OWNERSHIP CHARACTERISTICS OF SHAREHOLDERS IN ITALIAN LISTED COMPANIES: DO THEY REALLY MATTER FOR FIRM PERFORMANCE?

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Preface

by Equita

In 2021 we celebrate the eighth year of our partnership with Bocconi University, aimed at analysing and promoting the capital markets.

2020 was a dramatic year in many respects, due to the Covid crisis and its impact on the social and economic context at global level. Italy has been affected very strongly, and it is now necessary, as we start seeing the gradual exit from this terrible situation, to ask ourselves what is the right structure of the Italian economy for the future and how entrepreneurs, investors and state-owned institutions should be part of this strategy.

It is therefore timely that this year's research focuses on the shareholding structure of Italian listed companies and on how this affects their performance and ability to create jobs.

The results of the analysis are very clear: long-term reference investors of listed companies are beneficial to their growth and performance. And this is even more true if these investors are entrepreneurs or families, although there is also good evidence that government institutions can have a positive impact as well, at least in serving broader interests rather than just serving shareholders. The major progress in governance of the last couple of decades, thanks to the Codice of Autodisciplina for listed companies (recently renamed Code of Corporate Governance), has dramatically improved the way listed companies are managed, for the benefit of all stakeholders.

There is also no doubt that entrepreneurs and families have strategic vision which means that over the long term, the companies that they control have good performances and generate more jobs than companies that are widely held.

And finally, the recent emphasis on sustainability which is now a key criterion for most institutional investors, has improved the overall impact that listed companies have on the context in which they operate, from both an environmental and social perspective. This has become even more evident in the context of the Covid crisis when most companies have been exceptionally close to their employees and communities.

Whilst the old debate around private or public ownership may be somewhat less relevant in the existing environment impacted by Covid, it is certainly true that reference shareholders are beneficial, entrepreneurs are key for the development of companies and that listed companies adopt best-in-class practices that improve their long-term performance. This also means that, in Italy, a highly fragmented ownership of listed companies does not seem to be desirable: in our economic context the "public company" in the Anglo-Saxon tradition is not particularly successful.

These are the key aspects on which a sensible economic policy should be built. Long term vision by reference shareholders, focus on entrepreneurs and promotion of equity market listings should all be central, to foster growth, create jobs and ensure that best practices are implemented.

We have seen progress on the first point, mostly through the intervention of state-owned entities such as CDP to act as the "entrepreneur" and create Italian champions, such as Webuild or Nexi-SIA. In certain occasions we have seen decisions that have been influenced by the political environment, but overall, these institutions have played an important role by helping entrepreneurs to strengthen their companies or in other cases compensating the lack of them.

Something also has been done with regard to entrepreneurs but mostly limited to venture capital. Investments in digitalisation and in physical assets have been encouraged, but there is no coordinated policy to help companies grow, for instance by making M&A transactions more attractive from a tax point of view.

And finally, very little has been done to encourage companies to get listed: prospectuses are still the longest in Europe, review processes by Consob and Borsa Italiana are the most cumbersome, domestic investors such as pension funds have not been adequately developed, brokers have not been

incentivised to assist smaller companies, no privatisations have taken place for many years. The result is that the number of listed companies continues to decrease with the only exception of the AIM market, which is characterised by very small equity issues. This is not a purely Italian phenomenon; it is happening in the rest of Europe and throughout the world. But it is one that is particularly damaging for our economic system, which is built on small and mid-size companies created by successful entrepreneurs and where capital markets for companies are underdeveloped compared to the size of our economy.

The research by the Baffi-Carefin institute of Bocconi University shows a number of interesting findings that support the need for a coordinated policy with regard to themes that are central to Italy's future economic success. Conclusions and policy recommendations are clearly indicated. We hope that the opportunity to implement reforms in the context of the Recovery Fund initiatives will be seized by institutions and regulators to address these very important aspects of our economy and encourage entrepreneurs and capital markets to grow and build the economic future of our country.

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1. Introduction

The topic of the impact of the shareholders and their characteristics on the performance of firms is a subject of intense debate in academic circles as well as in the professional world. Some issues are still unresolved.

On the one hand, the pioneering studies of dispersed ownership of public companies in the US have advocated the superiority of such model in maximizing shareholder returns. On the other hand, the excessive short-termism implied by such ownership models – with negative effects on investments and growth in the long run – has generated a more recent field of research pointing to stable, long-term shareholders as key actors in giving management the support necessary to implement sound investment policies and to pursue long-term value creation.

At the same time, regulators are also actively urging companies to embrace long-term views in line with shareholders' interests. One example is the Shareholder Rights Directive II (SHDRII Directive) that recently came into force in the EU with the objective of encouraging shareholder engagement, increasing transparency and improving corporate governance and standards of communication in the custody chain in order to facilitate the exercise of shareholder rights.

The Italian listed landscape presents some distinguishing features compared to the Anglo-Saxon model:

1. Most successful Italian companies are controlled by founding families.
2. Some of the largest Italian champions see the presence of the State as a relevant shareholder.
3. Listed companies underwent an important evolution of self-discipline towards what are considered best practices of corporate governance (*Codice di Autodisciplina delle Società Quotate*).

With reference to Point 1, families are most likely the clearest example of long-term investors who can support the firm even in troubled times. What's more, they can provide management with a sufficiently farsighted view to implement successful long-term investment plans.

With reference to Point 2, the State still plays a crucial role in most Italian champions operating in strategic sectors for the economy. While the presence of the State should not necessarily be detrimental to the performance of owned firms, its indirect influence in the appointment of top management teams could have an impact on the final performance of the participated firms. This poses an important and pressing question. Indeed, as comprehensively addressed in Caselli (2020), the aftermath of the Covid-19 pandemic is expected to lead to an intensified role of the State in the equity capital of the firms; the recently enacted rescue programs supported by *Cassa Depositi e Prestiti* are just one initial example.

Lastly, as far as Point 3 is concerned, best practices of corporate governance have progressively evolved in Italy together with changes in investor behavior, which now tends more toward an active role in shaping management's choices. In particular, under the SHDRII Directive, shareholders in listed companies are incentivized to participate in the decision making of the companies in which they invest, as they are provided with better means to present their proposals and vote in general meetings. They also benefit from greater transparency regarding investment strategies, director remuneration and the transactions with related parties.

This paper studies the impact of the features of the shareholder base on the market and growth performance of a large sample of Italian listed firms. In particular, among all the characteristics that arguably are important for shaping firm performance, we focus our attention on the degree of ownership concentration, the presence of a "key" fulcrum shareholder and most importantly the type of shareholder (be it a family, the State, a Foundation (like in some Italian banks), a private citizen, a mutual fund asset manager, etc.) and the nationality.

Consistently with previous studies, we find that Italian companies are characterized by a high degree of ownership concentration and by the existence of controlling shareholders or at least a pervasive

presence of shareholders with substantial voting power. These are almost exclusively domestic shareholders. Moreover, we provide extensive evidence on the correlation between firm performance and different types of shareholders, showing whether and how diverse market metrics and growth indicators are correlated with the presence of predominant voting rights of one type of shareholder over another one. Our study builds on the voluminous literature that examines the consequences of corporate governance on decision-making and firm performance. Our work closely relates to studies that focus on corporate investment and growth (Morck et al. (1990), Lang et al. (1995), Allen and McConnel (1998) and Harford (1999)), as well as payouts (Denis (1990) and Porta et al. (2000)). However, our main contribution is to the stream of the literature that studies firm performance in relation to different board characteristics (Adams et al. (2005), Michelacci and Silva (2007), Bernile et al. (2018)), ownership concentration (Short (1994) and Gugler (2001)), family ownership (Bertrand and Shoar (2006) and Miller et al. (2007)) and family succession (Perez-Gonzalez (2006) and Bennedsen et al. (2007).

The rest of the paper is organized as follows. In Section 2, we provide an overview of the literature on corporate governance linking firm ownership structure to performance. Then, in Section 3 we take a closer look at the Italian context, introducing our sample and analyzing the shareholder base in Italian companies. Section 4 describes the empirical analysis that we conduct to answer the question if shareholders' characteristics influence firms' performance. In particular, it introduces the variables of interest and the methodology and summarizes the main findings of the analysis. In Section 5 we provide our conclusions and recommendations.

2. Shareholder ownership and corporate performance: what we already know

Understanding the determinants and consequences of the various types of ownership is a question of the first order importance. Extensive academic literature studies corporate control across countries, with an emphasis on its impact on corporate governance and corporate decisions. Yet, to date, theory is still inconclusive.

At the core of the academic debate are agency costs that stem from the separation of ownership from control. According to Demsetz (1983) if managers and investors are both value maximizing, then the ownership structure of the firm should not matter. It is the interplay of market forces that determines the optimal ownership structure given the specific circumstances and there should be no observable relation between types of ownership and corporate outcomes. However, since the seminal paper of Grossman and Hart (1980), many different authors have documented substantial agency costs between shareholders and managers. Among them, Dyck and Zingales (2004) study the private benefits of control across 39 countries and quantify them at 14% of the equity value, on average. An agency cost of this magnitude is what justifies governance mechanism to monitor managers.

Shareholders monitor management through two channels of influence. The first one is via "exit", which entails the threat of selling their shares and, with the sale decision, conveying a strong negative message to the market about the company (Parrino et al. (2003), Adamati and Pfleiderer (2009), Edmans (2009)). The second one is by "voice" or "vote", which involves engaging with the management privately or publicly to influence their decision-making (Holderness and Sheerman (1985), Barclay and Holderness (1991), Bethel et al. (1998), Brau et al. (2008), Klein and Zur (2009)). McCahery et al. (2016) document extensive use of both approaches, often in a complementary fashion, to shift corporate policies such as buying assets versus paying out cash or taking on more risky projects versus accounting for them more conservatively.[1]

However, as costs and benefits of ownership vary across different ownership types, shareholders' incentives to monitor managers and the effectiveness of this oversight also vary, regardless of the preferred channel of influence. Clearly, when shareholders have to choose the extent to which they monitor the company, they will take that decision based on the costs of gathering information about the firm and the costs of impacting management decisions, weighed against the benefits that they will achieve if they are actually able to affect management directions (see Linck et al. (2008) and

[1] See Edmans et al. (2017) for a theoretical framework that unifies both exit and voice in a single model.

Duchin et al. (2010)). Therefore, different types of ownership affect agency costs, as well as monitoring incentives and effectiveness; this generates different layers of strength in governance mechanisms across firms. Ultimately, corporate decision-making and performance are also affected as a result.

Consistently, a large part of the existing academic literature has focused on the dichotomy between the dispersed ownership model as opposed to concentrated ownership. One view is that better and more effective monitoring by larger shareholders, through either "voice" or "exit" should lead to decision-making that maximizes shareholder value and better performance (Shleifer and Vishny (1986), Shleifer and Vishny (1997) and Demsetz and Villalonga (2001)). According to this literature, the larger the shareholders' stakes in the company, the more they gain (or lose) from effective (or ineffective) management, and so the greater their incentive to monitor management. Yet, to date the debate is not settled. In contrast to the previous argument, Thomsen et al. (2006) find a negative impact of ownership concentration on firm performance. Indeed, concentrated ownership can also result in misplaced managerial incentives, the extraction of private benefits from minority shareholders to the advantage of large shareholders, or reduced liquidity costs that can severely undermine the value of a firm.

One explanation why all these studies do not reach an unequivocal conclusion can be that they fail to consider that different types of shareholders, regardless of the size of their stake in the company, have diverse incentives and motivations and are not equally effective in monitoring. Not only are the shareholders' positions and the monitoring incentives they entail relevant, but their identities matter as well. With this in mind, it is only more recently that authors have started to increasingly shift their focus towards shareholder characteristics as a driver of corporate governance and firm performance.

One relevant characteristic is shareholders' investment horizon. The monitoring activity carried out by shareholders with long investment horizons should counterbalance managerial myopia by spreading the cost and benefits of monitoring over a longer period of time (Drucker (1986), Porter (1992), Monks and Minons (1995)). In line with this argument, papers in this literature show that long-term shareholders relieve pressure on management to temporarily cut R&D expenses to boost earnings (Bushee (1998)), impose takeover outcomes (Gaspar et al. (2005) and Chen et al. (2007)) and influence the trade-off between dividends and share repurchases (Gaspar et al. (2013)). More recently, Harford et al. (2018) study the effect of shareholders' horizon on a comprehensive set of corporate decisions and reveal that monitoring by long-term shareholders leads to better corporate governance and to more value maximizing decision-making. In particular, these authors find better quality of the board of directors, less managerial entrenchment and less managerial misbehavior in the presence of shareholders with longer investment horizons. As a result, companies controlled by long-term shareholders display relatively higher profitability, lower risk, more innovation, lower investments and larger payout ratios. Short-term shareholders also play a monitoring role, but conveying value relevant information into prices through their trading instead (Edmans (2009)). Other studies that focus on activist hedge funds (Bebchuk et al. (2015) and Boyson et al. (2016)) come to similar conclusions.

A second dimension of analysis that has drawn significant attention in the literature is ownership heterogeneity (Bena et al. 2017) and the identity of the controlling shareholder, in particular. Most of these studies are focused on family ownership, for which alternative arguments are proposed. On the one hand, lower information asymmetry should lead to less severe agency costs in family firms (Fama and Jensen (1983), Corbetta and Salvato (2004), Miller and Le Breton-Miller (2005), Arregle et al. (2007) and Ward (2016)). Indeed, Ho et al. (2020) show that greater family ownership is associated with a more advisory (and less monitoring) board, usually composed of relatively more outside directors and more frequently characterized by a dual CEO-Chairman role. On the other hand, family control can harm minority shareholders (Faccio et al. 2001) and the goal to retain family control can ultimately undermine growth, innovation, and productivity (Bertrand and Shoar (2006) and Baltrunaite et al. (2019).

Empirical evidence on the impact of family ownership on performance is mixed. Indeed, according to Miller et al. (2007), findings are highly sensitive both to the way in which family control is defined and to the nature of the sample. For example, Maury (2006) examines how family-controlled firms perform with respect to firms with non-family controlling shareholders in Western Europe and finds

that only active family control is associated with higher profitability. Analogously, using panel data on 275 companies listed in Germany, Andres (2008) shows that family ownership is superior to other forms of ownership only if the founding family is considered and as long as the family is represented in the board. Isakov and Weisskopf (2014) also confirm these results studying the performance of Swiss listed firms between 2003 and 2010. They find that family firms are more profitable than companies that are widely held or have non-family controlling shareholders. In particular, they show the relationship between family ownership and Tobin's Q is concave.

The monitoring role of institutional investors (such as Pension Funds, Private Equity Funds, or Sovereign Funds) has received significant attention as well. Since the cornerstone papers of Grossman and Hart (1986) and Shleifer and Vishny (1986), many authors have studied the implications of a higher level of institutional ownership for governance and performance. For example, Li (2018) shows that an increase in institutional ownership strengthens managerial performance incentives via a higher CEO turnover-performance sensitivity. In line with this result, Ho et al. (2020) find that more institutional ownership is associated with a monitoring board instead of an advisory one. Both findings corroborate the premise that information asymmetry and agency costs are higher with institutional shareholders compared to family ownership.

Aggarwal el al. (2011) focus instead on international institutional ownership across 23 countries with different legal origins during the period between 2003 and 2008. They find that foreign, but not domestic, institutional ownership makes it more likely that the board has a majority of independent directors and an appropriate number of directors; this type of ownership also makes it less likely that the firm will adopt a staggered board provision. Moreover, these authors confirm that firms with higher international institutional ownership are more likely to terminate poorly performing CEOs and exhibit higher Tobin's Q over time. Greater foreign institutional ownership, in particular, fosters long-term investment and innovation output (Bena (2016) but also increases corporate risk-taking (Boubakri et al. 2013).

On the contrary, Perotti (1995) finds inferior performance when the government is part of the shareholder base, while Boubakri et al. 2013 show lower risk-taking for State-owned companies. These results support both the political view theory that posit that State-owned companies are inefficient because they serve the politicians' interests rather than value maximization (Boycko et al. (1996), as well as the managerial view theory according to which these firms are inefficient because State ownership leads to poor incentive structures and their managers are not adequately monitored or supported (Laffont and Tirole (1996)). The role of State owners can further be assessed by looking at privatizations. Although divergent opinions exist on the benefits of privatization, empirical research – surveyed by Megginson and Netter (2001), Megginson (2005) and Estrin et al. (2009) - has persuasively shown that companies experience improvements in profitability, efficiency, and resource allocation following privatization.

Our paper takes the analysis a step further and builds on this literature to examine how shareholder identity and characteristics affect the performance of Italian listed companies over the period between 2007 and 2020.

3. A look at the Italian context: the shareholder base in Italian listed companies

Taking a closer look at Italy, Aganin and Volpin (2005) provide a historical overview of the evolution of ownership, control, and corporate governance for all companies traded on the Milan Stock Exchange from 1900 to 2000. They find that family firms and pyramidal groups are both prominent in corporate governance and prevalent in corporate ownership. Instead, ownership concentration and the separation of ownership and control have followed a nonmonotonic pattern during the Twentieth Century. In line with this result, in a more recent study conducted on a large sample of listed and private companies in the period 2005-2016, Baltruinate et al. (2019) confirm the prominence of family ownership and report high levels of ownership concentration, large overlaps between ownership and control, and an extensive degree of managerial localism.

These findings are consistent with both legal origin theories (La Porta et al. (1998), Glaeser and Shleifer (2002)), and political theories (Roe (2000), Rajan and Zingales (2003), Rajan and Zingales (2004), Pagano and Volpin (2005)) of financial development in the law and finance literature. Indeed, Aminadav and Papaioannou (2020) study corporate control by tracking controlling shareholders for 42,720 listed firms from 127 countries over the period 2004-2014. They reveal that government and family control are pervasive in civil-law countries, where ownership is more concentrated, while ownership is relatively more dispersed in common-law countries. Italy is no exception. In the 244 firms of their sample, 69.5% are controlled by a shareholder with more than 20% of the voting rights, 36.1% are family-controlled and 3.8% are government controlled. On average, the one, three and five largest shareholders account for the 44%, 58.8% and 63.1% of the voting rights, respectively. Only 4.9% of widely held firms have no shareholder with more than 5% of the voting rights, while 25.6% of them have at least one such shareholder.

The high degree of ownership concentration and the existence of controlling shareholders or at least the presence of shareholders with substantial voting power in widely held companies makes Italy an ideal setting for our study of shareholder characteristics and firm performance. In fact, in countries where companies have diffused ownership, the identity of the shareholders is not much of an issue. For a similar reason, we focus our study on listed companies only. Our rationale is that being public as opposed to private shortens managerial time horizons (Asker et al. (2015), Chen et al. (2015), Gad et al. (2017) and Giannetti and Yu (2020)), which leads to more severe agency costs.

Sample description

This paper studies a sample of Italian listed companies for which detailed information on the ownership structure can be retrieved from CONSOB archives. The advantage of using the CONSOB database is twofold. First, it reports the names of all the shareholders in any company with more than 2% of voting rights. This information is produced twice a year: in June and in December. In general, other studies in the literature that consider firms from other countries or use alternative sources of information to identify shareholders' ownership characteristics can only capture shareholders with more than 5% voting rights. On the contrary, the CONSOB database reports all stakes by ultimate shareholders that own at least 2% directly or indirectly. The second advantage of using the CONSOB database is that it reports the voting rights of each shareholder. Therefore, we study firm performance together with voting rights from 2007 through 2019.[2]

The sample used for this analysis includes only the companies for which performance data was retrievable from Refinitiv. In particular, we manually assigned to each company name appearing on the CONSOB files its unique ISIN code, in order to carry out the matching. Firms with incomplete data or with outliers were excluded.[3] Our final sample is relatively balanced, consisting of 295 companies in total, alternating within the years of analysis; of these 25 are listed throughout the whole period of analysis (13 years). This results in a total of 1,957 firm-year observations. Table 1 reports the sample by year of analysis.

[2] For the fiscal year 2019, ownership information was not published on 31 December 2019, so we used ownership information as of 30 June 2020, and assume that no substantial change occurred from 31 December 2019 through 30 June 2020.

[3] We define outliers as all observations for which the price, the beta or the revenues lie above the 99th-percentile or below the 1st percentile of their distributions, and those for which the return on equity, the return on net assets or the growth of the number of employees lie below the 5th- or above the 95th-percentile of their distributions. We also excluded observations for which the sum of all stakes reported in the CONSOB archives was larger than 90%.

Table 1 Sample breakdown by year

YEAR	N. OBS.
2007	142
2008	160
2009	164
2010	163
2011	162
2012	158
2013	151
2014	141
2015	129
2016	144
2017	144
2018	139
2019	160
TOTAL	1,957

The number of companies observed each year ranges between a minimum of 129 in 2015 and a maximum of 164 in 2009.

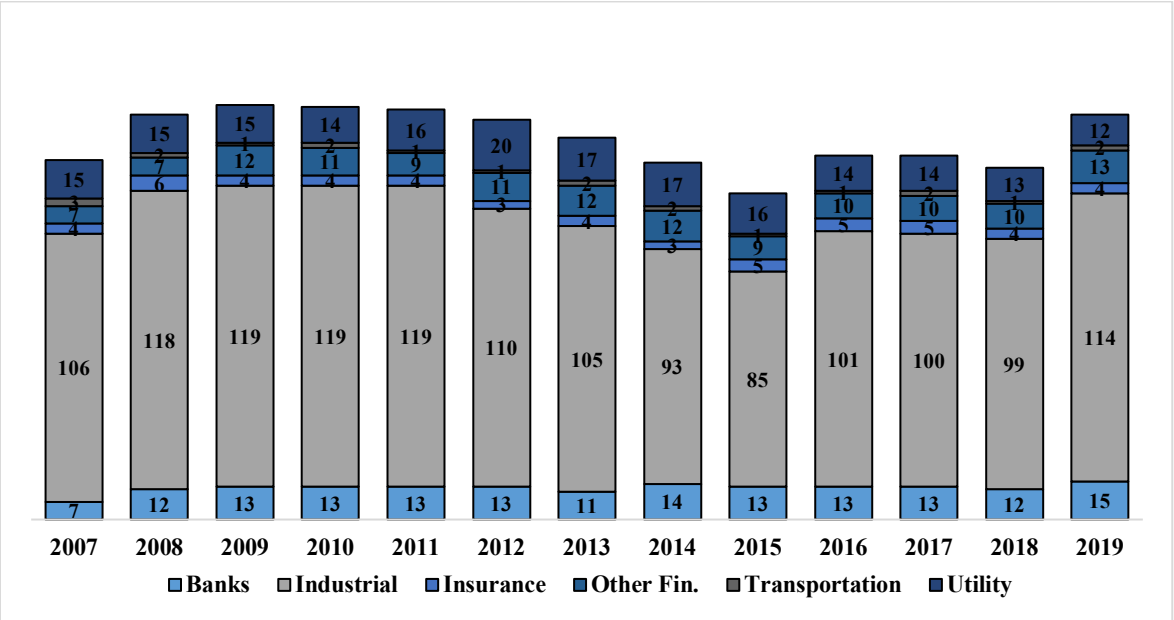
Not only are the firms in our sample diverse with regard to their shareholding structure, but also in terms of industry. Table 2 reports the industry breakdown of our sample according to the Refinitiv general industry classification. Industrial companies account for the majority of the observations in our sample, at approximately 70%. Banks, insurance companies and other financial institutions represent approximately 18% of the sample. The remainder is split between utilities and transportation.

Table 2 Sample breakdown by industry

Industry	Num. Obs.	Percentage
Banks	162	8.47%
Industrial	1,388	70.47%
Insurance	55	2.86%
Other Financial Inst.	133	6.89%
Transportation	21	1.28%
Utility	198	10.12%
TOTAL	**1,957**	**100.00%**

Figure 1 provides further insight into the composition of the sample by breaking it down by year. The distribution of observations across industries remains stable over time.

Figure 1 Sample breakdown by year and industry



As the figure shows, every year, the most represented sector is the industrial one, followed by utility companies. Looking at the evolution of the number of firms belonging to each industry throughout the whole period of analysis, it can be said that the sector breakdown is stable for the entire time frame, with the exception of banks. From 7 observations for this industry in 2007, the figure more than doubled (to 15) in 2019.

The CONSOB archives we have collected report overall more than 1,250 unique ultimate shareholders that repeat multiple times for many companies throughout the whole period and account for 10,146 observations overall, as oftentimes multiple shareholders own shares for the same company at the same time. It is important to underline that in this analysis, voting rights attributed to Treasury Stocks and floating shares are excluded.

For each shareholder category, we collected relevant information to classify them into one of the following mutually exclusive categories:

- Private Citizen
- Trust
- Family Office
- Industrial Group
- Association/Foundation/Cooperative (Association, for short)
- Financial Institution
- Government

Within financial institutions we further distinguish between: Advisory, Asset Management, Insurance, Bank, Fund, Hedge Fund, Private Equity Investor, Investment Firm. Table 3 reports the whole population of shareholders observations, grouped together according to the above criteria. In addition, we also classified shareholders as domestic or foreign, with the latter accounting for 29% of the observations.

Table 3 Number of shareholder types across the entire sample

Shareholder Typology	Num. Obs.	Percentage
Financial Institution	**4,177**	**41.17%**
Advisory	*22*	*0.53%*
Asset Management	*884*	*21.16%*
Insurance	*606*	*14.51%*
Bank	*1,055*	*25.26%*
Fund	*1,028*	*24.61%*

Hedge Fund	*258*	*6.18%*
Private Equity Investor	*216*	*5.17%*
Investment Firm	*97*	*2.32%*
Other	*11*	*0.26%*
Family Office	**915**	**9.02%**
Associations	**410**	**4.04%**
Industrial Group	**652**	**6.43%**
Private Citizen	**3,263**	**32.16%**
Government	**534**	**5.26%**
Trust	**195**	**1.92%**
TOTAL	**10,146**	**100.00%**

Table 3 shows that there are two types of shareholders that recur throughout the whole sample: Financial Institution and Private Citizen. Financial Institutions account for more than 40% of the overall sample; this category is mostly represented by Banks and Funds, each corresponding to approximately 25% of the Financial Institution shareholders.

Table 4 breaks down the sample by industry and reports the average stake for each shareholder type.[4] As the table shows, one-fifth (20.91%) of Bank shares are on average held by another Financial Institution. On the contrary, around one-third of the shares of Industrial companies are held by Private Citizens (29.61%), on average. Concerning Transportation, there are two shareholder types that hold the most shares in these companies: the Government, which plays a very important role with an average of 30.16% of the shares, and Industrial Group with around 26%. Not surprisingly, the Government also plays a crucial role for Utilities, where it holds more than 20% of voting rights.

In the light of the picture presented in Table 3 and Table 4, it is interesting to note how in Table 3 the number of Governmental entities that hold a stake larger than 2% is relatively low (5.25%). However, taking a closer look (Table 4), it is evident that in the few cases when the State wants to invest, the magnitude of the stake is high.

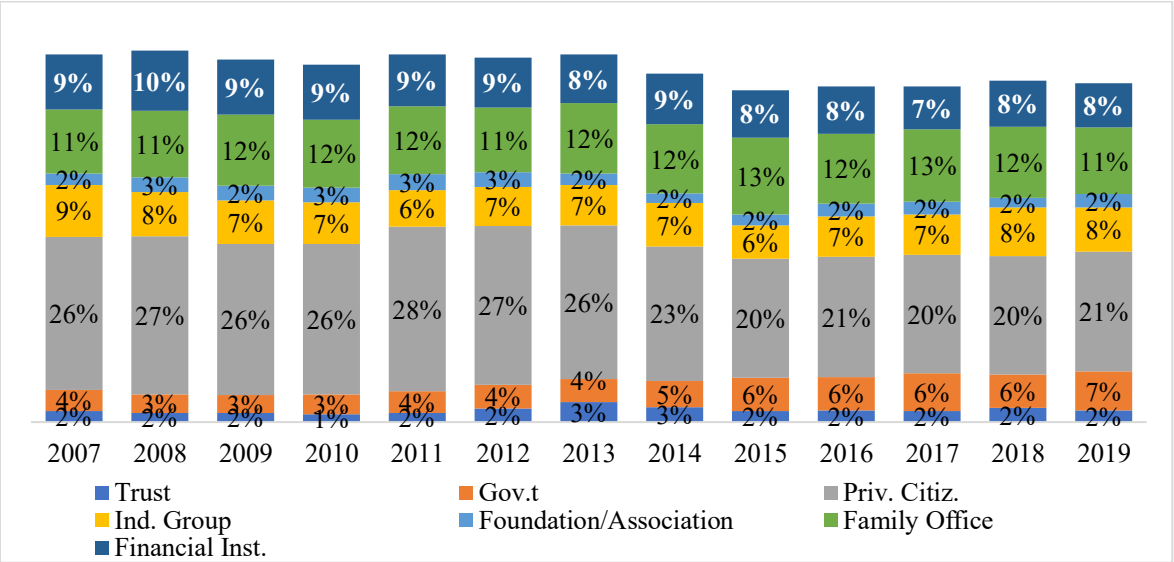
Table 4 Average ownership stake by industrial classification

Industry	**Financial Institution**	**Family Office**	**Associations**	**Industrial Group**	**Private Citizen**	**Government**	**Trust**
Banks	20.91%	5.07%	4.84%	0.28%	9.19%	2.50%	0.90%
Industrial	7.40%	13.71%	1.67%	7.30%	29.61%	2.17%	2.36%
Insurance	11.93%	4.03%	11.20	1.26%	13.62%	5.88%	0.53%
Other Fin. Inst.	15.29%	9.22%	4.34%	7.87%	17.47%	0.99%	1.68%
Transportation	3.41%	8.62%	0.00%	25.97%	4.89%	30.16%	0.00%
Utility	2.82%	8.63%	0.29%	11.62%	8.24%	22.25%	1.53%

Figure 2 presents the breakdown of the average stake of each shareholder type by year. The trend does not vary too much for most categories of shareholders, with the exception of Private Citizens which hold a minimum of 20% in 2015 and a maximum of 28% in 2011. When looking at the figure below, it is important to remember that in this analysis we considered neither Treasury Stock nor floating shares.

[4] The average stake is unconditional as it also takes into consideration the firms that have a 0% stake of the different types of shareholders.

Figure 2 Average ownership stake by year



4. Empirical analysis: are shareholder ownership characteristics related to firm performance?

The picture that emerges from the literature review in Section 2 is that the existing theory appears to be inconclusive. The nature of the research question in the title of this section is therefore empirical. However, a firm's observed ownership structure is anything but random. Investors choose the firms they hold in their portfolios and managers can attempt to influence the ownership structure of their firms in an attempt to attract certain types of investors and not others (Bushee and Miller (2012) and Karolyi and Liao (2015)). As a result of this endogeneity, identifying causal effects is a complex task. As for most other empirical papers in this literature, the analysis we propose is therefore focused on deciphering the correlations among our variables of interest rather than establishing causal links between them.

We explore the relationship between shareholder characteristics and firm performance by means of a series of panel regressions with different measures of market or financial performance as dependent variables.

An empirical challenge common to all studies focusing on listed firms is that the size distribution of listed firms is highly skewed. Very large, medium and small listed firms differ along numerous dimensions (Gabaix (2009) and Gabaix (2016)); control patterns are likely to vary as well (Tirole (2006) and Holderness (2016)). To overcome this problem, all our model specifications include a control for firm size, as proxied by the logarithmic transformation of total revenues. Moreover, we conduct our analysis using firm-level fixed effects as well as the year-level fixed effects. This allows us to capture within-firm effects and thus control for unobservable cross-sectional differences across firms. Finally, year fixed effects let us measure performance in relative terms, compared to all other firms in the same time period.

Description of variables and methodology

We measure firm performance based on both market and growth variables for each firm in each year. More specifically, the former includes the logarithmic transformation of the end-of-year stock price and beta, while the latter are the return on net assets (RONA), the return on equity (ROE) and the variation in the number of employees. These five items represent the alternative dependent variables in our analysis; for each of them there is a specific regression model.

Using the information available from the CONSOB files, we then compute for each firm-year observation in our sample a broad set of variables to capture ownership structure and shareholder characteristics. In particular, following previous literature, we measure Ownership Concentration

based on the total share of voting rights of the three largest shareholders (if any). In case the CONSOB file reports only 1 or 2 shareholders for a specific observation, the Ownership Concentration variable represents the voting rights of those 1 or 2 shareholders. Then, we build an indicator variable that takes the value of 1 in the presence of a controlling shareholder, and 0 otherwise. To apply the classification of "controlling position" we require that a shareholder control more than 50% of the voting rights. Ownership by each different type of shareholder is captured by means of a variable measuring the voting rights percentage in the hands of each shareholder type. These are the independent variables that we deploy in our baseline specification models.

For an alternative model specification, we then construct a set of alternative variables to capture the qualitative dimensions of shareholders' ownership characteristics and in particular the presence of one or more Fulcrum shareholders and their identities. Following the thresholds used in the literature (see for example Aminadav et al. (2020)), we build one indicator variable for each type of shareholder, taking the value of 1 if that type of shareholder has more than 20% voting rights, and 0 otherwise.

Table 5 provides a summary of the variables used in this study, along with a brief description, and lists their sources.

Table 5 Variables Description

Variables	Description	Source
Performance:		
Price	Stock Price. Continuous variable measured at the year- and month-end, expressed in euros.	Refinitiv
Beta	Continuous variable capturing the levered beta of a company stock returns.	Refinitiv
ROE	Return on Equity. Continuous variable measured as a percentage of Net Income over Equity Book value	Elaborated from Refinitiv data inputs
RONA	Return on Net Assets. Continuous variable computed as Earnings Before Interests and Taxes (EBIT) over Net Invested Capital.	Elaborated from Refinitiv data inputs
Employee Variation	Continuous variable computed as the year-on-year percentage change in the number employees.	Elaborated from Refinitiv data inputs
Ownership Type:		
%voting rights	Set of eight continuous variables, each one representing the percentage of the voting rights held by the corresponding shareholder type: *Family Office, Financial Institution, Association, Government, Industrial group, Personal Citizen, Trust and International Shareholder.*	Elaborated from CONSOB data inputs
Fulcrum	Set of seven indicator variables equal to 1 if a specific shareholder category holds more than 20% of voting rights and 0 otherwise: *Family Office, Financial Institution, Association, Government, Industrial group, Personal Citizen, Trust and International Shareholder.*	Elaborated from CONSOB data inputs
Controls		
Revenues	Continuous variable aimed to capture firm size. Measured in thousands of euros.	Refinitiv
Ownership Concentration	Continuous variable measuring the voting rights in percentage terms held by the 3 (or less) largest shareholders.	
Controlling Shareholder	Indicator variable equal to 1 in the presence of a controlling shareholder with more than 50% of the voting rights and 0 otherwise.	Elaborated from CONSOB data inputs

Summary statistics for all the variables are computed for the entire sample and reported in Table 5.

Table 6 Sample Summary Statistics

Variable	Obs.	Std. Dev	Min	Median	Mean	Max
Beta	1,957	0.39	0.098	0.87	0.90	2.30
Revenues	1,957	7.49	1,579.00	416,589.00	2,570,874.47	73,134,000.00
Price	1,957	12.54	0.04	3.27	7.48	144.44
ROE	1,957	0.14	-0.69	0.06	0.04	0.41
RONA	1,957	0.11	-0.41	0.08	0.08	0.40
Employees Variation	1,957	0.09	-0.20	0.10	0.02	0.38
Ownership Conc.	1,957	19.00	2.00	61.59	57.00	89.83
Control	1,957	0.49	0.00	1.00	0.56	1.00
%vot Fin.	1,957	16.25	0.00	3.09	8.67	89.00
%vot Fam. Off	1,957	22.61	0.00	4.99	11.84	84.00
%vot Found. Ass.n	1,957	9.49	0.00	0.00	2.22	73.76
%vot Ind. Group	1,957	17.68	0.00	0.00	7.22	89.83
%vot Priv. Citiz	1,957	29.04	0.00	5.98	24.21	88.25
%vot Gov.t	1,957	13.98	0.00	0.00	4.55	88.15
%vot Trust	1,957	10.05	0.00	0.00	2.03	75.02
Fulcrum Fin.	1,957	0.31	0.00	0.11	0.00	1.00
Fulcrum Fam. Off	1,957	0.41	0.00	0.21	0.00	1.00
Fulcrum Found. Ass.n	1,957	0.19	0.00	0.04	0.00	1.00
Fulcrum Ind. Group	1,957	0.33	0.00	0.12	0.00	1.00
Fulcrum Priv. Citiz	1,957	0.49	0.00	0.38	0.00	1.00
Fulcrum Gov.t	1,957	0.29	0.00	0.09	0.00	1.00
Fulcrum Trust	1,957	0.18	0.00	0.03	0.00	1.00
%vot Int.l Shar.	1,957	17.64	0.00	2.22	9.60	88.99
Fulcrum Int.l Shar	1,957	0.34	0.00	0.13	0.00	1.00

Our sample includes firms with very different characteristics. Size ranges from minimum revenues of €1.6 million to maximum €73 billion, with an average value of €2.5 billion and a median of €417 million. On average, firms report a positive ROE (4%), with a standard deviation of 14%, and a positive RONA (8%), with a standard deviation of 11%. The number of employees grows at an average rate of 2%.

Summary statistics on ownership variables confirm the findings of the existing literature discussed in Section 3 (Aganin and Volpin (2005), Baltruinate et al. (2019) and Aminadav et al. (2020). More than half of the companies in our sample (56%) have a controlling shareholder. Ownership concentration in the top 3 shareholders is high on average, 57%, and can reach up to 89.8%. Approximately 38% have a Private Citizen as a fulcrum shareholder, and 21% have a Family Office, while only 11% have a Financial Institution with more than 20% of the voting rights. Comparing ownership stakes across shareholder types, their average size is larger for Private Citizens and Family Offices – around 24% and 12%, respectively.

Concerning the international profile of shareholders, it can be observed how the median and average percentage of voting rights of foreign investors is very low; 2% and 10%, respectively. More specifically, only 7% of the overall sample (namely 129 observations) are controlled by an international shareholder.

The most relevant pairwise correlations between the variables in our analysis are presented in Table 6.[5] On one hand, the correlation coefficients among ownership variables allows us to exclude strong correlations that could thwart the consistency of the regression analysis to follow in Section 4. Not surprisingly, a higher share of the voting rights in the hands of one type of shareholder corresponds to lower shares for the other categories. Analogously, ownership concentration is positively correlated with the share of the voting rights held by all different types of shareholders, except for Association and Government or Trust. The presence of a controlling shareholder is also positively correlated with

[5] Pairwise correlation is not computed for the dichotomous independent variables.

the voting rights of the Family Office, Industrial Group and Private Citizen categories, while it is negatively correlated with State ownership. We interpret this as an indication that when the State intervenes in the equity of a company, it is generally via significant but minority participations.

On the other hand, pairwise correlation coefficients between ownership variables and performance metrics are not particularly informative about their associations. A rigorous study of the relationships between these variables requires the type of multivariate regression analysis that we describe in Section 4. However, as a primer of the analysis to follow, some correlations can be highlighted:

- The share of the voting rights held by Family Office, Industrial Group, Private Citizen, and Government is negatively correlated with Beta. This could suggest that a more defined shareholders' base is associated with lower risk, consistent also with the negative correlation of Beta with ownership concentration as well as the presence of a controlling shareholder.
- The share of voting rights of international shareholders is positively correlated with both RONA and employees' growth. We interpret this as a possible indication that foreign shareholders play a role in promoting governance improvements in the country where they invest, consistent with Aggarwal et al. (2011).
- The Association category is negatively correlated with both ROE and RONA, possibly in line with the nature of the ownership, whose goals typically go beyond value creation.
- State ownership is positively correlated with ROE, while the share of voting rights is negatively correlated with RONA. This finding could be due to the fact that these two categories of shareholders invest in very specific types of companies, for example. Nonetheless, the difficulty in interpreting these results clearly shows the limits of our study and calls for a deeper study of all these relationships in the context of a multivariate regression analysis in Section 4.

Table 7 Pairwise Correlation

		Beta	Ln Rev.	Ln Price	ROE	RONA	Emp. Var	Own. Conc.	Control	%vot Fin.	%vot Fam. Off	%vot Ass.n	%vot Ind. Group	Pr
Beta	Corr.	1.0000												
	Sign.													
Ln Rev.	Corr.	**0.2047**	1.0000											
	Sign.	0.0000												
Ln Price	Corr.	**-0.0460**	**0.1658**	1.0000										
	Sign.	0.0418	0.0000											
ROE	Corr.	**-0.1731**	**0.1941**	**0.3599**	1.0000									
	Sign.	0.0000	0.0000	0.0000										
RONA	Corr.	**-0.1907**	**0.1820**	**0.4123**	**0.7516**	1.0000								
	Sign.	0.0000	0.0000	0.0000	0.0000									
Empl. Var	Corr.	**-0.0687**	**-0.0442**	**0.1586**	**0.2318**	**0.2312**	1.0000							
	Sign.	0.0024	0.0504	0.0003	0.0000	0.0000								
Ownership Conc.	Corr.	**-0.2415**	**-0.2341**	**-0.0992**	-0.0099	**0.0433**	-0.0230	1.0000						
	Sign.	0.0000	0.0000	0.0198	0.6602	0.0556	0.3097							
Control	Corr.	**-0.1688**	**-0.1102**	-0.0226	-0.0284	**0.0487**	**0.0477**	0.6790	1.0000					
	Sign.	0.0000	0.0000	0.3169	0.2095	0.0312	0.0348	0.0000						
%vot Fin.	Corr.	0.0167	**-0.0408**	**0.0660**	-0.0203	-0.0026	0.0136	**0.1041**	0.362	1.0000				
	Sign.	0.4601	0.0713	0.0035	0.3694	0.9093	0.5489	0.0000	0.1093					
%vot Fam. Off	Corr.	**-0.0789**	**0.0384**	**0.1015**	0.0245	0.0238	-0.0177	**0.1985**	**0.2274**	**-0.1428**	1.0000			
	Sign.	0.0005	0.0892	0.0000	0.2794	0.2936	0.4347	0.0000	0.0000	0.0000				
%vot Association	Corr.	0.0331	0.0230	**0.0498**	**-0.0508**	**-0.1014**	-0.0223	-0.0106	-0.0285	-0.0112	**-0.0945**	1.0000		
	Sign.	0.1432	0.3098	0.0277	0.0248	0.0000	0.3244	0.6394	0.2082	0.6216	0.0000			
%vot Ind. Group	Corr.	**-0.0712**	**-0.0836**	**-0.1825**	-0.0179	0.0011	-0.0111	**0.1060**	**0.1074**	**-0.1276**	**-0.1921**	**-0.0456**	1.0000	
	Sign.	0.0016	0.0002	0.0000	0.4292	0.9614	0.6251	0.0000	0.0000	0.0000	0.0000	0.0439		
%vot Priv. Citiz	Corr.	**-0.0450**	**-0.2684**	**-0.0483**	-0.0044	**-0.0572**	-0.0353	**0.2740**	**0.1330**	**-0-2139**	**-0.3435**	**-0.1711**	**-0.2793**	1.00
	Sign.	0.0466	0.0000	0.0328	0.8456	0.0014	0.1187	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
%vot Gov.t	Corr.	**-0.0727**	**0.2615**	-0.0097	**0.0512**	-0.0060	-0.0346	-0.0187	**-0.1307**	**-0.1128**	**-0.1483**	**-0.0566**	**-0.0443**	**-0.2**
	Sign.	0.0013	0.0000	0.6690	0.0236	0.7924	0.1260	0.4082	0.0000	0.0000	0.0000	0.0123	0.0503	0.00
%vot Trust	Corr.	0.0044	-0.0207	-0.0270	-0.0294	0.0025	-0.0150	**-0.0763**	**0.0457**	**-0.0289**	**-0.0947**	**-0.0444**	**-0.0700**	**-0.1**
	Sign.	0.8460	0.3601	0.2330	0.1938	0.9113	0.5063	0,0007	0.0430	0.2020	0.0000	0.0495	0.0020	0.00
%vot Foreign	Corr.	-0.0063	-0.0337	-0.0028	0.0050	**0.0559**	**0.0418**	**0.0695**	0.0192	**0.2909**	**-0.1770**	**-0.0710**	**0.1637**	**-0.1**
	Sign.	0.7807	0.1365	0.9017	0.8251	0.0134	0.0643	0.0021	0.3967	0.0000	0.0000	0.0017	0.0000	0.00

Legend: statistically significant correlation coefficients are reported in boldface.

Results

The results from the estimation of our baseline panel regression with firm and year fixed effects are reported in Table 7 and represented graphically in Figure 3. In particular, Table 7 reports the estimated coefficients obtained from the linear regression of five different performance metrics as dependent variables.

Looking at shareholder characteristics we find that higher stock market valuations are associated with a higher share of voting rights held by different types of shareholders: namely, Family Offices, Private Citizen, Industrial Group and foreign shareholders. In our model specification (II), where Price is the dependent variable, all the corresponding coefficients are positive and significant at least at the 5%-level, and in the case of Private Citizen at the 1%-level. We interpret these results as evidence in support of the theories advocating that stable, long-term shareholders are key to reducing agency costs and guaranteeing management the necessary support to abandon short-termism to pursue long-term value maximization. In the case of International Shareholder, in particular, the results are consistent with the theories pointing to foreign ownership as exerting disciplinary pressure on entrenched corporate insiders.

Figure 3, which plots the estimated coefficients alongside their 90%-confidence intervals, compares the magnitude of these effects. No significant difference is observed across shareholder types, as the confidence intervals are always overlapping.

The greater the voting rights held by the Private Citizen category, the better the performance of the company, also in terms of ROE and RONA. The corresponding coefficients in our model specifications (III) and (IV) are both positive and significant at the 10%- and 5%-level, respectively. Consistent with the arguments focusing on lower information asymmetry and agency costs, we interpret these results as indirect evidence that some degree of direct and active involvement of the company founder or founding family members, who largely populate the Private Citizen category, is a key driver of superior performances.

In the case of Financial Institution, superior performances are only observed in terms of RONA. The corresponding coefficient in our model specification (IV) is positive and significant at the 10%-level. Further, we find that growth in the number of employees is higher for companies with a larger share of voting rights held by the Industrial Group and Private Citizen shareholder types. Both coefficients are positive and statistically significant at the 10%-level in model specification (V), with Employee Growth as a dependent variable.

Different shareholder types do not seem to be related in any significant way with company risk, however. None of the corresponding coefficients is significant at any one of the conventional significance levels in our model specification (I), with Beta as a dependent variable.

Finally, regarding the control variables, we find that higher levels of ownership concentration are associated with lower stock market valuations in Model (II) and lower RONA in Model (IV). Both coefficients are negative and significant at the 1% and 5%-level, respectively. Still, the presence of a controlling shareholder is associated instead with a better market performance and lower risk. The corresponding coefficients in Model (I) and (II) are both significant at the 1%-level. Finally, size, proxied by revenues, is also a significant determinant of firm performance. Consistent with the existing literature, larger companies are associated with higher stock market valuations, lower risk, higher profitability (in terms of ROE and RONA), and higher growth in the number of employees. The corresponding coefficients are significant across all our model specifications.

Table 8 Baseline model regression results

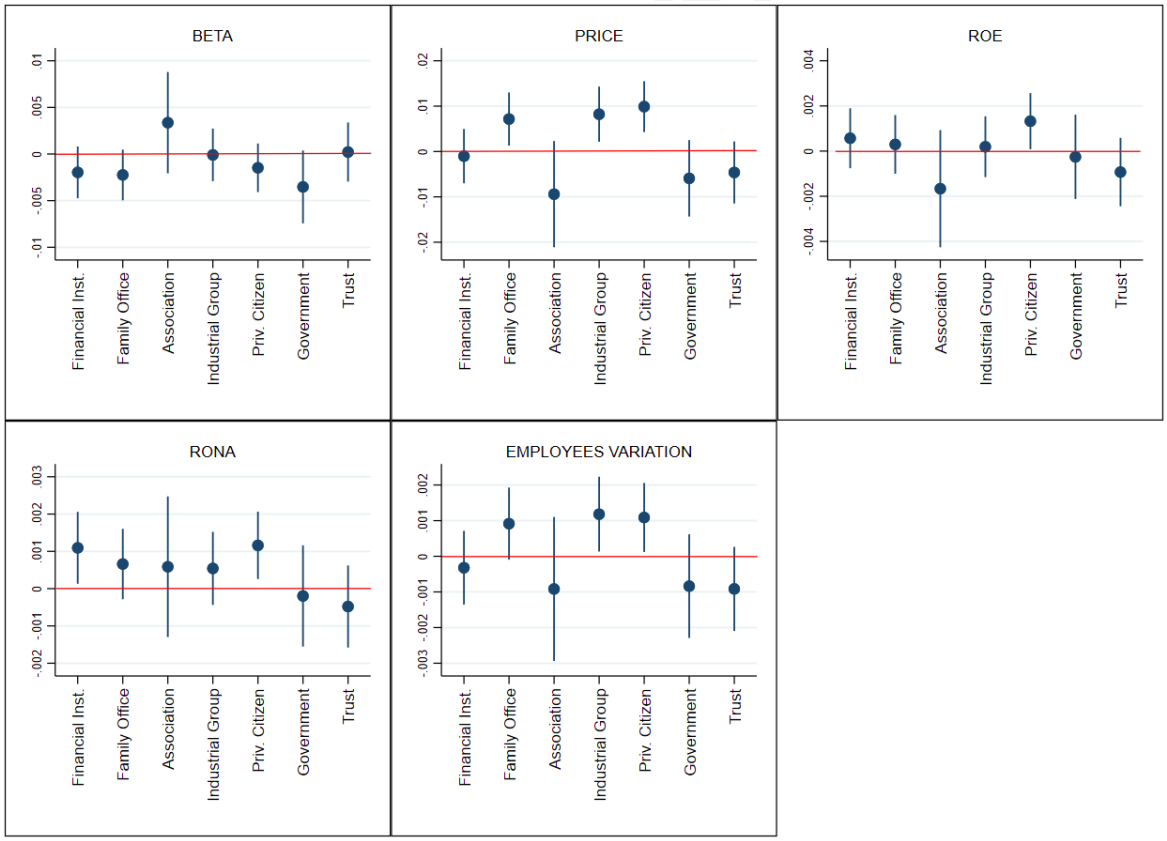
	(I) Beta	(II) Price (Ln)	(III) ROE	(IV) RONA	(V) Empl. Var
Rev (ln)	-0.0253*	0.3498***	0.0134**	0.0196***	0.0104**
Ownership Conc.	0.0003	-0.0203***	-0.0004	-0.0012**	-0.0009
Control	-0.0882***	0.2681***	-0.0031	0.0056	-0.0186
%vot Financial Inst.	-0.0020	-0.0010	0.0006	0.0011*	-0.0003

%vot Fam. Off	-0.0022	0.0072**	0.0003	0.0007	0.0009
%vot Association	0.0034	-0.0094	-0.0017	0.0006	-0.0009
%vot Ind. Group	-0.0001	0.0082**	0.0002	0.0005	0.0012*
%vot Priv. Citiz	-0.0015	0.0099***	0.0013*	0.0012**	0.0011*
%vot Gov.t	-0.0035	-0.0059	-0.0003	-0.0002	-0.0008
%vot Trust	0.0002	-0.0046	-0.0009	-0.0005	-0.0009
%vot Int.l Shareholder	0.0003	0.0040**	0.0004	0.0003	0.0006

*Legend: * p<0.1; ** p<0.05; *** p<0.01*

Figure 3 allows us to compare the magnitude of the coefficients corresponding to the different shareholder types in each model. No significant difference is observed across shareholder types. As in the case of stock market valuations (Model (II)), also for all the other model specifications, the confidence intervals of the statistically significant coefficients are always overlapping. When more than one type of shareholder is significantly related with a given performance metric, we cannot say which one has the strongest influence.

Figure 3 Baseline regression results – estimated coefficients and their confidence intervals (90%-level)



In a second specification of our models, we concentrate our analysis on what we define to be a key fulcrum investor, a shareholder that owns more than 20% of voting rights. These alternative model specifications depart from our baseline analysis by featuring as the determinants of performance a set of indicator variables that identify the presence of a specific type of key fulcrum shareholder instead of the continuous variables with the percentage of voting rights of each shareholder type. This analysis allows us to more clearly grasp eventual non-linearities in the relationships between ownership variables and firm performance. The results, shown in Table 8 and Figure 4, are consistent with those obtained from our baseline model specification. However, some new evidence emerges from the analysis.

The presence of an Industrial Group or an International Shareholder as fulcrum shareholder is associated with higher risk. Both coefficients are significant at the 5%-level in Model Specification (I) with Beta as dependent variable. In the case of the International Shareholder category, the results are consistent with previous findings in the literature showing that foreign institutional ownership increases corporate risk-taking, measured in terms of earnings volatility (Boubakri et al. 2013).

Concerning stock valuations, the findings of the baseline analysis are confirmed. The market positively values the presence of a fulcrum investor, either a Family Office, Industrial Group or Private Citizen type. However, two additional significant relationships emerge. Both the Trust and the Government categories are negatively associated with stock market valuations. The corresponding coefficients in Model (II) are both negative and statistically significant at the 10%-level. In the latter case, in particular, we interpret the result as indirect evidence that while the presence of the State should not necessarily be detrimental to the performance of the firm, the market is concerned that it could still have long-term impact on value maximization.

In the case of ROE and RONA, and Employee Growth too, the findings of the baseline analysis are confirmed when the role of fulcrum shareholders is considered in Models (III), (IV) and (V), respectively. However, the change in the number of employees is now also positively associated with the presence of a fulcrum shareholder of the Family Office type and negatively associated with a Trust type. The corresponding coefficients are significant at the 5%- and 1%-levels, respectively. We interpret these opposite effects as possibly reflecting the diverse ties between shareholders and employees under different ownership models, with more engaged family shareholders as opposed to relatively more detached Trust owners.

Table 9 Alternative model specification results

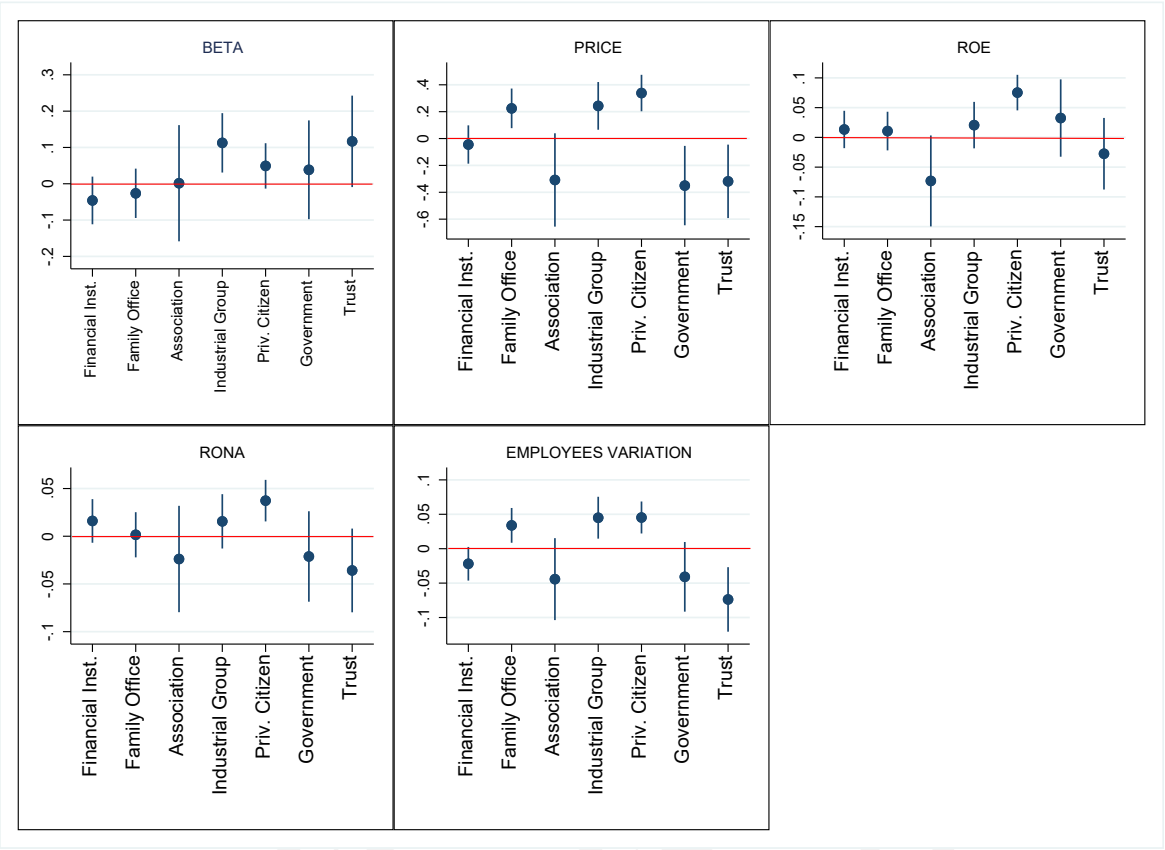
	(I) Beta		(II) Price (Ln)		(III) ROE		(IV) RONA		(V) Empl. Var	
Rev (ln)	-0.0237	*	0.3599	***	0.0152	**	0.0204	***	0.0123	**
Ownership Conc.	-0.0019	*	-0.0164	***	-0.0003		-0.0006	*	-0.0006	*
Control	-0.0726	**	0.3124	***	0.0074		0.0066		-0.0120	
Fulcrum Financial Inst.	-0.0460		-0.0446		0.0133		0.016		-0.0219	
Fulcrum Fam. Off	-0.0263		0.2245	**	0.0106		0.0015		0.0339	**
Fulcrum Association	0.0014		-0.3082		-0.0732		-0.0239		-0.0442	
Fulcrum Ind. Group	0.1127	**	0.243	**	0.0206		0.0156		0.0450	**
Fulcrum Priv. Citiz	0.0492		0.3385	***	0.0753	***	0.0373	***	0.0454	***
Fulcrum Gov.t	0.0384		-0.3502	*	0.0325		-0.0212		-0.0409	
Fulcrum Trust	0.1168		-0.3187	*	-0.0275		-0.0359		-0.0737	***
Fulcrum Int.l Shareholder	0.0730	**	-0.0062		0.0201		0.0042		0.0178	

*Legend: * p<0.1; ** p<0.05; *** p<0.01*

Concluding this section, Figure 4 compares the magnitude of the effects described above based on 90%-confidence intervals of the corresponding regression coefficients.

As in the case of our baseline analysis, also for these alternative model specifications focused on the role of fulcrum shareholders, the confidence intervals of the statistically significant coefficients are always overlapping. When more than one type of shareholder is related to a given performance metric significantly and accordingly (i.e., with the same sign), we cannot say which one has the strongest influence. We can only distinguish between coefficients with opposite signs, as in the case of Family Office, Industrial Group, and Private Citizen fulcrum shareholders versus Government and Trust in Model (II) or versus Trust in Model (V).

Figure 4 Alternative model specification results: estimated coefficients and their confidence intervals (90%-level)



5. Conclusions and Policy Recommendations

Consistent with previous studies, the picture that emerges from our analysis shows that the ownership structure of Italian companies is characterized by a high degree of concentration and the existence of controlling shareholders, or at least a pervasive presence of shareholders with substantial voting power. At the same time, foreign shareholders account for a very small part of the shareholder base.

Our analysis shows that this is not necessarily all bad news. Admittedly, our results are not always significant and robust to alternative specifications. In any case, we find that the presence of a controlling or fulcrum shareholder is in general associated with better performance. This finding is consistent with the theories advocating the view that stable, long-term shareholders are the key to reducing agency costs and guaranteeing management the necessary support to abandon short-termism to pursue long-term value maximization.

Moreover, in this context, we provide extensive evidence on the correlation between firm performance and different types of shareholders. In particular, the market seems to positively value a significant presence of private citizens (who are largely founding family members) or family ownership more generally. Consistent with the arguments pointing to lower information asymmetry and agency costs, we reveal that these firms perform relatively better in terms of ROE and RONA, and the number of their employees grows at a faster rate. The fact that these effects are milder for family offices can be interpreted as indirect evidence that some degree of direct and active involvement of the company founder is a key driver for superior performances.

Two other results worth mentioning emerge when we take a closer look at foreign shareholders and State ownership. Consistent with the theories centering on foreign ownership exerting a disciplinary role on entrenched corporate insiders, we find that a larger share of voting rights held by an international shareholder is associated with higher market valuations. In addition, firms with a foreign fulcrum investor are perceived as relatively riskier. On the contrary, firms in which the State

is a fulcrum investor are associated with lower market prices. This is consistent with the argument that while the presence of the State should not necessarily be detrimental to the performance of the firm, the market is concerned that it could still have long-term impact on value maximization.

These findings are noteworthy from a number of different perspectives. First, they provide novel insights into the long-standing debate on whether the growth potential of Italian firms is hindered by their highly concentrated, family-controlled ownership structure. We show that for listed companies, this is not the case. Our results suggest that the scrutiny of the market and the governance mechanisms imposed by listed status prevents concentrated ownership from harming minority shareholders. In this context, family control converts into what may well be the clearest example of the enduring support that provides management with a sufficiently long-term view to pursue value maximization for shareholders. However, we recognize that this result cannot be generalized to private firms, where concentrated ownership can misplace incentives and the goal of retaining control can severely undermine performance.

A second takeaway from our analysis relates to the discussion of the pros and cons of opening up the Italian shareholder base to more foreign ownership. Our findings in this respect need to be taken with a grain of salt, given the very limited presence of fulcrum foreign shareholders in our sample. Yet, our results do suggest that a larger presence of foreign shareholders is beneficial to firm performance, at least from the point of view of investors. This evidence is particularly striking when taken in context of the comeback of protectionism on the political scene and the increased intervention of the State in the economy. However, on the positive side, the adoption of the *Codice di Autodisciplina delle Società Quotate*, with the self-discipline and the good practices of corporate governance it requires of Italian listed companies, is expected to pique the interest of foreign shareholders to take on controlling or fulcrum stakes in Italian listed companies.

Finally, in a context in which the State is once again taking a central role in many sectors of the economy, directly or through its ad-hoc investment arms such as the *Cassa Depositi e Prestiti*, our analysis sheds some light on investors' concerns that State ownership serves broader interests than solely those of shareholders. Here too our findings should not be generalized. While State ownership is growing year by year, the number of companies in our sample that have the State as a fulcrum investor is limited to only a handful. Moreover, to date, State intervention in the equity capital of companies is usually the result of rescue programs.

However, the conclusions of this paper cannot remain indifferent to what has happened since the beginning of 2020. Indeed, in terms of policy, deep reflection is needed. The questions we have to ask are: What type of listed companies do we want? Which governance structure is best suited to develop growth paths? What policy actions are needed to create an attractive eco-system for investors? What has happened - and to a large extent is still happening - will have consequences for many years to come (on debt, employment levels, and social welfare). However, right now it is possible and indeed necessary to reflect on how to stem the anomalous wave that has invested us as much as possible. Instead of being overwhelmed, we must try to ride this wave with the economic-financial instruments at our disposal.

In all this, we must also stress that the historical weight of the State in our economy is a structural fact, mainly in light of the deep distortions caused by such a cumbersome presence. (The enormity of our public debt, the slowness of the administrative machinery and the delays in terms of industrial development of many areas of the country are some of the most striking examples.) However, this must not be experienced as an inevitable fate.

The choice in favor of a greater presence of the State, which is a short-term shortcut, can also be corroborated by highlighting the many mistakes that the market has made. However, the public money needed to cope with the emergency will not be enough to cover our historical shortcomings, ranging from the aforementioned public debt to the slow construction of infrastructure, from tax evasion spread by atavistic industrial dwarfism to the inability to acquire foreign companies. For this reason, if we want to recover lost wealth, give work and dignity to all and take advantage of the opportunity to do better in the field of innovation and growth, we need much more. We need banks, markets and above all investors. All these players are in search of positive, real returns in a world

where flat, close-to-zero rates put institutional investors themselves in serious difficulty, and along with them the pension and insurance schemes they offer.

The coming months therefore will be decisive ones for our country. Economic policy choices will have an impact that transcends the same economic dimension. Indeed, the ability to ensure robust and healthy growth has social impacts ranging from boosting employment to shrinking social gaps and reducing poverty. However, these choices have to face three fundamental variables: GDP growth, public debt growth and bank stability. Every decision that needs to be made must involve clear, pragmatic reasoning: the choices that are financed with deficit and lead to an increase in debt are justifiable only if the impact on growth is net and defined. Similarly, the transfer of forms of intervention to banks is only possible if the growth outcomes are just as strong and determined. This means that the real risk to avoid is to go through this new year by generating little growth, while increasing public debt and weakening the banking system. The bill to be paid in 2022, in this case, would be dramatic because a public debt crisis and a banking crisis would lead the country to a dramatic and unprecedented economic and social crisis.

The space and time to act are here, also to avoid the worst scenario in 2022. However, it is necessary to establish some "rules of the game" that must be accepted when the time comes to define intervention schemes (both below and outside of the Recovery Fund), and their implementation, through to the last administrative step. These rules, which will make it possible to manage the triangle between growth, debt and stability of the banking system, are the following:

a) Financial resources do not come only from the State or from Europe. The size of available financial resources is now a multiple of GDP not only in Italy but in the world. Intervention schemes must increasingly leverage available savings, which are in excess and no longer have instruments to invest in, in a market where rates are structurally zero.

b) PPP (public-private-partnership) schemes have a powerful function of making private intervention more accessible, maintaining public direction, and thus multiplying the effect that public resources alone could have.

c) Fiscal leverage plays a decisive role if it heavily and permanently directs companies towards virtuous growth behaviour, which makes increased debt tolerable in the face of probable growth.

d) The policies that carry more debt must always be accompanied by clearly identified objectives of "impact," meaning the support of real projects that range from infrastructures (physical and digital) and encompass the environmental and sustainability dimension.

e) The banking system must be used as an instrument that multiplies the intervention in question in favour of the economy, alongside both PPPs and fiscal incentive schemes.

Privatizations, disposals and liberalizations. If in the past these three concepts were associated with and applied to promote economic development and reduce public debt, today it is no longer necessarily so. Although the monetization of the current portfolio of public participations is a temptation for many, this issue needs to be addressed with clarity, distinguishing between privatizations and disposals, and proposing different choices from case to case which unambiguously define the role of the state shareholder. Our firm conviction is that any public intervention must always have an explicit time limit and a rationale similar to that of private equity, that the previous portfolio must abandon the logic of administration and shift to a value-for-money, that the Public Private Partnership (PPP) approach is spreading rapidly to mobilise more resources and broaden the spectrum of objectives to achieve real economic and social impact.

To steer the strength of the financial system well we need rules and decisive choices. This does not mean marginalising the State or the other European institutions which, by sustaining the market temporarily or providing market mechanisms, must actively support development policies. The recent report by the High-Level Forum on the Capital Market Union provides very clear insights into this, in addition to the creation of a functional eco-system for investors and development.

That is why financial markets and investments play a decisive role, and economic policy decisions must be implemented permanently. Firstly, the use of the financial market and the involvement of

investors (private equity, venture capital, PIR, ELTIF) in support of corporate equity should be promoted. The risk to be avoided is nationalization of interventions in risk capital and a displacement of the market. The way forward instead is to find the conditions so that the intervention of the State is used fully and follows the logic of flanking private capital. Secondly, we need to think about the issue of bank credit and the role of the public guarantee, defined in the early days of the crisis, in Italy and in many European countries. Exploiting the banking channel, although it may be useful in the immediate future, already creates a negative impact in the short term: companies become more indebted and the space for obtaining credit in the future can shrink. Maintaining the public guarantee should in the long term be anchored to a capitalization approach: the public guarantee on credit would be granted only if the company goes on to undertake a capital increase, defined as a fixed percentage of that credit. Finally, again on the debt side, the use of bonds with a maturity of more than ten years, with interest linked to the recovery of turnover or the development of infrastructure projects, is the right choice. This leads to a variety of solutions that extend to bonds dedicated to individual production chains or individual territorial clusters, or social bonds to subsidize deep intervention in areas that need real reconstruction. The salient point is that impact bonds can intercept that widespread demand both from individual investors and savers as well as institutional investors such as pension funds who are looking for real underlying performance and want to achieve goals that can qualify as ESG.

If we have true, committed respect for these fundamental principles (which go far beyond their "technical" nature but take on a political and "manifesto" meaning), we can start identifying a series of concrete actions that can in turn lead to immediate activation.

The first action is to capitalize on all companies across the board. The relaunch of business passes through a determined and capillary action of capitalization. This is the most important challenge for our country, as more risk capital allows enterprises to have both liquidity for immediate survival, but above all the appropriate solidity to plan for revival and growth, with minor risks. Not only that, but more venture capital means more credit, and the ability to get funding from the banking system, making full use of the public guarantee. The common basis, which involves everything from the smallest business to the largest enterprise, is tax leverage. The Revival Decree only partially addresses this aspect. Tax leverage must not only level the difference between debt capital and risk capital, but must encourage virtuous behaviour as well, so that capital consolidation is not a one-off event but becomes a recurring action. Fiscal leverage must act on two sides: the company and the shareholder. In the first case, our country has seen the attempt to insert incentives in this direction several times (the “Visco” DIT, or the Monti Government’s ACE) without creating a structural mechanism. A consolidation of ACE at an attractive rate (well above the current modest 1.3%), and no longer calculated on the change in risk capital, but instead on the full amount, would make the issue of risk capital much more serious.

The second action is to encourage owners and shareholders of all types of businesses to invest part of their savings in their own businesses. In the latter case, shareholders (and therefore the owners of the small business) must have an incentive to transfer part of their wealth to their company. A drastic reduction in dividend taxation for those who hold capital over a certain period of time and, much more courageously, a reduction in the IRES or IRPPEF rate for those who invest in venture capital increases, would be a major turning point. The recent indication of the Relaunch Decree would favour the recapitalisation of SMEs (with under 50 million euros in turnover) through tax credits equal to a percentage of the capital increase. This initiative is moving in the right direction, but it is limited, not structural, and it is not addressed to all types of companies.

The third action is capital interventions for larger companies and those with higher development potential. The use of the financial market and the involvement of investors should be promoted (private equity, venture capital, RIP). The critical issue today is how to reconcile this necessity with the equally important need to use public resources, both national and European, i.e. through the recovery fund. The risk to be avoided is the nationalization of the intervention in risk capital and a displacement of the market. The right road to take instead leads to creating the conditions so that the intervention of the State is valued fully and follows the logic of flanking private capital. There are three fundamental considerations to make here. First, the use of the capital market is decisive, since in a crisis the well-known advantages are even more imperative (visibility, access to additional

resources, growth potential). Here, it would make sense to up the ante, offering a bigger pot for both ACE and shareholders. Second, investors in risk capital, quoted and unlisted (thus venture capital, private equity, PIR, business angels and incubators), must be valued with a clear incentive on capital gains, which is the real element that creates the market and therefore attracts investors by generating liquidity. Especially in the area of venture capital, the most well-known and effective tax scheme is the American one: if capital gains on venture capital are reinvested within 60 days, no taxation is applied. This favors continuous, serial investment in this sector. Thirdly, state intervention must take place either with a clear and independent market logic or through the necessary support for private investors.

The fourth action involves the banks and the public guarantee. Here we must reflect on the issue of bank credit and the role of said guarantee, which was established during the initial onset of the crisis. The use of the banking channel may be useful in the immediate term, but it creates a negative impact in the short term: companies become more indebted, their central risk worsens, the opportunity to obtain credit in the future can be limited. In this respect, in the future maintaining the public guarantee against granting credit should be anchored to a capitalization approach: the public guarantee on the credit should be granted only if the company carries out a specific capital increase on a fixed percentage of that credit. In this way, interventions would become synergistic.

The fifth action aims at increasing the size of enterprises. In fact, the profile of the companies plays a central role in the debate: what size should they be? This question brings up an issue that is completely unresolved today, which is to consider the praise of the small and medium-sized as an impassable limit. However, this leads us to consider big business in a negative light, as it is "genetically" different from SMEs. The debate must be approached without prejudice and above all without partisanship. The need for our country to have a higher number of large companies, capable of competing on an equal footing with their European counterparts, will be a crucial element in the coming years. The large international dimension has a number of clear advantages that we must highlight. First, it allows investments in innovation, development and research, which are essential to push the competitive advantage of companies and the country. Second, big companies can attract the best talent and brains coming out of universities and the best management, thanks to their reputation, the possibility of growth and, in some cases, economic incentives. Third, large companies become the centre of gravity of their allied industries and supply chains, the centre of attraction of the open innovation processes that are finalized when the large size becomes the catalyst. Fourth, large companies are a central tenet of economic diplomacy for interacting, supporting and increasing the visibility of the country's foreign policy. These connotations should not lead us to say that small business is not good: let us avoid this common error. Instead, it means saying that alongside our unequaled network of SMEs, districts and supply chains, we must also find space for larger companies, pushing a part of small and medium-sized businesses to undertake real growth paths. Start-ups included. Otherwise, we will always lose ground on the decisive domains of innovation, of attracting talent, of creating networks and, not least, of international political weight. Fiscal support to M&A operations becomes essential to build the foundation of consolidation. Here, too, the size of the tax incentive plays a decisive role. Such an incentive can be applied both to an accentuated deductibility of merger deficits and, above all, to a reduction in overall IRES taxation for several years after the acquisition. This would serve as a "premium" for growth and would be subordinated both on growth in turnover as well as the growth in employment. Linking IRES reduction to growth in the number of permanent employees would send an unprecedented signal.

The sixth action is to attract not only brains but also businesses, extending the rules for appealing to individuals to attract foreign companies as well, with a similar mechanism in terms of reducing the tax rate for a number of years. This type of initiative results in growth, investment, and, above all, job creation. That means to create a fertile environment for large companies in Italy. Milan, as well as some other Italian districts, in this sense, must play a fundamental role as hubs to draw in the offices of foreign companies. The Netherlands has 13 companies in the Fortune 500 ranking, with a mix of historical Dutch companies and foreign companies, attracted mainly by a powerful use of the tax variable. The United Kingdom has 21, for reasons somewhat similar to what we see in the Netherlands. In addition, rules to attract businesses could reduce foreign companies taking over Italian companies, as it would only work if the foreign company established headquarters in Italy.

The path of the financial market and the use of private resources must be followed in a decisive way to multiply the impact of billions in Recovery Funds. This moment in time represents quite a unique alignment of stars (and interests), and we need to grasp it: the discipline induced by the use of European resources, the reforms that make these choices credible, the "hunger" for investments that marks the masses of savings that are available and in search of real returns. In light of all this, a decisive choice must be made in favor of the full use of the financial market and its strength. Perhaps now the time has come.

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