

COMPANY PERFORMANCE AND REPUTATION RISK IN STATE-OWNED ITALIAN LISTED COMPANIES

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Abstract

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The relationship between ownership structure (private vs State-owned) and company performance has been deeply analyzed by scholars and practitioners. Prior studies found mixed results about this topic; some scholars demonstrated that private firms perform better than State-Owned Enterprises (SOEs) and others came to opposite or undefined results. Further, during the global financial crisis, this topic gained relevance. To our best knowledge, Italian framework suffers of a lack of these studies and, in particular, no ones focused on the level of reputation risk in both SOEs and private firms. Aim of this paper is to analyse the difference in the performance and in the reputation risk between Italian SOEs and private firms. To do so we performed a t-test analysis on a sample of 18 State-owned listed firms and 212 private listed firms. Our empirical results found that SOEs have higher ROE and higher Cash flow/sales, but a lower Tobins' Q than private firms. Further, no statistically significant differences in the reputation risk have been found; therefore financial analysts do not perceive any difference in the reputation risk between private and SOEs. Our results can help practitioners and policy-makers in making investment decisions and choices about the privatization process.

Keywords: Ownership Structure, State-Owned Enterprises, Company Performance

1. INTRODUCTION

The relationship between ownership structure and company performance has been deeply analyzed by scholars and practitioners, such as investors and policy makers (Berle and Meanse, 1932; Demsetz 1983; Morck et al., 1988; Kole 1996; Yu, 2013; Lazzarini and Musacchio, 2015).

Indeed, this topic is pivotal in making decisions regarding privatization, mechanism of effective corporate governance and firm performance. The issue of the ownership structure in firm is relevant both for a capitalist economy and for a socialist one, because ownership structure seems to have some effects on the company performance (Cornett et al., 2008; Kotz, 2006).

Some scholars agree that State ownership enterprises - SOEs - perform better than private ownership enterprises - POEs (Wooldridge, 2012; Vaaler and Schrage, 2009; Toninelli, 2000). In 2013, Fortune global 500 wrote a report, in which it is showed that, among the top-100 firms, 25 were state-owned multinational ones, directly owned by the state or indirectly through several state related investment vehicles (Musacchio and Lazzarini, 2014).

The relationship between SOEs and company performance has been broadly investigated, even if the empirical analysis gave mixed results (Proused, 1999; Yu, 2013; Lazzarini and Musacchio, 2015). In particular Lazzarini and Musacchio (2015) show that *"changes in environmental conditions are crucial to explain performance gaps thus involving that origin of performance heterogeneity between state ownership enterprises (SOEs) and private ownership enterprises (POEs) are not universal but contingent on external factors that make the liabilities of stateness more salient"* (p. 28).

Indeed, some scholars demonstrated that POEs perform better than SOEs (Goldeng et al., 2008), and others came to opposite or undefined results (Berle and Means, 1932; Jensen and Meckling, 1976; Demsetz and Lehn, 1983; Mehran, 1995; Cho, 1998; Demsetz and Villalonga, 2001; Chen et al., 2015). Further, the relevance of the topic increased during financial crisis (Johnson et al., 2000; Lemmon and Lins, 2003; Du and Dai, 2005). Despite the study carried out by Jensen and Meckling (1976) about the risk-related disclosure, and despite some studies which demonstrated the relationship between ownership structure and analyst coverage (Chen and

Steiner, 2000; Boubaker and Labégorre, 2008), literature still wonder if the State-ownership can have some effects on the analyst ratings (Huang and Wright, 2015; Liu, 2016).

However, to our best knowledge, there is lack of these studies based on Italian listed companies and no studies are focused on the level of reputation risk in both SOEs and POEs in the Italian setting.

Therefore, the aim of this paper is to analyse the difference in the performance and in the reputation risk between SOEs and POEs in Italy.

The remainder of the paper is organized as follows: the following section discusses the theoretical framework, the literature review and the research aims, the third section shows the research method and empirical results; the final section presents conclusions.

2. THEORETICAL FRAMEWORK

The ownership structure is one of the most studied and interesting features that regards corporate governance. As a matter of fact, literature presents several studies, especially on the link between ownership structure and strategy, company decisions and firm's behaviour (Baysinger et al., 1991; Li et al., 2008; Richardson et al., 2016).

Several scholars have studied the relationship between ownership structure and firm performance (Morck, Shleifer and Vishny, 1988; Short, 1994; Barnhart and Rosenstein, 1998; Hu & Izumida, 2008). Within this framework, some scholars have analyzed the link between some performance indexes and different types of ownership structure of listed firms (public/non-public, diffused or dispersed/concentrated, private/family/government or State ownership, etc). The most analyzed ownership structure is the dual class one, indeed some scholars demonstrated the correlation between the dual class ownership structure and the leverage and propensity to debt (Dey, Nikolaev & Wang, 2015), and between the dual class ownership structure and the acquisition activities (Hossain, 2015).

Scholars even proposed more advanced models, by using empirical tests, which have used more complex indexes and different ownership structures (Stulz, 1988; Wruck, 1989; McConnell and Servaes, 1990). Despite scholars used different methodological approaches, results demonstrated that there is a relationship between ownership structure and company performance. Further, empirical results demonstrated that this link could be explained by the agency theory (Ang et al., 2000; Anderson & Reeb, 2004). According to Jensen & Meckling (1976), the theory of ownership structure is related to the studies of property rights, agency and finance. Besides, this theory is used to identify the best ownership structures that are useful to reduce the risk of opportunistic behaviour by managers and the risk of conflict between principal and agent.

More recently, Masulis et al. (2009) statistically demonstrated that managers with greater excess control rights over cash flow rights are more prone to pursue private benefits at shareholders' expense. Further their study aims to explain why firm value is decreasing in insider excess control rights. Besides, Chen et al. (2015) argue that changes in the pay-for-

performance sensitivity are also associated with the firm ownership structure, the level of agency conflicts and the governance quality. Finally, Feng et al. (2016) argue that concentrated ownership and the associated separation of ultimate control and ownership rights create agency conflicts between controlling shareholders and minority investors by leading controlling owners to withhold firm-specific information from the market. Their empirical analysis demonstrated that a greater separation between control and ownership rights increases the response coefficient of stock return synchronicity to analyst coverage.

Prencipe et al. (2011) share conclusions of previous scholars, even if they did not find significant differences between agency theory and stewardship theory in explaining the role played by family control in income smoothing decisions. Nüesch (2015) expressed some doubts on the capacity of the agency theory in explaining the relationship between ownership structure and the corporate performance. In particular, this scholar highlights that the stewardship theory leads to completely opposite conclusions respect to the agency theory (dual-class shares increase firm performance). Through a sample of Swedish firms, scholar demonstrated that dual-class shares increase or decrease firm performance if the firm requires or not requires external finance.

On the other hand, some scholars came to different results and sometimes to ambiguous and inconclusive ones. Indeed, Demsetz (1983) and Demsetz and Lehn (1985) and Demsetz & Villalong (2001) have had some doubts on the systematic relationship between ownership structure and firm performance; indeed these studies used the former as the dependent variable and the latter as the independent one.

Furthermore, it is not easy to apply statistical models on firm performance able to explain particular ownership structures such as familiar ones (Anderson & Reeb, 2003; Barontini & Caprio, 2006). However, this influence can also have negative or positive sign, depending on some features such as family who manage the firm (Txomin Iturralde et al., 2011). With a research on the India Stock Exchange, characterized by highly concentrated ownership structure, Srivastava (2011) demonstrated that the dispersed ownership percentage influences certain dimensions of accounting performance indexes (i.e. ROA and ROE) but not stock market performance indicators (i.e. P/E and P/BV ratios), which indicate that there might be other factors (such as economic, political and contextual ones) affecting firms performance other than ownership structure.

Moreover, Pindando & Requejo (2014) carry on a systematic review of literature around the topic of family business governance and argue that empirical research on this topic did not carry out definitive conclusions.

The relationship between the ownership structures and firm performance has been deeply investigated on listed firms which operate in different contexts and have different features and size: these studies are carried out in USA, EU, Australia (Craswell et al., 1997), South America (Torres et al., 2017), Africa (Ongore, 2011), and Asia (Claessens et al., 2002; Ishak & Napier, 2006;

Driffield, Mahambare & Pal, 2007; Bhaumik et al., 2010; Abdullah et al., 2012). Several studies focused on the East Asian firms, since the weakness of their corporate governance seems to be linked to the two financial crisis in this setting (Johnson et al., 2000; Du & Dai, 2005). Further, the financial crisis seems to demonstrate the validity of the agency theory, since the crisis carried on an increase in the incentives of controlling shareholders to expropriate minority shareholders. Lemmon and Lins (2003), by using data from 800 firms in eight East Asian countries, demonstrated that, during the crisis, financial performance of firms, in which managers separate their rights of control and cash flow through pyramid ownership structures, are significantly lower compared to firms without separation of rights. Besides they did not find significant proofs on the fact that changes in the performance of firms with a separation between managerial cash flow rights and control rights are statistically different from changes in firms with no this separation.

With regard to Italian listed firms, nature of control and ownership structure have been linked to other features and roles of corporate governance, such as the Board of directors, the Chief Executive Officer (CEO) the levels of compensation (Barontini and Bozzi, 2011). To our best knowledge there are no studies that linked the ownership structure to performance ratios, with the only exception of the study carried out by Abatecola and Poggesi, 2010. Abatecola and Poggesi (2010) came to complex results that are difficult to interpret: some independent variables show opposite relationship with the dependent variables. Therefore, it is not possible to conclude that the ownership structure of Italian listed companies has some effects on the firm performance.

The study of Barontini and Bozzi (2011) represents, however, a starting point for future research focused on the relationship between ownership structure and firm value especially because they highlighted that Italian listed companies are of particular interest among scholars and practitioners, since they cover a wide range of ownership structures and a relevant number of SOEs. Besides, the nature of control, which can be private, familiar or public, is one of the variable that scholars used in their regression, in order to test the influence of control on executive compensation. Empirical results show that managers of the SOEs systematically receive lower compensation, when compared to the Boards of Family and Widely Held firms. Researchers argue that these results can be interpreted in the following way: the public opinion could exert pressure on politicians to moderate executive compensation, when firms are run by the State, because State firms are expected to be more inefficient than any other.

The inefficiency of SOEs has already been highlighted by Shleifer and Vishny (1997): these scholars argue that these firms are controlled by bureaucrats, who own a high level of control rights but not a high level of cash flow rights, and who have very different interests from social welfare (such as, for example, to win the elections). On a similar vein, Brunello et al. (2001) argue that SOEs' top managers are typically political appointees, and their careers are less subject to market forces. The

theories of Shleifer and Vishny (1997) have been confirmed even by Wei et al. (2000), who showed that, in China, SOEs are consistently less profitable and productive than other ownership structure types (including local governments-owned firms, possibly due to closer monitoring, harder budget constraints, and more motivated employees).

The inefficiency of SOEs caused the phenomenon of privatization, which concerned advanced economies since 90s, in order to improve the firms performance.

However, over the last 40 years, researchers were interested in (corporate governance) ownership structure to analyse the relationship between privatization pressure and SOEs performance. In its narrow sense, the term privatization has frequently used to refer to the sale of assets or shares of SOEs to individuals or private firms. However, in its broader sense, it refers to the restriction of the government's role. Both advocates and opponents of privatization have underlined the relevance of managerial objectives and market structure. On a similar vein, researchers pay specific attentions to how it could enforce performance-oriented goal and competitive market conditions on SOEs. Most of studies argue that private firms perform better than public one, whereas others do not agree with these studies and conclude that there are other features that could affect firm performance (Kikeri et al., 1994).

Dewenter and Malatesta (2001), Megginson and Netter (2001) highlight that, on the one hand, POEs have as main aim the shareholders' wealth-maximization and, on the other hand, SOEs has mainly social and political aims and they tend to forget that the main aim of a firm is related to firm's value maximization. Tian (2001) underlines that the aim of the government is to increase the social welfare rather than the company's profitability.

The theoretical framework of corporate governance underlines the differences between state and private governance and the impact of ownership structure on firm performance. This framework gives us significant insights on the behaviour of SOEs.

Despite the problems of separation between the ownership function and the control function of both private companies and SOEs, some scholars (Shirley and Walsh, 2000) underline that there are significant differences between the SOEs and private firms in the context of the main tools of governance. Chang and Yuan Jin (2016) found that both direct and indirect government ownership have a detrimental impact on the performance of publicly listed firms in China. Firms with direct government ownership and immediate control show the worst performance. In contrast, firms whose immediate and ultimate controllers are private individuals perform best, followed by firms controlled by companies (Wang and Xiao, 2009). Although monitoring depends largely on the type of owners and on information asymmetries, it is clear that state and private owners monitor differently. Some scholars underline advantages of public firms because the State can perform an effective monitoring; other researchers highlight the ability of markets to generate information, which gives private ownership a crucial advantage in the monitoring process (Tichá, 2012).

Based on the agency theory, researchers have underlined that managers of SOEs are weekly monitored and there is a lack in the high-powered incentives normally found in private companies. The agency theory pays attention to the difference between the goals of managers (the agents) and of owners (the principals) within the two ownership regimes. In SOEs, there are weak incentives; however if in SOEs there is a manager who shares social aims, the SOE may have even a better performance than POEs (Trebilcock and Iacobucci, 2000; Leung and Chang, 2013).

Furthermore, given the differences in incentives associated with State or private ownership, overall social welfare should depend on the trade-off between internal economic efficiency - under private ownership - and allocative efficiency - under State ownership - (Shirley and Walsh, 2000; Hart O.D., 1983; Grossman and Hart, 1986).

In terms of corporate value, Tie (2001) notes that firms under the control of the government shareholder are valued lower than the comparable firms under the control of a non-government shareholder, but the continuous relationship between state shareholding and corporate value is non-monotonic. Corporate value is low with a large stake of government ownership when the government is a small shareholder, but it increases with increased state shareholding when the government is a large shareholder.

Thus, owners have high incentives to observe and control management, so that they act in the best principals' interest. Imperfect monitoring is the first reason of low-incentives from management perspective: debt markets cannot play the role of disciplining the managers, because SOE's debt is actually public debt that is perceived and traded under different conditions (Sheshinski and Lopez, 2003).

Vickers and Yarrow (1991) suggest that *"competition can improve monitoring possibilities, and hence incentives for productive efficiency. Indeed, competition facilitates performance comparisons, which can generally improve trade offs between incentives and risk when several managers facing correlated uncertainties are being monitored"* (p.6). Therefore, product market competition is substantial because it improves productive efficiency. Finally, it is important to analyse performance differences under both forms of ownerships; however the features of the environment in which the firms operate, the company regulation and the market structure (competition) should be taken into account (Shleifer and Vishny, 1997; Proused, 1999; La Porta et al., 2000; Hillman et al., 2000).

3. RESEARCH MODEL

The literature shows that the corporate governance and in particular, the ownership structure (Baysinger et al., 1991; Li et al., 2008; Richardson et al., 2016), has some effects on the financial and non-financial performance of a firm (Morck, Shleifer and Vishny, 1988; Stulz, 1988; Wruck, 1989; McConnell and Servaes, 1990; Short, 1994; Barnhart and Rosenstein, 1998; Hu & Izumida, 2008). These effects could be explained throughout the agency theory (Jensen and Meckling, 1976) and they are particularly clear in

listed companies (Ang et al., 2000; Anderson & Reeb, 2004): the different ownership structures can increase or moderate the conflict between the principal and the agent, and can have positive or negative effects on the firm performance (Masulis et al., 2009; Chen et al., 2015; Feng et al., 2016).

The SOEs are considered inefficient by the previous literature (Shleifer and Vishny, 1997). Therefore, scholars argue that the State ownership has a negative impact on the performance of a firm, and, on the other hand, that the private firms are more efficient than the other state owned firms (Wei et al., 2000).

Besides, some studies have demonstrated a relationship between ownership structure and financial crisis: during crisis, the weakness of corporate governance is able to worsen the firm performance. Furthermore, during financial crisis, some types of ownership structure may produce negative effects on the firm performance (Johnson et al., 2000; Lemmon and Lins, 2003; Du and Dai, 2005).

These studies have been statistically confirmed in different countries with different markets and systems of corporate governance (Craswell et al., 1997; Claessens et al., 2002; Ishak & Napier, 2006; Mahambare & Pal, 2007; Driffield, Bhaumik et al., 2010; Abdullah et al., 2012; Ongore, 2011; Torres et al., 2017).

However, studies in some countries came to different conclusions and others came to undefined conclusions (Pindando and Requejo, 2014). A stream of literature posed some doubts on the relationship between firm performance and ownership structure (Demsetz, 1983; Demsetz and Lehn, 1985; Demsetz and Villalong, 2001). Other authors posed some doubts on the fact that the agency theory could be considered as the unique theory able to explain the relationship between these two variables (Prencipe et al., 2011; Nüesch, 2015). Finally, some scholars do not agree on the fact that the State-owned companies are less efficient than the private ones (Goldstein, 2003; Vaaler and Schrage, 2009; Toninelli, 2000; Wooldridge, 2012).

With regard to the literature about the link between ownership structure and reputation risk (and analyst ratings), we refer to the study carried out by Jensen and Meckling (1976), who highlighted the relevance of the risk-related disclosure: if the investors perceive that managers try to maximize the firm value, the agency costs decrease. Further, the major shareholder may have some incentives to maintain a high level of disclosure. Within this framework, Chen and Steiner (2000) demonstrated that the analyst coverage, a type of ownership structure (managerial one) and firm valuation are jointly determined. Boubaker and Labégorre (2008) demonstrated a link between ownership structure and analyst coverage; in particular if the separation between control and ownership in a firm is high, the probability of coverage of this firm by analysts is high too. Other studies carried out in China did not confirm the correlation between ownership structure and analyst coverage in SOEs (Huang and Wright, 2015; Liu, 2016).

However, to our best knowledge, there is lack of these studies based on Italian listed companies and no studies are focused on the level of reputation

risk in both SOEs and private firms in the Italian setting.

Therefore, the aim of this paper is to analyse the difference in the performance and in the reputation risk between SOEs and private firms in Italy.

Italy represents an interesting country in order to analyze these topics after the financial crisis, for the following reasons:

- The financial crisis has had relevant impact on the Italian setting (Lucarelli and Romano, 2016);
- Italy is characterized by a central and local government (Maraffi, 1980);
- Italy is a country in which the SOEs have been deeply studied for their inefficiency. This debate has contributed to apply huge programme of deregulation and privatization since 90s (Goldstein, 2003);
- Italy is one of the country in which SOEs are several.

For these reasons, we applied to the Italian setting the same theoretical framework and similar statistical methods that scholars used in other countries. Therefore, we posed the following research questions:

RQ1: What is the level of performance in Italian listed SOEs compared to that one in Italian listed private firms after financial crisis?

RQ2: What is the reputation risk in Italian listed SOEs compared to that one in Italian listed private firms after financial crisis?

4. METHODOLOGY

4.1. Sample selection and data collection

In order to answer the research questions, we selected all the Italian industrial listed firms from Thomson Reuters Datastream. We excluded financial institutions, as they have particular features and they need a separate treatment.

We identified 230 Italian listed firms, within which we identified 18 State- or Local Authorities-owned listed firms and 212 private listed firms. We extracted financial ratios from Thomson Reuters Datastream.

Our sample time period goes from 2013 to 2016, ending up with 920 observations for each variable. All the statistical analyses have been performed with SPSS 20.0.

4.2. Measurement of the research variables

From Thomson Reuters Datastream, we extracted measures of financial performance, reputation risk and size of firms.

To evaluate the financial performance of our sample of listed firms we used Tobin's Q, Return on Assets (ROA), Return on Equity (ROE), Return on Invested Capital (ROIC), and Cash flow/sales. In particular, Tobin's Q ratio provides information on how well company's investments pay off and it is calculated as follows:

$$\text{market value of assets} / \text{replacement value of assets} \\ \text{or } (\text{equity market value} + \text{liabilities market value}) / \\ (\text{equity book value} + \text{liabilities book value})$$

ROA is measured as follows:

$$(\text{Net Income before Preferred Dividends} + ((\text{Interest Expense on Debt-Interest Capitalized}) * (1-\text{Tax Rate}))) \\ / \text{Average of Last Year's and Current Year's Total Assets} * 100$$

ROE is measured as follows:

$$\text{Net Income-GAAP} / \text{Last Year's Common Equity-GAAP} * 100$$

ROIC is measured as follows:

$$(\text{Net Income before Preferred Dividends} + ((\text{Interest Expense on Debt} - \text{Interest Capitalized}) * (1-\text{Tax Rate}))) \\ / \text{Average of Last Year's and Current Year's (Total Capital} + \text{Last Year's Short Term Debt and Current Portion of Long Term Debt}) * 100$$

Cash Flow/Sales is measured as follows:

$$\text{Funds from Operations} / \text{Net Sales or Revenues} * 100$$

According to the literature, the reputation risk is measured by a proxy that is the analyst stock recommendations (Recommendation Consensus). A value of between 1 and 1.49 is associated to "Strong Buy"; a value between 1.5 and 2.49 it is associated to "Buy"; a value between 2.5 and 3.49 is associated to "Hold"; a value between 3.5 and 4.49 is associated to "Underperform"; a value between 4.5 and 5 is associated to "Sell". A high value issued by analysts indicates a high Reputation Risk and a low value indicates a low reputation risk (García-Meca and Martínez, 2007)¹⁵.

In order to evaluate the size of the company we used Net Sales or Revenues, Employees, Total Assets and Total Shareholders' Equity. Net Sales or Revenues represent gross sales and other operating revenue less discounts, returns and allowances. Employees represent the number of both full and part time employees of the company. Total Assets represent the sum of total current assets, long-term receivables, investment in unconsolidated subsidiaries, other investments, net property plant and equipment and other assets. Finally, Total Shareholders' Equity represents the sum of Preferred Stock and Common Shareholders' Equity. We used the side of the company to carry out further comparison between SOEs and private firms.

4.3. Descriptive statistics of the research and control variables

Table 1 shows frequency distribution of dichotomous research variables for the whole dataset of firms, table 2 shows some descriptive statistics of research variables for private listed firms and table 3 shows some descriptive statistics of research variables for State-owned listed firms.

With regard to Industry Classification, we decided to use General Industry Classification. Our dataset includes 1, 2, 3 and 6 classes, due to the research strategy that doesn't focus on financial companies. The first class includes: the energy and the material sectors; the second class includes the

¹⁵ Source: Thomson Reuters Datastream.

Industrial and Consumer Discretionary sectors; the third class includes the Consumer Staples and Health Care sectors; the last class includes the real estate sector. Our dataset is composed of 92.2% of private listed firms and 7.8% State-owned listed firms (Table 1).

Table 1. Frequency distribution of dichotomous research variables for the whole database

<i>Control variables</i>	<i>Frequency distribution for survey questions (in %)</i>						
	0	1	2	3	4	5	6
Type of firms	92.2	7.8					
Industry Classification (GIC)		86.1	10.9	0.9			2.2

Table 2. Descriptive statistics of research variables for private listed firms

<i>Research variables</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Number of observations</i>
ROE	-1497.480	278.960	-6.913	92.547	741
Recommendation Consensus	1	5	2.251	0.734	475
ROA	-74.780	227.560	2.368	16.779	778
Employees	0	238162	6438.08	21341.512	658
Net sales or revenues	0	111018000	1671490.29	7695998.362	814
Tobin's Q	0.412	116.0167	2.492	5.748	810
Total assets	1571	101697000	2601154.79	10245091.217	808
Cash flow/sales	-8065.270	243.970	-13.919	349.415	809
ROIC	-272.810	1614.630	5.834	75.861	771
Total shareholders' equity	-1342907	21207000	682002.40	2287971.027	810

Table 3. Descriptive statistics of research variables for SOE

<i>Research variables</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>Number of observations</i>
ROE	-73.350	18.570	2.709	15.565	65
Recommendation Consensus	1	3.670	2.290	0.632	54
ROA	-8.170	7.230	1.883	3.434	64
Employees	321	84405	16208.18	23780.569	67
Net sales or revenues	61103	114722000	12126821.64	25963488.038	69
Tobin's Q	0.391	2.512	1.314	0.393	69
Total assets	142457	165351000	24642895.90	46373287.368	67
Cash flow/sales	-8.060	72.900	15.954	15.855	69
ROIC	-16.5200	9.780	2.538	5.446	65
Total shareholders' equity	17034	59754000	6869947.57	14441834.630	69

4.4. Descriptive statistics of the research and control variables

We used non-parametric tests (Beattie and Pratt 2003; Beattie and Smith 2012) to answer our research question. We performed a t-tests analysis in order to check for any differences between State-owned and private listed firms (Table 4).

Table 4 shows that State-owned firms have higher ROE than private firms (t-test is statistically significant, p value=0.014). Furthermore, results show that: State-owned listed firms have more employees than private listed firms (t-test is statistically significant, p value=0.002); State-owned firms have higher net sales or revenues than private firms (t-test is statistically significant, p value=0.001); State-owned firms have higher total

assets than private firms (t-test is statistically significant, p value=0.000); State-owned firms have higher total shareholders' equity (t-test is statistically significant, p value=0.001); State-owned firms have higher Cash flow/sales than private firms (t-test is statistically significant, p value=0.016). Finally State-owned firms have lower Tobins' Q than private firms (t-test is statistically significant, p value=0.000).

Further, Table 4 shows that there are no statistically significant differences in the Recommendation Consensus, therefore financial analysts do not perceive any difference in the reputation risk between private and State-owned listed firms. Furthermore there are no statistically significant differences in ROA and ROIC between private and State-owned companies.

Table 4. Descriptive statistics of research variables for private listed firms

<i>Research variables</i>	<i>Number of observations</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>T- test (p value)</i>
ROE (State-owned firms)	65	0.099	0.175	0.014**
ROE (private firms)	741	-0.0087305	1.0412678	
Recommendation Consensus (State-owned firms)	54	0.049	0.874	0.671
Recommendation Consensus (private firms)	475	-0.006	1.014	
ROA (State-owned firms)	64	-0.028	0.212	0.512
ROA (private firms)	778	0.003	1.038	
Employees (State-owned firms)	67	0.408	1.093	0.002***
Employees (private firms)	658	-0.041	0.981	
Net sales or revenues (State-owned firms)	69	0.901	2.427	0.001***
Net sales or revenues (private firms)	814	-0.076	0.719	
Tobin' s Q (State-owned firms)	69	-0.196	0.071	0.000***
Tobin' s Q (private firms)	810	0.018	1.040	
Total assets (State-owned firms)	67	1.188	2.706	0.000***
Total assets (private firms)	808	-0.098	0.598	
Cash flow/sales (State-owned firms)	69	0.082	0.047	0.016**
Cash flow/sales (private firms)	809	-0.007	1.041	
ROIC (State-owned firms)	65	-0.042	0.075	0.242
ROIC (private firms)	771	0.003	1.041	
Total shareholders' equity (State-owned firms)	69	1.170	2.963	0.001***
Total shareholders' equity (private firms)	810	-0.099	0.469	

*, **, *** indicate a significance degree between 0.10 and 0.05, 0.05 and 0.01, and 0.01 and 0, respectively.

5. CONCLUSION AND DISCUSSION

To our best knowledge, there is just one study which treat with the relationship between corporate governance and performance of Italian listed companies (Abatecola and Poggesi, 2010). Abatecola and Poggesi (2010) came to complex results that are difficult to interpret: some independent variables show opposite relationship with dependent variables. Therefore, it is not possible to conclude that the ownership structure of Italian listed companies has some effects on the firm performance. Our empirical analysis came to similar considerations with regard to our first research question (*What is the level of performance in Italian listed SOEs compared to that one in Italian listed private firms after financial crisis?*).

Indeed, our statistical tests show that SOEs have higher ROE and higher Cash flow/sales than private firms have, but lower Tobins' Q than private firms. Finally, there are no statistically significant differences in ROA and ROIC between private and State-owned companies.

Furthermore, there are no statistically significant differences in the Recommendation Consensus; therefore, financial analysts do not perceive any difference in the reputation risk between private and Italian listed SOEs. In this way, we attempt to answer the second research question (*What is the reputation risk in Italian listed SOEs compared to that one in Italian listed private firms after financial crisis?*).

Our work is also consistent with that part of literature which has some doubts on the systematic relationship between ownership structure and firm performance (Demsetz, 1983), and between ownership structure and analyst's consensus (Huang and Wright, 2015; Liu, 2016). We are also aware that the influence of ownership structures on the firm performance can be due to other endogenous variables inside the firm (Txomin Iturralde et al., 2011) or to economic, political and contextual factors (Srivastava, 2011).

Our results are also consistent with that part of literature which argues that the level of firm performance is not affected by the types of ownership structure, even in the Italian setting. The Italian setting is an interesting field to analyze these topics, especially because of the specific Italian financial and economic system, where small and medium enterprises are the majority and where huge processes of privatization are carried out for some large firms' groups over the years. We are also aware that the performance of a firm and its level of reputation risk can be affected by both endogenous and exogenous factors.

Our results can be useful for practitioners and policy-makers; indeed the awareness of SOEs' performance and their reputation risk can help practitioners and policy-makers in making investment decisions and choices about the privatization process. Since financial analysts do not perceive any difference in the reputation risk between private and Italian listed SOEs, managers can benefit from both the private and the public ownership.

However, this paper is not without limitations. First of all, our analysis focuses on a specific time period (2013-2016) and it is focused on just listed Italian firms. In future research, it could be interesting to carry on the same analysis on more years in order to understand the role of the financial crisis on the Italian listed companies. Furthermore, it could be interesting to apply more developed statistical tools in future research.

As further analysis we found that State-owned listed firms have more employees, higher net sales or revenues, higher total assets, higher total shareholders' equity than private listed firms.

Finally we proposed the following assumptions that could be tested in future research:

- The SEOs in Italian setting have a competitive advantage due to several features. For example, their major shareholder is also the person who has the task to organize and control the sector in which these firms operate. The SEOs have intangible factors, such as a network and information which

are generated by the State ownership, or tangible factors such as infrastructures;

further/or

• The Italian State has been drastically reduced since 90s, through the privatization process due to the inefficiency of SEOs. Firms which belong to the Italian State or to local authorities are not inserted in the privatization strategies, since they are more efficient than those that are sold to private investors. Therefore, the major shareholder (the State) can do a pressure in order to push the SEOs to maintain high level of performance. A similar pressure has done also by private investors, which are available to invest since they are attracted by high profits;

further/or

• The process of stock market listing obliged the SEOs to respect the laws in terms of corporate governance. The same laws are also applied to private firms. Indeed, the literature shows that the firm performance can enhance, if there is an improvement in the mechanism of corporate governance (Gompers et al., 2003). The SEOs have, thus, the pressure to have, for example, more experienced and skilled managers and more advanced systems of internal control in order to reduce the cases of corruptions and the following decrease of reputation of firms.

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