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**“Corporate Governance and Ownership Structure in
Western Europe – A Study of France, Italy and
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1. Introduction

Ownership structure is one of the most important issues in corporate governance. There are many different topics which are based on ownership issues. The distinction between dispersed and concentrated ownership as dominating form is often used as main characteristic for the national corporate governance structure. Early papers like the often mentioned work of Berle and Means in 1932 were focusing on the American capital market and its dispersed ownership structure and formed so the image of the modern corporation as widely held. But today dispersed ownership is still not the dominant ownership structure. In the 1980th papers started to investigate ownership structure and showed that even in the United States publicly traded firms with concentrated ownership are not an exception. As different countries have different economic environments (different shareholder protection, different industries, capital markets, commercial laws etc.) there is not one optimal ownership structure. So when looking at ownership structures it is always necessary to consider the specific national effects.

At first sight, Italy, France and Spain seem to be very similar countries. They are geographically located close to each other and have roman languages and similar economic levels. For sure, there are fewer differences to be found in a comparison of the ownership structures of all these countries, than would be found if they were compared to the ownership structure of a developing or emerging country or the United States. Nevertheless, each of these countries has its very special features about ownership. In the first part, this thesis is going to figure out the ownership characteristics of each country and describe how they have developed.

The second part is an empirical study. It examines the ownership structure between about 1995 and 2002 of the 50 largest companies by assets in Italy, France and Spain. It outlines features of ownership structure as for example the types of direct shareholders and ultimate owners and their shares at the particular periods and the development that happened between the two dates. In addition the ownership structures of the countries are compared with each other.

2. Ownership Theory

2.1. Introduction

The following chapters will try to summarize the major theories and topics of ownership theory. Economists have tried in the last decades to explain the different national corporate governance structures by different legal systems and policies. Hence, it is not surprising that there are many different points of view about the impact of these factors on ownership structure. I am going to present the theories that seem to be the most popular ones (and which also seem to be the most useful to me), but of course they are not agreed by any other economist. Furthermore I try to identify possible advantages and disadvantages of the different features of ownership structures (like for example the identity of owners or pyramid structure). Lastly there will be an overview over theories that examine the relationship between ownership structure and performance.

2.2. Ownership Concentration and Legal Systems

As mentioned before there are two main categories of ownership: dispersed ownership and concentrated ownership. One of the main factors that determine whether a country's economy tends to have more dispersed or concentrated ownership is the level of shareholder protection. Zingales (2000) lists three typical arguments for the need of protection:

- The investments of shareholders are more valuable than those of other stakeholders. An argument that he finds unfounded because there are no reasons why human capital investment is less.
- Other stakeholders have advantages in protecting their investment.
- The most important argument is that other stakeholders have the possibility to protect their investments ex post.

La Porta, Lopez-de-Silanes, Shleifer (1998) show that companies in countries with a good shareholder protection are more likely to be widely held, on the other hand bad shareholder protection leads to more concentrated ownership and they connect this with the different law systems.

One source of the different laws concerning shareholders is the legal origin. La Porta et al. (1998) classify national legal systems in legal families. For the classification they

use among other factors the historical background and development. The first great division is between common law and civil law. The common law system is based on the judicial decisions and does not play a big role in continental Europe. The civil law system descends from Roman law and is based on formulated rules in different codes. This system can be further divided in the legal families of Scandinavian origin, German origin and French origin. The German legal family includes Austria, Switzerland countries from Eastern Europe and some Asian countries like Japan and Korea. In addition it has also influenced countries like Italy that belong to other legal families. All three countries Spain, France and Italy examined thereafter in the empiric part belong according to La Porta et al. to the French origin family.

According to La Porta et al. (1998) common law countries have the best shareholder protection followed by Scandinavian and German-civil-law countries and the weakest shareholder protection is found in French-civil-law countries. The most important shareholder right is the right to vote on the general meeting for members of the board(s) and other corporate issues. If the voting power and cash-flow rights of shareholders are consistent (one share one vote) shareholders should be better protected. But especially in Europe there exist different ways to separate voting power from ownership. This can be reached by a voting cap, which limits the voting power of an individual shareholder at a specific level independent of the share he owns.

Another way is to issue dual class shares, non-voting and voting shares. It gives the shareholders of voting shares a voting power that exceeds their share participation. So it allows the shareholder with superior voting rights to enjoy the benefits of control with proportional low cash-flow participation and therefore the possibility for better diversification. The same effect is found by companies that “reward” long-term-shareholders with superior voting rights. In their study of 49 countries La Porta et al found that only 11 countries have none of these practises and have therefore the one-share-one-vote-system. Other sources of shareholder discrimination are the different possibilities to prevent shareholders from voting or to make it more complicated for them. A means for that is for example the exclusion of proxy votes by mail. Examples for good minority shareholder protection are mechanisms for cumulative voting of board members or the allocation of a proportionate number of directors to the minority shareholders. Nevertheless such rules exist only in a few countries.

Not only shareholder rights are essential for the determination of the level of shareholder protection. Also the enforcement of them plays an important role, as a strong legal enforcement can be a substitute for a lack in rules. Measured by efficiency of the judicial system, rule of law, corruption and the risk of expropriation and contract repudiation La Porta et al (1998) find again the French-origin law systems on bottom. The best law enforcement is in Scandinavian countries followed by German-civil-law countries. Common law countries are placed between them and the French-civil-law countries.

Beside the description of the differences in the legal systems La Porta et al also determine the reasons that lead to more concentrated ownership in countries with poor protection. Shareholders in these countries need a greater stake of the capital to be able to monitor managers or exercise other control rights. This is necessary to avoid expropriation and it substitutes legal protection. The shareholders ensure the returns of their investments. Because of the lack of protection minority shareholders would buy shares only at relatively low prices what makes issuance of shares unattractive for corporations. In addition majority shareholders with stakes of more than 50% are not as reliant on strong enforcement by courts as minority shareholders are (Shleifer, Vishny; 1997). Compared to countries with a common-law system (and dispersed ownerships) countries with civil law systems with bad shareholder protection have smaller capital markets and companies suffer from a lack of equity financing.

Examining the law and ownership concentration Coffee (2001) states that capital markets do not necessarily need a strong shareholder protection in the first place. He argues that in the United States and Great Britain dispersed ownership developed in the middle of the nineteenth century without a good protection of minority shareholders when private benefits of control were quite high. This was possible because of the self regulation of the companies, in order to signal minority shareholders that there will be no expropriation. An explanation why there was not such a development towards dispersed ownership in France or Germany at that time is the different role of the government. According to Coffee strong self regulation is a consequence of the lack of close governmental supervision and control. In addition this evolution was encouraged by the more decentralized character of the common law that facilitates private law making. So the capital market developed first and the law system adjusted to the new situation and its requirements. In France and Germany the state supervised much more the capital markets and let only little room for private regulation.

Beside the theories of law and corporate governance, political forces can also influence corporate governance and ownership structure. The greatest advocate of this thesis is Marc Roe, who concentrates primarily on social democracies. Roe (2000) is of the opinion that the policy of social democracies strongly affects ownership structures. Social democracies create agency costs between shareholders and managers in public firms and lead thereby to a higher part of private firms and concentrated ownership. This happens for example by the preferential treatment of employees to shareholders. Social democracies protect employees by law and make it harder for companies to displace workers. Furthermore Roe argues that companies in Social democracies tend to have less transparent accounting, because owners are threatened that employees may demand higher wages if they know that the firm is doing well. This lack in transparency is an information disadvantage for (small) shareholders. It makes it difficult for them to understand the firm they own shares of.

2.3. Ownership Dispersion vs. Ownership Concentration

In Gugler (2001) ownership concentration/dispersion is divided in four quadrants. The first quadrant presents both dispersed ownership and dispersed voting power, while the second quadrant is characterized by dispersed ownership in connection with concentrated voting power. The third and fourth quadrant have both concentrated ownership with dispersed voting power in quadrant number three and concentrated voting power in the fourth quadrant. The most common ownership and voting combinations are quadrant one (dispersed ownership, dispersed voting power) and quadrant four (both concentrated). The first quadrant provides high liquidity, the possibility of diversification for the owners and so it has low risk and low cost of capital. But there are also disadvantages of this form. The most important disadvantage is the agency problem as a result of the lack of direct monitoring. Managers may have other personal objectives than the maximization of shareholder value. The fourth quadrant therefore suffers from low liquidity, high cost of capital, the lack of diversification for the owners and the risk of rent-extraction by majority owners that would result in agency conflicts with minority shareholders. Opposite to quadrant number one there is no lack of monitoring, the majority owners have both the incentive and the potential for direct control. That leads to an alignment of cash-flow and control interests. A comparison of the two quadrants shows that they have nearly exactly the opposite advantages and disadvantages.

2.4. Identity of the Owner

It is obvious that if the ownership is concentrated the identity of the owner plays a big role, as different types of owners will have different interests in companies. Although owners are generally expected to maximize shareholder value, that is not the whole truth. In fact owners want to maximize their utility that is not always identical with economic profit or shareholder value because of its dependence on other factors. Thomsen and Pedersen (2000) analyze differences between different owner categories. These categories that correspond to the owners of the largest European companies are: governments, families and individuals, nonfinancial companies, banks and institutional investors. In an earlier paper Thomsen and Pedersen (1997) differentiate between dispersed and dominant ownership, whereby dominant ownership is divided in personal and family ownership, state ownership, foreign ownership and cooperatives. Other categorisations are done by Gugler (2001): “ Families, Households, and Individuals; Non-financial Business; Banks; Other Financial Firms; the State; Foreign Holdings; and Pension Funds, Mutual Funds, and Dispersed Holdings.” and by La Porta, Lopez-de-Silanes and Shleifer (1999) whose classification is very similar to that of Thomsen and Pedersen. They divide into five categories of ultimate owners (if firms are not widely held at the first stage): “family or an individual, the State, widely held financial institutions, widely held corporation and miscellaneous”.

While Thomsen and Pedersen (2000) just identify the largest owner, La Porta, Lopez-de-Silanes and Shleifer (1999) set two thresholds of direct and indirect voting rights to distinguish between widely held firms and such with a controlling shareholder. They assume that 20% of voting rights are enough for exerting control. In addition they use also a 10% threshold of voting rights. Gugler (2001) differentiates between owner controlled and manager controlled firms and mentions that usually firms are classified as owner controlled if there is an individual stake or block of 5 to 10% under the assumption that cash flow rights are equal to voting rights. It is easy to see that there are a lot of different ways to classify owner identities and there is likely not one best choice. The classification might be dependent on the specific data that is investigated and its requirements. In the following part there will be descriptions of the owner types: states/governments, families, banks, other financial institutions and industrial companies.

2.4.1. State/Government

Characteristic for state ownership is that pure profit or shareholder value maximizing is not the main objective. Usually political goals like employment and low output prices are particular objectives in welfare economies. Many of the state objectives are much harder to contract than the maximization of shareholder value or profit. In addition state owned firms act differently from private owned firms to correct market failures (see Thomsen and Pedersen; 2000). The social welfare argument is often used to justify state ownership for the traditional state owned industries like railroads, health care, schools, electricity and others. State control is negatively related to firm performance, which is proved by most empirical studies. Otherwise state firms can profit from advantages in credit, liquidity and cost of capital because governments are normally relatively wealthy and so they are credit worthier than other types of owners.

As state firms are quite inefficient because of their preference of political goals rather than profit maximization, privatizations and resultant restructurings can improve the performance. This is one reason that led to the worldwide privatization wave in the last decades of the 20th century (see Boycko, Shleifer and Vishny; 1996).

2.4.2. Families

Family ownership is the most common ownership type for continental Europe. But also in the United States where dispersed ownership is more dominant, are families shareholders in one third of the S&P 500 with 18% of the overall outstanding capital (see Anderson and Reeb; 2003). Of course in privately held firms the fraction of families as owner is even higher as in smaller firms. Typically members of the family are often managers of the firm. This can be seen as a specific kind of investment in human capital. Usually owning families are founders or heirs of the founder of the firm. They have long-term interests in the firm and its survival as they are quite wealthy with a big part of wealth invested in the firm. Family firms are expected to have a more risk averse management, as a large fraction of wealth is tied up in the firm and the owners are usually not well diversified. The owners may be afraid of losing control by issuing capital at the stock market. In addition minority shareholders often bear costs of private benefits gained by the family owners.

In family owned firms the firm can be managed by members of the family or professionals. Burkart, Panunzi and Shleifer (2003) examine benefits of family keeping control instead of hiring an outside professional manager. One benefit is the amenity potential. That is a utility for the family like the simple enjoyment for the founder that his heirs will run the firm or the possibility to participate in cultural or political events through the ownership. This kind of utility does not have a negative effect on profits like for example the consumption of other pecuniary benefits. Another benefit can be the family and firm name as a porter of reputation. The family vouches with its name for the quality of the firm. Compared to family members as managers, professional agents are expected to have a better experience, but they may try to expropriate the shareholders to take advantages of it. To solve this problem the owners need to invest more time and energy on monitoring.

2.4.3. Banks

Similar to the division of corporate governance systems according to its law origin, there exists also the division in market based and bank based systems. In some economies like Germany or Spain banks play a central role as equity holders while in others banks are prohibited to hold equity like it has been in the United States and in Italy. In bank based systems banks often provide overall services and are not divided in merchant and investment banks. The dual role of shareholder and lender of the firm can solve the underinvestment and asset substitution problem that arises from agency conflicts between the two positions. In addition bank owned firms have better access to cheaper capital (debt) and can benefit similar like family owned firms from the good reputation of the bank. In addition bank owned firms have often access to other services and information provided by the bank. Banks often have voting rights exceeding their cash flow rights because of deposition of shares by small shareholders. (Azofra-Palenzuela, Lopez-Iturriaga, Tejerina Gaité, 2008).

2.4.4. Other Financial Institutions

Institutional ownership is the dominant shareholding form in United States' biggest firms. The two most important types of institutional investors are pension funds and investment funds. In contrast to family owners they do not tend to control the management so actively. Institutional investors are assumed to emphasize short term rather than long term results because of their own frequent evaluation (Chaganti and

Damanpour, 1991). In contrast Thomsen and Pedersen (2000) suppose that institutional investors have a relatively long time horizon. Furthermore institutional investors are risk averse, have financing advantages and not very close relationships with the companies. As they are more specialized owners than other owner types their own performance is defined through financial success and their objectives concerning the owned companies are maximization of shareholder value. The stakes of institutional investors are generally smaller than those of other owner identities. Another corporate governance characteristic of firms owned by institutional investors is according to Clyde (1997) the higher probability of being a target to takeovers for disciplining the management; on the other hand Gugler (2001) reports that institutional shareholders often support the management in dissident shareholders' proposals. The owner category financial institutions can be split in three subsections according to its management pressure sensitiveness: pressure sensitive, pressure resistant and pressure indeterminate. According to Brickley et al. (1988), the pressure resistant and pressure indeterminate institutions are monitoring more actively than the pressure sensitive institutions.

2.4.5. Industrial Companies

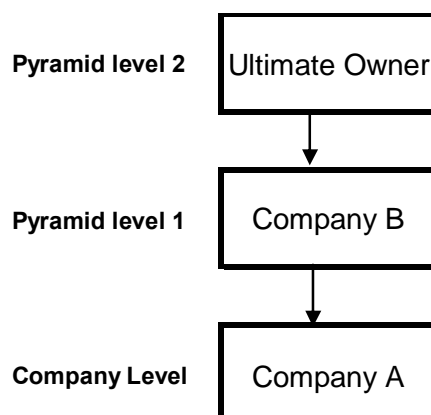
Industrial companies as corporate owners play particularly a role in crossholdings or non bank based group structures. The corporate ownership is assumed to make knowledge transfers easier but it reduces flexibility and monitoring (see Thomsen and Pedersen, 2000). Usually an industrial company should be owned by somebody but for empirical studies it is sometimes not possible to detect the real ultimate owners so an industrial company may be used as ultimate owner. In addition they are sometimes used as ultimate owners if companies are widely held. La Porta, Lopez-de-Silanes and Shleifer (1999) explain their choice of widely held firms as ultimate owner category with the argument, that it is not clear for them if the owned firm should be seen as widely held itself because it is actually controlled by the owners management (which is of course not an ultimate owner category).

2.5. Pyramid Structure and Crossholdings as an Instrument to Keep

Control

In countries like Italy benefits of control are quite high. In these countries the ownership structure often shows pyramid forms or crossholdings. A pyramid structure allows an ultimate owner to have control over a firm via intermediary firms and so he has to own only a small direct or indirect stake of cash flow rights in the firm on top of the pyramid. The pyramid gives the ultimate owner disproportionately high control rights with relative small investments which is tantamount to a separation of ownership and control. La Porta, Lopez-de-Silanes and Shleifer (1999) define ownership structure of a firm as a pyramid if there is at least one publicly traded company between the firm and its ultimate owner. Figure 1 shows a very simple pyramid structure with company A on top and two pyramid layers.

Figure 1: Pyramid Structure

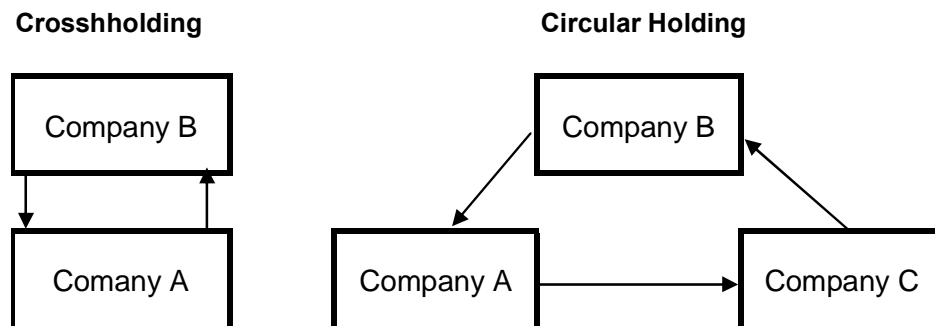


The degree of separation of ownership and control arising from pyramid structures can be measured by the proportion of capital controlled to one unit of capital owned (Bianchi, Bianco, Enriques, 1999). Pyramid structures are usually accompanied by financial tunnelling. Transfer pricing policies are utilized to tunnel cash out of the firm up the control chain. These transactions often discriminate the minority shareholders (Kirchmaier, Grant, 2008).

Another instrument to separate ownership and control that plays a role in continental European countries is crossholdings. Crossholdings are characterized by two firms holding a stake in each other. In addition managers are on both company boards and vote together defensively (Grant, Kirchmaier, 2004). Some countries have adopted

restrictions on crossholdings. In Italy for example crossholdings are limited to five percent if the companies are listed. But that does not restrict circular holdings, where more than two companies are involved (Bianchi, Bianco, Enriques, 1999).

Figure 2: Crossholdings and Circular Holdings



2.6. The Agency Theory

The agency theory is the link between ownership structure and performance. The “classic” agency problem as described by Jensen and Meckling (1976) is created by the different interests of the principal (owner) and the agent (manager) respectively the separation between ownership and control. Owner and manager will usually both try to maximize their own utilities, which lead to a manager behaviour that will not be always in the interest of the owner. But the owner can lower the divergence through incentives for the manager, monitoring or sometimes by bonding expenditures that assure that the agent will not undertake harmful actions against him. The agency costs are defined by Jensen and Meckling as the sum of monitoring and bonding costs and the residual loss. Shleifer and Vishny (1997) describe the agency costs as costs created by the contracts between owner and management. A theoretic solution would be complete contracts that include instructions for the manager for all states of the world. But as complete contracts are impracticable there always rest residual control rights for situations that cannot be predetermined by contracts. As the owners are less informed and / or qualified as the managers most of the residual rights will rest with the managers. But there do not only exist the classic owner-manager agency costs. Concerning ownership structure in Europe where concentrated ownership is dominant, agency costs between majority and minority shareholders will be a more important issue. As mentioned earlier this agency problem is closely connected with law systems

as well as ownership structure and treats the interest conflicts between these two shareholder categories especially the bad treatment and expropriation of minority shareholders by the majority shareholders.

Schulze, Lubatkin, Dino and Buchholtz (2001) examine agency costs that are specific for family firms. Therefore they investigate privately held firms that are managed by members of the owner family. According to Jensen and Meckling these firms should not have significant agency costs as the owners and the managers' interests are aligned. There is no separation between ownership and control. But according to Schulze et al. there are other sources of agency costs for this type of firms. Because of the private ownership there is a lack of the disciplining effect of the market for corporate control and because of a self-control problem manager-owners may have incentives to harm themselves. The incentives arise from non-economic preferences of the owners that may in contrast to the economic interest be different for each owner.

In addition increased adverse selection of prospective employees and altruism also offset the agency benefits of this corporate form compared to public companies with dispersed ownership. The adverse selection problem results from the better possibility of private firms to hide information about them. The external governance of the factor markets is compromised by private ownership. Schulze et al. argue that the terms of employment contracts attract individuals with different characteristics (for example pay performance linked contracts will be chosen by riskier people). Public firms have more options for their term configuration. They can offer stock options or can use the available market value for performance measurement. Generally private firms are so at risk to attract inferior or opportunistic employees or employees of lower quality.

2.7. Ownership and Performance

There are many papers that have examined the effect of ownership structure on firm performance. Examining more than 400 of the largest European companies Thomsen and Pedersen find a positive relationship between ownership concentration and shareholder value, but for the largest owner it is negative. So the function has a bell or roof shape. One way how ownership concentration increases shareholder value is by preventing value-reducing corporate diversification. Several empirical studies support this view. The relationship is not necessarily uniform, so high managerial ownership allows wealth expropriation of minority shareholders.

The relationship between ownership and performance is also influenced by country specific system effects. Gedajlovic and Shapiro (1998) examine this relationship in a cross-national study. Their result is a difference in the correlation of ownership concentration and performance due to national corporate governance differences. For Germany and France they find no indication for a positive relationship between ownership concentration and performance. However, for the United States they confirm the positive correlation like previous studies. Although they discover the fact that there are significant national effects, they are not able to identify them precisely.

The national influence is also supported by Kirchmaier and Grant (2006). They analyse the ownership-performance relationship in France, Italy, Germany, Spain, and the United Kingdom. Higher concentration of ownership in different countries can be explained by political factors and it can mitigate corporate governance deficiencies. Because of the national differences, ownership structures that might be inefficient in some countries can be efficient in others. There are different opinions about the assumption that the predominant ownership structures in a country are also the ones with the best performance in this country. Indicators that support an underperformance of the predominant ownership structures are given by several studies. German IPOs that preserve their dominant family owners underperform as well as Spanish firms with large shareholders who expropriate minorities and so destroy value. Kirchmaier and Grant test empirically three hypotheses from former studies. Hypothesis one says that the predominant ownership structure of a country is also the most efficient one. The second hypothesis in contrast indicates that there is path dependence of ownership structures and therefore predominant forms are perhaps not the most efficient ones. The last hypothesis questions that there is any empirical relationship between ownership and performance. Ownership structures are categorized in widely held, de facto control and legal control, and as performance measure share price data over a ten year period is taken, because the effects of ownership are visible only over a long time approach. Ownership structures stayed relatively stable in this period with the most important changes due to privatizations. The long time share price data is filtered to isolate the price trend from other cyclical effects. The result of this examination is that in Germany, France and Spain the first hypothesis is not true. In Germany and Spain the most dominant ownership form of legal control or coalitions is even the one with the worst performance. So Kirchmaier and Grant support the hypothesis, that the predominant ownership form is not the value maximizing one.

3. Corporate Governance in Italy

3.1. The Historical Development of Corporate Governance in Italy

Looking at today's corporate governance it is helpful to consider as well its historical development that was influenced by policies, laws and other events. Ownership structures in Italy have changed a lot during the last 100 years. Family ownership was not the dominating form from the beginning but some laws and the political environment brought it forward. The corporate governance development in Italy can be divided in different stages. In this work it will be the distinction of four different stages: "liberalism, the mixed economy, the welfare state and the new economic constitution" as used by Ferrarini (2005).

3.1.1. Liberalism

This period spans the second half of the 19th century and the first decades of the 20th century until the rise of the fascism. In the second half of the 19th century industrialisation took place only in parts of the country and the influence of the State in the economy was very low. Regulation was provided by chambers of commerce instead of the state. In 1865 the first civil code was adopted that aimed at the public surveillance by two control offices for authorization of new corporations and monitoring of existing companies. The liberal position came in 1882 with a new commercial code that abandoned the authorization of new companies. The technical high qualitative code was in line with other European laws, which shows the great international integration at that time, which was higher than during most of the 20th century. In the course of the second industrialization Italy developed from a predominant rural country to an industrialized nation with new companies in sectors like electricity, steel or car production. These companies were financed by large banks and supported by the government. With the new companies the rise of separation of ownership and control through cross-shareholdings and shares with different voting rights, topics that were uncovered by the commercial code also began. At the beginning of the 20th century the number of listed companies was increasing very fast from 59 in 1900 to 169 seven years later with a market capitalisation representing 70% of the Italian equity. Because of a liquidity crisis the market started to decline in 1907 (Ferrarini, 2005).

3.1.2. The Mixed Economy

The mixed economy including the time of fascism until the new Republican Constitution is characterized by the rise of state ownership and control. In the 1920ies entire industrial sectors became state property beginning with shipping lines and telephone services in 1922 followed by air transport mining, broadcasting and waters. In addition authorization requirements were reintroduced and broke up with the liberal self-regulation. The following decade was affected mostly by the world economic crisis, which encouraged the state to intervene even more. In the great depression Aganin and Volpin (2003) see the roots of today's Italian Capitalism. The collapse of the three main banks led to more state intervention and to the creation of the Istituto per la Ricostruzione Industriale (IRI) the still existing state company for industrial holdings. But also private firms and so the owning families benefited from financial aid.

In addition a state bank to provide long-term loans was created. But on the other side a new bank law withdrew the rights of equity ownership for banks. In contrast to the high level of internationalization during the liberalism the fascist government followed the strategy of isolation and aimed for a reduction of the importance of the stock exchanges. The Italian family clans could benefit from governmental financial aids on expense of the tax payers through the great depression. In this time coalescing between the entrepreneurs was already common and supported by the fascist policies. In 1942 the existing codes of 1865 and 1882 were replaced by a new civil code. But this new code offered only an incomplete regulation as it ignored main topics of corporate governance and joint-stock corporations' connection to the capital market. The state disregarded the private equity market as the state was owner a large number of companies of main industries and it did not want the stock market to become more important (Ferrarini, 2005).

3.1.3. The Welfare State

From the 50s until the 70s the Italian economy was dominated again by increasing state ownership and the impacts of the welfare state. The government was primarily interested in social topics like education or employment. The state supported the existing concentrated ownership structure and was not interested in developed security markets (Ferrarini, 2005). In this period fell also the creation of the second important

state holding company Ente Nazionale Idrocarburi (ENI) that was responsible for the coordination of chemical, oil and mining companies (Aganin, Volpin; 2003). There were no law reforms until 1974. The reform of 1974 was focusing on the distinction of shareholders of listed companies. It categorized them into shareholders that were interested in decision making and those that were simply investors. Special regulations for convertible bonds and saving shares were introduced to suit the needs of small investors. The saving shares benefited from higher dividends but in case of low interest rates they were costly and usually converted into ordinary stock. In addition to protect the investors, disclosure requirements were improved and the CONSOB, the security commission, was created. The reform of 1974 was not extensive enough at all so corporate governance in Italy remained quite bad.

3.1.4. The New Economic Constitution

In the 1980s the economy in Italy changed strongly influenced by the European Union. The European Union targeted in the 1980s the integration of capital markets into a single European one following an aggressive competition policy. Furthermore the privatization wave in the 1990s was associated with developments in the EU as it was necessary to meet the criteria for the treaty of Maastricht. The prohibition of subsidies for state-owned corporations was also in favour of the privatization. Finally the introduction of the Euro created a new incentive for harmonization and integration of European security markets.

In Italy the 1990s began with radical changes. In 1991 insider trading was forbidden which was an implementation of the corresponding European directive and investment companies like mutual funds that had not existed before were allowed to replace individual stock-brokers. Until this time there existed different regional stock markets (nevertheless the bourse of Milan was the dominating exchange) which were merged then into one national stock exchange. One year later in 1992 even more new regulations were introduced concerning takeovers and a mandatory bid rule. Although this mandatory bid rule was thought to protect minority shareholders Italy belonged in 1994 according to La Porta et al. (1998) still to the countries with the lowest legal protection of minority shareholders and minorities were not safe from expropriation. Moreover it was costly for them to exercise their voting rights as it was not possible to vote per mail and another obstacle to give them the power for self protection was the threshold of 20% of the capital to call a meeting of shareholders (Aganin, Volpin; 2003).

The next efforts to improve shareholder protection and to reform laws concerning stock exchanges and financial services were made in 1998 with the Financial Markets Consolidating Act also called Draghi Law. Mario Draghi the eponym was head of a commission on corporate governance and the director of the Italian treasury. One focus of the law was put on the disclosure of listed companies and internal governance issues. An example is the strengthening of the board of auditors as monitor for the board of management and the executives. Other important inventions of the Draghi Law were the threshold of 30% to start defensive tactics in case of a takeover and the reduction of the threshold to call a shareholder meeting from 20% to 10%. In addition one out of three (or two of five) members of the board of auditors have to be determined by minority shareholders and minorities that own at least a stake of 5% got the right to sue the management for damages. The opinions about the effects of the Draghi law are quite different. One effect was a decreasing voting premium during the period when the commission was working out the new regulations, an indication that private benefits of control reduced as well (Kruse, 2005).

3.2. The Implications of the Draghi Law

Whether the reform created a friendlier environment for (institutional) shareholder activism or not was investigated by Bianchi and Enriques (2001). They argue that the reform purposed to do so to reach a reduction of agency costs through monitoring whereof the whole Italian economy could benefit. In fact institutional investors from Italy as well as from abroad do hold stakes in listed Italian companies whereas national mutual funds are often controlled by banks. The bank ownership can avoid shareholder activism as banks may fear to risk other business operations by becoming active.

There are some conditions and factors that encourage institutional shareholder activism. Only shareholders owning a significant stake will be able and interested in becoming active. The new regulations should actually have a positive impact on shareholder activism like the economic factor market liquidity. A positive effect should be reached by the allowance of proxy votes for stakes of at least 1% of the capital. But the problem about proxy votes is, that they are quite costly. Nevertheless they may be less costly and easier to exercise than other tools. So the right to call a shareholder meeting still remains difficult to exercise because the threshold stays too high with 10%, although it has been halved by the Draghi law. There exist only a few companies

with institutional investors, which meet this criterion. Bianchi and Enriques (2001) conclude that because of the friendlier environment institutional investors can play a role, especially mutual funds. Nevertheless shareholder activism remains costly and difficult.

The importance of the Draghi law can also be seen by the takeover of Telecom Italia by Olivetti. This extraordinary event hardly would have been possible without the new law. The important rule regulates that if a bid is made defensive tactics can only be taken with an approval of 30% of the shareholders. As the attendance at the meeting for the defence was only attended by 22% of the shareholders it was not possible to enforce defensive tactics. Another factor encouraging the takeover can be found in the ownership structure of Telecom Italia. Telecom Italia was an appropriate target as in contrast to most other companies in Italy it had a relatively dispersed ownership structure as a result of its privatization in 1996. Corporate affairs have been changing in the last years and international investors' pressure and market changes will be able to change Italian business even more. But takeovers will still remain rare events as there are not too many companies with such a broad investor base as Telecom Italia to qualify for being a target (Kruse, 2005).

3.3. The Instruments of Separation of Ownership and Control

In Italy the separation of ownership and control does not happen through dispersed ownership like in the United States or Great Britain. The predominant concentrated ownership leads to different other ways to do so. One way to separate ownership and control is to deviate from the one-share-one-vote principle. In Italy it is possible to issue both, preferred shares with limited voting rights and saving shares without any voting right. The issuance of these shares is limited as their value must not top the value of ordinary shares. As preferred and saving shares represent only 8.4% of the total market capitalization of the Milan Stock exchange Bianchi et al. conclude that they do not play a big role. On the other hand Grant and Kirchmaier (2004) argue that these shares are used by a significant number of Italian companies.

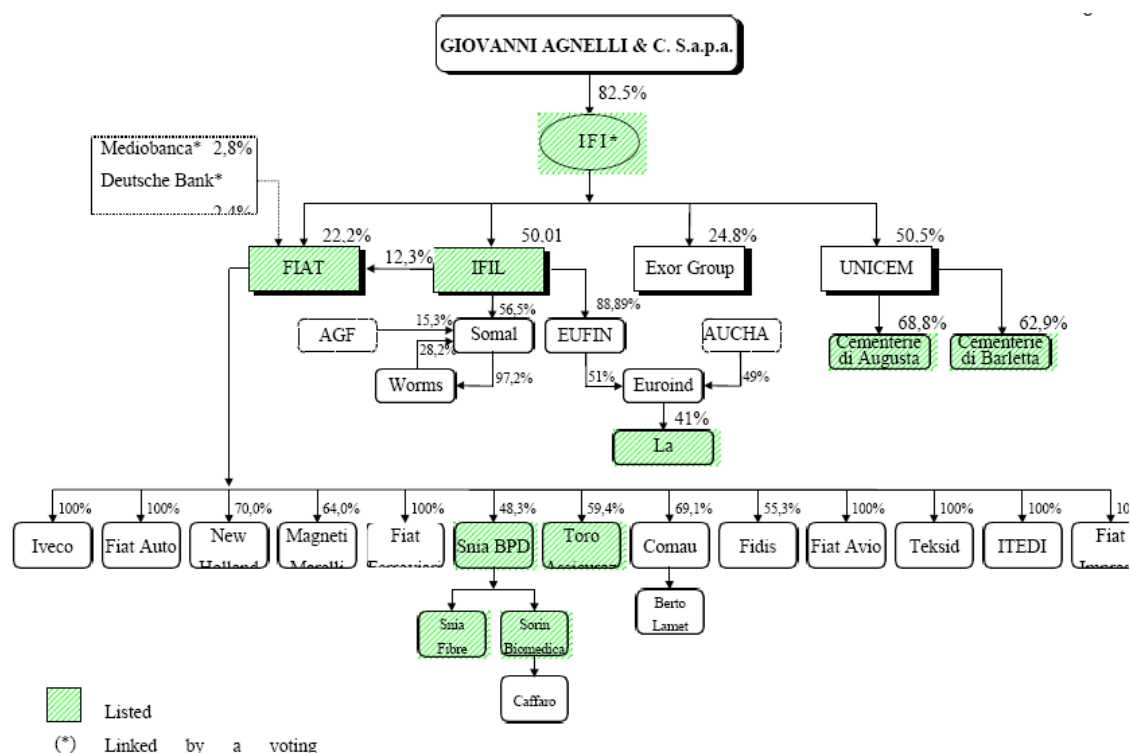
A more common instrument is shareholder agreements. Since the introduction of the Draghi law they have to be reported to the Consob within five days, made public in the press and lodged at the company register. The agreements can be either made for a

limited time or without limit. In case of a takeover bid the arrangement is withdrawn if the bid is for at least 60% of the common shares.

Cross shareholdings are restricted for listed companies. If a listed company holds common shares of more than 5% of another listed company, the other company cannot own more than 5% of the first company's voting shares. Before the introduction of the Draghi law the limit was with 2% even lower. The upper limit of 5% requires the validation by two shareholder meetings. Similar to cross holdings are circular holdings. In circular holdings more than two companies are involved and this type is not concerned by any restrictions and a significant number of companies uses this ownership structure. These company groups have circular holdings exceeding 2% and represent 63% of the market capitalization in Italy, excluding state-owned companies.

Corporate pyramids are the last presented medium of separation. This ownership structure is very wide spread in Italian companies. One reason for its popularity is the favourable tax treatment. In Italy dividends are taxed only one time and are so not dependent on the number of levels of the pyramid or control chain. Another pyramid encouraging factor is the lack of laws to avoid agency conflicts between minority and controlling shareholders in subsidiaries. This offers the controlling shareholders the possibility to benefit from minority expropriation on different stages of the pyramid. Not only family controlled groups use pyramiding to maintain control over different companies in Italy, also the State has used the pyramid structure for its own business activities (Bianchi et al., 1999). Generally in Italy big company conglomerates are very common. The best example is the conglomerate of the Agnelli family, the owners of Fiat. Figure 3 shows the structure of the empire of Agnellis' companies with its different levels.

Figure 3: Structure of Fiat in 1996



Source: Bianchi et al. (1999)

Pyramid structure will be discussed in more detail in the empirical part with special attention to the number of pyramid layers and changes in pyramid structures in the last decade.

3.4. Transparency, Board Structure and the “Salotto buono”

Listed companies have different obligations to provide information. So they have to report all shares above 2% to Consob that will make it public afterwards. Also ownership changes of more than 1% must be reported to Consob with the time limit of about one month. Holdings of unlisted companies by listed ones require disclosure if they exceed 10%. The Milan Bourse does not demand special ownership information for its listed companies. Unlisted companies have other less public ownership disclosure duties. They have to disclose their shareholders at the company register, where the data is available but costly.

Companies in Italy have the possibility to choose between different board structures. The traditional form is a dual structure with a board of directors and a board of auditors. Instead of a board companies can also have a single director. This form is not available for banks and uncommon for listed companies. In family controlled firms the board of directors is usually filled with some family members. The board of auditors supervises the board of directors and the management and consists of at least three members. Contrary to the German and Austrian board of auditors employees cannot be members. There is only one rule for the election of the boards that regulates that for a board of three members one member has to be determined by minorities for a larger board two. The compensation of the members of both boards has to be disclosed in the annual report (Bianchi et al.; 1999).

A very special institution in Italy is the so called "salotto buono". The salotto buono describes the way how business decisions are often made between the leading families. An intention of the salotto buono is to make decisions exclusive without observation of the public or minority shareholders. As a center of the business networking in Italy Mediobanca is also an important part of the salotto buono. It has strong ties with the pyramid networks and decisions are often made in its drawing rooms. In addition Mediobanca is the most important capital supplier. It participates in many shareholder agreements and places its people on the boards of most large corporations (Kruse, 2005).

3.5. Summary

Concerning ownership structure corporate governance in Italy is characterized by concentrated ownership, with a high portion of family ownership. When reading papers about this topic it is impossible to ignore the powerful family clans like the Agnellis or Benetton, who have spent a lot of effort in building huge empires and who are connected through common ownership in some big companies. Especially the Agnelli and Benetton family showed their influence in one of the most spectacular takeovers in Italy: the takeover of Telecom Italia by Olivetti. Furthermore there exist strong political connections of the leading family clans. The best example is minister president Berlusconi's family who is the controlling owner of the biggest media group in Italy. Banks and institutional investors do not play an important role as shareholders as there were many restrictions for them in the past.

Pyramid structures, to which more than 50% of the companies belong, are an important feature of the Italian corporate governance system. In addition crossholdings are another common medium to separate ownership and control. There is no one-share-one-vote principle but shares with limited or no voting rights are not very common. Therefore shareholders' agreements are more widely spread and have been reported to Consob (Commissione Nazionale per le Società e la Borsa), the stock markets regulatory agency. Compared to other countries the shareholder protection is at a quite low level. So it is not surprising that there are very high voting premia (Bianchi, Bianco and Enriques, 1999).

Usually family owned firms are also managed by members of these families. For example the board of directors of the clothing retailer Benetton has five family members who present nearly half of the board. The typical Italian board consists of a board of directors (a single director would also be possible) and an internal board of auditors, whose members cannot be employees but must have specific qualifications. Since the corporate governance reform in 1998 one third of the auditors have to be determined by minority shareholders.

4. Corporate Governance in France

4.1. The History of Corporate Governance in France

One of the most influencing factors of French corporate governance and economy history has been the outstanding role of the state. Since the time of King Louis XIV, the French Economy has been under its strong direction due to the enormous need of money to build Versailles and to finance the military. The person that therefore developed the mercantile system and the protectionism was Colbert, the minister of finance. With the policy of an economy with rather small privately owned companies and large state owned companies in the main industries, Colbert paved the way for the strong and centralized role of the state that lasted until the 20th century. Beside these first steps, three other important periods of nationalization can be distinguished.

4.1.1. Nationalization

The first nationalization wave started at the end of the 19th century. It comprised mainly some railway companies and led to the merger of the already state owned post and telegraphs, and the privately owned telephone under state administration. But this first period was only a small beginning compared to the following nationalization waves (Berne and Pogorel, 2003).

From World War I onwards, the state policy concentrated on so-called national champions, large companies in major industries, which were strongly encouraged and provided with capital by the state. This policy was even fortified after World War II. The main targets were railways, banks and energy companies. Beside the state ownership, the government controlled the companies through board composition and strategies on corporate investments as the companies were dependent on debt provided by nationalized banks. The stock market did not play a big role at this time as a provider of capital. So shareholder interests were much less important than those of other stockholders. Typically for a country with French origin civil law, protection of minority shareholders was at quite a low level and therefore, beside the big portion of state ownership, also private ownership structures were concentrated. Another reason for the ownership concentration was also the widespread usage of management crossholdings (Herrigel, 2007).

A special nationalization act after World War II was the occupation of Renault. This company was not bought by the state but when the owner Louis Renault, who had strongly collaborated with the German Nazi regime during the war, died in prison, it was confiscated. The last period of strong nationalization was under President Mitterand in the first years of the 1980s. The socialists continued in 1981 and 1982 to take over large industrial companies and banks from private to state ownership. Reasons for nationalizations were at any time to help troubled private companies and otherwise to cut the power of strong private companies whose behaviours were influencing economic policies too much. The ownership of the largest firms in France offered the government the possibility to design an economic and social policy at its desire (Berne and Pogorel, 2004).

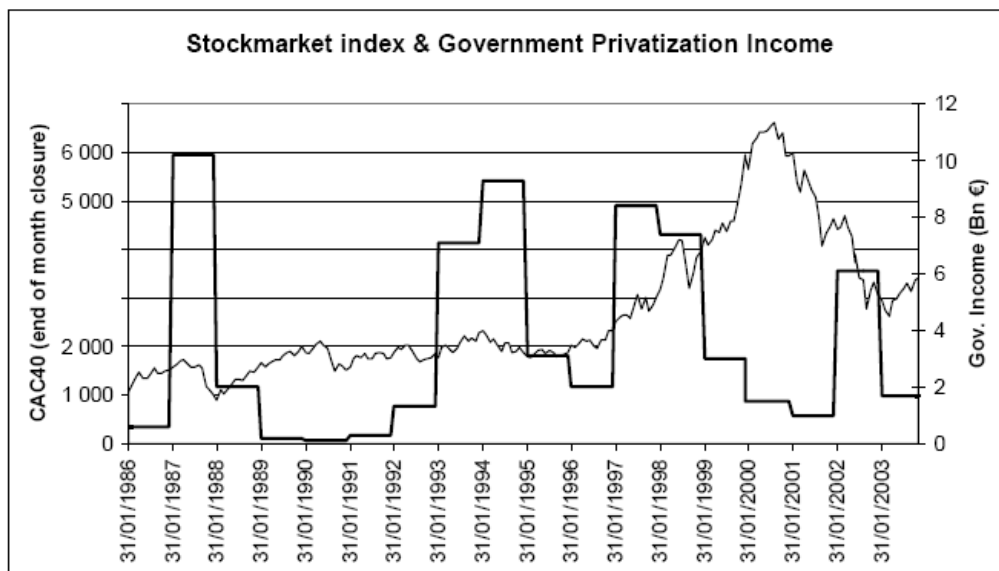
4.1.2. Privatization

While the French economy until the 1980s has been determined by the state and its nationalization plans, a new economic trend of privatizations arose in the middle of the 80s. Berne and Pogorel (2003) mention four main reasons why the nationalization policy did not work with success on the long run and therefore led to a new policy towards privatization. The first reason for privatization accuses the French state as shareholder to be too weak and indecisive between political targets and financial ones. In addition the state had no consistent line in how to manage and control the companies. In some cases it controlled and intervened a lot in firms' decisions while in others it gave the firms plenty of rope. Beside an improvement of the management by the state (like the creation of the Agence des Participations de l'Etat in 2003 as new state management agency) privatization can be a solution for this problem. Another reason for encouraging privatization is the difficulty of co-existence of state owned and private companies in the same industry that constrains free expansion of public companies. Furthermore state owned companies tend to suffer from typical monopoly problems as for example high prices and expansions with a lack of control and at high costs. The last reason that promoted privatization in France was the general trend of liberalization and privatization that came up in the 80s. The first sector that became open to private companies already through President Mitterand, who was actually a major representative of nationalization policies, was the TV in 1982.

Beside these economic reasons, the privatization was much influenced by the different political parties in power. In the case of France the replacement of the socialists by the center right party was the initial factor for the start of a privatization wave in 1986. But although they were strongly supporting the privatization process, they did not touch the public services sector. But privatization did not remain only a topic for the center right party. Also the socialist party was subject to different internal debates about this topic.

An important factor for the timing of privatizations was the Paris Bourse or rather its price structure. The privatization wave of the center right government could so benefit from relatively good price conditions. Nevertheless it had no influence on a privatization decision itself.

Figure 4: Stockmarket Index and Government Privatization Income



Source: Berne & Pogorel; Privatization Experience in France

On the European level deregulations like the one of the Telecom sector were a privatization driving force and led to the IPO of France Telecom in 1997. This impact can be seen as well in other European countries.

Finally development plans of the state owned companies due to technical evolutions, globalization or other reasons made the managements themselves ask for

privatization. This happened for example at Air France but was refused by the government (Wirtz, 2000; Berne and Pogorel 2004).

4.1.2.1. Political Changes and Privatization

As already mentioned before, the outcome of political elections is influencing the subsequent privatization policies. But this does not mean that socialist governments do always oppose privatizations. Nevertheless they were still cautious and did not continue the privatization policies of their center right forerunners in their first re-election period from 1988 until 1993. This effect can be seen in Graph 1 as there is a clear decline of privatization activity in this period. As there was again a change in power in 1993 another privatization wave was started by Prime Minister Balladur and did not pause under Chirac in 1995. In the next legislative elections the socialists came back to power and this time they did not stop the privatization process. Although they were reluctant in the beginning, they privatized extensively. In 2002, another election changed the political environment in France. Raffarin's center right party won the election going on to support privatizations in general. As budget problems are always an incentive for further privatizations, they tried to sell the companies at as good conditions as possible also including considerations of the companies' long-term interests. But their policy was not only following privatization strategies. For troubled companies there were also re-nationalization plans as for France Telecom in 2002 and for the power generation company Alstom in 2003. Both firms were in trouble but in the end no nationalization took place. France Telecom obtained financial support by other means and the takeover of shares of 300 Mio Euro of Alstom was not allowed by the European Union.

As already mentioned one of the privatization reasons was their budget recovering nature. To estimate the possible profits of sales of state owned companies a special commission was already established in 1986. On this basis the Minister of Economy made his decisions concerning the sale price and the mode of sale like through an IPO or to specific investors (this could be a single one or a group of investors). Some companies were fully privatized at once, others were only partly sold in the beginning and had to pass a long privatization process. So the privatizations generated between 1986 and 2003 an income of 6.5 billion Euros.

Although the French state sold its companies, it intended to maintain control over the companies and above all it took care that the companies were not taken over by foreign investors. To reach this target the companies were not sold to anybody but friendly and stable groups of investors which were often not so easy to choose. Nevertheless it was not possible to exclude foreign investors completely. The foreign ownership in French companies was increasing in some companies to quite a big portion as for example the hostile takeover of the listed company Pechiney by the Canadian Alcan.

4.2. Control Devices and other Features of Corporate Governance

Control devices as crossholdings, pyramids and the development of multiple voting shares are another important feature of Corporate Governance in France that influence ownership structure matters as well. In addition board structures as well as regulations and laws have to be considered when looking at the corporate governance structure of France.

Multiple voting shares appeared the first time in France during the 1920s when they were first most welcome but later caused debates about their impacts. They help like other control devices to separate ownership from control respectively cash flow rights from voting power but usually they are less popular. An advantage of their use could be that the higher power of the majority owner is favourable for the development of the companies but, on the other hand, the control of majorities and managers creates agency costs. The superior voting power decreases the interest in maximizing the value of the firm and instead leads to more interest in pecuniary benefits (Petit-Konczyk, 2006). In France there are different categories of shares like preference shares, shares without voting rights or shares with double voting rights. Although Grant and Kirchmaier (2004) state that there is not a significant number of companies using multiple shares, I found when looking at ownership structures of big French companies quite often differences between cash flow rights and voting rights resulting from this kind of shares. The superior or doubled voting rights are often somehow a reward for holding the shares for a special time period usually over two years (only available for Europeans, formerly French citizens) and are often used in combination with voting caps on the other side. It is obvious that this is always favourable for founding families. In Table 1 the shareholder structure of Peugeot shows clearly this discrepancy. The Peugeot family's voting stake is about 30% larger than their share of capital.

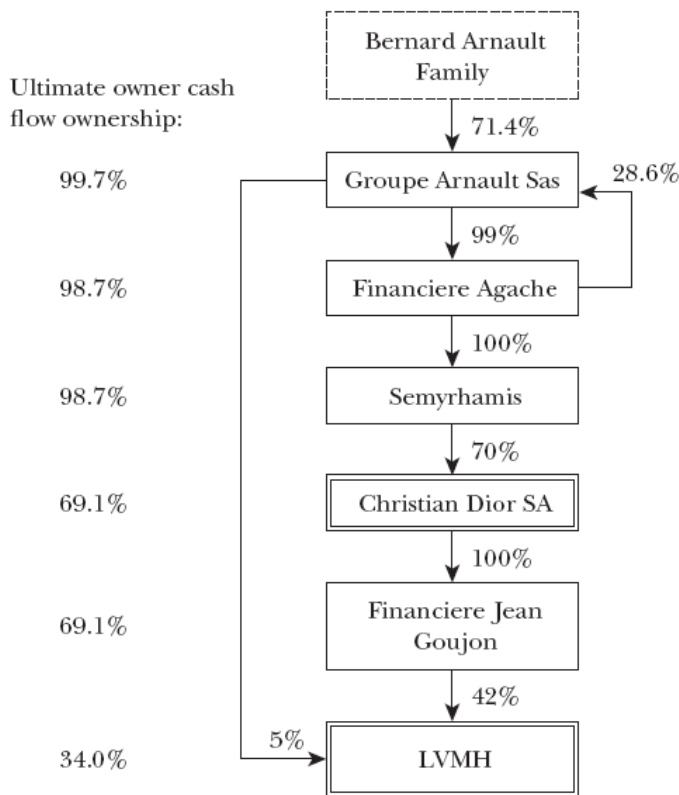
Table 1: Cash Flow Rights and Voting Rights at Peugeot

(Main identified stockholders)	Décember 31, 2006		Décember 31, 2005	
	% capital	% voting right	% capital	% voting rights
Etablissements Peugeot Frères	2.95	4.73	2.95	4.62
La Française de Participations Financières - LFPP	5.18	6.98	5.18	6.82
Foncière Financière et de Participations - FFP	22.08	33.39	22.08	33.6
Comtoise de Participation	0.02	0.02	0.02	0.02
Peugeot Family Group	30.22	45.15	30.22	45.6
Michelin Group	0.00	0.00	1.20	1.89
Société Générale Group	0.28	0.44	0.28	0.43
Caisse des Dépôts Group	2.22	1.77	2.64	2.07
BNP Paribas Group	1.13	1.80	1.13	1.76
Treasury stock	2.79	-	2.39	-
PSA corporate mutual fund	2.67	2.13	2.63	1.98
Wellington Management Company, LLP	2.04	1.63		
Reference basis	234,618,266	293,024,495	234,618,266	299,814,508

Source: PSA Peugeot Citroen – December 2006

Concerning firm value Boubaker (2007) found when examining a sample of 510 listed French companies that non-traded shares with superior voting rights have a negative effect. The same effect arises from pyramid structures. Pyramid structures play a role in France. As in other countries inter-company dividends are not taxed which encourages the building of pyramid structures. A good example for the use of pyramid structures in France is the world leader in luxury goods Louis Vuitton Moët Hennessy. In 2005 there are five intermediaries between the company on top and its ultimate owner Bernard Arnault and his family (figure 5). Beside the pyramid structure you can also see a significant crossholding between Financière Agache and the Groupe Arnault Sas. Nevertheless this control device is surely not as developed as in other countries foremost Italy.

Figure 5: Ownership Structure of Louis Vuitton Moët Hennessy in 2005



Source: Enriques and Volpin, 2007

Crossholdings are popular in France, especially since the first privatizations in 1986. The government used this device in the privatization process in order to protect the companies. Some of these structures do still exist but in general only few of the top 100 French companies are using crossholdings today. Actually core shareholdings seem to be more common but they are declining as well (Grant & Kirchmaier, 2004).

A special feature exists in the case of privatizations. Although declared as illegal by the European Court of Justice, the French state used golden shares as a means to keep control in privatized companies. These golden shares gave the state a veto right, the right to limit shareholdings by caps and appointment rights.

The board structure in France is quite variable. Since 1996 companies can choose between a one-tier and a two-tier board structure. The new invented option of the two-tier board is oriented at the German structure with a board of supervisors additional to

the board of directors. Although only a few numbers of companies have used the option towards the two-tier board it seems to attract rather big international companies. Again in 2001 with the “Loi Nouvelle Regulations Economique” (New economic regulation law), another new board structure was introduced. This third option is a one-tier model but different to the original structure, it tries to separate to a greater extent management from control as it abandons the obligation that the Président Directeur Générale is chairman of the board of directors as well as the chief executive at the same time.

Beside the board structure a general code of corporate governance has been invented in 2003. It was the result of a cooperation between the Association Francaise des Entreprises Privées (Association of Private-Sector Companies) and the Mouvement des Entreprises de France (French Business Confederation). It deals with competences, independence of directors, composition of committees and labour participation on the boards (Hopt and Leyens, 2004). In addition a law of 2001 tried to provide the outside directors with more information of the company. A director was given access to any document and information that he needed to fulfil his job. This rule was abolished two years later (Enriques and Volpin, 2007).

4.3. Shareholder Protection and Ownership Structure Today

The French law system belongs of course to the French origin civil law family. So the minority shareholder protection is very weak and majorities have enough options to override them. As the benefits of control are high the controlling shareholders have big incentives to install anti-takeover devices. Because of this investor hostile legal environment, the stock market is less developed than in other countries with better investor protection. Furthermore the protection of creditors is quite bad as well. This leads to an underdeveloped market for bonds and close relationships between banks and companies in order to have better monitoring opportunities (Herrigel, 2006).

In the last years, there were real attempts to create a friendlier environment for investors. Beside the new rules concerning the board structure and a law concerning self dealing in 2005, there have also been reforms to give more power to shareholders. In 2001, the exercise of voting rights was facilitated and one year later the threshold for minority right to call a meeting was set from 10% down to 5%. Before these laws the mandatory bid rule was already introduced in 1992 (Enriques and Volpin, 2007).

Despite these recent reforms in my opinion the legal system remains in a bad condition and this is also fostering the use of the different control devices mentioned before. In countries with good legal protection owners have much less incentives to assure their controlling position as the benefits of control are not so high.

Like in most other European countries France is according to Grant and Kirchmaier (2004) dominated by concentrated ownership with families as the most common majority shareholders. The second and third largest shareholders are more often institutional investors (24% of the second largest and 46% of the third largest). Beside the domination by a single shareholder, there are also often ownership groups and about thirty percent of the companies are widely held. Concerning the role of the state as shareholder Grant and Kirchmaier argue that its importance is limited. Based on their data of 2002 the state is the largest shareholder only in 10% of the top companies.

4.4. Summary

The French corporate governance system was mainly dominated in the 20th century by the outstanding role of the state as corporate owner. First it influenced the whole economy through nationalization on a grand scale and from the middle of the 80s through privatizations. Today the role of the state is decreasing but it is still owner of several big companies. In addition it also tried to maintain somehow control in privatized companies through “forbidden” golden shares and the selection of friendly investors/ investor groups.

Concentrated ownership is the most common ownership structure with families as the dominant owners. These families try to maintain control over the companies through control devices like pyramids, multiple voting shares or crossholdings. Different to Italy I did not find such big family conglomerates like Agnelli's Fiat. The benefits of control are high in France and also resulting from bad legal protection of minorities although there have been several reforms to improve the situation. Concerning board structure French companies can choose between three different types, with the one-tier board as the most common structure.

5. Corporate Governance in Spain

5.1. The History of Corporate Governance and Economy

Policies in the 20th Century

Similar to Italy and France the Spanish economy of the 20th century was affected a lot by the dominant role of the state and specific political eras. Nevertheless Spain has been undergoing other developments and so today's corporate governance system and ownership structure in Spain is quite different to those of Italy and France. Compared to other countries like Great Britain or Germany, Spain started its industrialization process quite late. Although industrial firms were rare in the first decades of the 20th century the banking sector was already developed. This shows also the central role of this sector in Spain. After World War I the number of banks in Spain nearly doubled this was because of exogenous reasons and chances in policies. Banks were privileged as in 1917 automatic collateral lending was adopted. They could get these credits from the bank of Spain, the central state bank, up to an amount that equalled 90% of their public purchases. This feature carried forward the relationships between the state, the banks and the industry and was the base of a bank based industrialization where universal banks were the main providers of capital to industrial firms and could benefit from this position. So banks were promoters of the industrial development. In 1930 there were seven big banks in the centre of the resulting "banking cartel". This goes along with the thesis of the economic historian Gerschenkron who claimed that countries, which are joining the industrialization process relatively late, use universal banks and intervention of the state to speed up industrialization (Aguilera, 1998).

From 1936 to 1939 a civil war took place and changed the Spanish economy. The civil war was followed by the Franco regime that adopted new economic objectives. In the beginnings of the Franco dictatorship from 1939 to the middle of the 50s the economy was characterized by autarchy. The autarchy was targeting at a faster industrialization. The policy of autarchy then changed to more market orientation and internationalizing. In the 60s the economy was largely boosted by the tourism, large foreign investments and the benefits of Spanish migrant workers in other European countries (Aguilera,

2004). The latter supported the economy by sending remittances of several hundred million dollars to Spanish banks (Salas, 1967). As there were also big economic differences between the different Spanish provinces, there was also a lot of internal migration. Regions with predominant rural structures were left in favour of richer and industrial areas (Bover, Villar, 2001).

To encourage foreign investments trade barriers were removed and the government established incentives to pull big international companies into the country. On the one hand the policies under Franco protected the banking system and protected their role as provider of capital, on the other hand the state was the other big provider of capital. This led to a significant number of state owned firms in major industries and avoided too much competition in capital and product markets. Although banks were generally supported by the government especially with the "Status quo" banking law in 1946, the support of banks was limited to a group of existing domestic banks. Foreign banks were prohibited from participating in the financial sector and also the foundation of other Spanish banks was restricted. Other financial institutions were unwanted as well (Aguilera, 1998).

In 1977 the Franco regime ended and Spain established a new democracy. In this time of political transition economy policies tried to reform and liberalize the financial sector. But they did not really succeed, as the interests of the central domestic banks were too much protected by the reformers. Furthermore the international economic environment was unstable and the national political system and economy were too fragile to allow more extensive reforms (Aguilera, 1998).

In 1982 Spain got a socialist government and in the beginning its work brought no significant changes to the economic policy of the past (Aguilera, 1998). At the end of the 80s Spain joined the European Economic Community and had to change some economic structures to be in line with the European harmonization plans. Moreover a first privatization wave took place (Aguilera, 2004). Privatization as an important factor for the change of ownership structures in Spain will be discussed in more detail in a subsequent chapter.

Beside a capital market reform, there was a need to regulate the entry of foreign banks and to reorganize the credit system. Because of the fear of possible takeover of national banks by foreign ones it was facilitated for Spanish banks to merge to build big

powerful conglomerates and additionally Argentaria, a big bank owned by the state, was founded (Aguilera, 1998).

5.2. Corporate Governance Reforms

As we know from La Porta et al. (1998) Spain has been historically a civil law country, from French origin which is characterized by supporting ownership concentration because of the bad (minority) shareholder protection. In addition the accounting standards and the transparency requirements were rather poor. The first important step towards a better corporate governance level was made in 1998 with the accepting of Olivencia Code of Corporate Governance by the Spanish stock exchange. This Code was created following the Cadbury Report that was enacted in Great Britain in 1992. Its main subject was the reformation of the board structure. Like Corporate Governance Codes in other countries the code is not binding. Listed companies have to reveal in their annual reports which rules they are conforming to and for rules they are not following they have to give a reason for the refusal. The Comisión Nacional del Mercado de Valores, the exchange supervisory authority, examines to what extent the listed companies are compliant with the Code. It found out that on average 75% of the recommendations are obeyed. A higher percentage of free float leads to a higher compliance and the most unpopular matters are the disclosure of the compensation of directors, their age limits and the recommendation to fill the control committees only with outside directors. Nevertheless the fraction of independent directors has been increasing following the approval of the code.

In 2002 and 2003 new laws were introduced to improve shareholder protection and ownership transparency. The first law in November 2002 was primarily targeting at shareholder protection and it was used to implement directives of the EU as the directive on Market Abuse and the adoption of International Accounting Standards (IAS) by listed companies from 2005 onwards. The harmonization of accounting standards in Europe offers a better international comparability of reports. Furthermore the financial markets should become more competitive and efficient through the law. In July 2003 the next law was executed to reform the disclosure of ownership structures. Moreover it makes electronic trading of shares easier and offers more protection for shareholders of institutional investors by appointing a commissioner who is engaged in detecting malpractices of institutions. Both laws helped to make financial markets in Spain a friendlier place for investors (Aguilera, 2004).

5.3. Privatization

While nationalization determined the policies from the Franco regime until the entry into the European Union, however, the last 20 years were characterized by important privatizations. Before 1985 privatizations were not too important although some state owned firms were sold to lower the losses of the state holding company Instituto Nacional de Industria (INI) like the car manufacturer SEAT. The privatization process in Spain can be divided in two stages. The first stage lasted from 1985 to 1996 and beginning in 1996 a second privatization wave took place (Ortega Almón, Sánchez Domínguez, González Gómez, 2003).

In the first wave the government used mainly two different privatization systems. On one hand state companies were sold to private companies and on the other minority stakes were placed at the stock markets without giving up control of the companies. The placement of the minority stakes should enable diversification and monitoring of the management by the market. But the prevalent action was the direct sale of big companies as well as of smaller, less important ones. The direct sale of major companies like SEAT (sold to Volkswagen) should offer them the possibility to benefit from the synergies of closer ties with other companies of their industries and in addition from arising technological or commercial advantages. The firms could so increase their value through the new private ownership structure. Like SEAT many other major companies did not maintain national owners, but were sold to important foreign company groups. In contrast small companies stayed mostly in possession of Spanish owners. The privatizations of the 80s and the first years of the 90s were the reaction of the Spanish government to particular problematic issues, there did not exist any underlying systematic policy. The importance of the state owned companies did not diminish before 1992 because beside the privatizations the state expanded its ownership in other business sectors.

After 1992 the Spanish Government suffered from budget problems and had to implement strategies to follow the European convergence program. Both affected the decision towards a general privatization policy and led furthermore in 1994 to the "Plan for the Rationalization and Modernization of the Public Business Sector". This plan liberalized the markets as it opened sectors that had been reserved to state owned companies before to national and international companies. Similar to other countries

like Italy the Spanish government tried to maintain some control in the privatized companies. This was possible through golden shares, the “Prior Administrative Authorization” and other regulations that allowed governmental core holdings with superior rights. The government had the right to prevent the takeover of control by other shareholders with a veto as well as changes in the company structure like a breakdown of the company or a reorientation to new businesses (Ángeles Ortega et al. 2003). But the European Court upset the Spanish plan of keeping control with a decision in 2003 that declared the golden share illegal (Grant and Kirchmaier, 2004).

The second privatization wave started in 1996 when the government changed. The new governing center-right party Partido Popular followed a different policy towards economic topics. The main economic targets of the new government were a broad privatization program and the encouragement of market competition. In June 1996 the privatization program with explicit principles and objectives that had never been formulated before were adopted for all state owned companies and holdings independent of firm size or size of the stakes owned. In 1997 and 1998 the privatization process was at its highest intensity. Many large and profitable firms of international importance like Telefonica, Endesa or Repsol were sold and brought the state an income of more than 4 trillion pesetas. This amount represents double of the privatization income of the previous 10 years and equals nearly 3% of the Spanish GDP. In the ranking of countries with the highest privatization incomes Spain was at the sixth rank.

One reason for the high speed privatization was the need to meet the criteria for the Economic and Monetary Union. This was not a specific Spanish phenomenon other European countries underwent similar developments. Although the calculations of the deficit were prohibited to be affected by the privatization income, it offered an advantage as it was allowed to be used for the reduction of debt. Although the pure sales profits could not reduce the deficit there exist estimations that the privatization lowered the Spanish deficit by 45% through “capital gains” on the sales. This difference between sale revenues and book value of the participations created profits in the holding companies and thereby tax income for the state. Finally the privatization was important for Spain to fulfil the deficit limitation of 3% of the GDP. After the two years of intensive privatizations the next two years the privatization activities declined. In 2001 the activity was increased again but did not reach the level of 1997 and 1998 with a

privatization income of 139 billion pesetas or 0.1% of the GDP (Ángeles Ortega et al. 2003).

As the second privatization wave falls directly in the investigated period of the empirical part of this thesis, its effect on ownership structure will be seen subsequently. As a result of the global privatization plans most companies in the sample that had state ownership in 1995 (the year of the first period) should be expected to be privatized in the second investigated period in 2002/2003. This effect is also shown by Azfroa-Palenzuela et al. (2008). They compare the results of three different papers investigating ownership structures in different years. Although there might be other effects influencing the results, like the size of the sample, La Porta et al. (1999) find for 1995 a proportion of state ownership of 45% while the last paper (Tejerina, 2006) states only 2.2%.

5.4. The Role of Banks

One special feature of the Spanish corporate governance system has been the important role of the banking sector. In the Spanish financial system the market has been less important than in other western countries but instead a stronger orientation towards bank financing existed. In terms of size of bank sector and stock market Spain has not been so different to the rest of Europe. The overall size of both as well as the ratios bank assets to GDP and market capitalization to GDP have been similar to the other European countries and except of the ratio bank assets/GDP a little bit below the G7 countries. But according to Azfroa-Palenzuela et al. (2008) Spanish banks show their importance when looking at their activeness as shareholders compared to the market. Nevertheless, markets become more and more important in Spain.

Another interesting characteristic that shows the special role of banks is the extreme low level of non-bank financial intermediaries until the end of the 90s which points out even more the outstanding importance of banks as intermediaries. The opinion about the importance of non-financial institutions around 2000 is divided. Azofra-Palenzuela et al. (2008) state that compared to the rest of Europe their influence is still extremely low (measured by the ratio of claims and assets of non-bank intermediaries to bank intermediaries) on the other hand Aguilera (2005) indicates that the institutional investors are at a comparable level to other European countries.

As we know the Spanish ownership structure is dominated by concentrated ownership. In contrast to Italy, where banks have been prohibited to hold equity for a long time, Spanish banks are holding significant shares. But even if bank ownership is not the predominant form, nearly two thirds of non-financial Spanish companies had at least one bank as shareholder in 2002 which represents an increase by more than 5% compared to 1999. About half of these banks were not only shareholders but also creditors of the companies. Additionally, in 1999, 38.3% of the companies and 37.5% in 2002 had directors representing banks. In these companies, there are on average about 2.5 directors who represent banks. That represents more than 20% of the total number of directors. Hence the bank representation in the investigated period stays stable.

In Spain banks are distinguished in three different categories or legal types which are more or less important providers of capital. The most stockholder orientated form is the commercial bank. This type owns shares in almost half of the companies and represents about 45% of the credit market. The sector of the commercial banks is strongly dominated by the two largest banks Banco Bilbao Vizcaya Argentaria and Banco Santander Central Hispano which comprise more than 55% of the total market capitalization of commercial banks (Aguilera, 2004). The other big providers of capital are the saving banks. Saving banks are private foundations without official owners and amount also to a 45% share of the credit market like the commercial banks. In the case of saving banks the market domination is weaker than that of commercial banks with a market share of about 34% for the two largest banks (Aguilera, 2005).

The third type of bank is credit cooperatives which have only small shares in the credit market. Beside the differences concerning their role as creditors there are also differences as providers of equity. Banks try to keep their shares in non-financial firms rather small in order to avoid bringing agency costs at their own corporate level. But they are able to control their firms with their small shares. For the companies with a bank as major shareholder, the distribution between the three types of banks is almost equal with saving banks being slightly more often in this position. For the second largest shareholder this difference is even higher. Nearly half of the banks being second largest shareholders are saving banks, whereas commercial banks and credit cooperatives account for 24% and 27% of the second largest shareholders. All three types of banks have the same regulations and conditions. This includes also rules concerning accounting and disclosure requirements and other standards.

Although banks are an important provider of finance, today there is a shift toward stock markets as supplier of capital. The stock markets in Spain have already been gaining more and more importance in the last decade. This trend is typical for countries and their financial systems that have formerly been bank orientated when they become more prosperous (Azofra-Palenzuela et al., 2008). An encouraging factor for this evolution was the introduction of laws to protect shareholders that have been introduced from the 90s onwards (like the Transparency law in 2003 or the Law of Measures in 2002). Nevertheless I think it was also brought forward by the privatization wave. In the course of a privatization the demand for investors who are willed to give capital increases and usually at least a part of the firms is listed at the stock exchange.

5.5. Other Corporate Governance Features

Compared to France and especially Italy pyramid structures are not so common and also cross-shareholdings are not widespread. The Spanish companies prefer other devices of control. An allowed but not very popular means is the issuance of non-voting shares. The amount of these shares is limited to half of the equity and a dividend of at least 5% must be paid for them.

Voting caps are a prevalent instrument that limits the voting power to a certain level, independent of the amount of shares owned. Another common means that is especially efficient to avoid takeovers is the use of staggered boards. The members of these boards are not elected at once, but one third is elected every three years. In case of a takeover the new owner cannot replace all directors at once but has to wait three years to finish the replacement (Grant and Kirchmaier, 2004).

There is a corporate network in Spain through interlocking directors. In these interlocking directorships banks have a central function as already mentioned before, because they are used to place their representatives on many boards. Beside banks there are particular national companies with high capital intensity at the core of the network (Aguilera, 1998).

5.6. Summary

In general the Spanish corporate governance / ownership structure is dominated by concentrated ownership and a decreasing influence of the state which has been one of the most important corporate owners in the 20th century. Although family ownership is widespread there are not such dominating family owners on top of big company conglomerates as in Italy. The other big power is the banking sector that has more influence on corporate issues in Spain than in other countries. But there might be a change too, as the stock market has become more important in recent years. Although Spain suffered historically from a bad shareholder protection, a number of new laws and recommendations of Codes of Corporate Governance have improved the legal environment a lot.

To separate ownership and control Spanish firms prefer staggered boards, voting caps and interlocking directorships. Furthermore about a fourth of the (big) companies are governed by coalitions that establish legal or de facto control. Control devices like cross-shareholdings and pyramidal groups are rather uncommon as well as the issuance of non-voting shares (Grant and Kirchmaier, 2004).

6. Empirical Study of the Ownership Structures of the Largest Companies in Spain, France and Italy

Based on empirical data, the following section will describe the ownership structure of the 50 largest companies regarding total assets in Italy, France and Spain between 1995 and 2002. The focus lies on the identity of the direct and ultimate owner as well as on the pyramid structures and the examination of cash flow rights. In addition I will examine if there have been significant changes in the identity of the ultimate owners between the two periods. According to the theory I would expect that all three countries are dominated by concentrated ownership with families as the most common ultimate owners. As direct owner industrial companies should be the leading shareholder type. In addition a change towards more dispersed ownership might have taken place between the periods as in all three countries several corporate governance reforms and privatization programs have been implemented and the stock exchange has become more important as provider of capital.

There may also be some differences between the three countries, as they underwent different economic developments and adjudications. Spain, for example, should have more banks as owners, because this sector plays a much more important role there as provider of capital than in France and Italy. On the other hand, in France and above all in Italy pyramids should be more frequent and more important to keep control.

6.1. The Data

Generally the ownership data come from the database Amadeus. For every country the 50 largest companies according to total assets are examined at two points in time. The first examination generally takes place in 1995, in some cases it can be in 1994 or in 1996 depending on the availability of the data. The sample is based on the selection of the companies of 1995 and for the second examination the data comes from the years 2001 to 2003. The data is cross-checked if possible with information provided by the companies' homepages, especially from their financial reports or from other internet sources like newspaper articles. Nevertheless, for the first examination year it is nearly impossible to get information from the web as at that time its use was not so common.

The financial reports published do not go further back than to the year 2000. In addition it sometimes seems that companies are not interested in the disclosure of their ultimate owners. Therefore it is hard to find them, if there are intermediaries without a homepage or other information that could be found by internet searching.

The different ownership categories for the direct shareholder are:

- Industrial company
- holding
- bank
- states/public authority
- family
- other financial institution
- others (foundation and trust)

Beside these owner identities a company is classified as in freefloat if the share of the largest owner entitles him to less than 10% of the cash flow rights. This threshold is applied to each pyramid level. So the ultimate ownership is beside freefloat divided in the following categories:

- family
- state
- bank
- other financial institution
- industrial company (actually only applied if no further owner can be identified because of a lack of information)
- foundation (only in one case)

Furthermore the number of pyramid layers is analysed in both periods as well as the cash flow rights of the ultimate owner with regard to the top of the pyramid. Again it is often hard to get this information. So in some cases I needed to estimate it on base of other years' information. Another problem about cash flow rights is that sometimes the ultimate owner holds additional fractions besides the direct chain or he owns a small direct share below the disclosure threshold. All these shares are very difficult to identify.

In addition I calculated the cash-flow-voting-right-ratio. This variable is calculated by the cash flow rights of the ultimate owner divided by the voting rights of the direct shareholder.

6.2. Analysis of the Largest Direct Shareholder and his Cash Flow Rights

The sample of the analysis of the first level of the pyramid, especially for the first period, is the most complete one. At this time it consists of all 150 possible companies. I set the share for companies in direct freefloat at 5%, which seems appropriate as it represents half of the freefloat threshold of 10%. In Table 2 the results of the analysis of the direct cash flow rights of the largest shareholder in both periods are summarized. In the first part it shows that the average share in the middle of the nineties for the overall sample amounts to 58.79% with a high standard deviation of over 30%. Looking at the results of the different countries at that time, there are significant differences between the largest shares of Spain, France and Italy. Italy has the largest shares with more than 67%, which is about 20% higher than in France and about 7% higher than in Spain. The differences in the standard deviation are not so significant. They range between about 30% in Italy and 35% in France.

In the beginning of the 21st century, the results are not so different. This seems a little bit surprising, when taking into account that there have been several improvements of corporate governance and minority shareholder protection through the adoption of different laws in all three countries. As mentioned in chapter 2.2, according to La Porta et. al. (1998) better shareholder protection should generally lead to more dispersed ownership. In contrast the average biggest share in Italy and France slightly increased in the 7 years between the two periods. But not only the size of the share was growing, also the standard deviation has increased, which means that there is not a uniform trend towards bigger shares. In Spain, unlike Italy and France the size of the shares has decreased a little bit. As there have been corporate governance reforms in all three countries, there should be other reasons responsible for that. The privatization effect is quite noticeable when looking at the data in more detail (even more on the level of the ultimate owner). There are several companies that were owned by a state owned company or state holding in the middle of the nineties. Most of them were privatized during the periods. Generally this results in smaller stakes. An extreme case was the privatization of ENDESA. In the first period, the stake of the state holding company "Sociedad estatal de participaciones estatales" amounted to more than 65% whereas

through the privatization the company went directly in freefloat. Nevertheless the decrease of the on average biggest share is with less than 3 % not very significant. Also the increases in France and Italy are only marginal with less than 1 %. So overall, it does not seem as if the structure of direct cash flow has changed significantly between the two periods, when looking at the largest shareholder.

Table 2: Analysis of the Largest Direct Shareholder

	Mean Value		Standard Deviation	
	1 st Period	2 nd Period	1 st Period	2 nd Period
	Total Sample	58.79	58.68	33.32
Spain	60.27	57.82	32.21	35.63
France	48.97	49.57	35.75	39.12
Italy	67.13	68.08	29.94	30.29

Table 3 shows the distribution of the largest shareholder's stake with regard to the size. I distinguished between four evenly divided "size classes". In the first period the total sample shows that the largest shares of 38% of the companies belong to the group of shares larger than 75%. This fraction is significantly larger than the ones in the other three quartiles, in which there are between 17% and 23% of the largest shareholders. In the second period the fractions of shares of the two quartiles in the middle (together between 25% and 75%) decreased both. The total number of shares in the highest size class decreased. Nevertheless, the proportion increased because of the smaller sample. The number of smallest shares (below 25%) increased a little bit. This explains also the higher standard deviation of Table 2 for the second period.

With regard to the countries there are significant differences in the size of the shares. Especially France and Italy show quite opposite results. While in Italy with 44% almost half of the largest shares being above 75% in the first period, France tends to have much smaller shares with most of the largest shares (38%) in the quartile of shares below 25%. Generally France is characterized by the trend to very small and very large shares. Medium sized shares between 25% and 75% account only for 30% of the largest shares in the first period and 23% in the second period. The two medium quartiles also lost in Spain, where the fraction of smallest shares increased clearly by

8%. In contrast to both other countries the quartile of highest shares stayed almost constant in Spain with only a small decrease.

The situation in Italy is very different, as especially the development between the two periods is nearly opposite to that in France and Spain. While the smallest shares did not play a big role as they amounted to only 10% in the first period, they are reduced to a fraction of 5% in the second period. At the same time the fractions of biggest shares and shares between 25% and 50% increased.

The table also shows the change in the absolute number of largest shares per quartile. The change in the size of the sample may have an effect on the results. For example in Italy the fraction of shares below 25% has halved between the two periods from 10% (5 firms) to 5% (2 firms). This is due to the fact that two companies which belonged to this category in the first period are no longer part of the sample in the second period, because it was not possible to identify the largest shareholder.

Table 3: Division by Size of Share

	Share Size		Share > 75%	75> Share >50	25< Share <50	Share < 25%
Total Sample	First Period	% Total No.	38% 57	17% 26	23% 34	22% 33
	Second Period	% Total No.	40% 55	15% 21	20% 28	25% 34
Spain	First Period	% Total No.	38% 19	16% 8	28% 14	18% 9
	Second Period	% Total No.	37% 17	13% 6	24% 11	26% 12
France	First Period	% Total No.	32% 16	16% 8	14% 7	38% 19
	Second Period	% Total No.	35% 17	15% 7	8% 4	42% 20
Italy	First Period	% Total No.	44% 22	20% 10	26% 13	10% 5
	Second Period	% Total No.	48% 21	18% 8	30% 13	5% 2

As the size of the share of the direct shareholders is not the only important feature, table 4 shows the identity of the direct shareholders in the two periods. As expected the identity of the direct shareholder of more than half of the companies is at an industrial company for both periods. The role of the other identities is limited, but there are some differences between the countries. In France freefloat and direct state ownership are, beside industrial companies, the more frequent types of owners. In Italy holdings hold a significant part with almost 25% in the first period. But at the beginning of this millennium the fraction of holdings diminishes to 11%. Spain is dominated by industrial firms. They are largest direct shareholders of more than 75% of the companies of the sample for the first and 67% for the second period. Another interesting fact is the decrease of the number of banks as owners of companies from 10% to about 4% and, at the same time, the increase of the number of other financial institutions as owners from 4% to more than 15%. In France and Italy the fraction of the financial institutions stayed almost constant at about 8%.

Table 4: Direct Largest Shareholder Identity

1 st Period Shareholder Type	Total Sample		Spain		France		Italy	
	Total No.	%	Total No.	%	Total No.	%	Total No.	%
Freefloat	11	7.33%	1	2.00%	9	18.00%	1	2.00%
Industrial Company	82	54.67%	38	76.00%	22	44.00%	22	44.00%
Holding	18	12.00%	3	6.00%	3	6.00%	12	24.00%
Bank	12	8.00%	5	10.00%	2	4.00%	5	10.00%
Financial Institution	10	6.67%	2	4.00%	4	8.00%	4	8.00%
State	11	7.33%	0	0.00%	8	16.00%	3	6.00%
Families	3	2.00%	0	0.00%	2	4.00%	1	2.00%
Privatization Fund	2	1.33%	0	0.00%	0	0.00%	2	4.00%
Foundation	1	0.67%	1	2.00%	0	0.00%	0	0.00%

2 nd Period	Total Sample		Spain		France		Italy	
	Total No.	%	Total No.	%	Total No.	%	Total No.	%
Freefloat	16	11.59%	3	6.52%	13	27.08%	0	0.00%
Industrial Company	77	55.80%	31	67.39%	22	45.83%	24	54.55%
Holding	6	4.35%	1	2.17%	0	0.00%	5	11.36%
Bank	6	4.35%	2	4.35%	1	2.08%	3	6.82%
Financial Institution	15	10.87%	7	15.22%	4	8.33%	4	9.09%
State	12	8.70%	0	0.00%	6	12.50%	6	13.64%
Families	3	2.17%	0	0.00%	2	4.17%	1	2.27%
Privatization Fund	1	0.72%	0	0.00%	0	0.00%	1	2.27%
Foundation	1	0.72%	1	2.17%	0	0.00%	0	0.00%
Trust	1	0.72%	1	2.17%	0	0.00%	0	0.00%

Table 5 shows the portion of foreign owners. The importance of foreign owners in Spain and Italy strongly increased as foreign ownership has more than doubled in both countries from the first to the second period to almost 24% in Spain and more than 13% in Italy. In contrast, in France foreign direct largest shareholders almost do not exist. There was not a single foreign owner in the first period and only one foreigner in the second period. This foreign owned company is Aventis which is owned by a Dutch daughter company of Kuwait Petroleum.

Table 5: Proportion of Foreign Ownership

	Spain	France	Italy
1st Period	16.00%	0.00%	6.00%
2nd Period	23.91%	2.08%	13.64%

6.3. The Ultimate Owners

One of the most interesting observations concerning ownership structure is certainly the identity and cash flow rights of the ultimate owner. Compared to the direct shareholder this topic is much more analysed by scientific papers as it was already summarized in the theoretical part. The following analysis of the structure of ultimate ownership based on the data of the largest companies in Spain, France and Italy shows more significant results than the analysis of the direct largest shareholders of the previous chapter. The effect of the privatization process in Spain is more evident on

level of the ultimate owner than on the level of the direct shareholder. The privatization process is concealed at the direct largest shareholders level as the state often uses intermediaries for its holdings.

6.3.1. The Cash Flow Rights of the Ultimate Owner

In the first period, the average cash flow rights of the ultimate owner are with about 36% quite high as well as their standard deviation which amounts to more than 30% (Table and figure 6). But there are significant differences between the three countries. In France and in Spain, the average cash flow rights of the ultimate owners are much smaller with 32% and 33% respectively, compared to 44% in Italy. This is in line with the results of the analysis of the cash flow rights of the largest direct shareholder which in Italy were also characterized by the most concentrated direct ownership of all three countries. However, the highly concentrated ultimate cash flow rights are somehow surprising as the characteristic Italian pyramid structure (as a medium of separation of ownership and control) should lead to more dispersed ultimate cash flow rights. Therefore, I will subsequently look at the average cash flow rights of the different ultimate owner identities. One reason for the highly concentrated ultimate cash flow rights in Italy is the ownership concentration in state owned firms. For example, in ENI, ENEL, Snam, Agip and Alitalia the cash flow rights of the state as ultimate owner amounted up to 100% or close to it. Compared to the largest direct shareholder's stake, the cash flow rights of the ultimate owner in France and Spain are much more alike with a difference of only 1 % in the first and about 7 % in the second period.

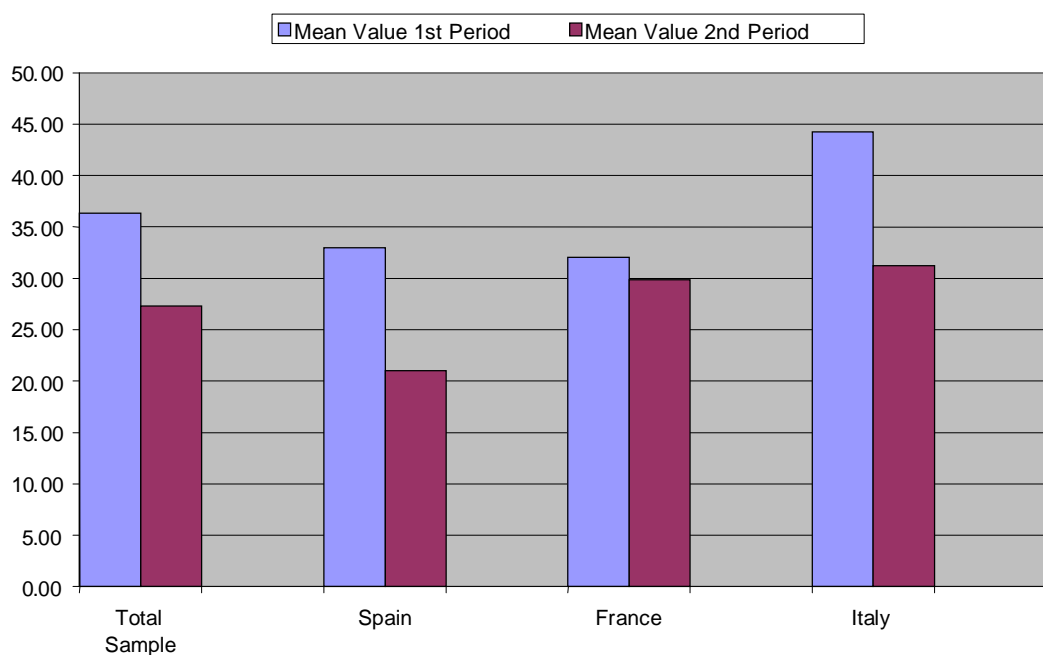
The average cash flow rights in the second period show that Spain and Italy underwent significant changes in ownership structures towards more dispersed ownership, while the concentration of ultimate cash flow rights in France did not change significantly with less than 4%. The main reason for the more dispersed cash flow rights of the ultimate owners in Spain is, again, the privatization process in the late nineties, as the state used to hold big stakes with few intermediaries. In contrast, privatized firms are rather characterized by more dispersed ownership. As already mentioned before two companies went directly from ultimate state ownership into direct freefloat. In Italy the increased dispersion of ownership is as well partly due to privatization actions. Different from Spain, Italian companies were not fully sold but the state kept a controlling stake by selling only minority shares. Another clue for changes in the ownership structure in

Italy is the increased M&A activity in the late nineties, which was also brought forward by new laws, especially the so called Draghi law.

Table 6: Cash Flow Rights of the Ultimate Owner

	Mean Value		Standard Deviation	
	1st Period	2 nd Period	1st Period	2nd Period
Total Sample	36,31	27,31	32,98	29,37
Spain	33,00	20,98	28,68	27,64
France	32,02	29,89	35,94	33,84
Italy	44,24	31,21	33,19	25,02

Figure 6: Average Cash Flow Rights of the Ultimate Owner



6.3.1.1. The-Cash-Flow-Voting-Right Ratio

The Cash-Flow-Voting-Right Ratio is a measure of the degree of separation of ownership (Cash Flow Rights) and control (Voting Rights). For the calculation I used the cash flow rights of the direct shareholder, because data of voting rights are usually not available. As the voting rights of the direct shareholder may differ from the cash flow rights, this variable is an upper bound. For many companies in France and Italy the real ratio will be below the calculated value, as the ownership structure is often not

in accordance to the one-share-one-vote scheme due to the different share classes issued. So the calculated ratio represents only the part of separation due to the pyramid structure.

A smaller value indicates that ownership and control are more separated. The value “one” occurs if there is not more than one company in the pyramid that owns less than one hundred percent of the company above.

Table 7 below shows in the first table the average ratio for the total sample and the ratio broken down to the different countries. The sample does not include companies owned by freefloat, because I assumed that they have ultimate cash flow rights equal to zero. The declining of the ratio by 15% in Spain and Italy and 6% in France between the two periods indicates that the separation between ownership and control due to pyramid structures has increased.

Since I noticed that the ratio is equal to one for a great number of companies, I allocated the ratio to different size classes. The result is shown in the second table. Beside the high fraction of companies with exactly the same ultimate cash flow rights and direct voting rights, most companies have a ratio below 0.5 which implies a high separation of cash flow rights to voting power.

Table 7: Cash-Flow-Voting-Rights-Ratio

	Cash-Flow-Voting-Rights-Ratio (Upper Bond)	
	Mean Value	
	1 st Period	2 nd Period
Total Sample	0.69	0.58
Spain	0.63	0.48
France	0.78	0.72
Italy	0.70	0.55

	Allocation of the Cash-Flow-Voting-Rights Ratio			
	Total Number	Proportion	Total Number	Proportion
	1 st Period		2 nd Period	
Ratio =1	59	47.20%	39	35.78%
Ratio <1 and > 0.5	27	21.60%	20	18.35%
Ratio < 0.5	39	31.20%	50	45.87%

6.3.2. The Identities of the Ultimate Owners

In the middle of the nineties the State still owned more than 35% of the largest fifty companies in each of the three examined countries, which is shown in Table 8. The highest proportion of state ownership had Spain with 44%. France and Italy had much less with about 30%. This difference may be due to the fact that the largest privatization wave in Spain took place after the first examined period, while France and Italy had already passed a bigger part of their privatization at that time. With about 33% families are the second most frequent ultimate owners, followed by freefloat and bank ownership. Other identities can be disregarded. Family ownership is most frequent in Italy with more than 40% and least common in Spain with only 24%. Banks play the biggest role in Spain where they represent 20% of the ultimate owners, compared to 8.33% after all in Italy. In France banks are not even the ultimate owner in a single company of the sample. This is absolutely consistent with the theories that the banking sector is the most developed in Spain and that Italy is dominated by family ownership. The French ownership structure is characterized by a very high proportion of companies in freefloat. In France freefloat is together with family ownership the most frequent ultimate owner type. This feature was already visible at the direct shareholder level.

The second period shows clearly the effect of the privatization process, as the overall proportion of state ownership decreased from 33% to 20%. In Spain, the country with the highest state ownership rate in the first period, it decreased to 13% which represents less than a third of the level in the middle of the nineties. Freefloat and especially family ownership could benefit the most from the decrease. With 34% families became the most frequent owner identity in Spain in the beginning of the 21st century followed by banks (which stayed almost constant) and freefloat each with about 20%. The ownership structure in France does not show significant changes compared with the first period. The proportions of freefloat and family ownership stayed almost constant, only state ownership has decreased by five percent in favour of ownership of industrial companies (which is rather a dummy for untraceable ultimate ownership). In Italy the state ownership decreased also slightly. Furthermore the fraction of bank ownership decreased as well and family ownership could strengthen its dominant position by increasing its proportion to over 50%. Unlike in Spain and in France, freefloat still does not play a role in the ownership structure in Italy.

Generally it seems that there has been a trend away from state ownership towards family ownership and concerning the privatization process in Spain also towards freefloat. Financial Institutions are neither a major owner identity in the first period nor in the beginning of this century.

Table 8: Identities of the Ultimate Owners

1 st Period	Total Sample		Spain		France		Italy	
	Total No.	%	Total No.	%	Total No.	%	Total No.	%
Shareholder Type								
Freefloat	23	15,54%	3	6.00%	17	34.00%	3	6.25%
Industrial Company	6	4.05%	2	4.00%	0	0.00%	4	8.33%
Bank	16	10.81%	10	20.00%	0	0.00%	6	12.50%
Financial Institution	1	0.68%	0	0.00%	1	2.00%	0	0.00%
State	52	35.14%	22	44.00%	15	30.00%	15	31.25%
Families	49	33.11%	12	24.00%	17	34.00%	20	41.67%
Foundation	1	0.68%	1	2.00%	0	0.00%	0	0.00%

2 nd Period	Total Sample		Spain		France		Italy	
	Total No.	%	Total No.	%	Total No.	%	Total No.	%
Shareholder Type								
Freefloat	28	18.92%	9	19.57%	16	34.04%	3	6.98%
Industrial Company	8	5.41%	4	8.70%	2	4.26%	2	4.65%
Bank	13	8.78%	10	21.74%	0	0.00%	3	6.98%
Financial Institution	3	2.03%	0	0.00%	2	4.26%	1	2.33%
State	30	20.27%	6	13.04%	12	25.53%	12	27.91%
Families	54	36.49%	16	34.78%	16	34.04%	22	51.16%
Foundation	1	0.68%	1	2.17%	0	0.00%	0	0.00%

Table 9 and figure 7 show the difference in cash flow rights of ultimate owners according to their identity. I chose State, Banks and Families as they are the most important ultimate owner identities in the sample, because financial institutions are too rare. In addition I omitted freefloat, because I presumed their cash flow rights to be equal to zero at the ultimate level.

At first glance it is noticeable that highest cash flow rights emerge for state ownership. Banks are in the first period at the second place, while families have the smallest cash flow rights. In Spain and France the amount of cash flow rights stayed constant from

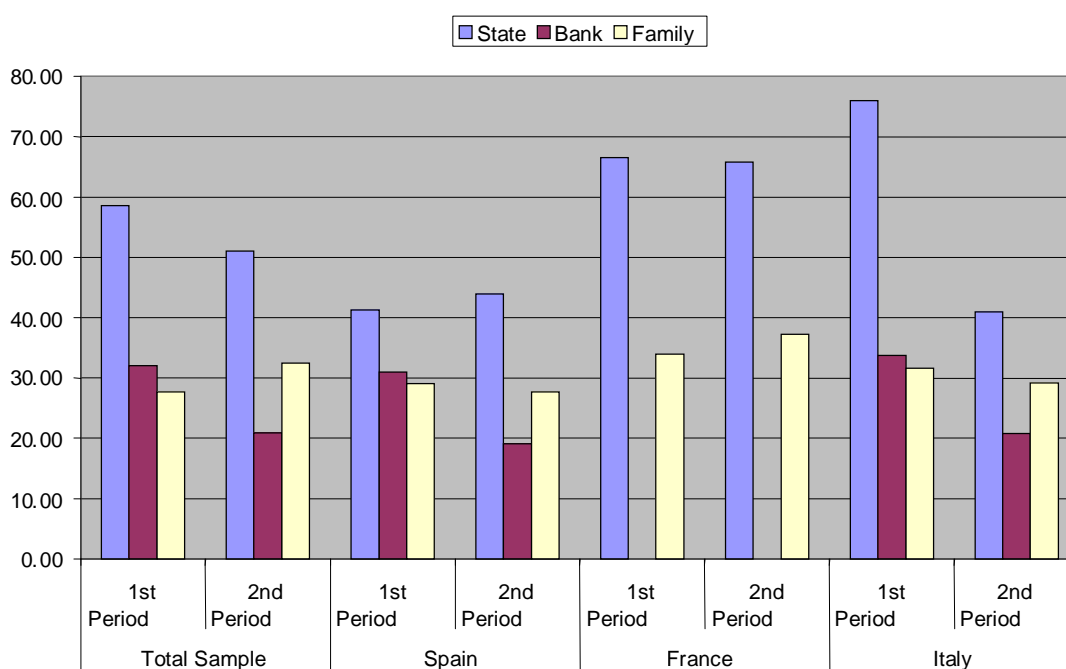
the first to the second period while in Italy in contrast the state cash flow rights have decreased by more than 35%. This shows the privatization process in Italy which was not so visible when analyzing simply the identity of the ultimate owner, because the companies were not completely sold.

While family ownership does not show a uniform trend (in Spain and Italy cash flow rights decreased, in contrast to France where they increased), cash flow rights of banks significantly decreased. So in the second period banks have replaced families as owners with the smallest cash flow rights.

Table 9: Ultimate Cash Flow per Owner Identity

Sample	Period	State	Bank	Family
Total Sample	1 st Period	58.58%	32.01%	27.69%
	2 nd Period	51.01%	20.91%	32.50%
Spain	1 st Period	41.23%	31.00%	29.01%
	2 nd Period	43.95%	19.06%	27.70%
France	1 st Period	66.56%	Na	33.98%
	2 nd Period	65.78%	Na	37.29%
Italy	1 st Period	76.05%	33.71%	31.63%
	2 nd Period	40.89%	20.75%	29.14%

Figure 7: Cash Flow Rights per Owner Identity



6.4. The Pyramid Structure of the Largest Companies

The next table (table 10) examines the average number of pyramid layers. An example for a simple pyramid structure is shown in Figure 1. So the number of pyramid layers represents the number of owners in the chain until the ultimate owner. For the total sample the average number of pyramid layers is at 2.3 with a small increase at the second observation to 2.4. Families have the most pyramid layers while banks have only 1.5 (1.9 in the second period). The number of pyramid layers of state owned companies is in the first period between the number of bank and family owned companies, but decreases to the lowest level of 1.8 in the second period.

Although the results for the total sample are consistent with my expectations, the individual results of the countries are a little bit surprising. According to the theory as mentioned in Bianchi et al., (1999) in Italy pyramid structure is a widely spread instrument of separation of ownership and control. In France pyramids are also a common medium for keeping control. However, pyramid structures should be less important in Spain than in both other countries. The results of table 10 show a different picture.

Generally the differences between the countries are not so high, as the average number of pyramid layers for all owner types varies only between 2.1 in France and 2.5 in Italy in the first period and 2.0 (France) and 2.7 (Italy) in the second period. So in both periods France has the fewest pyramid layers, instead of Spain (as I would have expected). The detailed analysis by the major owner types adjusts this result as it shows that this result is mostly due to the different number of pyramid layers for state owned companies. Concerning family ownership French pyramid layers are in both periods above those of Spain. But the difference is with 0.1 and 0.2 very small. Italy has the most developed pyramid structure for family owned companies. The average number of pyramid layers is 3.2 and 3.4 which is a difference of 0.3 to France.

In my opinion, the results for the pyramid structure of the 50 largest companies of each of the examined countries are not so conclusive. For example, the companies of the typical Italian pyramid Fiat (Figure 3) which are part of the sample are rather in the middle of the conglomerate, while the multitude of companies at the bottom of the pyramid are too small to be included in the 50 largest companies. So table 9 can only

analyse the pyramid structure for the large companies but it is not a description of the general structure of the three countries.

Table 10: Pyramid Structure

Sample	Period	All owners	State	Bank	Family
Total Sample	1st Period	2.3	2.3	1.5	2.9
	2nd Period	2.4	1.8	1.9	3.2
Spain	1st Period	2.3	2.6	1.3	2.7
	2nd Period	2.5	2.3	2.1	3.0
France	1st Period	2.1	1.7	na	2.9
	2nd Period	2.0	1.6	na	3.1
Italy	1st Period	2.5	2.3	1.8	3.2
	2nd Period	2.7	1.8	1.3	3.4

6.5. Foreign Ultimate Ownership and Changes on the Ultimate Owner

Level

Similar to the largest direct shareholder, the proportion of foreign ultimate owners is not very high for the sample especially in the first period. In Italy the foreign owners account for 12% of the owners with a small increase to nearly 14% in the second period (Table 11). The French companies do not have a single foreign ultimate owner in the first period, but the foreign ownership increases to more than 4% in the second period. The biggest proportion of foreign ownership in the first period exists in Spain with 14%, which is still increasing to the second period to nearly 24%. Once again this shows that Spain has undergone strong changes in the ownership structure of its companies, while the structures of France and Italy stayed almost constant.

Table 11: Proportion of Foreign Ultimate Owners

	Spain	France	Italy
1st Period	14.00%	0.00%	12.00%
2nd Period	23.91%	4.17%	13.95%

The next table (Table 12) shows the origin of the foreign owners. At the first sight it is remarkable that both foreign owners of French companies are from Kuwait, as I would rather have expected European owners or owners from the United States. On closer examination it is found that both companies are part of the Aventis Group (Aventis and Aventis Pharma SA) and so it is for both firms exactly the same owner. However,

foreign ownership is not too important in France compared with Italy and primarily Spain. In both countries a notable number of companies has ultimate owners from the United States. In Italy the United States are by far the most important owner nationality (other owner nationalities beside the US are Great Britain and Spain with one ultimate owner each). In Spain the United States are on the second place of the most frequent nationalities with three owners beaten by France which has one owner more than the States, that is four owners. Other owner nationalities are Great Britain, Mexico (Cemex), Germany (Seat which is owned by VW, ultimate owner is the Lower Saxony) and Luxembourg. It is typical for companies with foreign owners that they are often subsidiaries of big international groups, like IBM Italia or General Electrics Spain.

Table 12: Nationalities of Foreign Owners in the Second Period

	Spain	France	Italy
United States	3	0	4
Great Britain	1	0	1
France	4	-	0
Spain	-	0	1
Italy	0	0	-
Mexico	1	0	0
Germany	1	0	0
Kuwait	0	2	0
Luxembourg	1	0	0

The last table (Table 13) and the last figure (Figure 8) analyse the change in the identity of the ultimate owner. Changes in the chain between the ultimate owner and the firm on top do not count. A change is only regarded as such if the identity of the ultimate owner itself has changed between the periods. As families use to keep control over their companies or company groups, I would expect that the most changes have happened for the other owner types. Through previous examinations I know already that in Spain there will be the most changes due to the privatization process in the late nineties. This is reflected in Table 13 and Figure 8 by the outstanding high change of more than 70% of the ultimate owner for firms, which were owned by the state in the first period (under the condition that data is available for the second period). In Italy a higher change of the ultimate owner exists only for companies which are owned by banks in the first period. 75% (3 of 4 bank owned companies) of those companies have another ultimate owner in the second period.

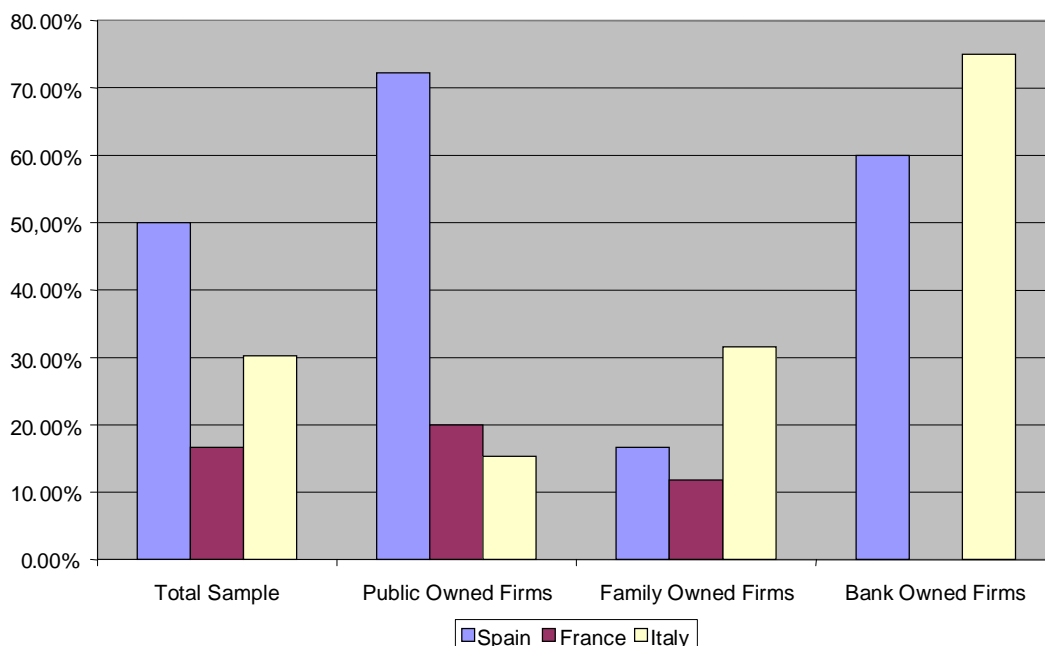
Families which normally have the most stable ownership relations meet my expectations. As mentioned in chapter 2.4.2., those families are usually the heirs of the founder and tend to have long term interests in the firm. They can benefit from the amenity potential, but also may extract private benefits at the expense of other minority shareholders. In contrast to Spain, the change of the ultimate owner in state owned companies is in France and Italy at a low level. In France it does not reach more than 20%. In Italy it is, with about 15%, even lower than the change for family owned companies.

The relative high change in family owned companies in Italy might be an indication for the high takeover activity in Italy in the period between the periods. However, those takeovers can be caused by financial troubles as well (this was the case for two of the six changes, Montedison and Tecnimont).

Table 13: Proportion of Change of the Ultimate Owner

Change	Spain	France	Italy
Total Sample	50.00%	16.67%	30.23%
State Owned Firms	72.22%	20.00%	15.38%
Family Owned Firms	16.67%	11.76%	31.58%
Bank Owned Firms	60.00%	0.00%	75.00%

Figure 8: The Change of the Ultimate Owner



6.6. Summary of the Empirical Study of Ownership Structures in Spain, France and Italy

Although the explanatory power of the empirical study of the ownership structure of the 50 largest companies in Spain, France and Italy seems limited to me in some points, it shows clearly the influence of particular developments, trends and differences between the countries. Different to most studies about ownership structures, the sample of the 50 largest companies is relatively small and it seems to me that some features like pyramid structures are less developed in large companies (as they are more likely situated in the upper part of the pyramid).

Nevertheless it shows some interesting structures and developments. First of all it shows clearly the impact of the Spanish privatization program in the late nineties. Beside other effects the privatization led to a very high change of ultimate owners with 50% for the total sample and 72.22% for state owned companies. In addition the proportion of foreign owners increased from 14% to about 24%. Furthermore the cash flow rights of the ultimate owner declined from 33% to about 21%.

While foreign ownership stayed relatively constant in the two other countries (in France it increased from 0 % to 4.17%, in Italy it was between 12 % and 14%) the declining of the ultimate owner cash flow rights can also be noticed in Italy where the cash flow rights declined from 44% to 31%. Similar to Spain there was also a privatization process in Italy. But it cannot be seen so easily as the companies were only partially sold. So the proportion of state owned companies did not significantly decline but the average cash flow rights of the state decreased from 76% to about 41%.

France is characterized by a very constant ownership structure. There are almost no significant changes, the most noticeable changes are the increase of companies owned directly by freefloat from 18% to 27% and the decrease of companies with the biggest direct shares size between 25% and 50%. In contrast to Spain and Italy there are no indications for an extensive privatization process in France. The proportion of state ownership decreased only slightly from 30% to 25.53% and the average cash flow rights remained constant. Nevertheless there is literature that reports privatizations in the late nineties, which might concern rather smaller companies than those of the sample.

7. Conclusion

Before starting my research I expected that the results for three countries examined would be almost the same, so I was really surprised about some differences. The ownership structures in Italy, France and Spain are similar in some parts and different in others. It was really interesting to find big and also smaller differences which mostly seem to have their origin in different historical developments and political waves.

All three countries have French origin civil law systems. According to Zingales (2000) these countries tend to have the most concentrated ownership in contrast to countries with Scandinavian origin civil law or common law system, which have rather dispersed ownership structures. Reasons for the concentration are the poor shareholder protection and several legal instruments to separate ownership from control. The empirical study supports this theory as all three countries have quite concentrated ownership structures with the average cash flow right for the largest direct shareholder between 49% and 68%.

Another important influence on ownership structures can be political forces. Marc Roe (2000) stated that especially the policy of social democracies strongly affects ownership structures. Companies should have even more concentrated ownership and more “unlisted” firms compared to countries dominated by other policies. France has been governed for a long time by the socialists. The only obvious effect seems to be the high proportion of state ownership, as the government followed nationalizations plans for a long time, without subsequent extensive privatization processes (like in Spain and Italy). In contrast to Roe’s theory France has more dispersed ownership (measured by the average cash flow rights of the largest direct shareholder) than Spain and Italy in both periods.

Concerning the identity of the ultimate owner all three countries have a great portion of state ownership in the first period. In the second period France and Italy have still a high portion of state ownership while it has been reduced in Spain through an extensive privatization program by 30%. In addition family ownership plays also an important role in all countries, as it is typical for continental Europe. Above all, the family ownership in Italy is quite noticeable as the leading families own not only the largest companies but have also strong connections to political powers. The best

known family is the family Agnelli (the owner of Fiat), who is the ultimate owner of five companies of the sample. Beside this, banks have some importance in Italy and Spain. On the other side France has a remarkable number of companies that are in freefloat.

As the benefits of control are quite high in all three countries, each country has instruments to keep control. But they are quite different. Corporate pyramids are a more common medium in France and Italy than in Spain, but Spain has a wide network of interlocking directors. In addition French and Italian companies can issue shares with limited voting rights. In Italy, shareholder agreements are also another popular instrument. Further special features of separation of ownership and control in Spain are voting caps and the use of staggered boards (which is also a good medium against hostile takeovers).

Lastly it was very interesting for me that foreign ownership does not play a big role for the largest companies in Italy and France, while foreign ownership in Spain is reaching almost a remarkable percentage of 24% in the second period due to the privatization process.

The study focuses only on the largest companies. But I often asked myself which results I would expect for another sample. Hence, as I have to do with many different Austrian (medium-sized) companies at work it was really interesting and also surprising for me to find out that they have nearly all foreign ultimate owners. I am sure that a sample of the fifty largest companies in Austria, would also draw another picture, maybe similar to France and Italy. Empirical studies of pyramid structure may have quite different results for samples consisting of another choice of companies, as I have already mentioned in the empiric part.

So, there is still enough scope for further studies about ownership structure in France, Italy and Spain, which may reveal other interesting features.

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Appendix A: Curriculum Vitae

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Geburtsdatum, -ort: 28. April 1983, Hallein
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Schulbildung

1989 – 1993 Volksschule Mödlham – Seekirchen
1993 - 2001 Christian Doppler Gymnasium Salzburg,
Matura mit gutem Erfolg

Studium

2001-2009 Am Betriebswirtschaftszentrum der Universität Wien
Wintersemester 2003 Abschluss erster Studienabschnitt
Wintersemester 2005 Abschluss zweiter Studienabschnitt
Absolvierung der Kernfachkombinationen externe
Unternehmensrechnung und Corporate Finanzen

Berufliche Erfahrungen /Praktikas

2001 Euroeinsatz bei der Bank Austria Filiale Salzburg-Alpenstraße.

2002-2006 Mitarbeiterin der Studentenbar Gasometer.

2002-2005 Gewähltes Mitglied der Vertretung des Studentenheims Gasometer.

2003 Juli und August Ferialpraktikum im Customer Service bei TNT Express
in Salzburg-Bergheim

2003-2004 Heimsprecherin des Studentenheims Gasometer, bzw. Obfrau des
Vereins der Bewohner des Studentenheims Gasometer

2004-2006 Jeweils Juli und August Ferialpraktika bei TPA Horwath in Wien in der
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2006-2007 unterstützende fallweise Tätigkeit in der Unternehmensberatung /
Buchhaltung bei TPA Horwath

2007 Februar und August Ferialpraktika bei TPA Horwath in Wien in der
Buchhaltung

2008 Seit September 2008 Associate bei PricewaterhouseCoopers in der
Serviceline Assurance (Wirtschaftsprüfung)

Besondere Kenntnisse

Maschinenschreiben

Sehr gute Englisch- und Französischkenntnisse und
Spanischgrundkenntnisse

BMD, Windows XP, Word, Excel, Microsoft Outlook, Powerpoint,
Führerschein B

Appendix B : Abstract in German

Die vorliegende Diplomarbeit behandelt Corporate Governance in den Ländern Frankreich, Italien und Spanien. Dabei wird im speziellen anhand empirischer Daten die Eigentümerstruktur der jeweils fünfzig größten Unternehmen Mitte der neunziger Jahre und zu Beginn des 21. Jahrhunderts betrachtet.

Nach der Einführung befasst sich das zweite Kapitel der Arbeit im Allgemeinen mit Theorien zur Eigentümerstruktur. So wird die der Zusammenhang zwischen Rechtssystem und Eigentümerkonzentration behandelt und es werden die Vor- und Nachteile zwischen Eigentümerkonzentration und Streubesitz angeführt. Des Weiteren werden die einzelnen möglichen Eigentümeridentitäten (Staat, Familien, Banken, institutionelle Investoren, Industriegesellschaften) und ihre speziellen Eigenschaften als Eigentümer erläutert. Außerdem werden Kontrollinstrumente, wie Crossholdings und das Halten von Unternehmensanteilen über Pyramidenstrukturen, vorgestellt. Zuletzt werden auch noch die Agency Theorie und Theorien über den Einfluss der Eigentümerstruktur auf die Performance von Unternehmen behandelt.

Die Kapitel drei bis fünf beschreiben Corporate Governance, ihre Eigenheiten sowie die Entwicklungen der Eigentümerstrukturen in den einzelnen Ländern. Um heutige Eigenheiten und Unterschiede im Bereich Corporate Governance zu verstehen ist es notwendig die Geschichte beziehungsweise Entwicklung von Corporate Governance und damit zusammenhängend Eigentümerstrukturen zu kennen, daher wird diese ausführlich erläutert. Im Zuge dessen werden auch aktuelle Entwicklungen wie Gesetzesgebungen in diesem Bereich oder Privatisierungsprozesse betrachtet. Ausserdem werden die speziellen nationalen Kontrollinstrumente und andere Eigenheiten im Bereich Corporate Governance vorgestellt.

Der letzte Teil der Arbeit ist eine Auswertung von Daten zur Eigentümerstruktur basierend auf der Datenbank Amadeus. Dabei werden sowohl die durchschnittliche Größe der Anteile des größten direkten Eigentümers und die berechneten Cash-Flow Rechte des ultimativen (letzten) Eigentümers analysiert als auch die Eigentümeridentitäten. Dabei werden Vergleiche zwischen den Ländern und den beiden Betrachtungszeitpunkten angestellt.