Ownership Structure as a Corporate Governance Mechanism in Slovenian Hotels*

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Abstract

This paper analyses ownership structure and company performance in the light of corporate governance theory and the actual privatisation process. Previous research has proven that the Slovenian state is a poor and passive owner, whereas private owners and employees are more active and more interested in their company's economic performance. This paper shows that the transition to private ownership in the Slovenian hotel sector has not been finished. Consequently, state-owned and investment funds remain important owners of Slovenian hotels. The financial performance of hotel companies is below average in the economy and can be correlated with the current ownership structure. Since the current ownership structure has a negative impact on the hotel sector competitiveness, an ownership change is needed to boost the sector's competitiveness and the competitiveness of Slovenia as a tourist destination.

Keywords: ownership structure, performance, hotel companies, Slovenia
JEL classification: G34, L83

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1 Introduction

The Slovenian corporate governance system has been highly influenced by the privatisation process that took place at the beginning of the 1990s. An important characteristic of Slovenian privatisation process has been a high interference of artificially created state-owned and investment funds (Simoneti et al., 2003). During privatisation 40 percent of companies' shares were distributed through a free transfer to quasi-state and state-owned funds (Development, Restitution and Pension funds). The remaining 60 percent were privatised to insiders (internal privatisation) or outsiders (external privatisation). Better performing companies were privatised internally, while poorly performing companies ended up in the hands of state-owned and investment funds.

Slovenian hotels were performing poorly at the start of the 1990s. Besides poor performance, the main characteristics of Slovenian hotel governance were the following: a relatively high concentration of ownership, low ownership share of foreign owners, high ownership and decision-making power in the hands of state-owned and investment funds and relatively low ownership shares in the hands of insiders (employees and managers). Therefore, the questions investigated in this article are: does the ownership structure in Slovenian hotels differ from the ownership structure seen in other Slovenian companies? Are owners in the Slovenian hotel industry passive and optimising portfolios with their 'safe' investments in hotels?[1] Is the poor ownership structure of Slovenian hotels the reason for their current below-average financial and economic performance?

The corporate governance and ownership structure in the Slovenian hotel industry has not been investigated so far. This paper highlights the ownership structure and performance of Slovenian hotel companies. It is structured as follows. The introduction is followed by a description of corporate governance, with systems and ownership structure comprising an important corporate governance mechanism. Slovenian corporate governance characteristics are described in the third part followed by the characteristics of Slovenian hotel industry. The fifth part brings hypotheses, data description and methodology

[1] *Hotel investments are seen as being safe due to investment made in real estate.*

followed by a presentation of results. A discussion and conclusions are set out in the seventh part.

2 Definition of Corporate Governance – Its Systems and Mechanisms

The problem of corporate governance was introduced by Berle and Means (1932). Corporate governance has traditionally been associated with the 'principal-agent' or 'agency problem'. The principal-agent relationship arises when the owner of a company is not the same person as its manager. This 'separation' results in the following: business failures, takeovers, managers expropriating their rights by paying themselves enormous salaries, investors only concerned with short-term objectives, etc. In order to explain these phenomena, a theoretical and empirical framework has been established. Since then, corporate governance has remained a subject of extensive research and controversy, resulting in its numerous definitions.

Maher and Anderson (1999) claim that corporate governance is one of the key factors for improving microeconomic efficiency. On the other hand, it affects the development and functioning of capital markets and has a strong influence on resource allocation. Shleifer and Vishny (1997) define corporate governance from the investor's viewpoint as the ways in which suppliers finance corporations and ensure they will get a return on their investments. The Cadbury Committee (1992) defines corporate governance as a system by which companies are directed and controlled. The OECD (2004) defines it as a set of relations among a firm's management, its board, shareholders and stakeholders, which is one of the key elements that improves a company's performance, the fluctuation of capital markets, stimulating the innovative activity and development of enterprises. The CEPS (1995) defines corporate governance more broadly as the whole system of rights, processes and controls established internally and externally over the management of a business entity with the objective of protecting the interests of all stakeholders.

In order to overcome problems in corporate governance, different mechanisms can be applied. Denis and McConnell (2003) distinguish corporate governance mechanism types as being either internal or external. Internal mechanisms operate through the Board of Directors and ownership structure, while external mechanisms refer to the external market for corporate control (the takeover market) and the legal system. Becht et al. (2000) identify five alternative mechanisms of corporate governance: the concentration and identity of owners, hostile takeovers and proxy voting, the delegation and concentration of control in the Board of Directors, the alignment of managerial interests with investors through executive compensation contracts and the clearly defined fiduciary duty of the Chief Executive Officer (CEO). Agrawal and Knoeber (1996) propose seven corporate governance mechanisms: insider shareholdings, institutional shareholdings, shareholding by blockholders, a proportion of outsiders on the Board of Directors, debt financing, an external labour market for managers and a market of corporate control.

All authors describe ownership structure as an important corporate governance mechanism. Different owner groups act as more or less active owners and can reduce or increase agency costs. Many studies question the difference between outsider and insider ownership, state and private ownership, domestic and foreign ownership, etc. and its influence on company performance. Research results point to different conclusions. Djankov and Murrell (2002) and Friedman et al. (2000) show that poor company performance is related to state ownership, while Andreson et al. (1999) prove different. Denis et al. (1997), Djankov and Murrell (2002), Lausten (2002) and Renneboog (2002) find outsiders more active owners than insiders, while Jensen (1993) and De Angelo and De Angelo (1985) claim the opposite. The majority of studies, however, find a significant relationship between ownership structure and company performance among privatised companies and the companies undergoing privatisation. Unfortunately, we have not recorded any empirical evidence exploring the relation between ownership structure and company performance in the hotel or tourism industry.

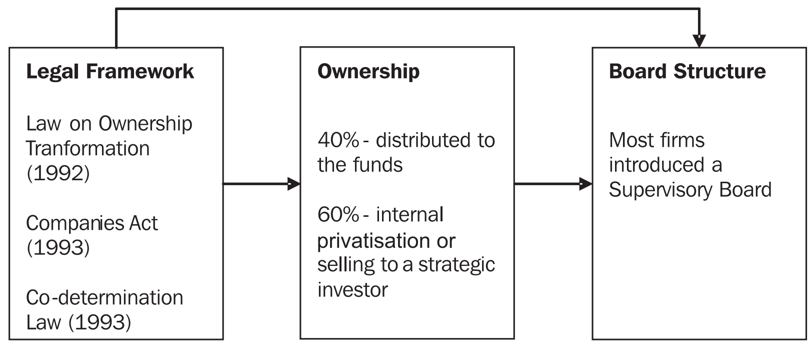
3 The Corporate Governance System in Slovenia

Privatisation sets the context for shaping the corporate governance system in Slovenia. Approximately 90 percent of Slovenian companies have chosen internal distribution and internal buy-out as a privatisation method (Gregorič, 2003). Internal privatisation was such a 'popular' method in Slovenia since companies opposed the artificially created owners, such as investment and state-owned funds and strategic outside owners (Ribnikar, 2000). Artificially created state-owned and investment funds were planned to be the 'initial owners' that would sell their ownership shares to private owners in the so-called secondary privatisation (Simoneti et al., 2003). In the given circumstances, state-owned and investment funds appeared to be good temporary owners and it was proven that the companies sold by the funds to private owners performed better (Simoneti et al., 2003). However, state-owned and investment funds were not planned to be long-term owners.

Furthermore, privatisation resulted in the introduction of a two-tier system of governance. Most privatised companies opted for the form of a joint-stock company and introduced the Supervisory Board as a monitoring body (Prašnikar and Gregorič, 2002). The main roles of the Supervisory Board are: to hire and fire managers, shape the compensation package for managers, monitor management actions and company performance. The principal characteristics and outcomes of Slovenian privatisation are presented in Figure 1.

The main characteristics of the Slovenian corporate governance model after the privatisation process were: a relatively low concentration of ownership (the largest shareholder controls 35 percent of ownership shares); an increasing number of ownership shares in the hands of non-financial domestic companies and managers; decrease in employee ownership; a gradual sell-off of ownership controlled by state-owned funds and a low level of interference of foreign non-financial companies (Gregorič, 2003; Knežević Cvelbar, 2006). A change in the ownership structure of Slovenian companies in the 1996-98 and 1998-02 period is presented in Appendix (Figure A1 and Table A1).

Figure 1 **Characteristics of Slovenian Privatisation**



Source: Authors.

Several researches have explored the relationship between ownership structure and company performance in Slovenia (Gregorič, 2003; Prašnikar and Gregorič, 2002; Simoneti et al., 2003; Pahor et al., 2004; Domadenik et al., 2006; Knežević Cvelbar, 2006; Knežević Cvelbar et al., 2007). Knežević Cvelbar et al. (2007) find that companies with a higher direct state ownership performed poorer than the other companies. Pahor et al. (2003) report that state-owned and investment funds are poor owners and their transformation is highly important for achieving a normal market-oriented economy with a reduced political influence on business. Domadenik (2003) shares their opinion. Furthermore, Gregorič (2003) and Simoneti et al. (2003) find foreign and domestic companies as more active owners, while Prašnikar and Gregorič (2002) claim that insiders (employees and managers) are more efficient owners than state-owned funds. To summarise, research results prove that the state (direct and indirect ownership – state-owned funds) is a poor and passive owner, while domestic and foreign companies and insiders (employees and managers) appear to be more active and more performance-oriented owners (Prašnikar and Gregorič, 2002; Knežević Cvelbar, 2006).

4 The Slovenian Hotel Industry

After 1990, when Slovenia gained its independence, the number of international and domestic tourist arrivals plummeted. The situation stabilised in 1995. In the last ten years, further growth trends have been observed, with the record of 2,482,189 tourists in 2006. In the same year, 7,717,022 overnight stays were realised and tourism receipts totalled EUR 1,486 million. Approximately 60 percent of international tourist arrivals included Italian, Austrian, German, Croatian and tourists from the United Kingdom (SORS, 2007).

Important elements of a destination's competitiveness are the attributes of tourist supply, such as accommodation capacities. Accommodation capacities in Slovenia have not increased significantly in the last 15 years. On the other side, the quality of accommodation has improved significantly (Ivankovič, 2004). In 2004, more than 60 percent of accommodation capacities in Slovenia were found in hotels (in 1990 the figure was 40 percent). More than 50 percent of hotel capacities are at the four-star level and approximately 40 percent at the three-star level (Kavčič et al., 2005). The average bed occupancy rate in 1989 was 47.1 percent, in 1998 38.1 percent and 43.6 percent in 2004 (Ivankovič, 2004; Kavčič et al., 2005). The average bed occupancy rate is considerably below the EU average (66 percent). However, a growing trend has been observed in last few years.

The financial and economic performance of Slovenian hotel companies is analysed by Mihalič and Dmitrović (2000), Omerzelj Gomezelj and Mihalič (2007) and Kavčič et al. (2005). Mihalič and Dmitrović (2000) show that Slovenian hotel companies performed worse than other Slovenian companies in economic and financial terms. This is even poorer when compared to the international hotel companies. This poor financial performance is characterised by significantly lower return on assets (ROA), return on equity (ROE) and profit margin values (Table 1).

Table 1 **Comparison of the Slovenian and International Hotel Company Performance**

	ROA (average for period 2002-04)	ROE (average for period 2002-04)	Profit margin (average for period 2002-04)
Slovenian hotels	0.28	0.41	1.37
Accor	3.02	9.01	8.61
Hilton	2.42	8.12	18.94
Intercontinental	4.61	10.48	13.85

Source: Kavčič et al. (2005).

The poor economic performance was also reflected in the losses incurred by the majority of Slovenian hotels. Kavčič et al. (2005) believe that cost ineffectiveness is the main reason for the poor economic and financial performance of Slovenian hotels. Furthermore, they claim that the current corporate strategies would lead Slovenian hotel companies into bankruptcy.

5 Data and Methodology

The main hypotheses tested in this article refer to the ownership structure and performance of Slovenian companies operating in the hotel industry and its comparison with other Slovenian companies:

- Hypothesis 1: the average ownership shares of state-owned funds are higher in hotel companies compared to other companies in the Slovenian economy;
- Hypothesis 2: employees have lower ownership shares in Slovenian hotel companies than in other companies in the Slovenian economy;
- Hypothesis 3: ownership structure is related to company performance, meaning that Slovenian hotel companies are performing economically and financially worse than other companies in the Slovenian economy.

To test the above hypotheses, we used primary and secondary data sources. The primary data were collected within a quantitative research performed by the Institute for South-East Europe (ISEE). The research took place in the May-September 2003 period. A total of 623 questionnaires was mailed to Slovenian companies and 211 were returned. The main database was structured as an unbalanced panel dataset. The data on the corporate governance system in the questionnaire refer to a seven-year period (from 1997 to 2003). Secondary data sources were used in order to obtain financial data. Financial reports were available from the Agency of the Republic of Slovenia for Public Legal Records and Related Services.

Most companies (81 percent) in the sample are registered as joint-stock companies. The companies in the sample represented 19.5 percent of the sales and assets of all Slovenian companies with 20.1 percent of all employees in 2003. The average number of employees working in the companies in the sample varied through the years from 458 to 496. If the companies were classified according to the number of employees, the sample comprised 10.7 percent of small companies, 75.8 percent of medium-sized companies and 13.5 percent of large companies. Financial indicators show that the total company sales growth (DTS) increased from 7.2 to 11.5 percent on average at an annual level. The ROA in the observed period varied between 9.4 and 11 percent, while the value added per employee (VA/E) was EUR 31.4. The companies in the sample had a debt-to-asset ratio (D/A) of around 40 percent. In the sample of 211 Slovenian companies, there were 10 companies operating in the hotel industry. The average number of employees in those companies was 390. There was 28 percent of small companies, 56.6 percent of medium-sized companies and 15.1 percent of large companies. On average, DTS grew by 7.4 percent at an annual level, the average ROA was negative (-0.25 percent) and the average VA/E was EUR 19.8, which is lower than the average for other companies in the Slovenian economy. On the other hand, the average D/A ratio in Slovenian hotel companies was 50.4 percent, which is higher than in other Slovenian companies.

An important limitation of this study refers to the sample size of hotel companies. We therefore tested the sample for a selection bias problem. Heckman's test (1979) was used in order to test the correlation of errors between two models. Two

Heckman's tests were performed. The first compared representative companies (companies that were privatised by 1998) and companies from the sample. The second compared companies operating in the hotel industry in both samples (representative and our sample). Both tests showed no correlation in the error terms between the groups. Thus, no correction for a selection bias was made (Appendix: Tables A2 and A3).

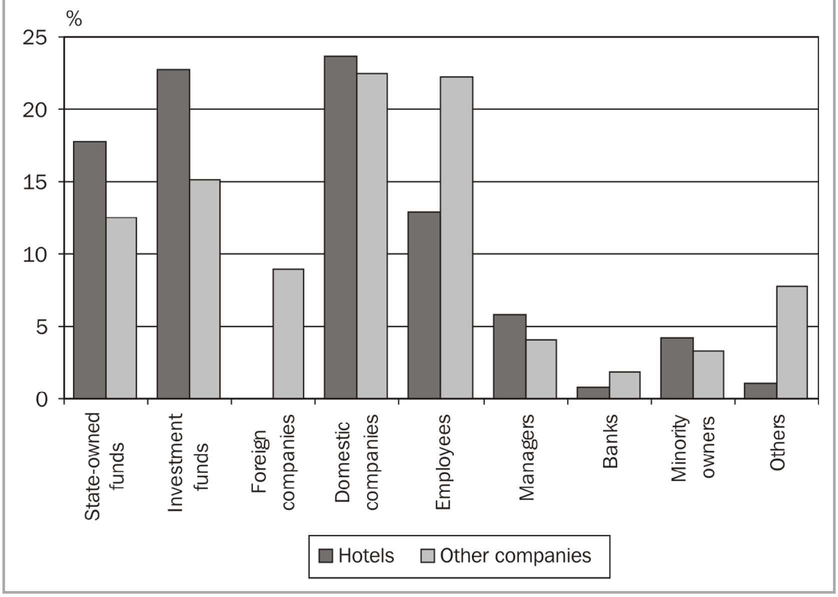
6 Ownership Structure as a Corporate Governance Mechanism in Hotel Companies

In order to compare ownership and performance characteristics between hotels and other companies in Slovenia, the sample was divided into two groups. With regard to the ownership identity, the following groups of owners were recognised: state-owned funds, investment funds, foreign companies, domestic companies, employees, managers, banks, minority owners and other owners (within the group of other owners, the state was the most important). As can be seen in Figure 2, state-owned funds, investment funds and managers have higher average ownership shares in hotel companies than in other companies in Slovenia. On the contrary, employees, foreign companies and other owners have lower average ownership shares in hotel companies compared to other Slovenian companies.

In order to test the differences between the two group means, an independent sample t-test was performed, comparing the mean values of ownership shares between the groups (Table 2). As can be seen in the case of state-owned and investment funds, the ownership t-test for the equality of means[2] showed that there are statistically significant differences between the group means. It is therefore evident that Hypothesis 1 cannot be rejected; meaning that state-owned and investment funds have higher ownership shares in hotel companies than in other Slovenian companies.

[2] *Levene's test showed that equal variances between the groups are assumed.*

Figure 2 **Comparison of Ownership Structure in Hotels and Other Companies in Slovenia**



Source: Authors.

Besides state-owned and investment funds, a t-test for the equality of means[3] showed significant differences between the group means for ownership shares held by banks, foreign companies and employees. Foreign companies, employees and banks have lower ownership shares in the group of hotel companies compared to the other Slovenian companies. This means we can confirm that the internal privatisation did not take place within hotel companies in Slovenia, which confirms Hypothesis 2. It is interesting to note that no foreign company had ownership shares in Slovenian hotel companies. The low involvement of foreign ownership is one of Slovenia's corporate governance weaknesses. However, it can be claimed that this weakness is even greater among hotel companies.

[3] *Levene's test showed that equal variances between the groups are assumed.*

Table 2 **Comparison of Ownership Structure in Hotels and Other Companies**

Ownership groups	**Companies**	**N**	**Mean**	**t**	**Sig. t (2-tailed)**
State-owned funds	Hotel	53	**17.72**	2.232	**0.026** [b]
	Others	1097	**12.51**		
Investment funds	Hotel	53	**22.66**	2.470	**0.017** [a]
	Others	1095	**15.08**		
Banks	Hotel	52	**0.79**	-2.907	**0.005** [a]
	Others	1093	**1.78**		
Foreign companies	Hotel	18	**0.00**	-7.851	**0.000** [a]
	Others	481	**8.85**		
Domestic companies	Hotel	18	23.65	0.151	0.880
	Others	476	22.49		
Employees	Hotel	41	**12.88**	-5.031	**0.000** [a]
	Others	979	**22.30**		
Managers	Hotel	51	5.78	0.856	0.392
	Others	1037	4.11		
Minority owners	Hotel	52	4.23	0.847	0.397
	Others	1091	3.06		
Others	Hotel	47	1.05	0.864	0.388
	Others	1093	7.76		

Note: [a] *- statistically significant difference at the 1 percent level;* [b] *- statistically significant difference at the 5 percent level.*
Source: Authors.

In order to acquire more evidence to confirm Hypothesis 1, we compared the values of ownership shares held by state-owned funds and employees among different industries within the sample. ANOVA tests were performed and the results showed significant differences between the group means.

Differences between the average state-owned fund ownership with regard to the industry were tested first. The ANOVA test results presented in Table 3 show there are statistically significant differences between the group means, indicating that companies operating in different industries have different average ownership shares controlled by state-owned funds.

Table 3 **ANOVA Test Results (Comparison of State-Owned Fund Ownership Shares Between Industries)**						
		Sum of squares	**DF**	**Mean square**	**F**	**Sig.**
Ownership of state-owned funds	Between groups	26177	37	707.505	2.701	**.000** [a]
	Within groups	291330	1112	261.988		
	Total	317508	1149			

Note: [a] *- statistically significant difference at the 1 percent level.*
Source: Authors.

Based on the ANOVA test results, the companies were divided into seven groups. As presented in Table 4, state-owned funds have the lowest ownership shares in transport, wholesale and retail, publishing and printing, manufacturing of equipment as well as the food and beverage industry. On the other hand, state-owned funds have the highest average ownership shares in the hotel, furniture and paper, manufacturing of basic metal and farming industry. This evidence verifies that state-owned funds have higher ownership shares in the hotel than in other Slovenian industries (Table 4).

Table 4 **Comparison of the Average Ownership Shares Held by State-Owned Funds, by Sectors, in %**		
Group 1	**N**	**Mean**
Transport	7	0.00
Group 2		
Wholesale and retail	14	3.43
Publishing and printing	35	5.12
Manufacturing of equipment	14	5.88
Manufacturing of food and beverages	70	6.63
Group 7		
Hotels	**53**	**17.72**
Manufacturing of basic metals	21	18.16
Manufacturing of furniture	14	20.81
Farming	18	21.41
Manufacturing of paper	14	29.37

Source: Authors.

We further tested the difference between the average ownership shares held by employees (Table 5). The ANOVA test results showed statistically significant differences among sectors, confirming Hypothesis 2.

Table 5 **ANOVA Test Results (Comparison of Employee Ownership Shares Between Industries)**

		Sum of squares	DF	Mean square	F	Sig.
Ownership of employees	Between groups	66678	37	1802.124	3.610	**.000** [a]
	Within groups	490261	982	499.248		
	Total	556939	1019			

Note: [a] *- statistically significant difference at the 1 percent level.*
Source: Authors.

Table 6 **Comparison of the Average Ownership Shares Held by Employees, by Sectors, in %**

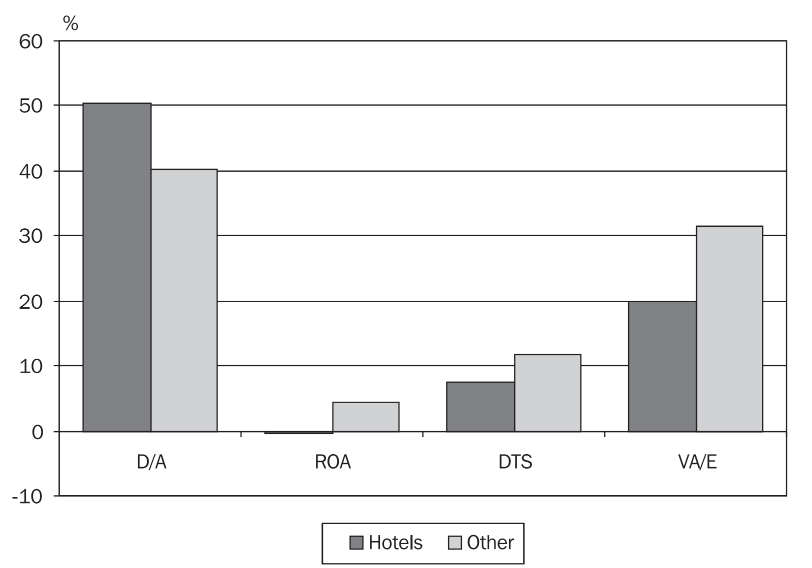
Group 1	**N**	**Mean**
Health and social work	7	0.00
Group 2		
Sale and maintenance	14	0.09
Collection, purification and distribution of water	13	5.84
Other service activities	7	7.16
Sewage and refuse disposal	7	10.21
Hotels	**41**	**12.88**
Group 6		
Agriculture	13	28.92
Manufacturing of other non-mineral products	38	30.33
Manufacture of equipment	11	30.50
Mining	7	30.67
Manufacture of rubber and plastic product	49	31.45
Wholesale and retail	51	31.54
Supporting transport activities	14	34.29
Manufacture of motor vehicles	12	45.33
Group 7		
Transport	7	62.66

Source: Authors.

As in the case of state ownership, the companies were divided into seven groups. As expected, hotel companies belong to the group of sectors with the lowest ownership shares held by insiders. This is a further confirmation indicating that the internal privatisation did not take place among Slovenian hotel companies (Table 6).

After the ownership structure analysis, we examined the differences in company performance between hotels and other companies in the Slovenian economy. While the measures of financial performance were analysed (ROA, D/A and DTS), the measure of economic performance (VA/E) was compared between the groups. As can be seen in Figure 3, companies operating in the hotel industry performed worse than other companies in the Slovenian economy.

Figure 3 **Comparison of Economic Performance Between Hotels and Other Companies in Slovenia**



Note: D/A - debt to assets; ROA - return on assets; DTS - total sales growth; VA/E - value added per employee.
Source: Authors.

An independent sample t-test showed there are statistically significant differences between the group means[4] for the variables ROA, VA/E and D/A, which confirms Hypothesis 3. ROA was negative and substantially lower within hotel companies (-0.25 percent) compared to other companies in the Slovenian economy (4.42 percent). Hotel companies have a statistically significant higher level of debt compared to other companies in the Slovenian economy (the D/A ratio was 50.4 percent for hotel companies compared to 40.3 percent for other Slovenian companies). VA/E was substantially lower in the group of hotel companies (VA/E was approximately 40 percent lower in the group of hotel companies relative to other companies in the Slovenian economy). DST was lower in the group of hotel companies in relation to other companies in the Slovenian economy. However, the difference was statistically insignificant. Based on the above results, we can confirm our expectation that hotel companies have worse financial and economic performance than other companies in the Slovenian economy.

Table 7 **Comparison of Financial and Economic Performance Between Hotels and Other Companies**

Characteristic	Companies	N	Mean	t	Sig. t (2-tailed)
Debt/Assets (D/A)	Hotel	59	50.41%	3.118	**0.002** [a]
	Others	1188	40.34%		
Return on assets (ROA)	Hotel	59	-0.25%	-3.694	**0.000** [a]
	Others	1189	4.42%		
Total sales growth (DTS)	Hotel	50	7.42%	-1.263	0.212
	Others	960	11.57%		
Value added per employee (in EUR) (VA/E)	Hotel	59	19.83	-2.633	**0.009** [a]
	Others	1176	31.42		

Note: [a] - statistically significant difference at the 1 percent level.
Source: Authors.

In summarising the results, it may be claimed that hotel companies performed worse than other companies in Slovenia. This is in line with the findings in Kavčič et al. (2005). Following the results of previous studies that correlated company performance with the ownership structure (Djankov and Murrell, 2002; Lausten, 2002; Denis et al., 1997; Prašnikar and Gregorič, 2002; Pahor et

[4] *Levene's test showed that equal variances between the groups are assumed.*

al., 2003; Knežević Cvelbar et al., 2007), we can claim that the poor financial and economic performance of hotel companies can be partly explained by their ownership structure.

7 Conclusions

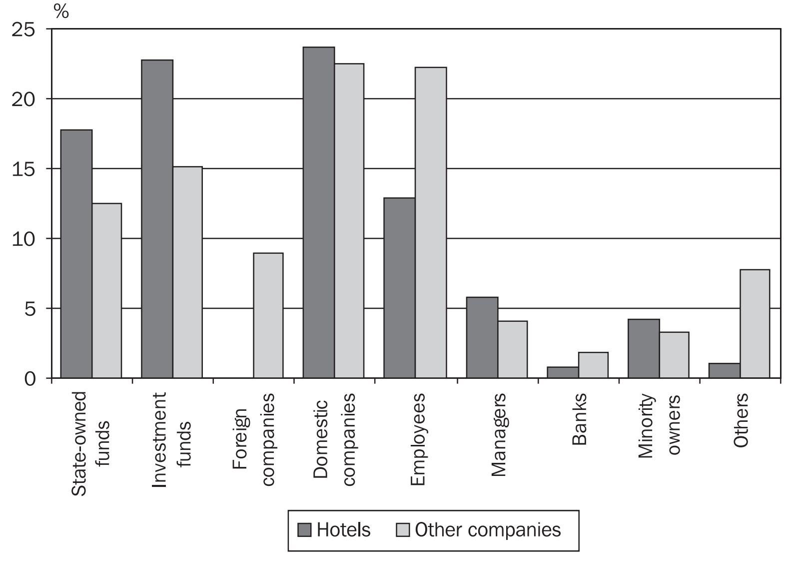
In the privatisation process of the Slovenian economy hotel companies were less attractive to private owners. Thus, they kept a high percentage of state-owned fund ownership. This research confirmed that state ownership in the hotel sector is significantly higher than in other sectors of the Slovenian economy. Consequently, hotels have lower ownership shares controlled by private capital and employees than companies in other sectors. Previous studies have also shown that state-owned funds have a negative influence on the performance of companies in which they hold ownership shares due to their passive investment policy and the fact that the state often pursues not only economic but also political interests (Knežević Cvelbar et al., 2007). This is in line with our initial expectations that Slovenian hotel companies perform below the average of the Slovenian economy.

The current ownership structure reveals that the so-called secondary privatisation in the Slovenian hotel sector has not taken place. Nevertheless, the artificially created state-owned funds were not planned to be long-term owners; on the contrary, they were planned to be sellers in the so-called secondary privatisation process that is obviously still underway in the hotel sector. Another evident problem in the Slovenian hotel sector is a low level of foreign investment. Ownership shares in the hands of foreign owners are lower in the hotel sector than in other sectors, which may be explained by the unattractiveness of Slovenian hotel companies due to their poor performance and a generally unfavourable environment for foreign investment.

The present corporate governance model, based on the current ownership structure of the Slovenian hotel sector cannot be sustained in the long-run. Passive owners appoint passive managers, which results in poor economic performance. The Slovenian hotel industry needs ownership change, from passive (state-owned and investment funds) to more active owners (domestic and foreign companies) in order to introduce new ways of governing, develop new strategies and start the internationalisation process. As new models of governing management, contracting and licensing would be appropriate. Such a transition would initiate a change in management and improve the competitiveness of hotel companies which in the long-run would improve the competitiveness of Slovenia as a tourist destination.

Appendix

Figure A1 **Comparison of Ownership Structures in the 1996-98 and 1998-2003 Period**



Source: Prašnikar et al. (2000) and Knežević Cvelbar (2006).

Table A1 **Ownership Structure in Slovenian Companies in the 1998-2003 Period (Mean and Standard Deviation (SD) Values)**

Year		State-owned fund ownership	Investment fund ownership	Bank ownership	Domestic companies' ownership	Foreign companies' ownership	Employees' ownership	Management ownership	Minority owners	Other
1998	**Mean**	**18.3*****	14.8	1.3	**13.8*****	3.5	**27.5*****	**2.2****	2.5	7.1
	SD	(16.3)	(16.9)	(5.2)	(27.2)	(12.3)	(21.3)	(5.9)	(7.2)	(19)
1999	**Mean**	**16.7*****	15.7	1.6	**16.9*****	3.3	**24.2*****	**2.1****	2.7	7.9
	SD	(15.6)	(18.4)	(5.1)	(29.2)	(13.9)	(19.9)	(5.8)	(9.9)	(17.3)
2000	**Mean**	**13.2*****	16.2	1.6	**21.8*****	4.3	**20.4*****	**2.1****	3.4	7.1
	SD	(15.7)	(19.7)	(6.9)	(30.4)	(17.3)	(17.9)	(9.6)	(9.5)	(18.4)
2001	**Mean**	**11.2*****	15	2.2	**25.0*****	5.7	**17.1*****	**3.1****	2.8	8.7
	SD	(13.5)	(22)	(6.1)	(31.2)	(21.7)	(19.4)	(10.9)	(9.3)	(15.3)
2002	**Mean**	**8.5*****	15.8	1.9	**28.8*****	7.0	**16.5*****	**4.0****	3.1	6.3
	SD	(12.4)	(21.9)	(6.2)	(32)	(21.4)	(19.9)	(11.3)	(9.6)	(15.5)
2003	**Mean**	**7.3*****	15.1	1.9	**30.6*****	6.7	**16.4*****	**4.3****	3.2	6.3
	SD	(15.6)	(19.3)	(5.8)	(29.9)	(17)	(20.4)	(8.8)	(8.8)	(17.3)
1998-2003	**Mean**	**12.4*****	15.4	1.7	**22.9*****	5.1	**20.1*****	**3.0****	2.9	7.2
	SD	(15.4)	(2.2)	(12.7)	(21.6)	(2.2)	(2.2)	(7.0)	(18.2)	(9.6)

*Note: ** differences between the groups significant at the 5 percent level (One-way ANOVA; Duncan method)*
**** differences between the groups significant at the 1 percent level (One-way ANOVA; Duncan method).*
Source: Knežević Cvelbar (2006).

Table A2 **The Heckman Test Results (Whole Sample; Selection: Representative Sample)**

Heckman selection model (regression model with sample selection)						
Wald Chi²(4) = 13.01				Number of obs. = 473 Censored obs. = 88 Uncensored obs. = 385 Log likelihood = -176.9578 Prob > Chi² = 0.0112		
	Coefficient	**Standard Error**	**z**	**P>z**	**[95% Confindence Interval]**	
roat						
own_fund	-4.22e-06	.0002082	0.02	0.984	-.0004039	-.0004124
own_compan~s	.0003904	.0001945	2.01	0.045 [b]	9.17e-06	.0007716
own_ inter	.0005945	.0002354	2.53	0.012 [b]	.0001332	.0010558
da	-.0382144	.019266	-1.98	0.047 [b]	-.075975	-.0004538
_cons	.0218365	.0169844	1.29	0.199	-.0114524	.0551253
select						
blts	-.5722033	1.381932	0.41	-0.679	-3.280741	2.136334
bda	-.2646002	.3902827	-0.68	0.498	-1.02954	.5003398
_cons	1.02633	.1673484	6.13	0.000	.6983334	1.354327
/athrho	.1322787	.2215851	0.60	0.551	-.3020201	.5665775
/lnsigma	-2.607088	.0436621	-59.71	0.000	-2.692664	-2.521511
rho	.1315125	.2177527			-.2931602	.5128413
sigma	.073749	.00322			.0677004	.0803381
lambda	.0096989	.0161841			-.0220214	.0414192
LR test of indep. eqns. (rho = 0): Chi²(1) = 0.20 Prob > Chi² = 0.6588						

Note: [b] - statistically significant at the 5 percent level.
Source: Authors.

Table A3 **The Heckman Test Results (Hotel Companies Sample; Selection: Hotel Companies Representative Sample)**

Heckman selection model (regression model with sample selection) Wald $Chi^2(4)$ = 13.01				Number of obs. = 35; Censored obs. = 5; Uncensored obs. = 30; Log likelihood = -265.2123; Prob > Chi^2 = 0.8948		
	Coefficient	**Standard Error**	**z**	**P>z**	**[95% Confindence Interval]**	
dtst						
own_fund	-.0002569	.0008219	-0.31	0.755	-.0018679	.0013541
own_compan~s	.0002036	.0007454	0.27	0.785	-.0012573	.0016645
own_ inter	0002749	.0008943	-0.31	0.759	.0020276	.004778
_cons	.1176805	.0830095	1.42	0.156	-.0450151	.2803761
select						
blts	7.42e-09	1.87e-08	0.40	0.692	-2.93e-08	4.41e-08
bda	.1291621	.3374365	0.38	0.702	-.5322012	.7905254
_cons	.3417968	.1538229	2.22	0.026	.0403094	.6432841
/athrho	-.0269144	.4471447	-0.06	0.952	-.9033019	.8494731
/lnsigma	-1.298383	.0449963	-28.86	0.000	-1.386574	-1.210192
rho	-.0269079	.4468209			-.7179018	.6907941
sigma	.2729729	.0122828			.2499301	.2981402
lambda	-.0073451	.1220172			-.2464945	.2318042
LR test of indep. eqns. (rho = 0): $Chi^2(1)$ = 0.00 Prob > Chi^2 = 0.9611						

Source: Authors.

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