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Italian corporate governance in the last 15 years: from pyramids to coalitions?

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Marcello Bianchi
Consob

Magda Bianco
Banca d'Italia and ECGI

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Abstract

Between 1990 and 2005 the Italian legal and economic framework relating to financial markets experienced major developments (a new Banking Law was passed, institutional investors' role increased in financial markets, the stock market was privatized, a securities law was enacted, a corporate governance code was introduced and then twice revised; a new company law has been enacted; the "law on savings" has further strengthened shareholders' protection). All these changes should have deeply affected the governance structure of Italian companies.

We provide an in-depth (descriptive) analysis of the evolution of both unlisted and listed corporate governance over the period, with the aim of evaluating the effect of the reforms in the light of the recent theoretical developments. We find limited changes in the ownership and control structures of unlisted firms and listed companies. At the same time there is no substantial increase in the access to stock market.

For both listed and unlisted companies we observe some changes in the instruments used to ensure stability of control. In unlisted companies the aim is pursued through an increasing use of by-laws clauses that restrict the transferability of shares; in listed companies the objective was reached in the past through an extensive use of pyramids, more recently by establishing shareholders' coalitions of various nature, with an increasing relevance of bank-firm relationships.

This evidence shows that no radical change occurred; this suggests on the one side, that it might still be necessary to further strengthen shareholders' protection; on the other side, that the unwillingness of owners to release control is central in understanding the limited separation between ownership and control in Italy. The role of coalitions and the nature of the bank-firm relationships seem to be the main issues for both regulatory and market developments.

Keywords: corporate governance, pyramids, coalitions.

JEL Classifications: G34, K22

Marcello Bianchi
Consob - Statistics department
Via G.B.Martini, 3
Roma 00198,
Italy
phone: +39 06 8477451 , fax: +39 06 8477612
e-mail: m.bianchi@consob.it

Magda Bianco*
Bank of Italy - Ufficio Diritto dell'Economia
Via Milano 60g
00184 Roma,
Italy
phone: +39 06 4792 4119 , fax: +39 06 4792 5332
e-mail: magda.bianco@bancaditalia.it

*Corresponding Author

1. Introduction[1]

A recent strand of literature suggests the presence of a link between the development of financial systems and the law and between good corporate governance and development[2]. Given the difficulties of the Italian economy, it is worth investigating its corporate governance characteristics and their recent evolution, as a premise to evaluate their role in explaining the bad performance[3]. A good governance system should ensure an efficient allocation of control (i.e. that companies are controlled by the most "adequate" agents); that firms have access to the external finance they need for growth (which implies some form of separation between ownership and control, and hence some protection for those who finance the firm without controlling it); that controlling agents have sufficient incentives to invest in firm specific capital (which requires some stability of control). If properly addressed, these requirements should ensure an efficient governance structure and hence growth.

In Italy, at the beginning of the 90s, the perception of the inefficiencies and problems were by and large considered to be related mainly to insufficient investors' protection[4].

Prompted partly by a wide debate and by an international literature that suggested that in Italy investor protection was poor and partly by a large privatization program, between 1990 and 2005 an extensive season of reforms developed: the Italian legal and economic framework relating to financial markets experienced major developments. A new Banking Law was passed (1993), institutional investors' role increased in financial markets, the stock market was privatized, a securities law was enacted (1998), a corporate governance code was introduced (and then twice revised); a new company law has been enacted (2004); the "law on savings" (2005) has further strengthened shareholders' protection[5]. With specific reference to measure that ensure a better protection of investors, the reforms have translated into: an increased independence of boards (limits to board seats for audit board members; minorities represented in board of directors and in audit board; increased role for audit board; increased board disclosure and procedural requirements regarding self-dealing[6]); an increased power for shareholders (shareholder approval of stock-based compensation; easier exercise of voting

[1] The opinions expressed do not involve the respective Institutions.

[2] See La Porta et. al (1997, 1998).

[3] Obviously we are not attributing to corporate governance the responsibility of all Italian growth problems and firms' size issues, which have many and differentiated (also historical) reasons. See, among the others, Ciocca (2004), Nardozzi (2004), Micossi (2006).

[4] See Bianchi et al. (2001), La Porta et al. (1997, 1998), Associazione Preite (1997).

[5] For a review of the main measures see Barucci (2006); Enriques and Volpin (2006).

[6] Directors have to disclose any direct or in direct interest they have in a transaction. Interested directors need not abstain from voting, but have to explain reasons for the transaction and benefits for the company (see Enriques, Volpin, 2006).

rights[7]; a lower threshold for minority rights exercise[8]; the possibility of derivative suits with 2.5% of shares; the introduction of the possibility for shareholder to sue parent company for damage; a discipline of takeovers and post bid defenses); greater disclosure (corporate code; disclosure of material related party transactions and on trading activity on company's shares; disclosure of individual directors' compensation)[9].

All these changes – which upgraded the Italian institutional framework in terms of international standards - should have deeply affected the governance structure of Italian companies, at least according to a recent strand of literature that argues (and shows empirically) that "differences in legal investor protection across countries shape the ability of insiders to expropriate outsiders, and thus determine investor confidence in markets and consequently their development"[10]. In particular it was expected that they should favor a higher involvement of financial companies in non financial ones; an increased access to the stock market; a larger separation between ownership and control of companies and a more efficient allocation of control. This evolution should have been instrumental to an increased growth of Italian companies.

Here we provide an in-depth (but still descriptive) analysis of the evolution of both unlisted and listed corporate governance over the period, with the aim of evaluating the effect of the reforms in the light of the recent theoretical developments[11].

In the period considered we find evidence of limited changes in the ownership and control structures of unlisted firms and of some evolution for listed companies. At the same time there is no substantial increase in the access to stock market. For both listed and unlisted companies we observe some changes in the instruments used to ensure stability of control (basically less pyramids and more coalitions). This evidence shows that no radical change occurred; the implications of this evolution have yet to be fully analyzed.

2. Unlisted companies

2.1 Ownership structure

In non listed companies, ownership concentration is high and stable: approximately 66-67% of total shares were owned in 1993 and are still owned in 2005 by the largest shareholder (table 1). The median number of shareholders is 3.

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7 Since 2004 it is not required any more to deposit shares at least 5 days prior to the shareholder meeting in order to vote.

8 In 2005 also the right to table shareholder proposal with at least 2.5% of the shares was introduced.

9 See Enriques, Volpin (2006).

10 Djankov et al. (2005).

11 We build on previous evidence in Barca et al. (1994a), Barca et al. (1994b), Giacomelli, Trento (2004), Bianchi et al. (2005).

In most cases the firm is controlled by an individual (approximately 50 per cent of cases); the second largest controlling agent is a holding or sub-holding company (24% of the cases, which usually have a family at the top), followed be a non financial company (i.e., part of a pyramid, 10% of the cases). If we weight the data by size, we observe that in larger companies holdings (or subholdings) are more important as controlling agent (larger companies more frequently are part of a group), as are foreign companies, whereas individuals (obviously) play a larger role in smaller firms.

Between 1993 and 2005 the most relevant changes in non listed companies ownership structure concern the increased presence of foreign companies among controlling shareholders; the reduction of the state (due to the privatization process); an increased role of individuals in larger companies and a (relatively small) growth of financial companies different from banks, even if private equity still plays an extremely limited role[12] (table 2). A slight increase of holding companies and a reduction of intermediate companies (private non financial) among the shareholders might suggest a reduction in the length of pyramidal chains.

2.2 Control instruments

In unlisted companies control is maintained first through a high concentration of ownership (61% of companies are controlled with the majority of shares; in companies controlled by individuals this happens in 40% of cases; in 20% of companies the largest shareholder has more than 66%).

But other instruments can be used to substitute for (or reinforce) the majority of shares: the first is pyramids, a common and well known structure in Italy. In 1993, 56% of companies belonged to a pyramidal group (table 3). Among non listed companies this structure was not used only as a control instrument but also for organizational and/or incentive reasons[13]. When a (non financial) company is part of a group (i.e., it is controlled by a holding or another non financial company), typically ownership concentration is extremely high (on average the largest shareholder has 84% of total capital). This explains why larger companies (which are more frequently part of a group) show a higher ownership concentration. In more recent years also for non listed companies there is a trend towards a decreased use of pyramids.

Another instrument that may ensure control without a direct majority of shares is that of creating a coalition among shareholders whose rules stabilize somehow the exercise of control.

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[12] In 2003 private equity capital was present in 8 firms (of the 1618 in the sample); in 2004 in 6 firms (of the 1486 in the sample); in 2005, we observe a variation in their presence in 6 cases (of the 1486 in the sample): in 2 cases it is a reduction; in 4 it is an increase.

[13] See Barca et al. (1994a).

This could be reached through formal (or in some cases – but possibly with lower strength – informal) shareholders' agreements, which in the past did not receive a stable protections by the law, but are now explicitly recognized (since the company law reform that was effective since 2004). We only have comparable data for the recent years but we observe that their frequency is increasing over the last years: they are now present in 10% of the companies (table 3). They are more common (keeping into account other characteristics – as company sector and geographical area of activity) the lower is the share of the largest shareholder and the larger is the company; the largest is the share of the second and third shareholders (on the other hand their frequency is *not* related to the number of shareholders)[14]; they are slightly less common when the largest shareholder is an individual.

Another means to make control more stable is to introduce in the company's articles of association clauses that restrict the transferability of shares: this ensures that shareholders among which there is an implicit agreement or trust, that have possibly brought to the company some specific skills, cannot sell their shares without the agreement of the others[15]. Also the diffusion of these clauses has increased (they are now present in 45 % of the firms, table 3)[16]; they are more common – keeping other factors constant – the lower is the share of the largest shareholders (as for shareholders' agreements they do not seem more frequent the larger is the number of shareholders), but their use is not significantly related to the voting power of second and third shareholders; they are less frequent in firms controlled by foreign agents or by financial companies[17].

As a whole, clauses seem to serve the purpose of allowing a reduction of concentration; in larger companies the same purpose is pursued also through shareholders' agreements. It has to be analyzed their impact on firms' performance.

2.3 Control transfers

It is extremely difficult to evaluate the presence of an efficient market for corporate control, for listed but even more for unlisted companies. Here we only provide some evidence of the width of this market for non listed companies.

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[14] They are more common in firms located in the North and in those operating in the energy industry.

[15] And hence might induce parties to make ex-ante investments.

[16] The company law reform might induce an even greater increase. The greater freedom that the reform attributed to companies (both srl and spa) in writing their articles of association allows to include in articles of associations the clauses previously included in shareholders' agreements; this should increase their enforceability: whereas the violation of shareholders' agreements induced the payment of damages, the violation of a statutory clause receives a stronger protection.

[17] They are more frequent in the North and Centre; in the energy industry and other manufacturing.

Over the last 10 years on average 3% of Italian (manufacturing) firms changed control every year (Graph 1). There is no obvious benchmark to conclude that this is a large or a small number (international comparisons for non listed companies are hardly available). On average half of these occur within the family, i.e. they are infra-generational transfers (possibly inducing the inefficiencies that the literature suggests are associated with 2nd, 3rd and so forth generation family control[18]). Actually, among family controlled companies, in Italy, approximately 41% are controlled by the founder, 23% by the first generation, 15% by 2nd and later generations (with a reduction in ownership concentration in more distant generations).

A substantial problem of control transfer (infra-family or on the market) might arise in the next few years since the average age of the controlling agent in companies controlled by a family is on average 61.

As a whole we have described an extremely stable governance structure for Italian non listed companies, where the most relevant change concerns the instruments used to ensure a stable control over the company, even in cases where one shareholder has a relative majority. This might be an indicator of an evolution towards instruments that might make control more contestable[19] as compared to pyramids, but as a whole we still do not observe a reduction in ownership concentration; moreover, even if "potential" contestability might be growing, we do not observe any increase in "actual" contestability, since the percentage of control transfers is stable (but a more precise valuation would require an analysis of the reasons for control transfers).

It might be that on the one side this structure is typical of closed, unlisted companies in every system[20]; on the other side that we do not observe yet major effects of the company law reform due to its short life[21].

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[18] See Caselli, Gennaioli (2006), Barontini, Caprio (2005).

[19] We will discuss in the following paragraphs the role that might be played by coalitions, especially in listed companies.

[20] Comparisons are possible only with some countries: in France, in 1996, the average share held by the largest shareholder (on a sample of 282.000 firms) was 66% (Bloch and Kremp, 2001); in Germany, over the period 1991-96 in a sample of 178 non listed companies the share was 86.5 (see Lehman, Weigand, 2000); in Switzerland in a sample of 183 unlisted firms (in 2003), the average share held by the largest shareholder was 66% (Loderer, Waelchli, 2006); the comparison with the US is more complex: we only have information (see Nagar et al., 2004) about the distribution of unlisted firms (in 1992) among those where the largest shareholder has more than 75%; less than 75 but more than 50%; less than 50%: in a sample of 2776 small unlisted firms, the distribution is 41.5%; 38%; 20.5% (in Italy, in 2005, for unlisted firms it is: 42%; 20%; 39%).

[21] One of the most relevant provisions, that introduces the possibility for SpA companies to choose their board structure (one tier, two tier, traditional Italian structure) has until now been exploited only to a very limited extent: in our 2005 sample of manufacturing companies with more than 50 employees only 1.04% of the SpA introduced a one tier system, and 0.5% a two tier system.

Over the period however – thanks also to the evolution of the institutional framework – we would have expected that more companies went public[22]. Hence we turn now to the stock market.

3. Listed companies

In order to verify the hypothesis we shall consider both listed companies and what we define "listed groups". The number of listed companies in 15 years has increased only slightly (even if they have grown considerably in term of market capitalization): they were 266 (their market capitalization was 13.8% of GDP) in 1990; they are 282 (49.1% of GDP) at the end of 2005.

This number is small but it might be that this is the case because a much larger number actually "gravitates" around the stock market, indirectly. Let us turn then to "listed groups". Italian listed companies, as non-listed ones, are usually part of groups of companies linked by means of a common control power carried out by a dominant shareholder. In general, company groups are organized as a pyramid with the dominant shareholders at the top, a large number of companies at the bottom, where most of the economic activities of the group are concentrated, and a chain of holding and sub-holding companies in the middle.

When a listed company belongs to a group, it is interesting to consider the features of the whole group and ownership relationships within the group. Hence here we will both consider ownership structure of listed companies and analyze the structure of "listed groups". A listed group includes all companies (listed and not listed) which are linked by a control relationship to the listed company, i.e. those that control or are controlled by the listed company itself. A "listed group" as we identify it might be a subset of a larger group including the listed company, since it is possible that some firms in the group are not "linked" with the listed company (see fig.1). The area that we define "listed group" is what matters here since it includes all the economic activities which directly or indirectly may raise capital on the stock market.

The identification of listed groups allows a more effective analysis of the economic features and dimensions of the companies listed on the stock exchange. Moreover the study of ownership chains within listed groups allows a more precise evaluation of the role of the pyramidal group as an instrument of separation between ownership and control and to measure the leverage effect within each group.

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[22] But see Spaventa (2003), who suggests that medium size Italian companies have no reason to want to go public.

Listed groups may include more than one listed company: therefore the number of listed groups does not necessarily coincide with the number of listed companies[23]. The difference between the number of listed companies and the number of listed groups is relevant for two reasons. In the first place, the number of listed companies might overestimate the number of independent economic entities listed in the stock market. Secondly, the presence of more than one listed company in a group signals a potentially high level of separation between ownership and control, because it increases the possibility to involve minority shareholders in the ownership of the group, in particular if listed companies are at different levels of the chain of control.

Using information regarding ownership structure and shareholdings of listed companies collected by Consob, we identified the structure of listed groups at three dates: 1992, 1998 and 2001.

The first fact to notice is that, as compared to the beginning of the period, while the number of listed companies is basically stable, the number of "independent" listed groups has increased, in particular after 1998, but the average number of listed companies belonging to a single group decreased from 1.9 in 1992 to 1.3 in 2001. Even more impressive is the reduction in the maximum number of listed companies in a single group (they were 23 in 1992 and 8 in 2001). With respect to 1990, in 2001 listed groups are smaller, both in terms of their Italian employees (we cannot measure the size of non Italian companies in the groups) and number of companies (table 4), and more concentrated on their core-business.

As a result of these changes, as compared to the beginning of the period, the Italian stock market in 2001 represents a smaller share of the domestic economy (table 5). This holds especially for the industrial (particularly manufacturing) sector, whereas more financial companies (in particular banks) entered the stock market over the period.

This change is due first to the internationalization (and de-localization) of the activities of Italian groups (as we said here we can only measure Italian employees); secondly to the fact that listed groups have partly moved out of manufacturing, more competitive, sectors towards less competitive ones (public utilities, services) (table 6); finally to the difficulties (and hence shrinking) of some industrial groups.

As a whole, it does not seem that the wide reform process, the privatization program and changes in the external context have led to a growth of stock market as a potential source of finance for firms.

[23] The former reflecting the number of listed economic entities which can be defined as "independent", the latter reflecting the number of legal entities listed on the Stock-Exchange.

There is one final issue we want to analyze in order to verify whether reforms, the privatization process and other external changes induced an evolution of the Italian governance structure: the corporate governance of listed companies. According to the recent literature they should have become more market-oriented, less concentrated, more exposed to the market for corporate control. At the beginning of the period companies were controlled basically through a relatively high concentration of ownership, associated with an extensive use of pyramidal structures. Summarizing the evidence concerning the most recent years, we observe a lower concentration of ownership, a less extensive use of pyramids and a higher percentage of companies controlled through coalitions, in some cases strengthened by cross ownership and interlocking directorates. Important differences have emerged between the governance of banks, where the evolution has been more evident, and non financial companies, whose ownership structure is more stable. We shall now qualify this evidence.

3.1 Ownership concentration

In 1990 the largest shareholder of a listed company owned 55% of the total capital, i.e. the absolute majority of shares (table 7); weighting shares by the size of the company, this value was lower, 48% (i.e. in larger companies ownership concentration was lower, as it is expected and opposite to what we observed for non listed companies). Only 28% of shares were owned by "dispersed" shareholders (which we define as the sum of all shares owned by shareholders with less than 2% of a company, i.e. by those that have no obligations to report their shareholdings to Consob). If data are weighted their amount is larger (41%), i.e., larger companies have more dispersed shareholders. The most important difference between banks and non financial firms was that the ownership structure of the former was typically more concentrated, also due to the pervasive role of the State (and of foundations)[24].

In 2005 concentration has decreased, especially for the largest companies. The major shareholder of a listed company has on average 46% (28.6 if weighted by market capitalization of the companies). This is on the one hand the effect of the privatization process[25]; on the other hand it results from new listings: about two third of companies listed in 2005 (representing 53% of market capitalization) went public in the period from 1992 to 2005. These companies on average are smaller than older ones and have lower ownership concentration than the oldest

[24] In what follows we will not comment on the two residual sectors: financial (non banks) and public non financial.

[25] Large shares of some companies were sold through public offerings. Between 1998 and 2001 for some of them ownership concentrated again, but after then it further dispersed: this might signal that, even if some of the changes due to the privatisation process have been "absorbed", there is a structural (even if slow) tendency to a reduction in ownership concentration, especially in large companies; at the same time the role of other "relevant" shareholders (those with more than 2%) increased in large companies.

listed companies (the largest shareholder has on average 41.9% in the "young" companies and 49.4% in the "old" ones).

The general evolution over the period hides some differences across sectors: for banks the privatization process led to a wide dispersion of ownership (the largest shareholder has now 17%, from 54 in 1990; dispersed ownership amount to 60% from 39 in 1990). For non financial companies concentration of ownership is substantially stable (if we consider weighted data); younger firms (listed after 1992) are less concentrated: the largest shareholder owns 44% as compared to 49% in older ones.

3.2 Ownership structure

In 1990 the main shareholders of listed companies were other companies (evidence of the diffusion of pyramids), individuals and the public sector (table 8). If we consider weighted data, we notice that in larger companies the role of the state was larger, whereas that of individuals was obviously more limited (table 9). For banks the importance of other banks (as shareholders) was much lower than that of other non financial companies for industrial companies. The role of the state and of foundations was pervasive.

The evolution until 2005 shows a reduced presence of non financial companies (their share halves over the period), a first evidence of a reduction in the importance and complexity of pyramidal groups; a much smaller role of the state, an increased role of foreign companies – especially in large Italian ones – and, somehow surprisingly, a growing weight of individuals (who almost doubled their share, in unweighted data). Again there are substantial differences between banks and (private) non financial companies.

In the banking sector the evolution over the period brought an increasing role of foundations until 2001 in larger banks (whereas on average their role constantly decreased over the period) and of foreign subjects, who on average almost doubled their share (but on weighted data rose from 2 to 14%, growing especially in the largest banks). More recently we observe a growth of non financial companies' shares (more evident in larger banks where they were less present in the past).

In the private non financial sector the largest shareholders are in 2005 individuals who have doubled their weight over 15 years (now they have 30% of the shares). Their relevance is obviously lower in larger companies (when data are weighted their role is smaller) but still important.

On the other hand other non financial companies have strongly reduced their shares (in all companies). Banks have a growing weight in larger companies since 2001 (but a reduced one in smaller companies).

3.3 Control instruments

As discussed above for non listed firms, companies might use different instrument to exercise control and induce some degree of separation of ownership from control. The most common are dual class shares, pyramids, coalitions. We shall discuss their (changing) relevance in the Italian context, starting with the most important one: pyramids.

a. Pyramidal groups

We have already noticed how important was the role of pyramidal groups as control instruments among listed companies and listed groups. Here we measure the effect of the use of this instrument on the degree of separation between ownership and control, by computing the "leverage", the ratio between the capital controlled and capital owned[26].

In 1990 the effect of pyramidal structures as an instrument of control was to induce a degree of separation between ownership and control of 2.7; this was higher when at the top of the pyramid there was a listed company without an identifiable controlling agent (in the 10 largest groups it was 8.2) (tables 10, 11). Again the difference between banks and non financial companies was substantial. For banks the separation through pyramidal groups was lower: the leverage was 1.9 as compared to 4.3 for non financial companies.

Over the period considered separation through pyramids has decreased: leverage was in 2001 equal to 1.8; the reduction has been larger among the largest companies (for the 10 largest groups leverage has halved).

Beyond these measures, even though pyramidal groups are still a relevant feature of Italian listed companies ownership structure, we observe an evolution of their character. This is especially true in the private non-financial sector, where pyramidal groups were historically more important and where they played a crucial role as a control instrument and as a means to expand economic activity.

At the beginning of the '90s listed groups were usually organized as a pyramid of listed companies, with a vertical and horizontal width that aimed, on one hand, at maximizing control leverage (vertical structure), on the other hand, at managing, through separated juridical entities, the wide diversification of activities (horizontal structure).

[26] For the methodology see Bianchi et al. (2005).

A structure with different chains of controls enabled the controlling subject to diversify the intensity of separation between ownership and control in the different "lines" of companies controlled, by varying the length of the chain and the involvement of external capital according to the different opportunities available in the various sectors. Furthermore, the structural opaqueness of this sort of pyramidal groups created favourable conditions for the expropriation of private benefits through infra-group transactions and internal group restructuring.

If we consider the 10 largest private non financial groups, we observe, over the period analysed, a dramatic reduction in both the "width" (horizontal expansion) and the "depth" (vertical expansion) of the groups, measured respectively by the number of listed companies belonging to the same group and by the number of levels in the chain of control of that companies.

In graphs 2-4 we display the positions of these groups according to their width and depth in 1990, 2001 and 2005. Over this period we observe a change in the dispersion: in 1990 there are groups with both a substantial width and depth, whereas in 2005 all groups are concentrate around the origin of the graph (which correspond to an extremely simplified structure of the group).

The number of listed companies belonging to the first 10 groups declined from 68 in 1990 to 34 in 2001 to 24 in 2005 (table 13). The distribution of the companies according to their position in the control chains moved from the lowest level toward the top of the group. The maximum number of levels declined from 5 in 1990 and 2001 to 3 in 2005 (table 12).

The evolution has not been linear over the two periods.

Between 1990 and 2001, all groups experienced a large reduction in their width; on the other hand the depth decreased only slightly and not in all groups.

The reduction in the average number of listed companies per group (from 6.8 to 3.4) has been more pronounced for the largest groups (if data are weighted by capitalization the reduction is from 13.9 to 5.7).

The average distance of listed companies from the top decreased as well (from 2.6 to 2.1), with some notable exceptions: in 2001 "vertical" pyramiding was still common in a few groups of large dimension, resulting in an increase of the average depth measured in weighted terms (from 3.0 to 4.1). In the years preceding 2001, the privatisation of some large companies, realized through the dispersion of the controlling stake on the market, created the opportunity for taking over the control of those companies by existing listed groups, which, in this way, lengthened their structure.

Between 2001 and 2005, the depth of the groups decreased more than in the previous period, in particular for the largest groups, while their width continued to reduce but with a slowing pace[27].

The average number of listed companies per group decreased by about another 30 per cent (from 3.4 to 2.4), while the decrease of groups' depth accelerated (from 2.1 to 1.6) and extended to the largest groups (the weighted average fell from 4.1 to 1.6) .

The evolution showed in the above figures reflects the different economic factors which have driven the structure of the listed group towards more concentrated and simplified assets: the driving forces being, in the first period, a reduction in the diversification of economic activities performed by a single group; in the latter period, market pressure, mainly urged by the opening of the Italian financial market to international institutional investors, to reduce the use of some instruments of separation between ownership and control and in particular of pyramiding.

b. Other instruments for control: dual class shares and coalitions

As we suggested for non listed companies, a second instrument to control a company without a majority of shares is to form a coalition with other shareholders. A third possibility is to issue shares with limited (or no) voting rights. In 1990 this instrument was relatively common: 39% of listed companies issued them; their weight over the total amount of outstanding shares was 14.4%. The law imposed a relatively strict constraint to the amount of non voting (or with limited voting rights) shares. Over the period their diffusion has decreased among listed companies, mainly because they were not appreciated by investors, possibly due to the insufficient investor protection in Italy. In 2005 only 14% of the companies issued non voting shares; their value was 4% of total shares on the market.

Finally, turning to coalitions among investors, we noticed above that they might be formalized through shareholders' agreements (ensuring a higher stability) or informal (based on trust and reputation). Here we proxy the second with all the cases where we do not "identify" a controlling shareholder (or an explicit shareholders' agreement)[28]. We also tentatively classify coalitions depending on the type of shareholders that form the coalition, i.e.: listed companies (where we cannot identify ultimate controlling agents), cooperatives (mainly banks), coalitions

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[27] This might have also been affected by tax provisions that made capital gains from the sale of corporate shareholdings tax exempt in 2003. This exemption became partial (91% of capital gains) in 2005 (see Enriques, Volpin, 2006).

[28] We basically define a company as controlled by an informal coalition when we cannot identify one controlling shareholder and the 3 largest shareholders together own more than 20%. A residual number of cases (5) where the 3 largest have less than 20% have been considered case by case to check whether they could be classified as dispersed ownership. All were finally included in the "informal coalition" control.

which include only individual (family members) and those which include both individuals and other agents (financial or non financial companies).

In 1990 the role of coalitions was already relevant in terms of weight (almost 20% of total market capitalization) but concerned a limited number of (large) companies (10.9%, table 15). For these the agreement was typically formalized. In terms of number of companies, the most frequent "type" of coalition was that made of individuals; the coalitions controlling the largest companies were formed among other (listed) companies.

In 2005, the picture has substantially changed: 34.5% of listed companies are controlled by coalitions; their weight is 47% of total capitalization. They are mostly (over 60% of the cases) informal coalitions. As in 1990, in most (smaller) companies they are coalitions among individuals; in the largest companies, they include listed ones. If we distinguish between banks and private non financial companies, we notice that coalitions run most of Italian listed banks (62.5% of banks, 88.5% of their total capitalization), and approximately 1/3 of private non financial companies.

It is worth noticing that this control model is more common among recently listed companies (those that went public after 1992): 40% of them are controlled by coalitions as compared to 15% of previously listed ones. As a whole companies that went public in the last 15 years reduced their ownership concentration (compared to their predecessors) increasing the use of shareholders' agreements.

More generally coalitions, with respect to control models based on a single shareholder, are associated with a reduction in ownership concentration (especially when formalized, as was the case for non listed companies) as measured by the largest stake and by the Herfindhal index; however this does not directly translate into a higher contestability of control since on average less than 50% is dispersed both with coalition control and majority control (table 18).

We also consider the distribution of power within coalitions (table 19). On average coalitions have a pivotal shareholder, with more than 40% of the coalition. Even though differences are not statistically significant, coalitions appear more "dispersed" (i.e., the shares are more evenly distributed among relevant shareholders or the largest shareholder's power is in a sense more contestable) when:

- they are "formal", possibly suggesting that the contractualization of the relationship is a way to regulate less defined hierarchical structures;
- they are composed of individuals, due to the wider dispersion of ownership among members of families;
- when they control banks, where family coalitions are less frequent.

Some evidence on the structure of formalized coalitions is in Gianfrate (2004) who analyses 74 shareholders' agreements signed between 1998 and 2003 and finds that the agreement controls on average 50% of voting rights, but appoints approximately 90% of board members; the largest shareholder, with approximately 30 of voting rights, appoints 60% of the board. Also Bossi and Giudici (2006) find that shareholders' agreements are relatively concentrated[29].

Finally, an increasingly important phenomenon, which is possibly linked to the increased role of coalitions[30], is the growing importance of bank-firm cross-ownership.

A proxy of the intensity of the relationship (the ratio between the sum of the market value of the shares held by banks in non financial and by non financial in banks, and the total amount of market value of the share capital of banks and non financial) has rapidly increased over the last 7 years (from 1.7 to 4.8%, table 20). If we consider separately the two directions of the relationship, we observe that the growth has concerned mainly the participation of non financial companies in banks[31]. Among the latter only, the growth is more apparent (7% of all relevant shareholders of banks are non financial; 3.2% of all relevant shareholders of non financial companies are banks).

It has to be further investigated: a) whether some of these shareholdings represent actually "cross-ownerships", i.e., somehow circular shareholdings; b) whether they are typically part of coalitions (i.e., they reinforce or stabilize coalitions), or rather represent minority shareholdings. Some evidence concerning the latter issue is presented in table 22, where, for non financial listed companies controlled by a (non family only) coalition, we measure which percentage includes a banks in the coalition itself: this value (both for the number of companies and their capitalization) has increased at a rapid pace between 1990 and 2005. recently it appears that banks are commonly a member of a coalition. This might imply either a stabilizing or/and a monitoring function.

Finally, it is interesting to compare the relevance of this phenomenon in other European continental countries (table 23). For blue chips only it is possible to compare the proxy for the bank-firm relationship (only with reference to relevant shareholders) for Germany, France, Spain with the measure computed for the Italian case. It is interesting to notice that when we consider shareholdings of banks in non financial companies, the other countries have generally

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[29] They analyse the characteristics of shareholders' agreements in force in May 2004 and show that on average their object is mainly that of restricting share transfers (74%), and that of jointly exercising the voting right and agreeing on board members appointment; the largest shareholder has on average 53% of voting rights of the agreement.

[30] But the importance of this link has to be further analysed.

[31] Both are somehow underestimated given that we observe only "relevant" shareholders (with more than 2%).

a more intense relationship (especially Spain), whereas with reference to shares of non financial firms in banks, in the Italian case this value is substantially higher. Of course it has to be kept into account that the "blue chips" set has a different sector structure in the different countries; in Italy, in particular, banks (and other financial companies) are "overly" represented as compared to the population of listed companies.

As a whole, the evidence analyzed shows that as compared to the beginning of the period, non financial companies:

i) tend to go public less often[32];
ii) try to pursue the stability of control less through concentration of ownership/pyramids (possibly due to the internationalization of capital markets and the dislike of international investors for pyramidal structures) and more through largest shares owned by individuals/families and coalitions (where banks are sometimes involved).

On the other hand, banks:

i) tend to go public more often, in most cases being public companies (sometimes as a consequence of privatization);
ii) have reinforced the role of coalitions.

4. Discussion and evaluation of reforms

On the one hand we document the persistency of a low tendency to listing (mainly of industrial companies). On the other, we observe the search for (different, new) instruments to ensure stability of control both in non listed and in listed companies. For the latter, the "Italian ownership and control structure", still characterised by a high ownership concentration and a relatively wide use of pyramids as instruments of separation, has evolved to one where coalitions (with a growing cross-relationship between non financial firms and banks) play an increasing role.

This might be an answer to the need of identifying an "alternative" model of separation between ownership and control, in a context where, on the one hand, the cost of traditional instruments (namely pyramidal groups and the issue of non-voting shares), became too high, and, on the other hand, competitive pressures required an accelerated growth.

[32] And when they go public, ownership concentration remains high (on average the controlling shareholder has 55% after listing). Whereas it is not uncommon in all systems that the controlling shareholder locks control when going public, in other countries this may occur using other instruments (e.g. in the US, using dual class shares).

In the European context a debate is currently developing on the optimally of imposing one share – one vote by law as an instrument to protect minority shareholders. Even if the empirical evidence seems to suggest a discount factor associated with the use of instruments that ensure a disproportionate voting power (and a recent literature tries to evaluate which one has a more negative effect[33]), in most of the European (but the same is true in the US) countries firms use various instruments to achieve separation between ownership and control[34], and some contributions suggest that it would be inefficient to prohibit firms from using instruments that induce separation[35].

In the literature pyramids have been traditionally considered the "worst" instruments, inducing severe agency problems, also due to their lack of transparency[36]; they have been considered more "typical" in developing countries. Dual class shares are common in a number of countries, in various forms.

Recently a growing literature is developing on the role of another instrument to obtain some form of separation, i.e. coalitions. The analyses suggests that in concentrated ownership settings, the presence of other large shareholders help mitigate agency costs by monitoring the controlling shareholder (Pagano and Roell, 1998); that the coalition formation improves firm performance since no individual shareholder is able to take any action without the consent of other shareholders (Bennedsen and Wolfenzon, 2000); that the disagreement among a number of controlling shareholders might produce deadlocks that prevent them from taking actions that hurt minority shareholders (Gomes and Novaes, 2005)[37].

A number of empirical analyses for various countries test some of the predictions of the theory.

Volpin (2002) finds that for Italian listed companies – over the period 1986-97 – firms' value and the sensitivity of executive turnover to poor performance is positively affected by the presence of a formal shareholders' agreement, interpreted as a partly contestable control; on the other hand Gianfrate (2004) finds a negative reaction of the market to the announcement of a shareholders' agreement; Bossi and Giudici (2006) show that the announcement has more likely a positive effect when the largest shareholder in the agreement is an individual, whereas a negative effect is present when a bank is part of the agreement.

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33 See Villalonga and Amit (2006), Bennedsen, Nielsen (2006).

34 A recent study of Deminor rating (2005) on 300 European companies in the FTSE Eurofirst shows that: in UK 12% of companies deviate from one share - one vote; in Germany only one company (Volksvagen) deviates; in France 69% of the companies deviate; in Spain 41%; in the Netherlands 86% of the companies deviate; in Sweden 75% of the companies deviate.

35 See Ferrarini (2006), Coates (2003).

36 See for example Bebchuk et al. (2000).

37 The authors show when a coalition is more efficient as compared to having external monitoring by an outside shareholder.

Nagar et al. (2004) show that the performance of US close corporations is better when they have “shared” or “diluted” control (i.e. the largest shareholder has less than 50% of total share capital) than when concentration is high (the largest shareholder has either between 50 and 75% or more than 75%). Maury and Pajuste (2004) in the Finnish case find that when voting power of large blockholders is more equally distributed (and hence, in a sense, control of the largest shareholder is more contestable) the value of the firm is higher, implying a monitoring role of other coalition’s members. However, the effect varies depending on the identity of the coalition’s members. If other large shareholders are members of a family (the same of the largest shareholder or another) the value is reduced, the opposite being true when financial institutions are part of a coalition.

Laeven and Levine (2006), for a sample of European publicly listed companies, find first that multiple large shareholders (defined as those having at least 10% of the shares) are relatively common (34% of the sample); secondly that the market value of companies with limited “dispersion” of shareholders (measured as the distance between the first and the second largest shareholder) is higher, signalling a positive effect of either more contestable power or of monitoring by the second largest shareholder. This effect is weakened with better shareholder protection (which reduces the need for monitoring), increased if shareholders’ types differ.

In Italy, it seems that the coalition ensures to the members (considered as a whole) a concentration of voting rights sufficient to maintain the control of the companies, i.e., they perform a function similar to that of a holding companies. As for a holding company, it is possible that a single member of the coalition, having the majority of the voting rights of the coalition, controls the company. In a sense this might reproduces a sort of the pyramidal effect, although on a smaller scale (it is more difficult to create chains of coalitions than chains of holding companies).

The degree to which their growing role implies some converge towards a continental European control model (with some peculiarities) requires deeper analysis and an evaluation of the characteristics of coalitions.

Does the evidence we presented suggest that reforms have not achieved their desired aim? Why didn’t we observe greater changes?

First, as we said above, we need to evaluate better the relevance of the changes described. While our governance structure moved towards a model more similar to that of other European continental countries, further research is needed to understand the characteristics and potential effects of the increasing role of coalitions.

Secondly, even if in principle we should have not expected to move towards an anglo-saxon "public company" model[38], various interpretations have been proposed to explain the limited effects of the reforms:

i) as in other fields, where reforms have been enacted (public administration, competition), they have not been "used", "enforced": the "conditions defined by the reforms have not been created and therefore the expectations of agents have not changed since there wasn't a uniform and shared interpretation of the reform" (Barca, 2005);

ii) other reasons favour ownership concentration (beyond path dependence and political determinants): the presence of rents in some sectors with low competition (Micossi, 2006) and the limited need for external risk capital due to the wide availability of other financial sources in particular in the "traditional" sectors with low innovation and investment intensity (Spaventa 2003);

iii) the reform process was incomplete; in particular some instruments that ensure the possibility of private enforcement of instruments for minority shareholder protection are still missing, e.g., the class action and a more effective civil justice system (Ferrarini, Giudici, 2005; Bianchi et al. 2005).

iv) it has not been sufficiently recognised that, absent legal instruments that ensure strong power to directors as in the US[39], other instruments that ensure some stability to controlling shareholder even after listing have to be present (Bianchi et al, 2005). More specifically, the characteristics we presented suggest a relevant problem of allocation of private benefits of control, which might be particularly high in Italy or particularly hard to appropriate. If the first is true (and this is what international comparisons suggest), then it should be investigated whether private benefits are mainly "good", i.e. linked to the entrepreneurial role of controlling agent, or "bad", i.e. linked to the possibility to expropriate minority shareholders[40]. If they are still mainly associated to the expropriation of minority shareholders, then we should conclude that the reforms realized in the last 15 years are still not sufficient. Since a lot has been done with reference to formal instruments to protect investors (lastly with the "savings law") it is likely that the missing part refers to enforcement, both private and public: hence a relevant role might be played by a discipline of the class action and by facing the problems of the inefficiencies of the Italian civil justice[41]. But the width of the reforms process and the search of stability by controlling shareholders (in both unlisted and listed companies), which is not a

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[38] Too much works against it: path dependence (see Bebchuk and Roe, 1999), political determinants of corporate governance (see Roe, 2003; Pagano and Volpin, 2005), the role of institutional complementarities.

[39] See Cools (2004).

[40] See Bianchi et al. (2005).

[41] See Djankov et al. (2005), Ferrarini, Giudici (2006).

peculiarity of our system[42], suggests that private benefits might not exclusively be linked to expropriation but also to incentives for controlling shareholders; if this is the case further instruments for ensuring some stability of control – even after listing - should be considered. Financial instruments introduced with the company law reform might be one of the answers (even if interpretative questions still might limit their adoption and diffusion).

There is probably not a unique answer. But, even if we should not expect that a better governance system ensures by itself the growth of Italian firms, it is certainly worth investigating further which obstacles still impede its efficient functioning.

[42] See Cools (2004).

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Table 1. – **Ownership concentration. Non listed Italian firms**

	1993	2003	2005
Largest shareholder (average)	66.0	67.0	66.9
2nd+3rd largest shareholders (average)	27.0	24.6	25.0
N. of shareholders (median)		3	3

Source: Bank of Italy survey on manufacturing firms with more than 50 employees.

Table 2. – **Control structure**

	1993		2005	
	unweighted	weighted (1)	unweighted	weighted (1)
Individual	50.9	26.5	51.0	32.9
Foreign company	7.8	14.9	12.3	21.0
State	6.9	15.5	0.7	1.9
Holding or sub-holding	20.8	32.4	24.6	34.4
Private non financial	13.6	10.6	9.0	8.1
Bank	0	0	0.01	0.01
Other financial	0	0	2.0	1.7

Source: Bank of Italy survey on manufacturing firms with more than 50 employees.
(1) BY size of the company measured by employees.

Table 3. – **Control instruments** (% of firms)

	1993	2003	2005
Pyramidal group	56.5	44.0	45.8
Shareholders' agreement		9.1	10.1
Clauses in by-laws that limit the transferability of shares		42.0	46.1

Source: Bank of Italy survey on manufacturing firms with more than 50 employees.

Table 4. **Structure of listed groups**

	1992	1998	2001
n. groups	147	164	227
average n. of firms per group	44.6	45.9	33.0
average n. of employees per group	7160	5537	3571
total n. of Italian firms	4159	3518	3257
total n. of foreign firms	2391	4004	4225
Total n. of firms	6550	7522	7482

Table 5. **Listed groups vs Census (% of employees)**

Sectors	1992 (1)		1998 (1)		2001 (2)	
	> 1000	*Total*	>1000	*Total*	> 1000	*Total*
Industry	39.63	*12.82*	29.28	*9.77*	25.23	*7.40*
Of which: manufacturing	45.30	*14.24*	32.41	*10.62*	25.86	*7.46*
Service	37.70	*19.26*	37.58	*20.43*	31.98	*16.24*
Of which: financial	59.26	*44.53*	75.67	*58.69*	78.47	*62.69*
Total	38.57	*15.37*	33.82	*13.99*	29.75	*11.74*

(1) The comparison is with the 1991 Census (firms with more than 20 employees only); in the first column, only firms with more than 1000 employees are considered.
(2) The comparison is with the 2001 Census.

Table 6. **Stock market structure**

	All listed companies		Listed banks		Listed private non financial companies	
	1990	2005	1990	2005	1990	2005
N. companies	239	256	22	32	187	19.5
% of all companies	100	100	9.2	12.5	78.2	76.2
% of total capitalization	100	100	16	32.4	67.1	29.3

Table 7. **Ownership concentration of listed companies**

		Average					Weighted(1) average				
		1990	1998	2001	2003	2005	1990	1998	2001	2003	2005
All listed companies	Largest shareholder	54.7	47.1	45.4	44.7	44.6	47.9	33.8	42.0	34.8	28.7
	Other relevant shareholders	16.9	14.0	16.8	17.3	17.5	11.4	9.8	9.5	12.2	15.5
	Dispersed ownership	28.4	38.9	37.8	38.0	37.9	40.7	56.4	48.5	53.1	54.7
Listed banks	Largest shareholder	64.7	34.3	34.4	33.7	31.9	54.3	24.4	28.3	18.8	17.0
	Other relevant shareholders	11.4	11.7	14.3	15.8	18.5	7.0	19.3	18.7	21.0	23.7
	Dispersed ownership	23.9	54.0	51.3	50.5	49.6	38.7	56.3	53.0	60.2	59.3
Private non financial listed companies	Largest shareholder	52.0	48.4	46.8	45.6	46.0	42.5	38.6	51.4	47.3	41.8
	Other relevant shareholders	18.6	15.7	18.1	18.4	18.4	14.1	6.5	8.2	8.2	13.5
	Dispersed ownership	29.4	35.9	35.0	36.0	35.6	43.4	54.9	40.4	44.5	44.7

(1) By market capitalization.

Table 8. **Ownership structure of listed companies (simple averages)**

Owners	All listed companies					Listed banks					Private non financial listed companies				
	1990	1998	2001	2003	2005	1990	1998	2001	2003	2005	1990	1998	2001	2003	2005
Foreign	8.3	10.2	12.9	10.5	9.4	3.9	3.4	4.4	5.9	6.9	9.8	11.9	15.2	11.8	10.8
Financial internediary	5.8	8.0	6.1	5.7	5.8	14.0	22.9	22.0	23.0	23.0	5.1	4.7	3.2	3.2	3.6
Insurance	*0.8*	*1.6*	*0.9*	*0.5*	*0.6*	*1.3*	*3.2*	*1.4*	*1.0*	*1.0*	*0.5*	*0.5*	*0.3*	*0.2*	*0.3*
Bank	*3.9*	*5.5*	*4.5*	*4.9*	*4.4*	*11.9*	*19.4*	*20.5*	*21.8*	*21.8*	*3.4*	*3.1*	*1.9*	*2.4*	*2.3*
Instituzional investor	*1.1*	*0.9*	*0.7*	*0.3*	*0.8*	*0.8*	*0.3*	*0.1*	*0.2*	*0.2*	*1.2*	*1.1*	*0.9*	*0.6*	*1.0*
Non financial company	30.2	17.8	13.7	13.4	16.9	6.9	4.3	5.1	5.9	6.1	37.3	22.5	16.6	15.6	19.6
State	12.0	4.5	3.9	4.9	4.4	28.7	1.1	0.3	0.4	0.4	1.7	0.2	0.3	0.7	0.3
Foundation	2.0	2.5	2.3	1.2	1.1	17.1	12.9	14.5	8.7	8.6	0.4	0.5	0.5	0.1	0.1
Individual	13.3	18.1	23.2	26.3	24.5	5.3	1.4	2.4	5.5	5.4	16.3	24.3	29.2	32.6	30.0
All large shareholders	**71.6**	**61.1**	**62.2**	**62.0**	**62.1**	**76.1**	**46.0**	**48.7**	**49.5**	**50.4**	**70.6**	**64.1**	**65.0**	**64.0**	**64.4**

Table 9. **Ownership structure of listed companies (weighted(1) averages)**

Owners	All listed companies					Listed banks					Private non financial listed companies				
	1990	1998	2001	2003	2005	1990	1998	2001	2003	2005	1990	1998	2001	2003	2005
Foreign	5.0	5.9	5.8	7.0	8.8	1.8	8.5	7.1	11.6	13.8	6.8	5.6	6.4	7.3	8.4
Financial internediary	6.6	7.4	6.2	5.3	7.2	6.9	14.6	15.3	9.5	8.5	7.1	2.1	1.4	2.2	4.3
Insurance	*2.5*	*2.5*	*1.8*	*1.3*	*1.6*	*0.6*	*3.2*	*2.2*	*1.4*	*1.5*	*2.8*	*0.6*	*0.4*	*0.3*	*0.8*
Bank	*3.0*	*4.8*	*4.3*	*4.0*	*4.4*	*5.8*	*11.3*	*13.1*	*8.1*	*7.0*	*2.9*	*1.3*	*0.9*	*1.8*	*3.2*
Instituzional investor	*1.1*	*0.1*	*0.1*	*--*	*0.1*	*0.5*	*0.1*	*0.0*	*0.0*	*0.0*	*1.4*	*0.2*	*0.1*	*0.1*	*0.3*
Non financial company	21.2	12.6	17.9	12.6	9.6	2.2	2.0	3.1	4.4	5.1	31.9	28.4	39.5	29.0	23.9
State	18.1	8.8	10.8	11.4	9.5	36.8	1.0	0.0	0.2	0.2	2.7	1.5	0.9	0.7	0.1
Foundation	2.1	5.2	4.8	3.7	3.9	11.1	17.3	21.2	13.4	12.0	0.3	0.3	0.0	0.0	0.1
Individual	6.3	3.8	5.9	7.0	6.3	2.5	0.3	0.4	0.9	1.2	7.6	7.3	11.3	16.3	18.5
All large shareholders	**59.2**	**43.6**	**51.1**	**46.9**	**45.3**	**61.3**	**43.6**	**47.1**	**39.8**	**40.7**	**56.4**	**45.2**	**59.6**	**55.5**	**55.3**

(1) By market capitalization.

Table 10. **Voting rights leverage** (1)

Owner	All firms in listed groups			Banks in listed groups			Private non financial companies In listed groups		
	1992	1998	2001	1992	1998	2001	1992	1998	2001
Head of group	1.66	1.53	1.84	1.97	1.09	1.37	2.98	2.22	1.88
Foundation	-	1.00	1.48	-	1.00	1.37	-	1.49	5.31
Individual	2.95	2.08	1.78	3.76	-	-	2.98	2.25	1.78
State	1.51	1.43	2.04	1.94	1.12	-			
Head of group (with no identified controlling agent)	4.23	2.00	1.65	1.32	1.18	1.08	4.85	2.40	1.97
Foreign company	1.72	1.70	1.50	1.47	2.25	2.00	1.82	1.83	1.49
Unlisted company	7.51	3.34	2.38	1.28	1.03	1.12	9.10	3.69	2.53
Listed company	1.65	1.18	1.11	1.32	1.19	1.08	1.73	1.27	1.15
Shareholders' agreement	n.a.	1.07	2.13	n.a.	1.00	1.01	n.a.	1.34	4.82
All group	2.21	1.65	1.80	1.89	1.08	1.13	4.28	2.22	2.33

(1) Voting rights per unit of capital owned.

Table 11. **Control leverage in the 10 largest private listed groups** (1)

	1992	1998	2001
Leverage (mean)	9.92	2.56	3.46
Leverage (median)	6.01	2.00	1.77
Leverage (weighted average)	5.45	1.73	3.30
Weight over all listed groups	35.5	46.2	47.2

(1) Capital controlled per unit of capital owned.

Table 12. **Distribution of the 10 largest private non-financial listed groups according to the maximum distance of listed companies from the head of the group** (1)

Distance	**1990**	**2001**	**2005**
1^	-	4	3
2^	5	3	4
3^	2	1	3
4^	2	1	-
5^	1	1	-
TOTAL	*10*	*10*	*10*

(1) If all listed companies are directly controlled by the head, the distance is 1; if there is one intermediate company for at least one listed company, the distance is 2, and so on.

Table 13. **Position of listed companies in the structure of the 10 largest private non-financial listed groups**

Level (1)	1990		2001		2005	
	N. of companies	Capitalization (2)	N. of companies	Capitalization (2)	N. of companies	Capitalization (2)
1^	10	4,4	15	6,9	14	60,6
2^	21	22,6	10	4,1	6	16,9
3^	27	47,7	3	9,4	4	22,4
4^	9	21,7	3	31,4	-	-
5^	1	3,6	3	48,2	-	-
TOTAL	*68*	*100,0*	*34*	*100,0*	*24*	*100,0*

(1) Distance from the head of the group
(2) Sum of the capitalization of the companies of each level in percentage of the total capitalization of the 10 listed groups considered

Table 14. **Group width (number of listed companies) and group depth (distance of listed companies from the top) in the 10 largest private non financial listed groups**

	1990	2001	2005
Average n. of listed companies per group	6,8	3,4	2,4
Weighted (1) average n. of listed companies per group	13,9	5,7	2,3
Average distance from the head of the group	2,6	2,1	1,6
Weighted (1) average distance from the head of the group	3,0	4,1	1,6

(1) By market capitalization.

Table. 15. **Listed companies controlled by coalitions** *(%)*

	N. companies					Capitalization				
	1990	1998	2001	2003	2005	1990	1998	2001	2003	2005
Shareholders' agreement	5,0	11.0	10.9	12.3	10.9	18,1	7.4	11.5	15.1	16.9
Informal coalition	5,9	16.1	18.4	20.0	23.5	1,0	38.8	16.1	19.4	29.9
All companies controlled by coalitions	10.9	27.1	29.3	32.3	34.5	19.1	46.2	27.6	34.5	46.8
Of which: cooperatives	–	*4.6*	*4.0*	*3.5*	*3.1*	–	*3.1*	*2.3*	*3.6*	*3.8*

Table 16. **Listed companies controlled by coalitions** *(by coalition type, %)*

	N. companies			Capitalization		
	1990	2001	2005	1990	2001	2005
Coalition of listed companies	2.5	4.3	5.1	16.8	20.8	30.6
Cooperatives	-	4.0	3.1	-	2.3	3.8
Family coalition	6.3	15.9	17.6	1.1	3.3	3.8
Family coalition with other members	2.1	5.1	8.6	1.2	1.3	8.6
Total	10.9	29.3	34.4	19.1	27.6	46.8

Table. 17. **Listed companies controlled by coalitions** *(by coalition type, by sector, %, 2005)*

	Banks		Private non financial	
	N. companies	Capitalization	N. companies	Capitalization
Coalition of listed companies	18.8	55.6	2.1	19.9
Cooperatives	21.9	10.8	-	-
Family coalition	3.1	1.9	22.1	8.8
Family coalition with other members	18.8	20.4	8.2	6.7
Total	**62.5**	**88.5**	**32.3**	**35.4**

Table 18**. Ownership concentration in listed companies according to the mode of control** (2005, %)

	Average				Weighted (1) average			
	Mode of control				Mode of control			
			coalition control				coalition control	
	majority	relative majority	sharehold. agreement	informal coalition	majority	relative majority	sharehold. agreement	informal coalition
Largest shareholder	62.3	38.8	20.8	23.7	62.2	26.5	14.5	15.2
Other relevant shareholders	9.2	17.1	39.1	30.3	8.1	10.5	32.7	19.0
Dispersed ownership	28.5	44.1	40.1	46.0	29.7	63.0	52.8	65.8
n. of relevant shareholders	2.0	3.1	6.5	5.6				
Herfindhal index	0.41	0.18	0.10	0.09	0.40	0.09	0.05	0.05

(1) By market capitalization.

Table 19. **Ownership concentration in coalitions** (2005)

	Largest shareholding / sum of all relevant shareholdings (in %)	
	Average	Standard dev.
Shareholders' agreement	33.7	13.1
Informal coalition	45.8	20.5
Coalition of listed companies	44.6	18.1
Family coalition	39.5	18.7
Family coalition with other members	44.0	20.6
Listed banks	37.7	21.1
Listed non financial companies	41.6	18.8
Total	41.5	19.1

Table 20. **Bank-firm relationships**
(% of total market capitalization of banks + private non financial companies)

	1998	2001	2003	2005
Banks in non financial (1)	0.8	0.6	1.1	1.8
Non financial in banks (2)	0.9	1.2	2.2	3.3
Total	1.7	1.8	3.3	4.8

(1) Shares of private non financial firms owned by banks.
(2) Shares of banks owned by private non financial firms.

Table 21. **Bank-firm relationships**
(% of total market capitalization of banks + private non financial companies, relevant shareholdings only)

	1998	2001	2003	2005
Banks in non financial (1)	1.7	1.0	2.2	3.2
Non financial in banks (2)	2.2	2.3	4.6	6.9
Total	3.9	3.3	6.8	10.1

(1) Shares of private non financial firms owned by banks.
(2) Shares of banks owned by private non financial firms.

Table 22. **Listed companies controlled by non family coalitions**

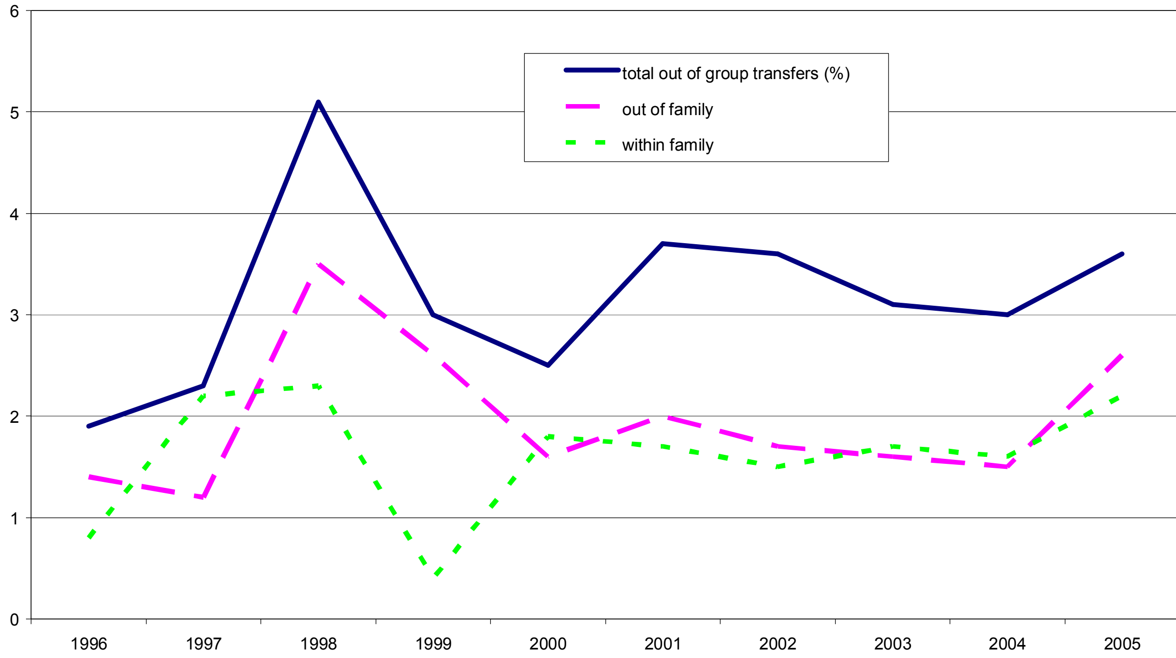
	1990		2001		2005	
	n. companies	capitalization	n. companies	capitalization	n. companies	capitalization
% of cases where a bank is a member of the coalition	31.0	41.3	45.5	65.9	55.0	75.1

Table 22. **Bank-firm relationships**
(% of total market capitalization of banks + private non financial companies, relevant shareholdings only, blue chips only)

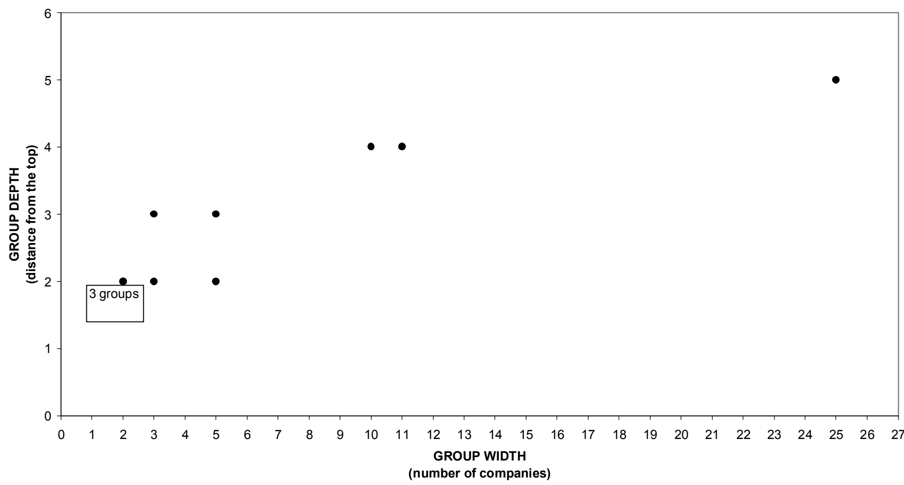
	Germany	Spain	France	Italy	
				2003	2005
Banks in non financial (1)	5.0	19.1	3.9	1.0	2.5
Non financial in banks (2)	2.2	1.1	1.5	6.5	9.5
Total	7.2	20.2	5.4	7.5	12.0

(1) Shares of private non financial firms owned by banks.
(2) Shares of banks owned by private non financial firms.

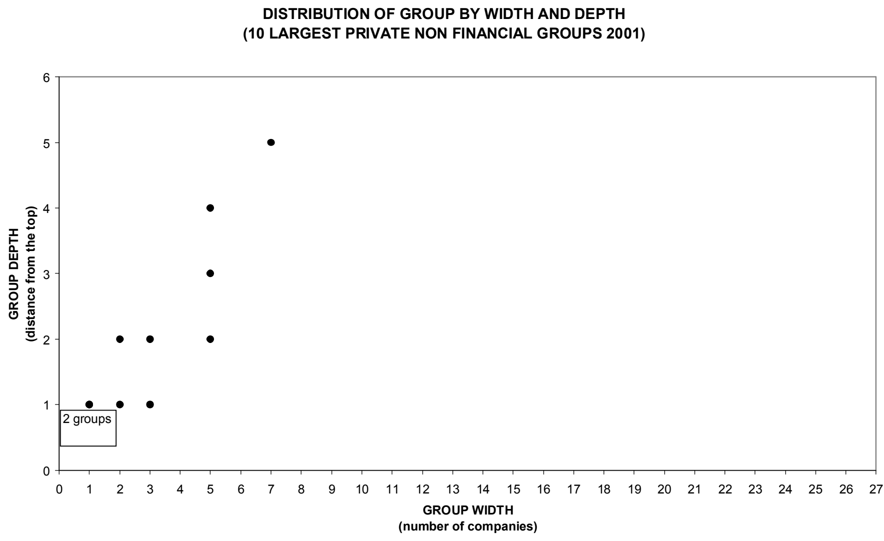
Graph 1



Graph 2



Graph 3



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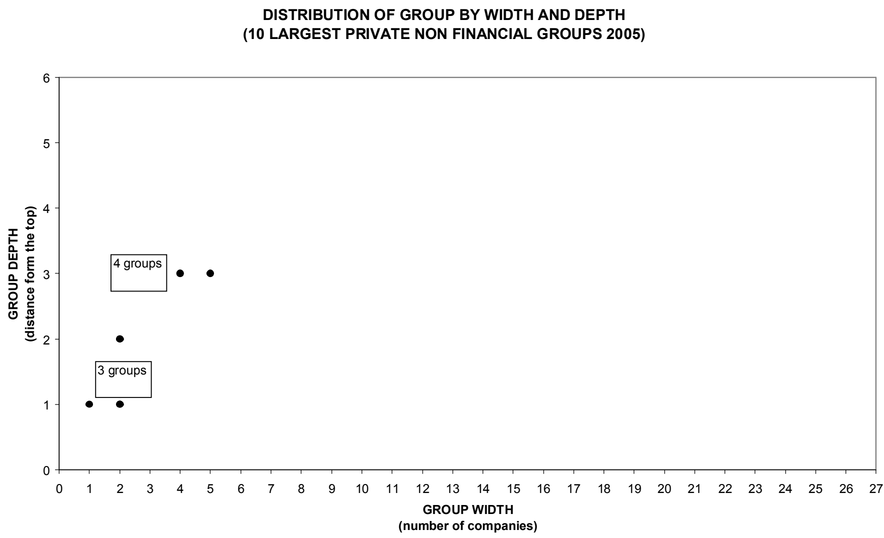
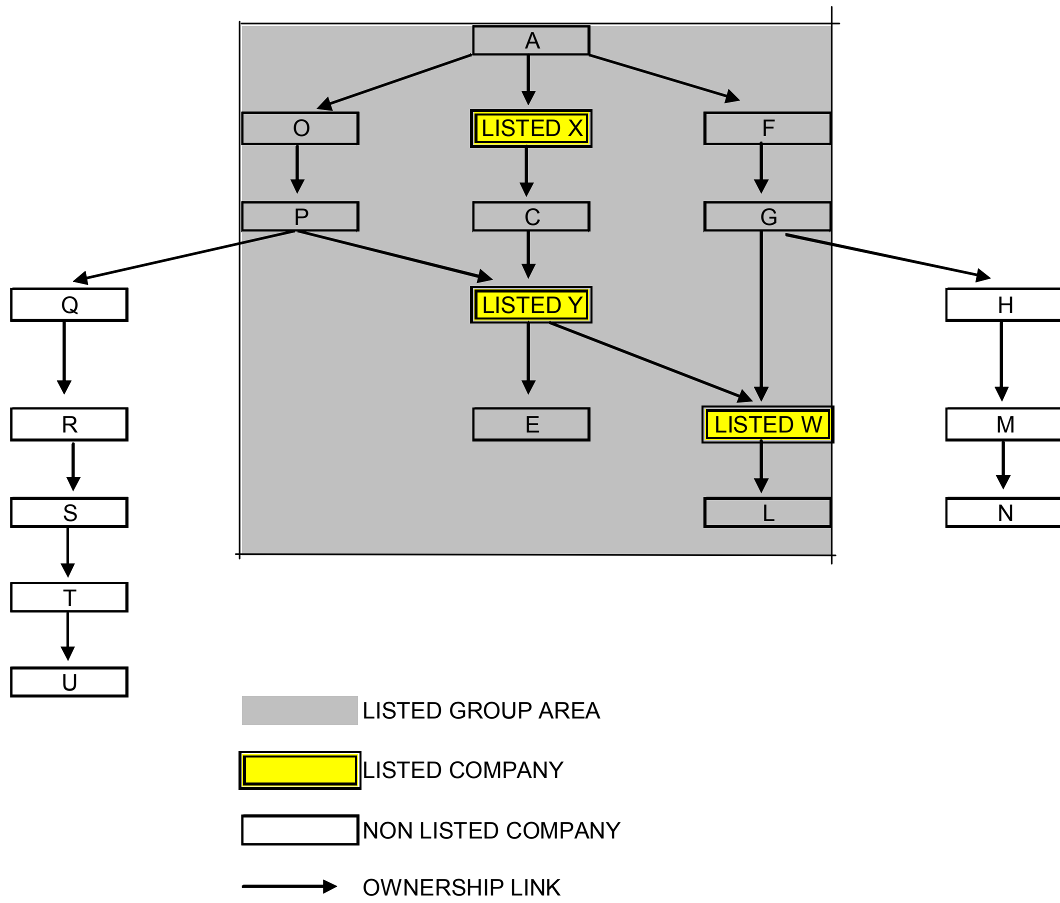


FIG.1 THE IDENTIFICATION OF LISTED GROUP



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