POSITIVE OR NEGATIVE VOTING PREMIUM: WHAT HAPPENED TO PRIVATE BENEFITS IN ITALY?

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Abstract

A large body of research deals with voting premium as a proxy of private benefit of control. Almost all of them find positive voting premium, in particular in Italy. Therefore appears interesting to ask what is the current status of private benefits of control in Italy in the last decade (2007-2017). Surprisingly, we show three major findings: i) reduction of non-voting share in the Italian scenario; ii) prevalence of negative voting rights premium more than positive ones, thus conflicting with the assumption and the observations by other researchers; iii) limits of the voting premium method. Our aim is that this study, despite its limitations, may encourage further researches focused on the analysis of the improvement and the change in the Italian corporate governance. The article points out that interesting evidence already exists, although still much remains to do in the future.

Keywords: Private Benefit, Voting Premium, Corporate Governance, Corporate Control, Control Premium, Private Cost, Italian Context

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1. INTRODUCTION

Italian financial markets were generally characterized by concentrated ownership, weak investor protection and State ownership (Gupta, 2014), that is, Italy is typically considered a country where low investor protection enables controlling shareholders to enjoy high private benefits (Belcredi & Enriques, 2014; Esposito De Falco, 2014). However, several changes have also been made to the Italian corporate governance: the presence of foreign institutional investors has been growing steadily, the separation between ownership and control via the pyramidal and dual class shares has been decreasing (with regard to dual class shares the number of firms issuing non-voting shares has dropped from 70 in 1998 to 19 in 2015 (Consob, 2016), the legal framework has changed and the investor protection has been increasing remarkably (Law 149/1992 that introduces the mandatory OPA, Law Decree. 58/1998 and other pieces of legislation on the protection of minority).

It, therefore, appears interesting to ask what has happened and what is the current status of private benefits of control in Italy? Private benefits of control derive from the separation of the residual claim right and residual control rights attributed to the controlling shareholders. When the residual claim (for example the cash flow right which reflects the return on investment represented by the shares that a controlling shareholder owns as a proportion of the total value of the firm) is not consistent with the residual control right (the voting right which is represented by the shares that a controlling shareholder owns), there is a private benefit of control.

Private benefits of control can be either pecuniary or non-pecuniary and they can be drawn out by the controlling shareholders of the firm without necessarily sharing them with other shareholders (Kang & Kim, 2006). As shown by Sancetta and Gennaro (2009), these benefits can assume three different forms: i) psychological benefits; ii) cash flow that the controlling coalition can draw out of a company (personal benefits, dividend policy, M&A, etc.), diverting assets away from other shareholders; iii) additional cash flow that the controlling coalition (external synergies) can develop outside the company (see also Zanetti, 2004). According to the taxonomy of Pacces (2008) the private benefits of control can be classified in three categories: 1. Diversionary (or bad): implying wealth distractions at the expenses of minority shareholders, such as in the case of over or undervalued insider dealing transactions; 2. Distortionary (or ugly): implying inefficient target pursuit, as in the case of suboptimal growth-oriented strategies; 3. Idiosyncratic (or good): remunerating specific resources that a controller contributes to a firm such as, for example, entrepreneurial talent and personal relationships (Tiscini & Raoli, 2013).

Mechanisms such as dual-class share or pyramidal ownership structures, which offer "the possibility of controlling vast resources with limited amounts of capital" (Bianchi et al. 2001), aimed at separating voting rights and assets, are often elements that can generate and amplify the possibility of extracting private benefits (Bebchuck et al., 2010). After all, a dual-class share structure continues to be used frequently in listed firms around the world (Maury & Pajuste, 2011; Banerjee & Masulis, 2017). For example, recently, also Google and Facebook adopted dual-class equity structures. In Italy, an example of dual-class share is "*azioni di risparmio*" (non-voting shares) that guarantees the holders certain capital gains in exchange of a limitation of the voting rights at the ordinary and extraordinary shareholders' meetings of the company.

Usually, the greater value attributable to the non-voting shares compared to the voting shares in favour of a more favourable treatment in terms of dividend distribution (or redemption of capital in the event of liquidation) is more than offset by the lack of value inherent in the voting rights, as recognized in the voting shares.

However, it shall be observed that in Italy, after more than 40 years[14] this stock class is going through a progressive and inexorable extinction (Sacco Ginevri, 2014). The pros and cons of dual class shares have been extensively discussed and more recently, there were some criticisms of dual class shares by several of the world's biggest money managers. For example, Blackrock hopes that companies with dual or multi-class capital structures may balance out shareholder voting rights on key proxy decisions, which might be caused by conflicts, such as executive pay or related-party transactions[15].

Exogenous changes to the legal and regulatory environment (like Consolidated Law on Finance (Testo Unico della Finanza)) and an increasing internationalization of the investor basis of Italian firms make non-voting shares less attractive for controlling shareholders (Bigelli et al., 2011).

Therefore, the aim of this paper is to review the issue of private benefit measured by voting premium in the Italian market based on more recent data. While many studies state that majority shareholders extract private benefits of control from minority shareholders, there is a much less empirical examination of the private benefits of control when the voting premium is negative. The major contribution of the paper is that it gives evidence of the existence in Italy of a negative voting rights premium more than a positive voting premium, thus conflicting with both the assumptions and the observations from other countries and by other researchers.

Our assumption is that this negative voting rights premium is the result of an interaction of four effects: i) firm inherent features; ii) regulation aspects; iii) liquidity risk and iv) presence of shareholders bearing a risk that is not offset by over-returns. We thereby contribute to the lively debate existing in the literature about the private benefit of control. The other part of this paper has the following structure. Section 2 gives a brief review of the literature and theoretical background. Section 3 describes the procedure for data collection and selection. Section 4 analyses the main results. Section 5 introduces a discussion while section 6 offers some concluding remarks.

2. THEORETICAL BACKGROUND AND LITERATURE REVIEW

There are different ways in which controlling shareholders can expropriate minority ones and gain private benefits of control. Several classifications of private control benefits are available in the literature, as there are several factors distinguishing these benefits from each other since they originate from different sources (Ehrhardt & Nowak, 2003; Esposito De Falco, 2017). For example, depending on the characteristics of the shareholders, different private benefits are possible. Private benefits of control, such as exaggerated salaries, self-dealing or synergies favouring other businesses of the controller, are more likely to be associated with strategic shareholders such as entrepreneurs, family owners, managers and industrial investors; whereas institutional investors typically benefit only from the cashflow rights associated with the ownership (Neumann, 2003)

In the last decades, corporate governance literature confirms the existence of different mechanisms to calculate a control premium (Zingales, 1994, 1995; Nenova, 2003; Barclay & Holderness, 1989; Neumann, 2003; Ordegaart, 2007; Bigelli & Croce, 2013; Kalay et al., 2014).

The control premium or voting premium can be defined as the price that a potential bidder would be willing to pay to atomistic holders of voting stock to establish control over the company.

Literature suggests two indirect methods to estimate the private benefits. Indirect method because the private benefits of control are rarely directly observable or measurable. The first method is the block premium approach suggested by Barclay and Holderness (1989). In this case, private benefits can be measured by using the difference between the block transaction price and the market price after the transaction. The difference between the price per share paid by the acquiring party and the price per share prevailing on the market gives the differential payoff accrued by the controlling shareholder.

The second method relies on the existence of companies with multiple classes of stock with different voting rights: it is based on the difference between voting shares and non-voting shares. This difference can be used to estimate the scope of the private benefits of control (Zingales, 1994, 1995) and

[14] Savings shares have been introduced into Italian corporate law by law 7 giugno 1974, n. 216 (artt. 14 e ss.).
[15] https://www.blackrock.com/corporate/en-br/literature/publication/blk-a-potential-solution-for-voting-rights-and-index-inclusion-issues-october2017.pdf

it is called "voting premium".

A third method, as suggested by Sancetta and Gennaro (2011), consists in the observation of prices of the majority and minority shares within the transactions entered into under tender offer rules (OPA) (see also Massari et al., 2006).

A seminal paper on this topic is undoubtedly that by Barclay and Holderness (1989). They show that in contrast with the hypothesis that the ownership of listed companies is generally non-concentrated and the shareholders should receive benefits in proportion to their share of shares held, many companies are characterized by the presence of one or more shareholders with a higher percentage of company shares. They receive more benefits than they should in proportion. The authors examine the prices of a sample consisting of 63 equity block transactions in the United States over the period between 1978 and 1983 on the two main US markets, the *New York Stock Exchange* and the *American Stock Exchange*. The results show how the transactions of package control stock are realized, in most cases, by recognizing significant premium to the owner. The transaction prices recorded by the companies in the sample are 20% higher than the stock market prices after the announcement and this happens in more than 80% of the cases, as proven by how buyers pay a higher price in order to have the benefits of control.

Ehrhardt and Nowak (2003), instead, inquire the existence and nature of the private benefits of control in Germany, by analysing the initial public offer and monitoring family-owned companies and tracking their evolution up to ten years after the IPO. The authors analyse a sample of 105 initial public offerings during the period from 1970 to 1991 in Germany. They show that in order to maintain the private benefits over time, the owners have established a dual-class share structure. After ten years of market listings, only one company out of the 105 of the sample featured a diffuse ownership structure; which shows the great value of control in Germany. Overall, founding families continue to exert control: in 65% of the cases, the family remains involved, holding an average share of 63%.

The first attempt to measure the private benefits of control through the *voting premium* was made in the past by Lease et al. (1983); they identified a difference of price between common shares and shares with limited voting rights. This difference allows explaining the initial hypothesis of the authors that foresaw a superior price for the shares with voting rights.

In 26 companies with a dual-class share structure out of the 30 analysed in the United States between 1940 and 1960, a difference was reported that is useful to explain the hypothesis of the authors. Common shares were traded on a stock exchange at an average price 5,4% higher than non-voting shares.

To give a general overview and to estimate the different levels of private benefits in various countries Dick and Zingales (2004) investigated the transactions in 39 countries between 1990 and 2000.

The authors observe in the sample that the possession of the majority of voting shares increases the value of the control package share by the 9,5%.

The results also show that, if there is a second shareholder with significant holdings, this will play a positive effect on the price. On average, the value of the control is 14%, but in some countries, it can be as low as 3%, while in others as high a 65%. As predicted by theory, higher private benefits of control are associated with less developed capital markets, more concentrated ownership and more privately negotiated privatizations.

The results show that private benefits are very variable among the different countries; in 14 countries they are reported to be lower than 3%, while in 10 countries the premium is over 25%.

A cross-country analysis was also carried out by Nenova (2003) and is based on the hypothesis that the laws on shareholders protection in the different countries have an impact on the type of ownership structure, on the market value of the companies, on the private benefits and on control premium. Therefore, she argues that the voting premium may differ from country to country because of the varying impact of legislation on minority shareholders protection. The results show that in countries where there is a greater level of legal protection for investors and where the quality of legislation on transfer controls and the law enforcement system are more effective, the value of control – understood as vote premium- tends to be lesser.

In particular, it can be observed that the possibility of extracting private benefits of control is higher in the French civil law countries, where the value of control premium is on average 22.6%, while on the contrary, it is lower in countries with a common law legal system with an average value of 1.6% for control premium and in Scandinavian civil law system with an average of less than 0.5%.

Feldhutter et al. (2016) show that an increase in voting premiums is associated with a firm's worsening credit rating. Thus, the price of bank loans should be higher for companies where large shareholders or managers possess high private benefits of control.

Recently, Lin et al. (2018), using a sample of 12,476 loans to 2,006 U.S. firms between 1997 and 2015, find that loan spreads are significantly higher when firms have higher private benefits of control. Therefore, firms with higher private benefits of control must pay higher costs to obtain bank loans.

Other researchers examined the relationship between national culture and private benefits of control (Roe, 2002; Griffin et al., 2014). For example, Salzmann and Soypak (2017) analyse the relationship between national culture and private benefits of control, using Excess Voting Rights, measured as the difference between voting and cash flow rights of the largest blockholder. Their results indicate that firms in countries with higher power distance show a more unequal distribution of power among shareholders, whereas firms in countries with higher individualism show a more equal distribution of power among shareholders. Zhang et al. (2013) find that private benefits of control are larger in collectivist as opposed to individualist cultures, consistent with the argument that agency problems between corporate insiders and outside investors are severe in a collectivist culture.

The special peculiarity of the Italian context, considered as a country where low investor protection enables controlling shareholders to extract private benefits and where the ownership of companies is often in the hands of the founding families, has always attracted a special attention to this topic. A first important contribution to the definition of the voting premium method and to the study of the Italian context in this sense is the one given by Zingales (1994). The author shows the existence of control premium by analysing a sample of 391 observations of 96 companies listed on the Milan Stock Exchange between 1987 and 1990. The results obtained by the author report an average premium of 82%, a very high value due to the number of private benefits and the probability that minority shareholders will have a determining impact in the event of a change in control.

Linciano (2002) reports that between 1989 and 2000 the monthly-recorded differential price between common and savings shares showed a remarkable decrease. The trend of the medium voting premium dropped from 85% in 1989 to 37% in 2000. The results obtained confirm the hypothesis of the author that the changes in the listed company's legislation with the introduction of the TUF in 1998 had contributed to a reduction of the private benefits of control, thus increasing the level of shareholders minority protection. The entry into force of the TUF seems having reduced the level of the average value of private benefits of control between 21% and 25%.

Chiesi and Pavarani (2009) analyse the issue with a focus on Italian banking sector. The analysis of 190 equity packages transactions by Italian listed banks between 1984 and 2004 showed that the control premium for the sample concerned was significant since its average amounted at 13.44%. As for the traded shares packages that are greater in size than 2%, the medium premium increases to 18,61%. In order to calculate this premium, the authors compared the transaction price with the official stock price on the day following the announcement of the transaction.

Another contribution on the banking sector is the one provided by Gianfrate et al. (2012), which carry out a cross-country analysis on a sample of 157 transactions in the sector in 40 different countries. The results of the survey show that the average level of private benefits of the banking sector is 3,3%. However, the analysis also reveals that control premium is considerably higher in the case of French civil law countries, like in Nenova's studies, where there is a lower level of investors' protection. In general, banking operations in civil law countries show higher control premium than banks operating in countries with different legal systems. The work inspiring this contribution is the one by Linciano (2002), which investigates the impact of the regulation on Italian listed companies on the trend of private benefits of control measured through the voting premium. The main aim of the survey is an attempt to identify the effects of the laws introduced in the Italian legal system to guarantee a greater protection of minority shareholders, able to limit the expropriation mechanisms by the ownership group.

Caprio and Croce (2008) analyse a sample of 116 companies that issued non-voting shares during the period of analysis (1974-2003). The results obtained include an average voting premium of 44,3%; precisely, in the first years after the introduction of non-voting shares (1977-1980), when the non-voting shares were issued by a few companies, the value of voting premium was almost negligible. Since 1981, the value of the voting premium began to increase from 80% in 1986 to its maximum in 1988. Vice versa, the average premium reported a decreasing trend since the introduction of the legislation on OPA and the introduction of the TUF, until 2003 when the average control premium was 19, 76%.

Sancetta and Gennaro (2011) investigate the relationship between governance systems and protection of minority shareholders in Italy in order to evaluate the efficacy of a corporate governance system. They studied the level of control premium resulting from the tender offers made in Italy in the period 1999-2009 with the aim of assessing whether compliance with best practices would result in a reduction of control premium and would enhance the minority shareholders protection. The average control premium recorded dropped from 15,35% in the first 12 months to 3,40% in the month preceding the OPA. Using a regression model, the authors obtained information on the impact of compliance with best practices over the size of control premium; in particular, an inverse correlation between compliance with best practices and majority premiums was observed. It is interesting to note that companies with governance system complying with the legislation can better protect the minority shareholders' interests.

Bigelli and Croce (2013) argue that higher fractions of non-voting shares, higher dividend privileges, market prices closer to the par value of the shares and smaller firms lead to higher voting premiums. They also suggest a new measure for the voting right, the Relative Vote Segment, which incorporates dividend privileges into the inferior class of shares. In this way, the authors test and compare it against the standard Relative Price Difference and the Nenova (2003) measure based on Italian data between 1998– 2008. Results show that the voting rights' estimates by Relative Vote Segment are significantly greater and more accurate than when using other measures: the average voting premium is equal to 35.63% when estimated with the RVS, versus a significantly lower 20.35% when calculated as a price difference between the two classes of shares and the Nenova measure only reports a 1.30% average voting premium, which appears to be even lower in some sample years.

Ødegaard (2007), in opposition to the financial theory that argues that the voting premium should be either positive or equal to zero, gives evidence of the existence of a negative voting rights premium. This negative voting rights premium is a result of the interaction of three effects: Corporate control (positive effect), market segmentation of foreign and domestic equity owners (negative effect) and stock liquidity.

A negative voting premium can be observed also in Denmark (Neumann, 2003) and this result shows that in the absence of takeover contests, where the voting right becomes crucial in a transfer of corporate control, the price differential in stock classes with identical dividend rights is more likely to reflect investors' liquidity risk.

In conclusion, it emerges that the possibility of extracting private benefits of control is either positively or negatively conditioned by different drivers (see Table 1).

Table 1. A brief summary of drivers

Drivers	*Relationship*	*Some Authors*
Ownership concentration	Positive	Zingales (1994); Linciano (2002); Rydqvist (1992)
Legal protections of shareholders	Negative	Dick and Zingales (2004); Linciano (2002); Nenova (2003)
Stock liquidity	Positive	Barclay and Holderness (1989); Neumann (2003); Ødegaard (2007)
Stability business	Positive	Barclay and Holderness (1989); Chiesi and Pavarani (2009)
Dividend privileges	Positive	Bigelli and Croce (2013)
Compliance with best practices	Negative	Sancetta and Gennaro (2009)

Many papers reveal how the civil law system offers a better possibility to extract private benefits, as opposed to countries of a common law matrix, in which there seems to be less extraction of private benefits thanks to a better protection of the investors, also due to the so-called market for corporate control. The ownership concentration is a determining factor, or as where there is a greater concentration, it will be easier to extract benefits. A third element is the development of the markets and thus the related liquidity of trades do not facilitate (or make evident) the extraction of private benefits. Finally, the sector where the companies operate could influence the private benefits of control.

There seems to be a better possibility to extract private benefits where there are stable businesses (Chiesi & Parvani, 2009), as for example the banking business, this is further confirmed by the presence of investors that grant a bonus for more control when the prices of the shares are less volatile and the company has more liquidity (Barclay & Holdrness, 1989). Demstez and Lehn (1985) defined the media sector as one of those sectors where there are higher private benefits of control, whilst Dick and Zingales (2004) indicate further sectors, such as wholesale trade companies, finance (financial, insurance and real estate), transport companies and utility.

3. METHOD

The sample includes all the companies that traded voting shares and non-voting shares on the Italian Stock Exchange between 2007 and 2017. In particular, the starting sample consists of 36 companies that issued non-voting shares in the period 2007–2017, as reported by the annual report Indici e Dati (Indexes and Data) published by R&S Mediobanca concerning Italian stock market-listed companies. After some exclusions due to missing data and a few non-voting shares never traded on the stock exchange, the final sample consisted of 22 companies with both voting and non-voting shares listed on Milan Stock Exchange. As observed by Bigelli et al. (2011) the number of Italian dual class listed firms has been declining in the last years. At the end of 2008, there were only 30 dual class firms (with both voting and non-voting shares) listed on Milan stock exchange out of the 336 Italian listed companies (8.93%), versus 94 out of 266 in 1990 (35.34%). We obtained stock prices and other financial information from Datastream and Bloomberg. Ownership structure data were taken from the website of "Borsa Italiana" and from the report of corporate governance of each company. Following the methodology proposed by Zingales (1994) and based on Linciano study (2002), the voting premium was calculated as (Pv – Pnv)/Pnv, where Pv is the price of voting shares and Pnv is the price of non-voting shares. The voting premium was calculated on a yearly basis by averaging monthly price data (more precisely, prices observed on the last trading day of each month).

The analysis was run as follows: the sample of companies that reported a positive voting premium was analysed separately from that of companies reporting a negative sign. Successively, the analysis took both the sector of affiliation and the ownership concentration of the companies into account.

4. RESULTS

Table 2 shows the average voting premium over time in our sample.

Table 2. Average voting premium over time (2007-2017)

Company	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*
Banco Carige	-0,874	-0,877	-0,900	-0,918	-0,911	-0,922	-0,939	-0,965	-0,984	-0,994	-0,995
Banco di Desio e della Brianza	0,03	0,05	0,03	0,03	0,13	-0,02	0,04	0,10	0,13	0,00	0,11
Borgosesia	-0,213	-0,094	0,052	-0,081	-0,180	-0,410	-0,147	-0,147	-0,086	-0,210	-0,293
Buzzi Unicem	0,43	0,50	0,73	0,65	0,82	1,04	0,93	0,73	0,62	0,77	0,80
Danieli & C.	0,38	0,54	0,76	0,83	0,85	0,85	0,53	0,41	0,38	0,36	0,37
Edison	0,080	-0,057	-0,201	-0,274	-0,135	0,137	-	-	-	-	-
Gemina	0,302	-0,082	-0,597	-0,579	-0,293	-0,045	-0,032	-	-	-	-
Ifil	0,05	-	-	-	-	-	-	-	-	-	-
Indesit	-0,07	-0,09	-0,22	0,16	0,08	0,09	0,12	-	-	-	-
Intek Group	0,024	-0,227	-0,353	-0,452	-0,454	-0,153	-0,170	-0,323	-0,379	-0,442	-0,377
Intesa San Paolo	0,07	0,16	0,35	0,27	0,21	0,21	0,20	0,17	0,11	0,07	0,06
Italcementi	0,28	0,28	0,62	0,56	0,80	0,84	0,69	0,52	-	-	-
Italmobiliare	-0,309	-0,311	-0,271	-0,292	-0,229	-0,216	-0,209	-0,239	-0,243	-0,327	
Marzotto	-0,002	-	-	-	-	-		-	-	-	-
Milano Assicurazioni	0,068	0,083	0,061	-0,025	0,050	-0,003	-0,258	-	-	-	-
Saes Getters	0,20	0,15	0,24	0,26	0,49	0,42	0,10	0,16	0,18	0,31	0,25
Saipem	-0,811	-0,814	-0,807	-0,796	-0,797	-0,780	-0,837	-0,821	-0,878	-0,926	-0,912
Salini Impregilo	-0,442	-0,608	-0,714	-0,730	-0,719	-0,740	-0,711	-0,684	-0,602	-0,600	-0,578
Stefanel	-0,956	-0,982	-0,983	-0,994	-0,997	-0,998	-0,998	-0,998	-0,998	-0,999	-0,999
Telecom Italia	0,25	0,33	0,38	0,25	0,17	0,18	0,23	0,28	0,23	0,23	0,22
Unicredit	-0,494	-0,543	-0,608	-0,555	-0,581	-0,770	-0,623	-0,512	-0,535	-0,723	-0,700
Vincenzo Zucchi	0,358	0,049	-0,434	0,362	0,559	-0,591	-0,606	-0,628	-0,667	-0,860	-0,873

As the table shows, not all the historical series of the companies are complete, since, during the years the shares of some companies have been withdrawn from the stock market due to fusions or mergers.

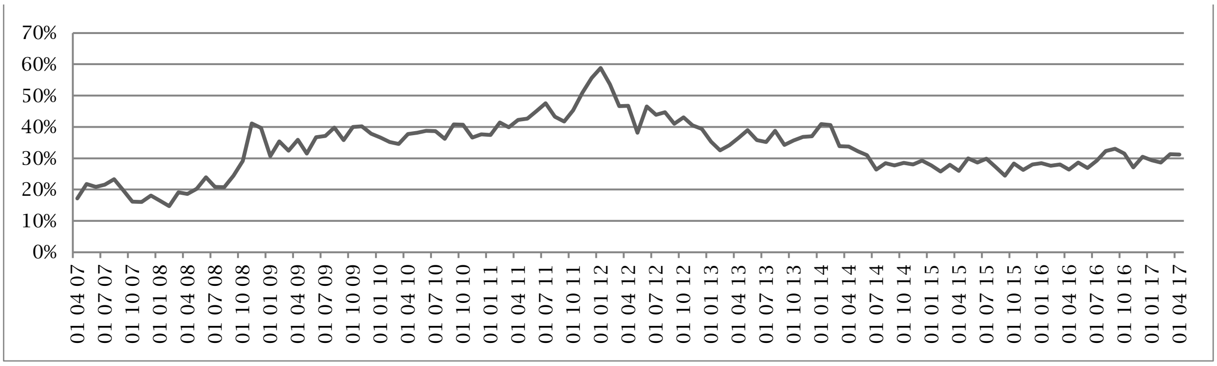
More in general, the results show an average value of 30.17% for the sub-sample that has average values of the positive voting premiums. This value is far the studies of Zingales (1993) whilst it is in line with the values of Linciano (2002). Thus, there seems to be a further decrease of the value for the Italian context but it is high if compared with European contexts.

Table 3. Average voting premium – sub sample positive

Company	*Voting Premium*	*Sector*
Banco di Desio e della Brianza	5,56%	Banking
Buzzi Unicem	73,23%	Industrial
Danieli & C.	58,78%	Industrial
Ifil	5,46%	Industrial
Indesit	0,94%	Industrial
Intesa San Paolo	18,13%	Banking
Italcementi	58,91%	Industrial
Saes Getters	25,33%	Industrial
Telecom Italia	25,16%	Telecommunication
Average	*30,17%*	

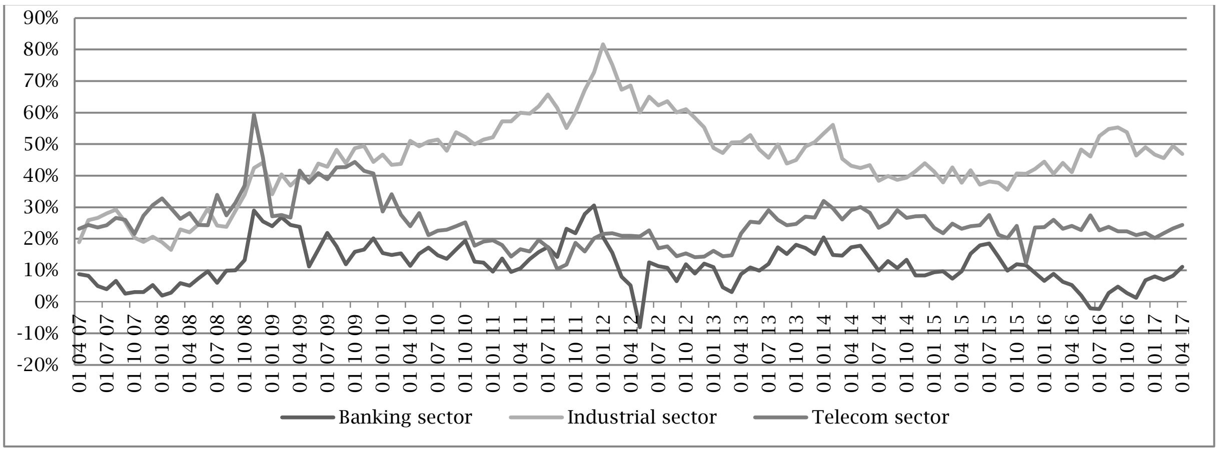
Figure 1 focuses on the evolution over time of the estimated average voting premium for all of the nine companies that form the first sub-sample, characterized by positive values for the voting premium. From the graph, we can see that until 2011 the voting premium showed values below 40% to then greatly increase within the end of the same year, with a 58,8% in the year of 2012. Subsequently, the value of the voting premium decreases until the last period of observation, where it stands at 31,2%.

Figure 1. Time series of average voting premium (2007-2017)



From the analysis of the related sector, the results show how three companies have the average value of the voting premium definitely higher respect to the other companies in the sample. This is mainly for companies that operate in the industrial sector, more precisely Buzzi Unicem, Danieli & C. and Italcementi. This reveals a greater possibility to extract private benefits within such companies, even though the limited number of observations does not make it possible to make precise considerations. Also referring to the trend of the voting premium based on the related sector, during the interval being analysed, it is confirmed that the industrial sector is characterized by a higher value of the voting premium respect to the other sectors throughout most of the time of the analysis.

Figure 2. Voting premium for sectors



Such results may lead one to assume that within the industrial sector there is a greater possibility to extract private benefits of control to the disadvantage of the minorities within other sectors.

The analysis focuses on the fact that 13 companies of the sample reveal a negative value of the average voting premium within the analysis period taken into account (Table 4). A first possible explanation of the negative values of the voting premium could be caused due to the costs derived from the control (private cost), rather than the private benefits extractable from the detention of command. Furthermore, in some cases, as for example in the Stefanel company, the negative voting premium for the whole interval is determined by the high price established when the non-voting share is issued.

Table 4. Average voting premium – sub sample negative

Company	*Voting Premium*	*Sector*
Banco Carige	-93,16%	Banking
Borgosesia	-15,36%	Industrial
Edison	-9,51%	Industrial
Gemina	-21,21%	Industrial
Intek Group	-30,28%	Industrial
Italmobiliare	-26,06%	Industrial
Marzotto	-0,19%	Industrial
Milano Assicurazioni	-0,59%	Banking
Saipem	-83,02%	Industrial
Salini Impregilo	-65,84%	Industrial
Stefanel	-99,14%	Industrial
Unicredit	-59,95%	Banking
Vincenzo Zucchi	-28,16%	Industrial

In the period of analysis, apparently, investors tend to systematically overestimate and/or underestimate voting share and non-voting shares.

The last aspect considered in the analysis is that of the ownership concentration. With a high degree of ownership concentration and in a situation in which there are no expectations of variation of the property, a voting premium that is zero or close to zero should correspond. In case of a more dispersed property, the values of the voting premium should be higher than zero.

However, this conclusion is not valid if, for example as in Italy, a discipline on the public bidding related only to the ordinary shares is envisaged, because in such a situation the changing of the ownership structures is followed by the obligation of the buyer to share the award for control with the minority shareholders. Our results, in fact, show a nonlinear relation between ownership concentration and voting premium values (Table 5) since, in some cases, a high voting premium value corresponds to a high concentration (Buzzi Unicem and Danieli & C.).

Table 5. Concentration and voting premium positive

Firms	*Average of a large shareholder*	*Average of % voting premium*
Banco Desio e della Brianza	51%	5,56%
Buzzi Unicem	57,95%	73,23%
Danieli & C.	66,86%	58,78%
Intesa San Paolo	9,31%	18,13%
Saes Getters	51,98%	25,33%
Telecom	21,95%	25,16%

5. DISCUSSION

The paper does not examine positive and negative aspects of private benefits of control but focusing on the status of art of private benefit in Italy. Important measures concerning shareholders' rights and transactions subject to conflicts of interest have brought Italian legislation broadly into line with the prevailing international standards. In particular, we maintain that control structures have changed and three are the main findings of our analysis.

First, a reduction of the number of saving shares in circulation. If we think that in 2016, in 244 companies listed on the Italian telematics stock market, only 21 were characterized by the fact that they still had saving shares in circulation (the number further decreased in 2017), unlike the 84 companies that had saving shares in circulation in 1990. As already stated by others (Bigelli et al, 2013), a probable explanation of such a drastic reduction of the diffusion of such shares, could be due to the possibility given to the partners owners of saving shares to convert them in ordinary shares within a certain period of time; such a conversion could also be obligatory. The obligatory conversion could be implemented to simplify the composition of the share capital of the company, and to furthermore set a homogenisation of the rights of all the shareholders and to also more efficiently exploit possible opportunities offered by the capital market in the implementation of the future development plans. The obligatory conversion, establishing the concentration of the operation on a single quotation line, will increase the overall free float of the ordinary shares, creating the conditions for a major liquidity of the stocks and, consequently, for a major regularity and continuity in the exchanges and a stronger interest of the investors. Furthermore, the saving shares are slowly disappearing from the market since the guarantee of the minimum dividend, the counterpart to the absence of the voting right makes these stocks more expensive for the company. As highlighted by Banerjee and Masulis (2017), non-voting shares dilute the cash flow rights of all existing shareholders, as more non-voting shares relative to voting shares must be issued to raise the same amount of project funding. This causes the aggregate dividend payout to be divided among more shares, thereby reducing the per share dividend.

Second, surprisingly in the analysed period, we have a greater presence of companies with a negative voting premium. Generally, the financial theory would argue that the voting premium should be positive or zero since the voting shares have additional options relative to the non-voting shares. A negative voting means that the buyer of the block supports a cost of control and not a benefit. The costs could be related to monitoring or costs for legal expenses related to conflicts with minority shareholders. Such a result is new for the Italian context and it in line only with Ødegaard (2007) in the Norwegian context and with Neumann (2003) for the Sweedish context. This provides up-to-date evidence for comparison with cross-country studies aiming at assessing the quality of rules devoted to minority shareholders' protection. Possible explanations worthy of insights and future researches are:

- Specific characteristics of the company: the price differential could depend on some specific characteristics of the company, such as the debt and the nature of the controlled assets, mainly intangible in the banking sector and tangible in the industrial sector.

- Regulation aspects: non-voting shares have privileges regarding their capital value. During the settlement, they are preferred to the other types of shares for their entire nominal value and, in the case of a reduction for losses; this value is not affected until after the total of other shares has been exhausted. They also enjoy benefits in the event of profit distribution. In particular, if the difference between the dividend received by shares without voting rights (above) and shares with voting rights (lower) is large, the market value of shares without voting rights may be higher than the value of shares with rights of voting.
- Liquidity risk: for some of the companies of the sample, such as Borgosesia, Saipem (in many cases corresponding to 0), Stefanel (in many cases corresponding to 0), Banca Carige and for Unicredit in some periods, the amount of exchange of saving shares is very low respect to the other companies. In this case, the liquidity has important implications for the sign of voting premiums.
- Presence of shareholders/investors that take over a risk that is uncompensated by over-returns. In the case of Banca Unicredit and Banca Carige, such actions could have been carried out by the Foundations the have played an important role in accordance with their mission that is of social value. As has been shown by Chiesi and Parvani (2009), the Foundations have safeguarded the assets from other types of investors more keen on the extraction of private benefits. In this case, a superior voting power should have no economic value.

Finally, we believe that the voting premium method shows some limits since it is restricted to cases in which firms have dual-class shares and both classes of shares are traded (Kalay et al., 2014). A problem with this method is that there might be some differences in price levels due to the difference in the price of voting and non-voting rights. As affirmed above, Italian legislation and the reduction of a number of non-voting shares should encourage a comparison of premium voting with other methodologies that take into account market price shares and the OPA price shares in the tender offers launched on Italian regulated markets (Sancetta & Gennaro, 2011).

6. CONCLUSIONS

In conclusion, Italian corporate governance is constantly taking shape (Colli, 2009) and interesting actions are being taken to keep it away from the "family capitalist" situation that traditionally characterizes it. Although Italy has a reputation of poor corporate governance, being it characterized by an inactive takeover market, limited presence of institutional investors and low legal protection for investors, we do believe that something is changing "and yet" Italian corporate governance " still moves" ("eppur si muove") as opposite to Culpepper position (2007). For example, the adoption of the Shareholder's Right Directive, a directive aimed at protecting shareholders, has facilitated their participation on Annual General Meetings, in particular, that of the institutional investors. Therefore, this favoured the debate on some important issues, such as say on pay in Italy (Esposito De Falco et al., 2016; Belcredi et al., 2017) or attention to ESG issues (Cucari et al., 2017). Under this perspective, this study, by analysing the voting premium over the last 10 years (2007-2017) in a sample of companies, was able to show one of the many changes occurred in the Italian corporate governance: reduction of non-voting share and prevalence of negative voting rights premium. In addition, within the industrial sector, there is a greater possibility to extract private benefits of control to the disadvantage of the minorities within other sectors.

Hopefully, this study will encourage further analyses of the improvements involving Italian corporate governance. Indeed, it showed that interesting evidence already exists, but that still much remains to do in the future. Nevertheless, our paper is not without limits requiring further investigations. First, our results should be held using alternative measures of private benefit of control. In this way, we can verify if, in Italy, we have a greater presence of companies with private cost rather than private benefits extractable from the detention of command. Second, we do not have compared the pre-crisis and crisis period, but a complete understanding may be achieved comparing the ownership structure and capital structure before, during, and after the crisis.

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