growth and development of the corporation. Storey (1992) is of the argument that human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of highly human resource management in terms of training, recognition, promotion and carrier development. A causal model using a set of cross-sectional data developed by Selvarajan, Ramamoorthy, Flood, Guthrie, MacCurtain & Liu (2007) reveals that investment in human capital creates way for greater innovativeness which positively affect the performance of the multinational corporations. Dan-Jumbo and Akpan (2018:72), multinational enterprises are businesses organisations operating in more than one country and have interest more countries within the global business organisations aiming for high level of performance. More importantly, Baylis, Gray and Wirtz, (2016) are of the argument multinational corporations in an emerging markets place emphases on cost reduction, product, and process innovation to improve quality and enhance the performance of the organisations. Multinational corporations translate the process at which limited resources at organization's disposal are exploited effectively and efficiently in attaining the broad objective of the enterprise for both present and future global opportunities (Yasser, Entebang & Abu Mansor, 2011). Tweedie, Wild, Rhodes and Martinov-Bennie (2019:76), add that performance management of multinational corporations is an umbrella of performance appraisal which is a pervasive practice that corporations use to measure and manage employees' work.

Firm Ownership

Firm ownership in multinational corporations is mainly associated with foreign ownership. Ownership strategy is the basics of corporate governance and strategic management. Corporate governance is all about running an organization in a way that guarantees that its owners or stockholders receive a fair return on their investment, while the expectations of other stakeholders are also met (Magdi & Nedareh, 2002). SitiSuziyati, Abdul and Sahibzada (2016:262), examine the impacts of ownership structures on firm performance in India. Data was collected from quoted textiles, oil marketing and distribution and movies and entertainment industries in Bombay stock exchange for the period of 2011 to 2015. It would be documented from the panel regression results that ownership structure has a significant influence on firm performances. *Based on the foregoing, the following hypothesis is developed for the study: firm ownership has no significant effect on performance of multinational corporations.*

Ownership Identity

The issue of ownership structure has remained a major pillar in the implementation of best practice corporate governance. Ownership distribution and concentration can influence the extent to which a board monitors its company's directors and the existence of this ownership on the company's investors (Sanchez-Marin & Baixauli-Soler, 2015). However, the shareholders are known to be the owners of an organization and the directors, who are the agents or representatives of shareholders in the company, are funded with available resources to nurture the performance of the multinational corporations (Berk & DeMarzo, 2007). Unsal, Ugurlu and Sakinc (2009:25), argue that ownership identity in multinational corporations specifies the structure of equity owner identity is based on family companies linked with foreigners as prevailing partners and other enterprises. Ownership of companies and the crisis associated with the style of ownership has also become a center of agenda for both business leaders and regulators all over the world. In the study of Bhaumik, Estrin and Mickiewicz (2016) on ownership identity, strategy and performance showed that risk-taking in group affiliated firms brings about higher performance. The result also revealed ownership identity has insignificant influence on performance. Unsal, Ugurlu and Sakinc (2009) carried out a study on ownership identity and firm performance in

manufacturing companies in Turkey: The multinational logit regression showed that ownership identity exert a significant impact on firm performance. *Based on the foregoing, the following hypothesis is developed for the study: Ownership identity has no significant effect on performance of multinational corporations.*

Investment in Human capital

Companies are obliged to recover their investments in their employees and assume that employees will contribute beyond their own salaries and benefits, but it is difficult to determine just what their contribution to organizational productivity consists of (Elmas, Suryanarayana, Oliveira, Nedelko, Ferreira, Broncano, Davim & Machado, 2017). Swart (2006) argues that the most frequently used measures for generic human capital involve the level of formal education, years of work experience and level and number of years of managerial experience. Firm-specific human capital refers to the knowledge and skills unique to a firm that cannot be easily transferred to other companies. Multinational corporations make commitment to human capital development through training and re-training of the employee. Al-Qudah, Yang and Anjum (2018:2), are of the view that training program is a medium use to enhance the new knowledge or skills of the individual rather to change the behaviours of the individual". The lack of quantitative information on human capital may be due to there being no single agreed way to measure the information and that only a few people in companies have enough knowledge to quantify such data (Goh & Lim, 2004). Olsson (2001) examined the annual reports of the 18 largest Swedish companies based on five elements, namely, education and development, equality of employment, recruitment, selection of employees, and CEO's comments about personnel and found out that none of the companies devoted more than 7% of their reporting space to human capital information. Boadu, Xie, Du and Dwomo-Fokuo (2018), investigated the impact of training and development on firm innovative performance. The study also investigate the moderating role of knowledge transfer received on training and development and firm innovative performance by sampling of 229 foreign subsidiaries of multinational enterprises (MNEs) operating in China. The results of the hierarchical linear modeling showed that both on-the-job training and development and off-the-job training and development had a significant impact on firm innovative performance of multinational enterprises. *Based on the foregoing, the following hypothesis is developed for the study: Investment in human capital has no significant effect on performance of multinational corporations.*

Firm Size

Firm with larger a size have the capacity to more financial resources to encourage the utilisation of best practices and technology and employ best hands to handle the affairs to provide timely information to multinational stakeholders (Barkar & Ahmad, 2010). Nguyen (2011) is of the opinion that firms with multinational backings take advantage of the economies of scale. Tetteh and Okantey (2016:41), studied the factors that contribute to the performance of multinational subsidiary banks in Ghana. The results of unbalanced random effects panel regression showed that bank size exert an insignificant effect on performance of multinational corporations. This mean the expansion of the banks does not necessarily lead to performance. *Based on the foregoing, the following hypothesis is developed for the study: firm size has no significant effect on performance of multinational corporations.*

3. REVIEW OF RELATED THEORIES

The Theory of Internalisation

Internalization theory was developed by Williamson in the year 1975 in order to provide an economic rationale for the existence of multinational enterprises such as international joint venture. The theory of internationalization states that due to the transaction costs by business organisation in carrying out business in imperfect markets is more efficient and less expensive for the firm to use internal structures rather than market intermediaries to serve a foreign market.

The New Trade Theory

Krugman developed the new trade theory by in 1979. The new trade theory is based on the principle of comparative advantage over other countries if the country constantly produces a particular product or is known for rendering a specific service. Also, Eluka, Ndubuisi-Okolo, and Anekwe (2016) argue that international patterns of trade which is determine by substantial economies of scale and network effect that can occur in key industries. More importantly, "new trade theory recognizes the importance of "scale economies, imperfect markets, and product differentiation" (Sen, 2010:1011).

4. METHODOLOGY

This study adopted a longitudinal research design. The research design enabled the researcher to collect secondary data from selected quoted multinational companies in the Nigeria Stock Exchange. Data relating to the variables of interest study would be collected at different times so as not to influence the situation but rather to describe the relationship between the variables that are being considered. The population of a study is made up of quoted companies in Nigerian Stock Exchange (NSE) as at 31 December, 2018 that possessed the status of Multinational Corporations. Each company in the population must have finished its obligation in delivering annual reports for six consecutive years (2013- 2018) and random sampling techniques was used in selecting the sampled companies (Guinness, NCR, Ag Leventis, Glaxosmithkline, BOC Gases, Cap, Nestle Nigeria, PZ Cussons, Lafarge, PZ, Unilever and 7UP Nigeria).

Model Specification and Measurement of Variables

The model specification of this study was based on ordinary least square regression econometric models. Ordinary least square regression econometric was one that seeks to explain variation in the value of the dependent variable on the basis of changes in the explanatory variables. This assumption is that, the dependent variable is a linear function of the explanatory variables. The OLS regressions with an error term (e_t) was expressed in the equation below:

$$MNCP = \alpha_0 + \alpha_1 FOW + \alpha_2 OWI + \alpha_3 IHC + \alpha_4 FS + e_t \dots\dots\dots (i)$$

Where

MNCP = Multinational corporations performance

FOW = Firm ownership

OWI = Ownership identity

IHC = Investment in human capital

FS = Firm size

α_0 = Constant Coefficient

$\alpha_1 - \alpha_5$ = Explained coefficient of the independent variables

e_t = Error term.

The presumptive signs of the parameters in the specifications are:

$$\alpha_1 - \alpha_5 > 0$$

Table 1: Measurement of Variables

Variable	Measurement
MNCP=Multinational Corporation Performance (Dependent)	This was measured by Earnings per Share (EPS).
FOW= Firm Ownership (Independent)	This was measured by the sum above 5% shareholdings
OWI= Ownership Identity (Independent)	This was measured by a dummy variable: 1 for foreign director shareholdings OTHERWISE 0
IHC= Investment in Human Capital (Independent).	This was measured by taking the ratio of training and development to total revenue.
FS= Firm Size (Independent).	This was measured by logarithms of total assets.

Method of Data Analysis

This study used ordinary least square (OLS) regression techniques in examining the significant relationship between the dependent variable and explanatory variables. Pearson correlation matrix was adopted to investigate the relationship between the variables and a diagnostic test was also carried out using ARCH Heteroskedasticity to test for heteroskedasticity in the regression results and Variance Inflation Factor (VIF) to check for multicollinearity among the independent variables. The analyses were conducted using Eviews 8.0 econometric software.

5. DATA PRESENTATION AND ANALYSIS OF RESULTS

The data was presented using descriptive statistics, Pearson correlation matrix and ordinary least square regression technique for the testing of formulated hypotheses.

Descriptive Statistics

The descriptive statistics showed the description of the mean, standard deviation and normality test. The descriptive statistics was presented in the table below.

Table 2: Descriptive Statistics

Parameters	Mean	Standard Deviation	Jarque-Bera	Probability
MNCP	4.08	8.97	161.02	0.00
FOW	64.91	12.30	1.03	0.59
OWI	9.21	0.41	19.15	0.00
IHC	0.003	0.006	218.19	0.00
FS	7.56	0.64	2.55	0.27

Source: Author's Computation, 2019

It would be revealed the table above that multinational corporation performance (MNCP) has a mean of 4.08 with a corresponding standard deviation of 8.97. Firm ownership (FOW) has a mean of 64.91 with a corresponding standard deviation of 12.30. It therefore shows that on the average firm ownership of multinational corporations is 65%. Also, ownership identity (OWI) has a mean of 21% and standard deviation of 0.41. This therefore means that on the average foreign directors having shareholding in the multinational corporations is 21%. Investment in human capital in multinational corporations (IHC) has a mean of 0.003 and standard deviation of 0.006. Also, firm size (FS) has a mean of 7.56 and standard deviation of 0.64. It would be observed from the probability of the Jarque Bera statistics that multinational corporations performance, ownership identity and investment in human capital of multinational corporations variables are normally distributed with a probability which is less than 0.05 while firm ownership and firm size are abnormally distributed.

Correlation Matrix

The correlation matrix measures the degree of correlation relationship between the dependent variable and independent variables. The correlation result of was presented in table 3 below.

Table 3: Correlation Matrix

Variable	MNCP	FOW	OWI	IHC	FS
MNCP	1	-0.1782	0.0608	0.0557	0.2888
FOW	-0.1782	1	0.3741	0.3901	0.0322
OWI	0.0608	0.3741	1	0.4194	0.3457
IHC	0.0557	0.3901	0.4194	1	-0.1006
FS	0.2888	0.0322	0.3457	-0.1006	1

Source: Author's Computation (2019)

The above table revealed that multinational corporations performance (MNCP) has a positive correlation with ownership identity (OWI= 0.0608), investment in human capital (IHC=0.0557) and firm size (FS=0.2888) while a negative correlation with firm ownership (FOW=-0.1782). Firm ownership (FOW) has a positive correlation with ownership identity (OWI= 0.3741), investment in human capital (IHC=0.3901) and firm size (FS=0.0322) while a negative correlation with multinational corporations performance (MNCP=-0.1782). Ownership identity (OWI) has a positive correlation with multinational corporations performance (MNCP=0.0608), firm ownership (FOW= 0.3741), investment in human capital (IHC=0.4194) and firm size (FS=0.3457). Investment in human capital (IHC) has a positive correlation

with multinational corporations performance (MNCP=0.0557), firm ownership (FOW= 0.3901) and ownership identity (OWI= 0.4194) while a negative correlation with firm size (FS=-0.1006). Also, firm size (FS) has a positive correlation with multinational corporations performance (MNCP=0.2888), firm ownership (FOW= 0.0322), identity (OWI= 0.3457) while a negative correlation with investment in human capital (IHC=-1006). To test for the presence of multicollinearity among the independent variable, Variance Inflation Factor (VIF) was conducted. It would be observed from results that the mean aggregate value of centered VIF (1.3725) reveal the absence of multicollinearity problem (see appendix). The absence of multicollinearity problem was because the value of 6.51 was < 10 as stated by Field (2009). This therefore means that there is absence of multicollinearity among the independent variables. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Regression Results

To examine firm ownership and investment in human capital of multinational corporations in Nigeria, we employed ordinary least square regression technique to test the formulated hypotheses. The regression results obtained are presented in table 4 below.

Table 4: Ordinary Regression Results

Variable	Coefficient	t-test	Prob-Value
C	-0.20.25	-1.22	0.2272
FOW	-0.18	-1.75	0.0847
OWI	-1.03	-0.29	0.7688
IHC	24.73	1.36	0.1781
FS	0.68	2.43	0.0227
R-Square = 0.150254			
F-Statistic = 2.298694			
Prob (F-Statistic) = 0.071170			
Durbin Watson Statistic = 1.175880			

Source: Author's Computation (2019)

It would be observed from table 4 that the coefficient of determination (R^2) value of 0.150254 that about 15% of the systematic variations in multinational corporations performance are jointly explained by firm ownership, ownership identity, investment in human capital of multinational corporations. The remaining 85% is captured by other explanatory variables that might contribute to multinational corporation performance but excluded in this study. This means that the model overall is good for statistical prediction. The F-statistic value of 2.298694 showed that there is a significant linear relationship between multinational corporation performance and firm ownership. More so, the Durbin Watson statistic value of 1.175880 revealed the presence of serial correlation in the regression results but it is ignored in this study due to the nature of data employed.

Following the results in the table above, firm ownership (FOW) had a significant negative effect on multinational corporation performance (MNCP at 10% level of significance. It means that the presence of ownership structure would lead to poor performance of multinational corporations. The significant effect of firm ownership was because it passed the t-test < 0.10. This finding was consistent with the findings of SitiSuziyati, Abdul and Sahibzada (2016) that ownership structure has a significant influence on firm performances but inconsistent with the aprior signs. Also, ownership identity (OWI) had an insignificant negative effect on multinational corporation performance (MNCP) even at 10% level of significance. It means that the presence of foreign director ownership would lead to poor performance of multinational corporations but it was statistically insignificant. The insignificant effect of ownership identity was because it failed the t-test > 0.10. This finding was consistent with the findings Bhaumik, Estrin and Mickiewicz (2016) ownership identity has insignificant influence on performance. Investment in human capital of multinational corporation (IHC) had an

insignificant positive effect on multinational corporation performance (MNCP) even at 10% level of significance. It means that more commitment to human capital development of multinational corporations would lead to increase performance of multinational corporations but it was statistically insignificant. The insignificant effect of investment in human capital was because it failed the t-test > 0.10 . The study of Boadu, Xie, Du and Dwomo-Fokuo (2018) was inconsistent with the results that on-the-job training and development and off-the-job training and development had a significant impact on performance of multinational enterprises. Firm size (FS) had a significant positive effect on multinational corporation performance (MNCP) at 5% level of significance. It therefore means that expansion of the company would significantly lead to increase performance of the multinational corporations. The significant effect of firm size was because it passed the t-test < 0.10 . This finding was inconsistent with the findings of Tetteh and Okantey (2016) that size has an insignificant effect on performance of multinational corporations.

6. CONCLUSION AND RECOMMENDATIONS

Multinational corporations play an indispensable role in global business organisation and also promising in an emerging economy. Multinational corporations are a dynamic business environment where business organisations invest heavily in human capital development. Therefore, multinational corporations are business organizations which operate strategically on an international scale (Udoka, 2015). Multinational companies are obliged to recover their investments in their employees and assume that employees will contribute beyond their own salaries and benefits, but it is difficult to determine just what their contribution to organizational productivity consists of (Elmas, Suryanarayana, Oliveira, Nedelko, Ferreira, Broncano, Davim & Machado, 2017). Meanwhile, multinational corporations make commitment to human capital development through training and re-training of the employee. It would be revealed from the ordinary least square regression results that firm ownership had a significant negative effect on multinational corporation performance, ownership identity had insignificant negative effect on multinational corporation performance and investment in human capital of multinational corporation had insignificant positive effect on multinational corporation performance while firm size had a significant positive effect on multinational corporation performance. The study recommended that management of multinational corporations in Nigeria should consider the presence of firm ownership because of its negative effect on performance, it is also recommended that relevant stakeholders of multinational corporation should show strong commitment to the development of human capital because it would enhance the performance of the multinational corporations in the long-run. The study recommended that management should consider the expansion of multinational corporations because it would significant lead to increase performance of the multinational corporations.

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APPENDIX - A

DESCRIPTIVE STATISTICS

	MNCP	FOW	OWI	IHC	FS
Mean	4.087193	64.91228	0.210526	0.003851	7.569046
Median	1.280000	63.00000	0.000000	0.000000	7.710700
Maximum	42.55000	88.00000	1.000000	0.036100	8.761700
Minimum	-16.82000	39.00000	0.000000	0.000000	6.460500
Std. Dev.	8.976149	12.30749	0.411306	0.006789	0.640746
Skewness	2.281764	0.087044	1.420094	2.630310	-0.247565
Kurtosis	9.853694	2.363877	3.016667	11.01231	2.089697
Jarque-Bera	161.0224	1.033029	19.15899	218.1943	2.550289
Probability	0.000000	0.596596	0.000069	0.000000	0.279391
Sum	232.9700	3700.000	12.00000	0.219500	431.4356
Sum Sq. Dev.	4511.990	8482.561	9.473684	0.002581	22.99111
Observations	57	57	57	57	57

CORRELATION MATRIX

	MNCP	FOW	OWI	IHC	FS
MNCP	1.000000	-0.178239	0.060865	0.055768	0.288881
FOW	-0.178239	1.000000	0.374109	0.390165	0.032225
OWI	0.060865	0.374109	1.000000	0.419462	0.345746
IHC	0.055768	0.390165	0.419462	1.000000	-0.100633
FS	0.288881	0.032225	0.345746	-0.100633	1.000000

VARIANCE INFLATION FACTOR

Variance Inflation Factors
Date: 08/19/19 Time: 06:50
Sample: 1 57
Included observations: 57

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	274.8082	212.4471	NA
FOW	0.010960	36.96214	1.260903
OWI	12.30473	2.002625	1.581020
IHC	40495.49	1.881728	1.417483
FS	3.977545	177.4048	1.240284

OLS REGRESSION

Dependent Variable: MNCP
 Method: Least Squares
 Date: 08/19/19 Time: 06:16
 Sample: 1 57
 Included observations: 57

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-20.25926	16.57734	-1.222105	0.2272
FOW	-0.184018	0.104690	-1.757748	0.0847
OWI	-1.036536	3.507810	-0.295494	0.7688
IHC	274.7302	201.2349	1.365221	0.1781
FS	4.683782	1.994378	2.348492	0.0227
R-squared	0.150254	Mean dependent var	4.087193	
Adjusted R-squared	0.084889	S.D. dependent var	8.976149	
S.E. of regression	8.586712	Akaike info criterion	7.221940	
Sum squared resid	3834.044	Schwarz criterion	7.401155	
Log likelihood	-200.8253	Hannan-Quinn criter.	7.291589	
F-statistic	2.298694	Durbin-Watson stat	1.175880	
Prob(F-statistic)	0.071170			