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Capitale intangibile e governance delle imprese

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Italian corporate economy in the ‘90s

- Many SMEs, few listed firms, many state-owned public utilities
  - Concentrated ownership, family control
- Many pyramidal groups (listed and unlisted)
  - Difficult to track ultimate controlling owner
- Bank-based financial system
  - Thin public equity market: MktCap/GDP at 12.5%
  - Few institutional investors, mainly domestic
- Weak investor protection

2000-2020
Institutional changes and reforms

- Market reforms towards the EMU (1999)
  - Market liberalization and firm privatization
- New Corporate Law (Legge Draghi 58/98)
  - Investor protection and anti-director rights
- Voluntary Corporate Governance Code (1999)
- Choice among Latin, Two-Tier and Monistic (2003)
- Transparency rules for CEOs and Directors' pay (2011)
- Law on Women representation on Boards (2011)
- Voting structure (multiple voting shares)(2014)
- New rules on false accounting (2015)

Evolution of ownership and control

Non-listed companies

	1993	2005	2016
Largest Shareholder (average)	66.0	66.9	66.0
2^{nd} and 3^{rd} largest Shareholders	27.0	25.0	25.0

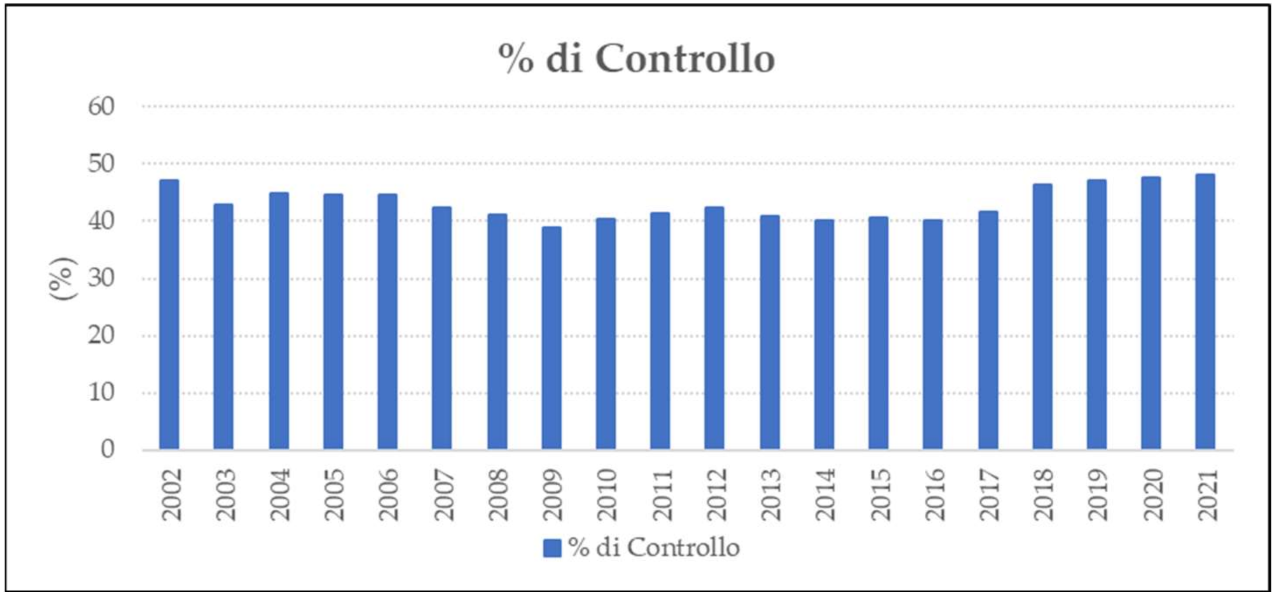
Publicly-listed companies

Average stakes on Market Cap.	1998	2008	2017	2021
Largest Shareholder (average)	48,7	45.5	47.7	49,0
Other relevant S/H (% > 2%)	14.7	18.3	12.0	12,0
Market	36.5	36.2	40.4	39,0

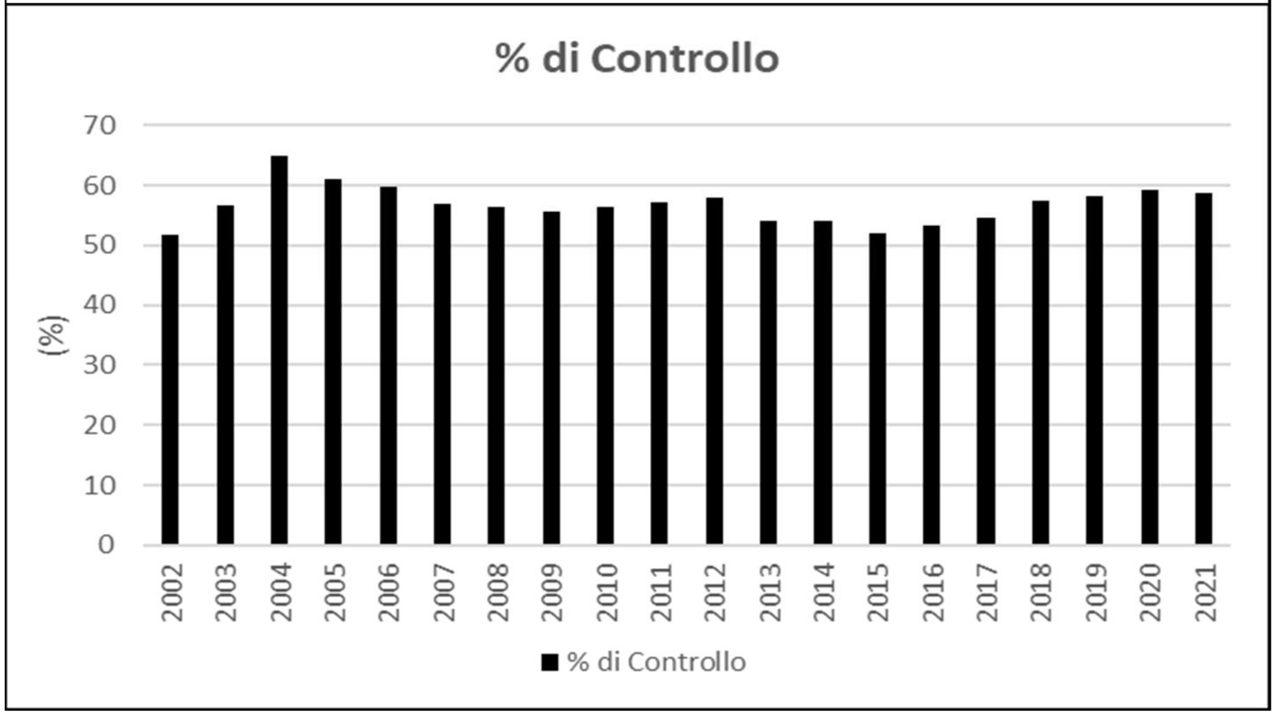
Source: Bank of Italy and Consob (Various reports)

Ownership concentration in listed companies 2002-21

Source: Own data



Non-financial companies



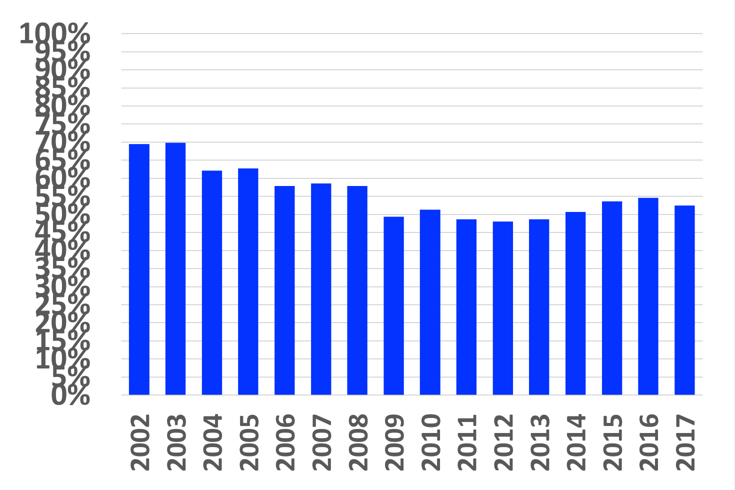
Family firms

Changes in the use of control enhancing mechanisms and in corporate governance

- Decline of Pyramidal groups
  - 1998-2020: from 75% to 21.5% of total market value
  - Ratio control rights/cash flow rights: from 3.5 to 1.5
- Rise and decline of Coalitions (S/H agreements)
  - % of MktCap. in 2000, 9.6%; 2010, 12.4%; 2019, 5.9%
- Decline and rise of Dual-class shares
  - In 2014, new law to enhance voting power: multiple voting and loyalty shares to encourage listing of SMEs
  - In 2018: 3 issued multiple voting, 41 loyalty shares
  - By 2021, 69 issuers of loyalty shares (18% of tot market cap.)
- Women on Board: from 6.8% of seats in 2010 to 41.3% in 2021, mostly non-executive and independent

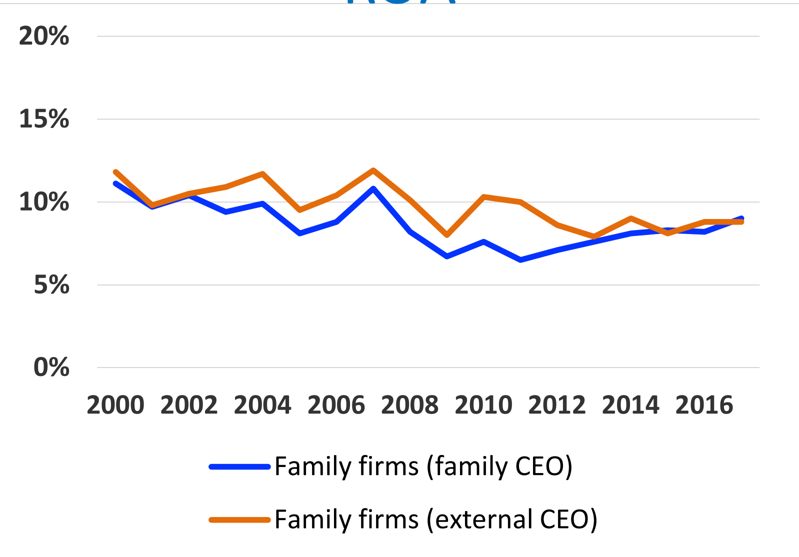
Control and performance:
Family and non-family CEOs

Who is in charge?
% of Family CEOs in Family firms

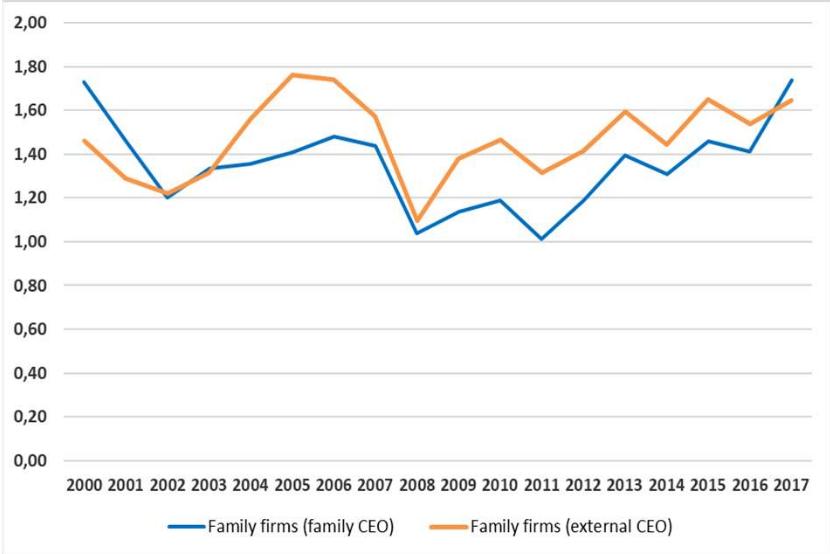


Firms with CEO-chair duality

ROA

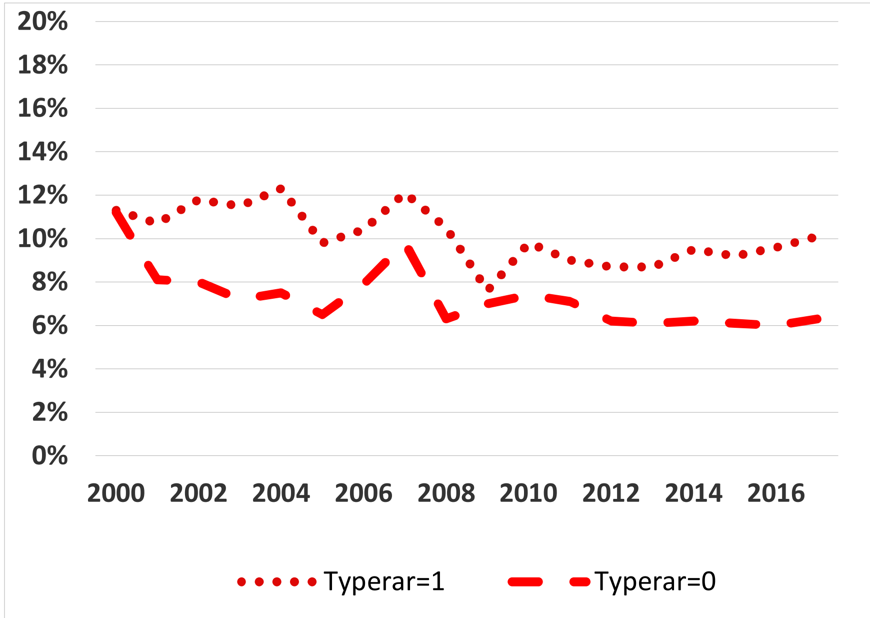


Market-to-Book

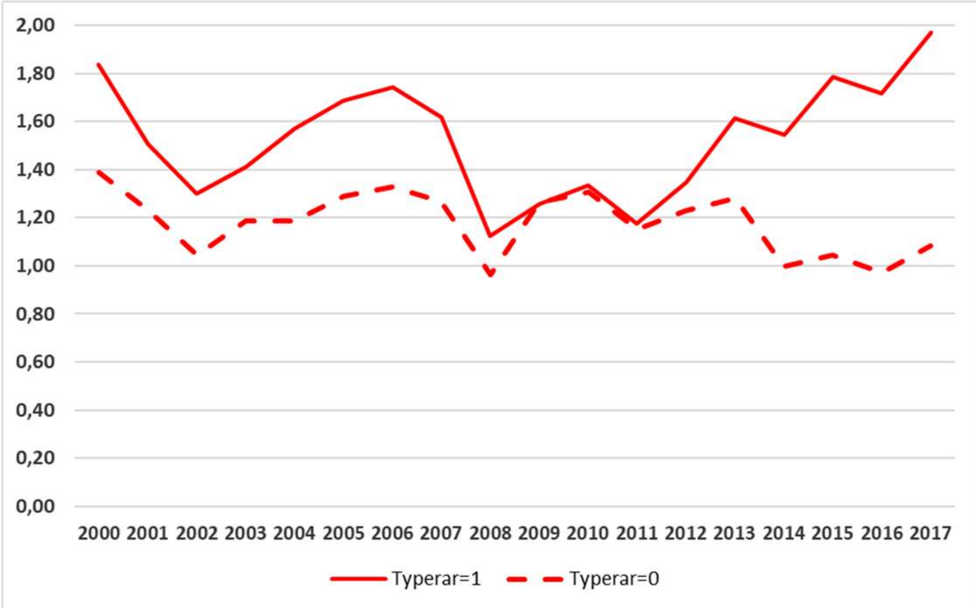


Intangible capital: Performance of family firms in High vs Low *R&D and Advertising Intensity* Industries

Average ROA



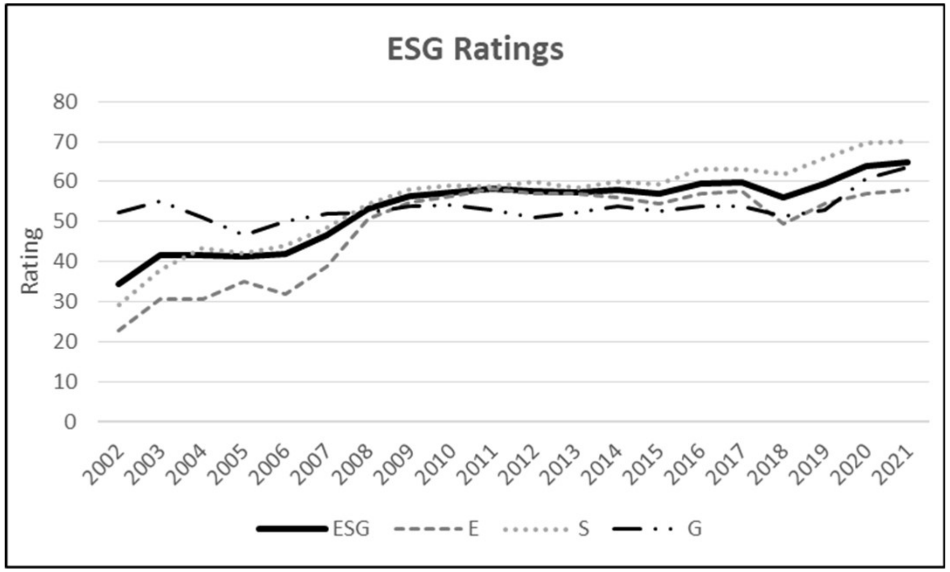
Average Market-To-Book



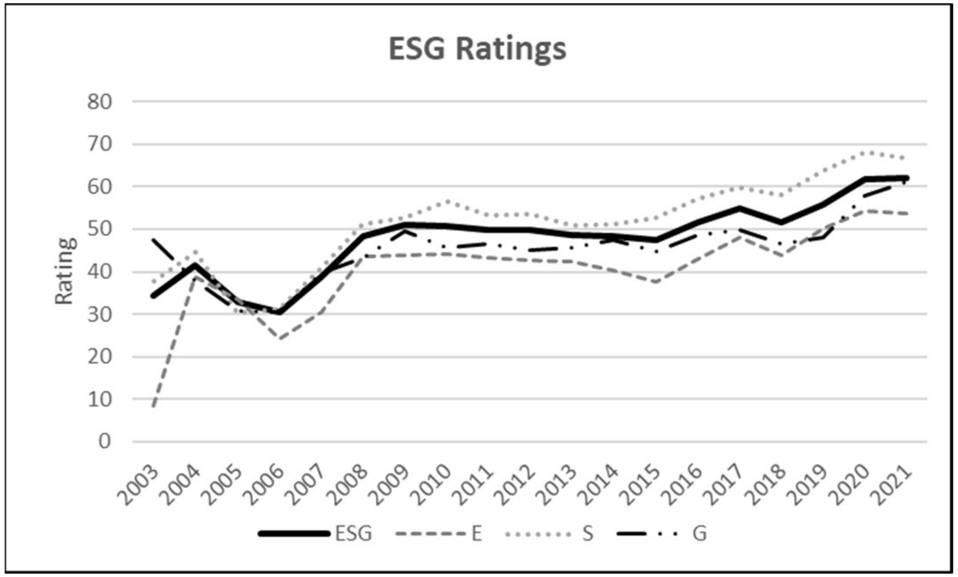
- Family firms achieve better performances in High R&D and Adv (Type 1) than in Low R&D and Adv (Type 0) intensity industries
- The performance gap widens in recent years, especially if measured by market value

Intangible capital: Investment in Environment, Social, Governance

Full sample



Family Firms



- ESG rating is lower in family firms,
- E, “Environmental”, is the lowest
- S, “Social” is the highest

XXI Century: The first 20 years

- Change in Italian corporate governance is slow and driven by publicly-listed firms
  - Focus on investor protection and capital market development
  - Market capitalization on GDP increased from 12.5% to 33%
- Family firms are here to stay, family CEOs prevail, though firms that IPO*ed* recently are often run by external CEOs.
- Family firms perform better in industries where intangible capital is higher, sensitivity toward ESG issues is growing
- What about sensitivity to the intangible capital that generates value through data? ESG and data: Two tough challenges
  - Are family firms prepared to raise the funds and employ the human capital needed to face the digital transformation and the energy transition, even at the cost of diluting the controlling share?