

**THE STRUCTURE OF CORPORATE OWNERSHIP:
THE IMPORTANCE OF NON-OWNER CLAIMS AND THE
VALUE OF MANAGERIAL CONTROL**

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University of Nebraska-Lincoln, 1992

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In this dissertation a simple model is used to show that the benefits of managerial control are far greater than has been indicated in the literature. Paradoxically, these benefits derive from the fact that managerial interests are not completely aligned with those of the owners' and, in many cases, are more congruent with those of the non-owner stakeholders. The model demonstrates that it is the ex-ante demand by non-owner stakeholders for compensation or protection from various ownership options that makes the manager-controlled firm viable and is the reason why this organizational form may actually lead to owner wealth maximization.

The empirical portion of this dissertation shows that ownership concentration is related to variables representative of non-owner claims in addition to the determinants first recognized by Demsetz and Lehn (1985). Furthermore, by using the Cornell-Shapiro (1987) notion of an "extended" balance sheet, it shows Tobin's q and, hence, the value of non-owner claims, are negatively related to ownership concentration. Both of these results are inconsistent with the standard agency paradigm and consistent with the model presented in this dissertation.

Potential conflicts between owners and non-owner stakeholders have previously been recognized. What has not been fully appreciated is that managers have incentives that favor non-owner stakeholders and the decisions they make may, in the long run, benefit the owners. This dissertation demonstrates that the protection that managers offer non-owner stakeholders is one reason why managerial control has become the dominant organizational form.