1 *Introduction*

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1.1 The Research Questions

From the 1990s onwards, the corporate governance and ownership structures in Europe have been under pressure from globalized markets (Hansmann and Kraakman, 2001), supranational organizations such as the OECD, IMF, World Bank, G-20 (Gordon, 2018), the European Commission (Hopt, 2015a), the US government (Gordon, 2003), institutional investors (Gelter, 2017) and other special interest groups. Two major institutional changes in Europe might be outlined. The first is the creation of a single capital market in the European Union (EU) since 1993, and the struggles for launching a market for corporate control in the EU. The second is the post-communist privatization and financial liberalization in Central and Eastern Europe since 1989. Scholars have noticed this global pressure for corporate governance change and dubbed it the 'global corporate governance revolution' (Cheffins, 2001) or 'corporate governance movement' (Gelter, 2017).

Surprisingly, the bulk of the corporate governance literature on European countries presents a static view of ownership and control structures (see e.g. the most-cited research in the law and finance literature such as La Porta et al. 1997, 1998, 1999; see also Barca and Becht, 2001). A few studies have discussed ownership changes. Ringe (2015) documented the erosion of 'Deutschland AG'. Franks and Mayer (2017) presented evidence on the decrease in individual ownership and the increase in internationalization of public firms in the United Kingdom. Nachemson-Ekwall (2017) described the increase in the role of institutional investors in Sweden. Gugler et al. (2013) observed a rise in foreign control of large firms after privatization in European transition countries. Yet to date, no study has presented systematic evidence of long-term developments in ownership and control across European countries following the corporate governance

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changes in the 1990s.[1] The first contribution of the book is to fill this gap in the empirical corporate governance literature.

One of the main objectives of this book is to make available systematic and comparable accounts of ownership structure change (respectively persistence) in large firms across Europe over the last few decades. The book focuses on countries in the four major European regions: Western Europe, Eastern Europe, Southern Europe and Northern Europe. It examines countries from all legal origin families: Anglo-Saxon (the United Kingdom), Germanic (Austria, Germany, Switzerland), Scandinavian (Sweden) and French legal origin (Italy) as well as two transition countries (Bulgaria, Slovenia). While the book provides in-depth analyses of the corporate governance systems in the respective countries examining changes in ownership and control structure in the last few decades, it also asks the following basic questions for all countries:

(1) To what extent has the role of corporate insiders (e.g. families, banks) and the state decreased in the ownership structure of large firms?
(2) Is there an increase in widely held companies and institutional investors?
(3) Is there an increase in foreign ownership?

The second main objective of this book is to examine the likely determinants of ownership structure change in each country. The ongoing debate on determinants of ownership structure in large firms started with Mark Roe's political determinants hypothesis in the early 1990s (Roe, 1991, 1994) and was further developed by the law and finance literature, which launched the legal origin hypothesis in the mid-1990s (La Porta et al. 1997). Other important inputs to this debate have been the path-dependence hypothesis (Bebchuk and Roe, 1999) and the corporate law and corporate governance convergence hypothesis (Hansmann and Kraakman, 2001; Gordon and Roe, 2004;

[1] For example, La Porta et al. (1999) examine ultimate ownership in a few countries in Western Europe in 1996; Faccio and Lang (2002) present a cross-sectional study of ultimate ownership in thirteen countries in Western Europe between 1996 and 1999; De La Cruz et al. (2019) examine listed companies in 2017; Barca and Becht (2001) and Gugler (2001) report cross-sectional studies of large European companies in the mid-1990s. Recently, Aminadav and Papaioannou (2020) examine listed firms from 2004 to 2012.

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Gordon, 2018). The starting points of the debate were the Berle–Means corporation of diffuse ownership, and the questions of why it has diffuse ownership, why there exist deviations from its ownership structure around the world and why there will be eventual convergence to this structure in other countries. This book contributes to this debate, documenting country context variables and explaining the observed ownership patterns in eight European countries over the last twenty-five to thirty years. It asks the following basic questions:

(1) Which have been the likely determinants of the (eventual) decreasing role of corporate insiders and the state in European countries since the 1990s?
(2) Which are the likely determinants of the observed patterns of ownership change (e.g. the rise of foreign and institutional investors)?
(3) Or, equally important in the European context, which are the likely determinants of observed ownership persistence?

The third objective of this book is to apply an international comparative approach to ownership structure changes to shed some light on the questions of whether similar forces impact ownership change or persistence in each country, whether particular institutional factors influence ownership change/persistence and whether the eventual decline of corporate insiders and the state and the rise of foreign and institutional investors are influenced by similar forces in each country.[2] The starting point of the analysis is the specific context in each of the countries in our study.

In this introductory chapter, we proceed as follows. Section 1.2 provides an overview of the corporate governance revolution in the 1990s as well as its countervailing forces. Section 1.3 discusses the

[2] Our research is also related to a few corporate governance studies stressing the importance of a country-specific context. See e.g. Aguilera and Jackson (2010) on case based, historical and actor-centred forms of institutional explanations; Franks and Mayer (2017) on historical country studies of ownership evolution in the United States, the United Kingdom, Germany and Japan; Vatiero (2017) on the Swiss corporate governance exception. For early studies critically discussing the convergence and unification of company law and corporate governance across countries, see e.g. Enrique (2006) on European company law harmonization; Thomson (2006) on corporate governance codes unification and its agenda-setters; Bebchuk and Hamdani (2009) on the elusive quest for global corporate governance standards. For a critical view of 'one-size-fits-all' and 'best practice' approaches in general, see e.g. Rodrik (2006).

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theoretical assumptions about the determinants of corporate ownership. Section 1.4 describes the data used in the country chapters. Section 1.5 gives an overview of the chapter contents. Section 1.6 presents cross-country conclusions, implications for the theory of the firm and policy implications.

1.2 The Global Corporate Governance Revolution

About three decades ago, there were great expectations about 'universalization' and 'convergence'. At the beginning of the globalization-centred 1990s, in *The End of History and the Last Man?* Francis Fukuyama wrote:

What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government. (Fukuyama, 1989)

In the mid-1990s in 'The End of History for Corporate Law', Hansmann and Kraakman (2001) convincingly claimed:

Despite the apparent divergence in institutions of governance, share ownership, capital markets, and business culture across developed economies, the basic law of the corporate form has already achieved a high degree of uniformity, and continued convergence is likely. A principal reason for convergence is a widespread normative consensus that corporate managers should act exclusively in the economic interests of shareholders, including noncontrolling shareholders. This consensus on a shareholder-oriented model of the corporation results in part from the failure of alternative models of the corporation, including the manager-oriented model that evolved in the U.S. in the 1950's and 60's, the labour-oriented model that reached its apogee in German codetermination, and the state-oriented model that until recently was dominant in France and much of Asia ... Since the dominant corporate ideology of shareholder primacy is unlikely to be undone, its success represents the end of history for corporate law. The ideology of shareholder primacy is likely to press all major jurisdictions toward similar rules of corporate law and practice.

In this book, we will show that countervailing forces to the 'convergence to the shareholder-oriented model of the corporation' are at least as forceful as the forces of convergence. In this context, it is useful to ask, how important is ownership change for legal convergence? First, globalization and European integration may include market forces for

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ownership change in Europe. Ringe (2015) argued that one of the important messages that the story of Germany can teach us is the centrality of ownership structure in shaping legal rules. While Hansmann and Kraakman (2001) focus on the direct link between global markets' pressure and the shape of corporate laws, Ringe (2015) outlines a two-step process: (1) global competition can drive ownership changes and (2) ownership changes, in turn, can translate into legal reform. He claimed that ownership-driven change may be more effective than a direct attempt to modify legal rules. Where market forces succeed in modifying the ownership structure in a jurisdiction, the change will be more persistent, and the case for law reform will be more urgent.

Second, Gordon (2003) argued that the pace of convergence in corporate governance depends crucially on the commitment of countries to the project of European integration. This transnational project may be best advanced by the spread of widely held companies as in the Anglo-American model, because such ownership structures facilitate the contestability of control, which helps to curb economic nationalism. The author coined the term 'strong form' convergence on the shareholder capitalism model for the process of the spread of public firms with diffuse ownership in European countries. He claimed that the evolving international share ownership of widely held public companies would make economic nationalism seem more anachronistic. Thus, the European integration objective generates a case for diffused ownership that does not necessarily follow from efficiency-based arguments for convergence. Gordon (2003) wrote: 'Diffusely-owned firms may not be more efficient (indeed, to the contrary) but the contestability of control may more effectively restrain economic nationalism' (p. 3). In the 1990s, thus, both economic and political forces appeared to drive the move towards widely held companies in European countries.[3]

[3] Consistently, the Report of the High-Level Group of Company Law Experts on Issues Related to Takeover Bids (10 January 2002) recommended the further development of a market for corporate control in Europe, arguing that markets must be integrated on a European level to enable the restructuring of European industry and the integration of European securities markets must proceed with reasonable efficiency and speed. While the prospects for a proposal and adoption of a revised 13th Directive along the lines of the Experts Report were uncertain, Gordon (2003) noted: 'In substantially increasing the control contestability of corporations in the EU it would work a revolution in EU corporate governance and a revolution in much else besides.'

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However, corporate scandals in US companies such as Enron and WorldCom in 2000–2002 revealed crucial weaknesses in the Anglo-Saxon corporate governance model. The global financial crisis in 2008–2009 delivered the next blow to the mainstream argument for the superiority of the Anglo-Saxon corporate governance model.[4] Political pressure against globalization and towards economic protectionism gradually developed in both Europe and the United States.[5] Nationalism understood as 'the political resolve to favour territorial insiders over outsiders through protectionist policies' influences the most important features of the governance landscape, ranging from ownership structures and takeover defences to laws on investor protection (Pargendler, 2019).

Not only might the convergence to the Berle–Means corporation have stalled in Europe, the ultimate target of convergence might have been changing, too. Recent studies review a key change in corporate control in large contemporary corporations in the United States. Gilson and Gordon (2013) documented a rising importance of institutional investors and the emergence of 'agency capitalism'. They observed a 're-concentration' of ownership in the hands of institutional investment intermediaries. It appears that the Berle–Means corporation has been gradually decreasing its dominant role in the corporate landscape of the United States, and its future has been debatable (Cheffins, 2018). The rise of giant US tech companies such as Facebook, Google and Amazon under concentrated control, sometimes utilizing dual or even multiple voting shares, underpins this change of sentiment. Moreover, Franks and Mayer (2017) documented a recent decline in the number of public companies in the United States and the United Kingdom. This development seems puzzling,

[4] After the crisis critics argued that the strong form of global convergence in corporate governance is now a historical relict, but perhaps one worth remembering (Branson, 2012). Nevertheless, the European Commission appeared to preserve its positive stance for further legal harmonization aiming at the European capital market union development (for a critical review of the EU initiatives in 2012–2015, see e.g. Hopt, 2015a). The debate about the shareholder-oriented corporate governance model even entered the US presidential elections contest in 2020. See e.g. the agenda on corporate governance reform against the harmful corporate obsession with maximizing shareholder returns at all costs in the United States presented by US Senator Elizabeth Warren (www.warren.senate.gov/newsroom/press-releases/warren-introduces-accountable-capitalism-act, consulted on 1 March 2022).

[5] For example, in 2014 a new French law, the 'Law to Recapture the Real Economy' (Loi Florange), shields French corporations from foreign public takeovers.

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keeping in mind that both countries were 'exceptional' with respect to their large public securities markets and the great pressure for developing local stock exchanges in Europe in the 1990s and the 2000s.

What are the net effects then of the forces of the 'global corporate governance revolution' on the one hand and of countervailing conservative/protectionist/path-dependent forces on the other hand in Europe? The book provides empirical evidence of the described trends in the specific context of eight European countries: the United Kingdom, Austria, Germany, Switzerland, Sweden, Italy, Bulgaria and Slovenia.

1.3 The Determinants of Corporate Ownership

All country studies in this book report (at least) three kinds of result: (1) ownership structures (concentration and types) in the initial period (the mid-1990s) and the end period (2018–2019), (2) patterns of ownership change (or stability) in large companies over the past decades and (3) an analysis of the likely determinants of ownership and ownership change. In this section, we discuss the determinants of corporate ownership derived from a mixed bag of literatures and theories including (1) law and finance, (2) politics, (3) global competition and convergence, (4) privatization, (5) path dependence, (6) varieties of capitalism, (7) economic entrenchment and (8) interest groups and financial development (Table 1.1). Any literature presented in Table 1.1 concerns somewhat both ownership change and stability, some stressing more on ownership change, others focusing more on ownership stability. For the sake of clarity of our further discussion, we separate the determinants of corporate ownership into two broad groups: determinants of corporate ownership change and determinants of corporate ownership stability. The discussed determinants of corporate ownership as well as country-specific factors are examined in the context of the eight European countries mentioned earlier.

1.3.1 Law and Finance

La Porta et al. (1997, 1998) argued that widely held companies (Berle–Means corporations) should be more common in countries with good legal protection of minority shareholders. In countries with weak investor protection, widely held companies are subject to severe agency

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Table 1.1 ***The determinants of corporate ownership***

Literature	The determinants of corporate ownership
	1. Ownership change
Law and finance	Shareholders' protection
Politics	Left-wing politics
Global competition and convergence	Global market forces
Privatization	Failings of state ownership
	2. Ownership stability
Path dependency	Initial conditions
Varieties of capitalism	Complementary institutions
Economic entrenchment	Economic entrenchment
Interest groups theory of financial development	Incumbents opposing financial development

problems between managers and shareholders, which large blockholders can overcome because of their greater incentives to monitor managers. Thus, concentrated family ownership emerges as a solution to agency problems in countries with weak investor protection. The law and finance view therefore predicts that family firms will be more represented in countries with weak investor protection, and widely held companies will be more prevalent in countries with strong investor protection. The law and finance literature also reveals the primacy of common law and Anglo-Saxon legal origin over the legal traditions in Europe. Djankov et al. (2008) summarized the evidence about the positive effects of the Anglo-Saxon model on investor legal protection, the development of widely held companies, financial development (proxied by stock exchange market capitalization or turnover), investment and economic growth. This literature predicts that legal and corporate governance reforms leading to stronger legal protection of shareholders will increase companies with diffused ownership in Europe and around the world.

1.3.2 Politics

Mark Roe (2000, 2003) offers an alternative explanation for the differences in ownership structures between Europe and the United

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States to that of La Porta et al. (1998). Roe questions the legal origin explanation and argues that the differences lay in their politics and not in their legal systems. Where labour, through politics, has stronger protection, capital must concentrate to respond effectively. Those people who own equity in social democracies prefer large blocks, which offer them some protection against corporate insiders' opportunistic behaviour. Mark Roe identified social democratic politics as the driving force towards ownership concentration.[6]

1.3.3 Global Competition and Convergence

This literature presents theoretical arguments about global market-driven ownership changes. The choice of the most efficient business model of corporate governance by companies (banks) is the key factor. In a country study, Ringe (2015) argues that the recent ownership change in Germany can partly be explained by direct market forces. German banks came under strong pressure to divest their ownership stakes due to increased internationalization of banking during the 1990s. In a general discussion, Gordon and Roe (2004) claim that (1) if corporate governance is an element of comparative advantage in global product markets, the corporate governance norms that tend towards efficient production would disseminate widely; and (2) if corporate governance is an element of comparative advantage in global capital markets, because institutional investors would push for a standardized corporate governance model, this source of comparative advantage would suggest a convergence towards an international standard of corporate governance with a lower cost of equity capital. Thus, global market forces are responsible for the changing business models of companies and banks to adjust their corporate governance and ownership structures. According to the convergence hypothesis,

[6] For the social democratic political influence in Sweden since 1932, see e.g. Hogfeldt (2005); for the recent role of the German Social Democratic Party on corporate governance reform in Germany, see e.g. Höpner (2007); for the recent shift of the centre of political gravity to the right, see Roe and Coan (2017); for the effect of political change (stability) on corporate ownership structure in nine East Asian countries from 1996 to 2008, see Carney and Child (2013).

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globalized markets induce countries to converge to 'the best' Anglo-Saxon corporate governance model of diffused ownership.[7]

1.3.4 Privatization of State-Owned Enterprises

Megginson and Netter (2001) surveyed the literature on privatization in developed, developing and transition countries. They showed that privatization was observed in both Western and Eastern Europe. In Western Europe, privatization was part of the broader process of liberalization of European markets and the deepening of EU integration in the 1980s and 1990s. After the collapse of communism in Eastern Europe, privatization was a key pillar of the Washington Consensus policy in European transition countries (the other key pillars were financial stabilization and liberalization of markets).[8] Corporate insiders (directors of the state-owned enterprises) and the state were seen as major impediments to post-communist reforms (Frydman and Rapaczynski, 1993).

The privatization literature is closely linked to the narrative on the detrimental role of corporate insiders discussed in Subsections 1.3.6 and 1.3.7. In the case of privatization, the main culprit has been seen in state bureaucracy and managers of state-owned firms. In the 1990s and 2000s, studies discussed the triple agency problems of state-owned firms and presented consistent evidence on the negative effects of state-owned companies on economic performance (see e.g. Mueller, 2003). Thus, privatization has been a response to the failings of state ownership (Megginson and Netter, 2001).

1.3.5 Path Dependence

According to path-dependence theory, the choice of the 'the best' Anglo-Saxon corporate governance model of diffused ownership is

[7] For the role of the European economic integration, see e.g. Hansman and Kraakman (2001); for the impact of a single capital market on the increase in widely held companies and for the impact of global competition on the decrease in bank ownership in Germany, see e.g. Ringe (2015); for the effect of liberalization of the capital market and the abolishing of capital control, see e.g. Rydqvist, Spizman and Strebulaev (2014).

[8] For a cross-country comparison of the effects of liberalization of markets on economic performance in Eastern Europe, see e.g. Peev and Mueller (2012) and Peev (2015).

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constrained by the forces of path dependence because corporate governance is embedded in national legal and institutional systems. From an efficiency perspective, a particular national system is linked to a set of complementary institutions, so that a governance change to conform to the 'international' model might reduce the value of the firm and, indeed, its global competitiveness. Thus, corporate governance and ownership changes without regard for these complementary institutions would result in inefficient companies. As a response, corporate insiders may defend the domestic corporate governance and ownership structures.[9] According to the law and finance literature, the existence of good law gives rise to widely held and efficient controlling shareholder systems. According to the path-dependence theory, the direction of causation is reversed, initial conditions giving rise to a shareholding pattern that then demands good law.

The role of institutional complementarities is also discussed in the literature on the varieties of capitalism (Hall and Soskice, 2001). This literature has identified two types of political economy: liberal market economies (e.g. the United Kingdom, the United States) and coordinated market economies (e.g. Germany, Austria, Sweden). These two types can be distinguished by the way in which firms coordinate with each other and other actors. In liberal market economies, firms coordinate their activities primarily by hierarchies and market mechanisms. In coordinated market economies, firms depend more on non-market relationships in the coordination of their relationships with other actors (Hall and Soskice, 2001). According to the literature on the varieties of capitalism, ownership change to widely held companies may be feasible only in the broader context of political economy reforms.

1.3.6 Economic Entrenchment

Morck et al. (2000) examined the role of family owners in Canada and coined the term 'Canadian disease'. They showed that liberalization of markets in Canada in 1988 led to important corporate control changes – a decrease in heir-family-controlled firms and an increase of widely held companies over the period 1988–1994. Morck et al. (2005) presented a survey of the literature on corporate governance and economic entrenchment. The authors claimed that outside the

[9] See Bebchuk and Roe (1999) and Gordon and Roe (2004).

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United States and the United Kingdom, large corporations usually have controlling owners, who are very wealthy families. Pyramidal control structures, cross shareholding and super-voting rights let such families control corporations without making a commensurate capital investment. In many countries, a few such families end up controlling considerable proportions of their countries' economies and have greatly amplified political influence relative to their actual wealth. This influence has distorted public policy regarding property rights protection, capital markets development and other institutions. The authors denoted this phenomenon as '*economic entrenchment*', and posited a relationship between the distribution of corporate control and institutional development that generates and preserves economic entrenchment as one possible equilibrium.

The roots of the literature on economic entrenchment can be partly found in the influential research by Mancur Olson. Olson (1982) presented a theory of interest groups focusing on their long-term stability and redistribution policies. Olson described the stability of interest groups in the United Kingdom as the 'British disease' or 'English disease'. In seminal contributions, he argued that 'institutional sclerosis' and the long-term persistence of groups of special interests involved in redistribution are key factors for economic performance (Olson, 1982; Mueller, 1983). Olson identified labour unions, professional associations and the like as the most important interest groups in the United States. He never focused on corporate insiders such as corporate CEOs and members of the board of directors.

Interestingly, the main concern of literature on economic entrenchment has been corporate insiders in East Asian countries, Canada and Germany but not their counterparts in the United Kingdom despite the 'British disease' problems identified by Olson. According to Olson's analysis, the war, invasion and totalitarian regimes led to the destruction of domestic interest groups with special interest and the emergence of new firms and business configurations for higher economic growth. According to the literature on economic entrenchment, this creative destruction role can be played by liberalization of markets.

1.3.7 Interest Groups and Financial Development

Studies on the impact of financial development on ownership structure show that greater financial development leads to higher liquidity of

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financial markets and an increase in the incentives of controlling families to sell equity, thus increasing the share of widely held companies. For example, Helwege, Pirinsky and Stulz (2007) reported that firms with more liquid stocks tend to become widely held more quickly in the United States. However, financial development is endogenous and varies among countries. Rajan and Zingales (2003) proposed that incumbents oppose financial development because it breeds competition. They predict that incumbents' opposition will be weaker when an economy allows both cross-border trade and capital flows. According to their theory, incumbent interests are least able to coordinate to obstruct or reverse financial development when a country is open to both trade and capital flows. When a country is open to neither, incumbents coordinate to keep finance under their heel. The authors claim that direct measures of the political power of interest groups and their ability to influence outcomes are controversial at best illustrating the problems with an example from the French financial liberalization in 1983 by a socialist government. At that time, socialists did not seem to be an interest group that would push for liberalization. However, there was a liberalizing faction in the French Socialist Party, led by Prime Minister Pierre Mauroy and Finance Minister Jacques Delors, whose hand was strengthened by France's increased trade integration into the European Community. This faction argued that liberalization was necessary to preserve trade and won the day (for a thorough study of financial liberalization in Europe see e.g. Abdelal, 2009).

Both economic entrenchment literature (Morck et al., 2005) and interest groups and financial development literature (Rajan and Zingales, 2003) predict that trade and financial liberalization decrease the role of corporate insiders in the ownership structure of large companies.

1.3.8 Challenges

The theoretical divide between the Anglo-American model of diffused ownership (in e.g. the United Kingdom and the United States) and the ownership model of concentrated ownership in Continental Europe (in e.g. Germany) has been challenged by a number of studies. For example, Gilson (2005) provided a more nuanced taxonomy of corporate insiders. In particular, he distinguished between efficient and inefficient controlling shareholders, and between pecuniary and

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non-pecuniary private benefits of control. He argued that the appropriate dichotomy is between countries with functionally good law, which support companies with both widely held and controlling shareholder distributions, and countries with functionally bad law, which support only controlling shareholder distributions. Gilson has argued that both the United States and Sweden belong to a corporate family with essentially common features such as 'good' law. The policy implications that flow from his taxonomy support diverse shareholder distributions.

Recent studies also challenged the major pillar of law and finance literature about the key role of investor protection for the development of widely held companies, financial development and economic prosperity. For example, Franck and Mayer (2017) argue that the historical evidence from the United Kingdom, Germany, Japan and the United States illustrates that it was not investor protection that allowed stock markets to develop at the beginning of the twentieth century. In all four cases, stock markets flourished and ownership was dispersed in the absence of strong investor protection. Instead, other institutions and individuals were important in upholding relations of trust between investors and firms. Franks and Mayer (2017) also argued that equity markets may be important for economic development but dispersed ownership and control by outside shareholders may not be. They claimed that providing corporations with access to external sources of equity finance from stock markets is not the same as conferring control on those outside investors. The authors showed that the experience of the United Kingdom, Germany, Japan and the United States in the first half of the twentieth century and that of China, Japan and Korea in the second half of the century are illustrative of that. Ownership was dispersed in the first four countries in the absence of strong investor protection and the last three countries displayed remarkable growth in the presence of dominant insider owners and the absence of external shareholder control.

The view about the primacy of common law and Anglo-Saxon legal origin was also challenged by the historical evidence on the 'British disease' presented by Olson (1982) or on 'personal capitalism' in the United Kingdom discussed by Alfred Chandler (1990). In a seminal contribution, Alfred Chandler examined the key difference between the United Kingdom, on the one hand, and Germany and the United States (both having professional managers), on the other. In the United

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Kingdom, before World War II (around 1938) companies were managed by family owners. He coined the term 'personal capitalism' to separate the British model from the 'managerial capitalism' in both Germany and the United States. (For critical evidence on personal capitalism in the United Kingdom, see e.g. Lloyd-Jones and Lewis, 1994.)

1.3.9 Summary

Which of the literatures and theories discussed previously would best explain ownership *change* or eventual *stability* in large companies in European countries over the past decades? This appears an open empirical question. The links between legal rules, politics, global competition, national institutions and ownership structures appear especially complex, and it is not always easy to disentangle the effects of one group of factors from another. For example, following Ringe (2015) we may outline at least six key interactions partly explaining recent ownership change in large German companies: (1) the impact of global competition on the changing business models of German banks and insurance companies (the link between global markets and financial firms), (2) the need for German banks and insurance companies to offload their equity blocks, driving their possible lobbying for changes to the tax regime governing the sale of their holdings (the link between financial firms and politicians), (3) global market pressure driving legal change (global markets – legal rules), (4) legal rules also creating competition (legal rules – global markets), (5) the German left-wing government initiating legal and tax reforms largely motivated by intrinsic political and strategic considerations (politicians – legal rules) and (6) the German company ownership network eroding even before the legal reforms in the late 1990s and both network participants and politicians questioning the rationale for its existence (the links between path dependence, firms and politicians). This kind of complexity has created a number of research and policy problems such as model uncertainty in econometric studies or an ignorance of the country context and a 'one-size-fits-all' policy approach to corporate governance reforms. In this volume, we carry out an in-depth empirical analysis of ownership and control developments in the context of each country in our sample. First, we construct unique datasets of ownership and control (see Section 1.4) in order to identify the patterns of ownership change or persistence in the past few decades. Second, in

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each country we have examined both unique country factors and the specific country expression of the determinants of corporate ownership shown in Table 1.1. The new evidence thus presented in the country studies has important theoretical and policy implications, which are discussed in Section 1.6 of this introductory chapter.

1.4 The Data

We have collected data on both private and listed large non-financial companies for each of the eight countries in our study.[10] The empirical analysis in the book is based on unique datasets derived from the Amadeus/Orbis databases of Bureau van Dijk (BvD) and a number of sources such as the London Share Price Database (LSPD), the Standard & Poor's Capital IQ, the Companies House (United Kingdom); the Wirtschafts-Trend Zeitschriftenverlagsgesellschaft m.b.H (Austria); the Thomson Reuters Datastream, the SIX Swiss Exchange, SWIPRA Services (Switzerland); the Swedish Companies Registration Office (Sweden); Consob and Bank of Italy (Italy); APIS and the Commercial Register (Bulgaria); AJPES (Slovenia); plus company annual reports, stock exchanges and numerous other online sources.

We have constructed four unique datasets (partly drawn from the Amadeus and Orbis databases provided by BvD) on the ownership of the top 100 domestic non-financial firms (measured by average total assets) and all the domestic listed non-financial firms for the initial period T0 (i.e. mid-1990s) and the most recent data point T1 (i.e. 2018–2019): sample '*Top 100 in T0*', sample '*Listed in T0*', sample '*Top 100 in T1*' and sample '*Listed in T1*'. We assemble the top 100 companies based on total assets in each country, and all listed companies with all data points available with information on ownership of at least the largest shareholder and its identity. We use a cut-off point of 20% of the shares to class a company as having a large shareholder or having dispersed ownership. This cut-off point is chosen to guarantee comparability with prior research on ultimate

[10] Most studies examine listed firms in Europe. However, Franks et al. (2012) have shown that listed firms are less economically important than private firms in Europe. Ringe (2015) reviews studies on ownership structures in Germany and shows that they are limited to listed firms and no study has examined a broader sample that would include non-listed firms in Germany. Recent research reveals a process of delisting of public companies (Franks and Mayer, 2017).

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control in Europe (e.g. La Porta et al. (1999) and Faccio and Lang (2002) for Western Europe, and Gugler et al. (2013) for Central and Eastern Europe). If present, the large shareholder (if there is more than one shareholder owning at least 20% of the equity, this would be the largest of them) is classed as a family or individual, the state, a non-financial or financial company, a holding company, others or a foreign shareholder. The state category includes three levels of government, that is central (directly owned by the central government), regional and local (e.g. directly owned by a local authority). We rely on the pre-defined ownership types in the Amadeus/Orbis databases in order to identify financial institutions such as banks and institutional investors (including mutual funds, pension funds, nominees, trusts, private equity firms and venture capital companies). The institutional investors' category also includes financial holding companies and other financial companies. Holding companies include non-financial holding companies as per BvD. Companies with their largest shareholder being the employees, the company managers or directors, a cooperative or a foundation or a research institute are classed as others. Additional data cleaning was required as sometimes the largest shareholder could not be identified within the Amadeus database (including name, nationality and exact shareholding) or its type was wrong or other issues applied.

For constructing sample '*Top 100 in T0*' and sample '*Listed in T0*', we first created a ranked list of entries of non-financial companies (identified by economic sector information in the database) based on total assets. Each company enters the list with each data point (year) available in the dataset. The procedure for company selection is as follows: (1) we take the top 100 companies based on total assets and all listed companies with all data points available. (2) We double-check for financial companies (quite often there are financial holding and other financial companies with wrong codes) and replace them with the next entry if needed. (3) We match the available data on company assets with ownership data using the following algorithm: if there is an exact year match we add ownership data to the asset data; if there is no exact year match we take the closest year available to the data point with assets data and if there are two points (x years after and x years before the assets data point) we take the earliest data point available. Then we take the data points with the smallest difference of years between company assets and ownership, and the earliest data point

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with company assets. We end up with a list of companies, which include top 100 companies by assets plus all listed companies with information on ownership of at least the largest shareholder and its identity. The procedure is done individually for each country. We use this complicated procedure to construct the 'sample T0' as if we limit our sample only to a given year or even exact year match (yet allowing different years in the dataset) we will be missing important large companies. This approach allows us to have the largest companies from the 1990s in the dataset with the best proxies available for company assets and ownership. In a few cases the algorithm led to inclusion of data from 1987, 1988 and 1989 (Switzerland, Germany and Sweden).

For constructing sample '*Top 100 in T1*' and sample '*Listed in T1*', we follow a similar approach to that for the initial period T0. We use Orbis data and extract data for the top 250 companies by total assets in 2018–2019 for non-financial companies and all listed (quoted) companies. Additional cleaning was performed, as there were various financial holdings that were codified as holdings and not as financial enterprises. We take all available owners with information about their ownership share and type. Ownership data is for 31 December 2018 and in some cases where data were not available, we used as a proxy 'latest available data', up to November 2019. In cases of missing ownership data for listed companies, information was collected from online aggregators in November 2019. Additional data cleaning was applied as the sum of ownership was sometimes higher than 100% or there was no information about the nationality of the owner, but it had more than 20%.

1.5 Main Chapter Contents

In this section we briefly summarize the contents of the book's subsequent chapters.

In **Chapter 2**, Marc Goergen presents evidence of ownership and control change in the United Kingdom, which was the first country to develop a code of best practice of corporate governance. This chapter gives a brief overview of the UK corporate governance regulation, including recent reforms, followed by a discussion of the listing and disclosure rules. It then performs an empirical study of the control and ownership of the top 20, top 100 and the listed UK companies for two

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distinct points in time, that is the 1990s and 2018–2019. The following patterns emerge. Over the period ranging from the late 1990s to 2018–2019, the percentage of listed companies in the top 20 and top 100 suffered a substantial decrease. In contrast, the percentage of fully owned subsidiaries among the top UK companies shot up from virtually nil to more than half of such companies. Still, the average listed UK company remains widely held in 2018–2019 (Goergen and Renneboog, 2001). The chapter then proceeds by identifying potential determinants explaining the observed ownership changes. The chapter concludes with a number of reflections on how UK corporate ownership and control may change during the post-Brexit period.

In **Chapter 3**, Klaus Gugler, Evgeni Peev and Martin Winner use several datasets to trace the ownership and control structures in Austria around twenty-five years ago and compare them to the situation in 2018–2019. Like many other European countries, Austria experienced a shake-up in securities law, mainly induced by EU Directives (such as those on shareholder rights, takeovers and transparency). Despite investor-favourable changes in securities law, ownership concentration remains very high in Austria in listed and unlisted companies alike. Thus, large shareholders have preserved their role of the predominant corporate governance model in Austria. The identities of the controlling shareholders remained very much the same during the past decades with one important exception, banks. Pyramidal ownership structures have remained prevalent as of 2018–2019 in Austria, since non-financial firms and holding companies together controlled nearly half of the top 100 Austrian firms. Thus, families and individuals who stand behind those companies remained the most important ultimate controlling owners. There was a remarkable decline in state control of listed companies after privatization, but the state retained an important role as a large and controlling shareholder in many of the largest (listed and unlisted) Austrian companies. While around twenty-five years ago foreign owners already controlled around 20% of the largest Austrian companies, this percentage continued to increase. Thus, in Austria one does not see the kind of convergence to Anglo-American corporate governance and ownership structures predicted by, for example, Hansmann and Kraakman (2001) or Franks and Mayer (2001). In speculating why this might be the case, 'complementary institutions' that hinder this convergence may be the preferences of both controlling owners as well as

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prospective buyers, and a missing political will to embrace a more shareholder-oriented model.

In **Chapter 4**, Evgeni Peev presents evidence on ownership and control change in Germany. Ownership concentration dropped in the large German companies over the past few decades. Yet it remained relatively higher than its counterparts in the Anglo-American world. There was an increase in the number of companies with dispersed ownership. Yet the widely held companies accounted for only 20% of the top 20 firms, 17% of the top 100 and 21% of listed companies in 2018–2019. The share of other German companies (non-financial and holding companies), domestic banks and insurance companies, and the state as largest shareholders in the large German companies has declined, and there has been a rise in foreign investors. The role of families as key largest shareholders has varied by company size. The chapter also discusses the determinants of corporate ownership persistence and why the forces of path dependence stemming from the German national system of 'coordinated market economy' appear to be more powerful than the pressure coming from global markets and legal reforms in the 1990s. The chapter has partly answered the question, posed by Hellwig (2000) about whether the internationalization of German large corporations and their shareholders will limit the power of corporate insiders. German individuals, families and other German companies still appear to be the dominant shareholders in the top 20, top 100 and listed German companies. Nevertheless, the share of non-traditional owners for 'Deutschland AG' such as foreign blockholders and widely held companies has significantly increased in the past few decades. The emergence of a hybrid ownership landscape may challenge future corporate law and governance developments in Germany.

Chapter 5, by Alexander F. Wagner and Christoph Wenk Bernasconi, analyses ownership and control changes in Swiss corporations. A major finding is that in listed companies, there has been a substantial decrease in the ownership percentage by the top three shareholders. For example, for the listed companies ranked 21 to 100, the median stake of the three largest shareholders dropped from 42.5% in 2008 to 36.6% in 2018. More generally, the concentration of the disclosed shareholders has decreased. Non-domestic investors hold large stakes in companies listed in Switzerland and have become more important in the largest, most mature companies – not only has their

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share ownership significantly increased, they are also more active in exercising their voting rights and in engaging with companies. The chapter also provides some evidence, drawing on a series of surveys of market participants, that these developments, especially the presence and increasing activity of non-domestic investors, have direct implications for the governance practice of companies listed in Switzerland. While it is difficult to pinpoint specific drivers for the ownership and control developments of Swiss corporations, overall the pattern is consistent with the life-cycle hypothesis of Franks et al. (2012), who postulate a life-cycle theory for family firms. Moreover, the openness of Switzerland has limited the potential for insiders to coordinate to keep companies tightly under their control (Rajan and Zingales 2003). The increase in non-domestic investors leads to a significant spill-over of regulation enacted in the United Kingdom, the EU or the United States to companies listed in Switzerland. This is generally aligned with the theory of converging corporate governance due to institutional investors striving for a global model as suggested by Gordon and Roe (2004).

Chapter 6 by Johan Eklund and Evgeni Peev is on ownership and control changes of Swedish companies. While Sweden witnessed a significant increase in ownership concentration in the top 20 and top 100 firms in the past few decades, equity ownership concentration remained virtually the same in listed companies. The large shareholders remained the dominant corporate governance model in Sweden. The largest domestic shareholders, such as families and holding companies (closed-end investment funds) have persisted in the past few decades. There was an increase in the share of foreign owners as the largest shareholders in both the top 100 and listed companies. There was also an emergence of new entrepreneurs as the largest shareholders in large Swedish companies. The presented evidence cannot confirm the expectations about the abolishment of the pivotal pyramidal holding companies in Sweden (see e.g. Agnblad et al., 2001). The chapter has documented both the persistence of corporate insiders and ownership changes (e.g. an increase in foreign ownership and the establishment of new domestic largest individual shareholders) in the past few decades. It also shows the importance of domestic institutional investors. The chapter discusses a few reasons why the ownership structure remains persistent despite the substantial influence of global market forces, liberalization of domestic markets and corporate governance and legal reforms in Sweden.

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Chapter 7, by Laura Abrardi and Laura Rondi, presents evidence on ownership and control developments in Italy. The chapter portrays the evolution of the ownership and control structure of Italian firms from the early 1990s to date, in which period institutional changes, external shocks and reforms affected the economy, the financial system and the legal protection of shareholders. Specifically, the chapter provides a detailed account of the organization forms of Italian companies, the control models of listed and unlisted firms, the identity of the largest shareholders, the role of institutional investors and the control-enhancing mechanisms of family listed firms, which still represent the largest share in the private companies' segment of the stock exchange. It finds that many features of the ownership structure and the control models are still in place. The Italian economy remains characterized by a predominance of small and medium-sized enterprises (SMEs) that rely on banks for external finance, family firms reluctant to go public and to release control, and a high ownership concentration even among listed firms. And yet institutional reforms did change the corporate governance system, ownership transparency and the attitude towards minority investors because pressures from the regulatory authorities led pyramidal groups to shorten the control chains and to dismantle cross-shareholdings, which eventually sparked a growing interest by foreign institutional investors in recent years. The chapter discusses the effects of legal and institutional changes, institutional investors and the changes in the use of control-enhancing mechanisms on corporate ownership and control.

Chapter 8, by Evgeni Peev and Todor Yalamov, draws a picture of ownership and control change of large Bulgarian companies after the collapse of communism in 1989. Post-communist privatization has fundamentally changed the ownership landscape in Bulgaria. In 2018–2019 the state was the largest shareholder in only 9% of the top 100 companies (down from 42% in the mid-1990s). The state has virtually disappeared as a direct largest shareholder of listed companies. Nevertheless, the state has still remained among the key ultimate owners among the top 20 companies. Foreign investors have become the largest shareholders in 46% of the top 100 companies (up from 31% in the mid-1990s) and in 11.7% of listed companies (up from 6.25% in the mid-1990s). There was a remarkable increase in ownership concentration in listed companies and the percentage of listed companies with dispersed ownership has declined. The destruction

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of large Bulgarian firms, proxied by their exit rate, was not coupled with an entry of newly established private firms into the cohort of the top 100 companies. There was no sustainable development of domestic largest shareholders. The chapter discusses a few factors explaining the observed ownership patterns.

In **Chapter 9**, Jože P. Damijan, Anamarija Cijan and Jakob Stemberger study the ownership and control transformation of large Slovenian enterprises after 1991. Although the Slovenian ownership structure was not formally dominated by the state initially (due to so-called social ownership), it became so due to the distribution formula applied in the course of privatization. Until 2008, Slovenia was perceived as the new EU member state with the largest state holdings and the lowest share of foreign ownership. However, due to numerous management buyouts and ownership consolidations within and across industries before 2009, the landscape of Slovenian corporate ownership changed dramatically in the decade following the financial crisis. The main reason was that companies involved in management buyouts, mergers and acquisitions became insolvent after refinancing conditions tightened with the onset of the financial crisis. This led to radical changes in ownership through a series of foreign takeovers of troubled companies, the privatization of fifteen state-owned enterprises and all the banks receiving state aid in the course of bank restructuring. This explains the radical increase in ownership concentration in the top 100 Slovenian companies over the three decades and the rise of holding companies and foreign strategic investors as the main owners of the large Slovenian companies in the late 2010s. The chapter discusses the political economy of corporate governance and ownership changes in the past three decades.

1.6 Conclusion

This book contributes to the debate about the convergence and persistence of corporate governance and law (see e.g. Hansmann and Kraakman, 2001; Gordon and Roe, 2004; and Gordon and Ringe, 2018). It presents evidence about the evolution of ownership and control of large firms in Europe in the decades following the global corporate governance revolution in the 1990s. The book consists of eight country studies carrying out in-depth analysis of patterns of ownership change or stability in each country. The countries studied

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are the United Kingdom, Austria, Germany, Switzerland, Sweden, Italy, Bulgaria and Slovenia. A few important findings deserve mentioning:

First, the data show two types of country. On the one hand, there are countries with very low or decreasing ownership concentration of large firms (the United Kingdom, Germany and Switzerland). On the other hand, there are countries preserving a high or even increasing ownership concentration (Austria, Italy, Sweden, Bulgaria and Slovenia). Consistently, in the past decades in the United Kingdom, Austria and Bulgaria, the percentage of listed companies has seen a significant drop while the percentage of fully owned subsidiaries has increased. On the other hand, the opposite trend of an increase in the role of listed companies has been observed in Switzerland.

Second, the documented stability of ownership and control structures is largely inconsistent with widespread convergence to the Anglo-Saxon corporate governance and ownership model. The global corporate governance revolution in the 1990s appears to have stalled. While in Germany and Switzerland ownership concentration indeed decreased, even in these countries average ownership concentration remained high. If at all, only the largest companies in these countries display the shift to dispersed ownership expected by the convergence hypothesis. Ownership concentration of large companies in all other countries except the United Kingdom has remained high and even increased over the past decades. Large shareholders have remained the dominant corporate governance model in Austria, Germany, Sweden, Switzerland and Italy. Moreover, this model was also established in Bulgaria and Slovenia, which began their post-communist transition to private ownership structure from scratch.

Third, we have asked to what extent the role of corporate insiders (e.g. families, banks) and the state has decreased in large firms in European countries over the past decades. Our answer is: to a *small extent*. State-controlled firms were and still are important players in, for example Austria and Italy but also Bulgaria and Slovenia. However, there are signs that while state control has remained important, the role and behaviour of the state has changed, for example the state owns only partial ownership stakes in listed firms and has exerted only partial control. Families have preserved their role as the largest shareholders in large companies in all the non-transition countries in Continental Europe studied in this volume (Austria, Germany, Switzerland, Sweden and Italy). The only major change has been

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observed with banks, which were among the most important largest shareholders in Austria and Germany, but their role in non-financial companies declined over the past few decades.

Fourth, the book presents evidence about an increase in foreign ownership in large firms in all the countries examined in this volume. While there is significant country variation in the presence of foreign large owners, the forces of globalization and EU integration appear to be strong. There is also evidence that foreign institutional investors have become more pronounced in the largest listed companies.

Which have been the likely determinants of observed ownership change or persistence? There are complex driving forces playing *pro* and *contra* the global corporate governance revolution in each country. However, a striking common observation appears to be that despite the bulk of corporate governance and law reforms in all the countries in the last decades, the data show a great deal of *stability* of ownership structures in large firms. First, path dependence matters. Complementary country institutions of coordinated market economies appear to be the major driving forces behind the persistence of corporate insiders in Austria or Germany. Pre-existing country economic structures (e.g. efficient family-owned multinational companies competitive in the global markets) seem to play a decisive role in the persistence of corporate insiders' ownership in Sweden. The persistence of the family ownership structure of Italian listed companies reflects structural and cultural factors and ultimately can be linked to the owner's reluctance to release the firm's controlling stake.

Second, a general pattern of both relative ownership *stability and change* has been observed in Germany, Sweden and Switzerland. The emerging ownership patterns of the large German companies present a dichotomous structure of traditional blockholders (a dominant part) and new structures such as foreign and dispersed ownership stemming from globalization forces. Swedish companies have demonstrated both the persistence of corporate insiders (e.g. families, closed-end investment funds) and ownership changes, such as an increase in foreign ownership and the emergence of new domestic largest individual shareholders. A similar trend has been observed in the Swiss top listed companies where there is an increase in the role of foreign institutional investors only in the largest (top 20) listed companies, but in the rest of the top 100 companies, ownership stability has been documented. In Switzerland, the openness of the economy has been associated with a

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decrease in family ownership and a rise in dispersed and foreign ownership in the past decades. The emergence of a hybrid ownership landscape in Germany and Sweden, and perhaps in other countries with a large domestic capital market (e.g. Switzerland) may challenge the future corporate law and governance developments in Europe.

Third, politics matters for ownership *change*. Besides forces of globalization and European integration, a driving force for the ownership transformation in Germany was the change of government in 1998, and the politics of the new centre–left government against corporate insiders. The substantial ownership change in Bulgaria and Slovenia was preceded by a radical political transformation leading to a post-communist transition to a market economy. Thus, the book findings show that potentially large corporate governance and ownership changes are mostly possible after a change in the politics. This corroborates a few previous studies on the role of politics (see e.g. Ringe, 2015 on Schroeder's government in Germany since 1998; Kandel et al., 2019 on Roosevelt's government in the United States in 1934 on tax policy for dismantling corporate pyramids; and Carney and Child, 2013 on the government changes in a few East Asian countries since 1996). Among the variety of policy tools, tax policy change appears to be one of the factors behind ownership changes in Germany and the United Kingdom in the past decades. This confirms the results of other studies documenting the impact of tax policy on ownership structure (see e.g. Gilson and Gordon, 2013 and Kandel et al., 2019 on the United States; Rydqvist et al. 2014 on eight developed countries). The book's findings also reveal the importance of capital control abolishment as a decisive driving force for the increase in foreign ownership in Sweden. This corroborates the results of other studies on the impact of capital control on company ownership (see e.g. Carney and Child, 2013 on East Asian corporations).

What are the implications of our findings for the theory of the firm? In Section 1.3, we set up theoretical arguments about a number of determinants of corporate structure (see Table 1.1). We can assess these arguments in light of the results which we have gathered from the country studies. First, it is difficult to reconcile the bulk of the evidence presented in the country studies with the predictions of the *law and finance* literature about the impact of stronger investors' protection on the rise of dispersed ownership. The substantial institutional and legal

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reforms, driven by EU integration or international institutional investors, or both, have led to better protection of shareholders in all of the countries studied in this volume. Yet this did not straightforwardly materialize into a decrease in ownership concentration or a rise in the share of companies with diffused ownership. The legal reforms appeared not deep enough to touch fundamental institutions of the pre-existing corporate governance models, such as co-determination in Germany or the hierarchical governance structure consisting of the shareholders' meeting, the board of directors and the chief executive officer (CEO) in Sweden. The impact of the improvement of shareholders' protection appears only moderate and by no means led to a convergence to the Anglo-Saxon ownership structure.

Second, the assumptions of the theory on the *political determinants* of corporate ownership structure are partly corroborated by the evidence on Germany, Sweden, Bulgaria and Slovenia. Political change appears as an important prerequisite for ownership change.

Third, the arguments of the *convergence* literature about ownership changes driven by economic efficiency considerations stemming from global market pressure are highly convincing, but they were only mildly supported by the evidence presented in country studies. The pre-existing globally competitive multinational companies in Sweden and Switzerland belonged to the status quo protecting corporate insiders, and it appeared that they did not need to adjust substantially their business models and ownership structures as a response to the global markets pressure since the beginning of the 1990s.

Fourth, the *path-dependence* theory predictions about the decisive role of initial conditions and the country complementary institutions were very much confirmed by the evidence presented on the coordinated market economies in Austria and Germany, the Swedish social and corporate governance model and in Italy and Bulgaria. The stability of the ownership structures of Italian listed companies reflected structural and cultural factors. In Bulgaria, the driving force for transition was the former communist regime circles, which created a strong path-dependence impact and an ambivalence for corporate ownership transformation.

The reader can also find a number of *specific country events*, such as corporate scandals (the United Kingdom), financial crises (Slovenia, Sweden) or political regime collapse (Bulgaria, Slovenia), which cannot be classified as belonging to any major determinants of corporate

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ownership described in the literature but actually triggered the most significant corporate governance and ownership reforms in the particular countries.

In sum, none of the determinants shown in Table 1.1 received consistent confirmation across the eight countries. A key conclusion one might draw from the results is that since no single assumption explains corporate ownership changes or stability, a variety of assumptions must govern, and it seems that an 'eclectic' theory of corporate ownership holds. We leave the development of such an eclectic theory of corporate ownership as an important task for future research. In our study, we have asked only a few basic questions about ownership and control change in Europe in the past few decades. We hope this study will stimulate an interest in further cross-country research on the (r) evolution of corporate ownership and control in Europe.

What are the key policy implications of our study? In contrast to a number of legal studies of corporate law and governance, which examined only 'ideal types' of ownership at a very high level of generality and which were reasonable for the purposes of these studies (see e.g. Kraakman et al., 2017), we have documented granular differences in ownership structures both across and within the eight European countries. Thus, our results may comprehensively serve legal practitioners in their evidence-based policy making. We have presented the ownership and control 'in motion' over the past decades. This would be especially valuable for practitioners working on recent corporate law reforms, aiming at increasing the protection available to shareholders. The evidence presented in this volume (e.g. the emergence of a hybrid ownership landscape) would establish the institutional background of the evolution of agency problems to be investigated. More generally, the facts documented in our study on the heterogeneity of the largest shareholders presenting both traditional European corporate governance models and non-domestic institutional and strategic investors show the necessity for the development of a different 'optimal' corporate law because the interests of shareholders are heterogeneous (see also Kraakman et al., 2017).

Finally, the book's results may serve as a basis for a more general discussion about institutional change and its ideological underpinnings. Francis Fukuyama predicted 'the universalization of Western liberal democracy as the final form of human government' (Fukuyama, 1989), and Hansmann and Kraakman (2001) predicted that '[t]he

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ideology of shareholder primacy is likely to press all major jurisdictions toward similar rules of corporate law and practice.' We have documented that the global corporate governance revolution against corporate insiders and state ownership was only partly successful in Europe. It appears that market forces and legal changes alone (e.g. globalization, the global financial crisis, the introduction of the EU single capital market, corporate law and corporate governance reforms) were not capable of overcoming the path-dependence factors in Western European countries preserving coordinated market economies and domestic economic structures.

In the end, a lack of political will supporting shareholder capitalism in Western Europe, partly due to the growing doubts about the actual efficiency of the Anglo-Saxon corporate ownership structure, partly due to the rent-seeking of European corporate insiders, has been one of the decisive forces opposing the pressure by globalized markets for convergence to the Anglo-Saxon corporate governance and ownership model.

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