

# The Relationship between Corporate Governance and Business Performance for Tourism Industry in Taiwan

李約翰、張椿柏

E-mail: 365783@mail.dyu.edu.tw

## ABSTRACT

The purpose of this paper is to examine the effect of Taiwan public trading tourism industry ownership structure, board characteristics and business performance from the perspective of corporate governance. In addition, we investigate the monitoring effect of institutional investors shareholding ratio, and the number of outside directors. The empirical results indicate as follows: first, managerial ownership has nonlinear relationship with business performance. While managerial ownership ratio is lower than 5%, managerial ownership is positively related to business performance and supported convergence-of-interest hypothesis. On the other hand, when the managerial ownership ratio is above 5%, managerial ownership is negatively related to business performance and supported entrenchment hypothesis. Second, family ownership is positively related to business performance. Third, as core agency problem gets worse, business controlling right deviates from cash flow right, business performances would get poorer. Forth, when institutional investor's shareholding ratio is positive related to business performance, it supports efficient monitoring hypothesis. Next, as the number of outside directors is more than half proportion, the ratio of outside directors has nonlinear relationship with business performance. The number of outside director is less than half; the ratio of outside directors is positively related to business performance. Reversely, the number of outside director is more than half; the ratio of outside directors is natively related to business performance. Last, the general manager of company is hold concurrently by the president will save operating cost and the business performance will arise.

Keywords : Core Agency Problem、Controlling Right、Cash Flow Right、Nonlinear Relationship

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