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Research Paper

Providing a Model for the Impact of Corporate Governance and Ownership Structure on Innovation[1]

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INTRODUCTION

In recent years, as the service-oriented economy has replaced the manufacturing economy, the importance of intangible capital as a key market factor has become increasingly evident. Companies have realized that, to differentiate themselves from competitors, they must focus on investing in intangible capital. A knowledge-based market environment requires a framework that includes intangible assets such as knowledge, human capital, innovation, customer relations, and investment in research and development (Baghbanzadeh et al., 1398). Agency theory explains corporate governance and firm performance, particularly in the manufacturing sector, which forms its foundational principles. Corporate governance involves protecting the interests of the company's primary absentee owners (shareholders) (Ogaluzor et al., 2019). Ogaluzor et al. (2019) also demonstrate that ownership concentration is an effective tool in controlling companies, as broader ownership concentration can help mitigate the conflicts between owners and agency managers. Therefore, this research aims to present a systematic model of innovation to explain the relationship between corporate governance criteria, ownership structure, and corporate characteristics.

MATERIALS AND METHODS

The current research is applied in nature, utilizing a survey-analytical method with a correlation-based approach. The statistical population studied includes companies listed on the Tehran Stock Exchange during the period from 2011 to 2018. The population was determined using the systematic elimination method, resulting in a sample of 104 companies after applying sampling restrictions. The study investigates multivariate regression using a combination of qualitative and quantitative data.

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RESULTS AND DISCUSSION

Based on the first, second, and fourth hypotheses, the model estimation results show that ownership concentration, government ownership, and institutional ownership have an inverse and significant relationship with innovation, meaning they reduce innovation. It appears that ownership concentration is driven by the pursuit of short-term profits, and government relations are seen as a profitable factor that can distort investment decisions or lead to inappropriate ones, ultimately decreasing the company's value. According to the third, fifth, eighth, ninth, and tenth hypotheses, managerial ownership, board duality, board size, conservatism, and board gender diversity show no significant relationship with innovation. On the one hand, the negative impact of extensive government ownership in joint-stock companies, which causes deviation, is mitigated if most board members are non-compulsory independent directors; however, this has no effect on innovation. Gender diversity, meanwhile, may have limited or even negative consequences on the board's duties and decision-making. According to the sixth and seventh hypotheses, the proportion of independent board members and board remuneration have a significant and direct relationship with innovation. Performance-based compensation is designed to reduce, or even eliminate, the existing conflict between managers and owners.

CONCLUSION

The results indicate that among the corporate governance and ownership structure variables, ownership concentration, state ownership, and institutional ownership reduce innovation, while the ratio of non-executive board members and board remuneration enhance innovation in listed companies. According to this model, other corporate governance variables have no significant impact on innovation. It is recommended to reduce ownership concentration, government shares, institutional ownership, and the proportion of non-executive members in companies. Further research should explore the relationship between research and development expenses and various ownership structure criteria, tailored to specific industries. These findings can be interpreted in the context of factors such as economic recession, market instability, and economic sanctions, which have placed a significant portion of company performance beyond managerial control.

INNOVATION

This study presents innovation based on both tangible and intangible capital, as well as the decision-making process through which project owners and investors optimize whether to implement a project or postpone it to the future. Additionally, corporate governance applications were integrated and modeled alongside innovation within the framework of a general equilibrium model.

Keywords: Model, Corporate Governance, Ownership Sructure, Innovation.
JEL Classification: C5, M41, G1.