ARE CORPORATE GOVERNANCE SYSTEMS TYPOLOGIES RELEVANT? EVIDENCE FROM EUROPEAN TRANSFERS OF OWNERSHIP RIGHTS

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Abstract

Corporate governance systems vary considerably across Europe, reflecting the differences in the financial and legal systems, and in corporate ownership structures. The purpose of this paper is to identify the relevant governance system typologies. To test the robustness of the typologies, we study transfers of ownership rights that may be an important determinant of corporate governance in the largest European economies. Results overall invalidate the expectations induced from the theoretical analysis of national corporate governance systems. They suggest that the classical typologies are insufficient to distinguish between governance systems as they miss to capture institutional complementarities and political differences. Our unexpected results could also suggest a convergence of the systems, not towards the Anglo-American model, but towards a new model.

Keywords: Corporate governance, market-based economy, bank-centred economy, investor protection, ownership structure, mergers and acquisitions, leveraged buyouts, initial public offerings, transfers of minority stakes, private equity.

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1. Introduction

Despite globalisation and European integration, corporate governance systems still vary considerably across Europe, reflecting international differences in financial systems, legal regimes and corporate ownership structures. Several typologies have been built to describe as globally as possible the situation of very different countries. A kind of competition has arisen between these typologies to describe more precisely the reality of business life. The purpose of this paper is to identify the relevant governance system typologies in five major European countries (France, Germany, Italy, Spain and the United Kingdom). To test the robustness of the typologies, we study transfers of ownership rights that may be an important determinant of corporate governance. We focus on transfers of ownership rights because La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998) (LLSV, 1998) in their analysis of legal and financial systems of 49 countries do not consider them and because other more recent studies only focus on cross-country mergers and acquisitions (M&A) (Rossi and Volpin, 2004).

To achieve our goal, we use Zephyr database, which contains information on multiple deals types including M&A activity, Initial Public Offerings (IPOs), joint ventures, and private equity deals with links to companies' financial information. We focus on five European countries because their Gross Domestic Products are the highest in Europe and because their corporate governance models still remain different despite the European integration process.

We structure the paper as follows: Section 2 identifies the factors that may explain differences in transfers of ownership rights across European countries. Testable hypotheses are identified to assess the robustness of corporate governance systems typologies. Section 3 describes the data and the methodology. Section 4 contains the results. Section 5 discusses them in relation with the relevance of corporate governance systems typologies. Section 5 concludes.

2. Factors of differentiation in transfers of ownership rights across European countries

In an economy without any imperfection, transfers of ownership rights would be driven only by opportunities for maximising value. In such a perfect world, sellers would maximize the shares' value and acquirers would improve the efficiency of firms by taking over new branches. Imperfections such as asymmetries of information and agency conflicts can prevent efficient transfers of shares. More precisely, the financial and legal environment within a country could have a significant impact on transfers of ownership rights. In this section, we first position the five countries studied within the main classifications of European economies in order to differentiate between them (2.1.). Second, we identify the theoretical impacts of these factors of differentiation on the characteristics of transfers of shares (2.2.). In conclusion, we formulate testable hypotheses (2.3.)

2.1. Definition of corporate governance systems

We retain three dimensions to define a typology of corporate governance systems: the financial system, the legal and regulatory regime and the corporate ownership structures.

2.1.1. The typology of financial systems

Traditionally, two systems are opposed: bank-centered systems versus financial market-based systems[20] (Gerschenkron, 1962; Rybczynski, 1984; Levine, 1997; Allen and Gale, 1999). In bank-centered systems such as Germany and Japan during the 1960-1980 period, banks play a major role in the collection of financial resources, the allowance of capital, and the definition of the firms' investment plans. In market-based systems such as the Anglo-Saxon countries, securities market plays an important role besides banks in the collection of resources and their assignment, which makes investment less sensitive to banking debt (Demirguç-Kunt, Laeven and Levine, 2004).

This classification has been called into question by Mayer (1988), and Corbett and Jenkinson (1997). Using net financial data (new debts minus reimbursement of existing debts and banking deposits), these authors do not find any significant difference in the way companies of the most developed countries are financed. Self-financing is the most important financing source everywhere, and then, among external financial resources, debt, in particular from banks, is the most used financing source (except for Canada). Schmidt, Hackethal and Tyrell (1998, 2002) have recently disputed these results. According to them, Mayer's results and those of Corbett and Jenkinson are mainly due to a statistical artefact related to the use of net data. When these authors use gross data from national accounts, they do not confirm Mayer's results and show that significant differences still exist in the financing structures: on the one hand, Germany is still very centred on banking debt and, on the other hand, the UK still relies on financial markets for its external financings. For France, the authors show a radical transformation of the financing system, which could converge during the 1981-1996 period towards the British system.

Demirguç-Kunt and Levine (1999) also find significant differences in financial structures for a sample of 150 countries during the 1990s. They reckon an index of financial development and show a segmentation of countries into two classes, which correspond to the traditional classification between bank-centred and market-based economies. According to this work, France, Germany, Italy, and Spain belong to bank-centred economies whereas the UK belongs to market-based ones.

This classical analysis of financial systems has been recently amended. On the one hand, the development of banking activities on financial markets shows some limits to the efficiency of this approach, which opposes banks to markets. On the other hand, according to LLSV (2000), this classification is indeed no longer effective to distinguish between financial systems. Another approach, developed by LLSV (1998), takes into account the nature of the legal regimes, which offer a legal and regulatory framework for financial activities, to discriminate between countries.

2.1.2. The typology of legal regimes

As financing is a matter of contracts and transfer of information, the nature of the legal regime is crucial to define corporate governance models. In particular, the ability of the legal system to protect creditors and shareholders and its enforcement power are essential criteria for the development of financial activities.

More precisely, LLSV (1998) oppose two types of legal systems. The regime of common law, based on the Anglo-Saxon tradition, ensures a very strong protection to both shareholders and creditors, whereas the regime of French civil law, which derives from the Roman law, offers a low degree of protection to external investors. The regime of German and Scandinavian civil law is intermediate between them. In this typology, Italy and Spain have the same legal regime as France, namely a French civil law. These differences in legal systems induce different firms' behaviours in terms of ownership and control, which are, according to Franks and Mayer (1994), the main distinguishing factors between corporate governance models.

2.1.3. The typology of corporate ownership structures

It is widely documented that corporate ownership structures vary across the large European economies (Barca and Becht, 2001 and Faccio and Lang, 2002). In most European countries, ownership structures are highly concentrated. Some authors argue that the deficiencies in national corporate governance structures are mitigated by higher concentrations of ownership. For instance, La Porta et al. (1999, 2000) argue that the concentration of shareholdings is indeed a rational response to the lack of protection of investors in a given country. If the law does not protect owners against controllers, owners will seek to be controllers. The authors indicate that, in this situation, agency conflicts between managers and shareholders are not significant because large shareholders have at the same time the incentive and

[20] Following Hicks (1975), we can also oppose "auto economy" (Anglo-Saxon countries), where companies are self-financed, and "overdraft economy", where liquidity is based on banking overdraft (Germany and Japan).

the ability to control the management. The authors, however, point out that a high concentration of shareholdings leads to an agency problem between the majority shareholders and the minority ones. According to other authors, political determinants also explain differences in ownership concentration (Roe (2003), Pagano and Volpin (2001), Pollin and Vaubourg (2006)).

Studies show a higher concentration of shareholdings in Germany (Franks and Mayer, 1994; Gorton and Schmid, 2000), in France (Bloch and Kremp, 1999), in Italy (Barca, 1995), and in Spain (Crespí-Cladera and García-Cestona, 1999). On the contrary, for the UK, a great number of firms are listed on the Stock Exchange and the majority of them have a dispersed shareholding.

For France, the distinctive characteristics of ownership structure are a high concentration, family shareholdings and the important role played by holding companies, the two last characteristics being closely dependent. Concentration of shareholdings is high for both unquoted companies and companies in the CAC 40 index. Family shareholdings are significant, whereas stakes held by banks, insurance companies and other financial institutions are relatively low, except for CAC 40 firms.

For Germany, the concentration of shareholdings is historically high because banks have played an active part in the German industrialization and they still hold large stakes in the largest companies (Roe, 1994). Important reforms, however, have been launched during the second half of the nineties and they may call into question this situation.

For Italy, ownership structure is characterized by a high concentration with a small number of powerful industrial families holding large stakes in large companies. However, since the end of the 1990s, new laws have been introduced in order to modify corporate governance. In particular, thanks to the Draghi law, investors' protection has improved, the development of the Italian financial market has accelerated and concentration of ownership has decreased.

For Spain, concentration of ownership is traditionally high. Non-financial companies are the largest investors. Banks' shareholdings, historically high, have decreased but still remain significant in some sectors as Banking and Communication. State's shareholdings, that were significant in some sectors and many large companies until 1995, have almost disappeared since 1998.

In Continental Europe, the concentration of ownership is hence rather high but some studies show some differences across countries. Boutillier et al. (2002) find on a sample of quoted firms that the largest shareholder holds on average almost half of the capital in France and in Germany. In Italy, the largest shareholder of a quoted firm owns about 40 % of the shares, whereas in Spain and in the United Kingdom, he or she holds nearly 20 %. In a study by Kirchmaier and Grant (2005), Spain also appears as an outlier in Continental Europe in terms of ownership structure. They find that the predominant investor type of the largest public companies is family ownership in France, Germany and Italy, whereas corporate and financial owners are the most prominent in Spain. They also show that large Spanish firms have more in common in terms of dispersed ownership structures with the UK than with Continental Europe.

On the whole, we can oppose the UK to Italy. In the UK, the financial system is based on financial markets, the legal regime is ensuring a good protection for investors and concentration of ownership is low. On the contrary, in Italy, financial systems are based on banking debt, the legal regime is protecting poorly investors and concentration of ownership is high. The French, German and Spanish cases are less clear. They are three intermediate cases. First, in Germany, the legal system ensures a better investors' protection, which distinguishes its governance system from the French, Italian and Spanish ones. Second, in France, corporate financing has recently changed: for more than 15 years, the French system has lost most of the characteristics of a bank-oriented economy and has begun to become a market-based economy. Third, concentration of ownership is lower in Spain than in France, Germany and Italy. Spain, however, has the same type of legal system as France and Italy.

2.2. Effects of different corporate governance systems on transfers of ownership rights

The nature of a financial system, namely the importance of markets relative to banks, may have an influence on transfers of ownership rights across countries. In market-based economies, transfers of ownership rights should more often rely on initial public offerings (IPOs) and should more often involve quoted firms. In addition, higher informational standards can reduce information asymmetries between managers and outside investors, which should favour transfers of shares on external markets. Consequently, on the one hand, the volume of deals should be higher in market-based economies and they should be more frequently paid in shares. Moreover, Management Buy-Ins (MBIs) should be more numerous in market-based economies, whereas Management Buy-Outs (MBOs) should be more widely used in bank-centred economies. We also expect that debt financing and payments in cash should be more frequent in bank-oriented economies than in market-based economies. Within the framework of this traditional classification, the role of private equity firms is ambiguous. Although private equity firms are financial institutions like banks, their activities require active financial markets in order to facilitate their exit and the rotation of their stakes. As a consequence, we cannot formulate any assumption relative to the activity of private equity firms on the market of transfers of shares across countries.

The nature of legal origin can also have an influence on transfers of ownership rights. In spite of globalisation and European Unification, Rossi and Volpin (2004) find indeed that differences in legal systems still have a significant impact on M&A across countries. They show significant relations between the origin of the legal system and some characteristics of cross-border M&A. Based on the typology established by LLSV, they show that volumes of deals are higher in countries with higher informational standards and better shareholders protection, namely in countries with common law as the legal origin. According to these authors, payments in cash are more frequent in countries with better investor protection.

Other studies stress relationships between transfers of ownership rights and concentration of ownership. Thus, according to Shleifer and Vishny (1986), transfers of control are easier in companies with more concentrated ownership structure because they overcome the free-rider problem in takeovers. Indeed, when ownership is dispersed, each shareholder of the target company, if success is anticipated, hopes to benefit from a future increase in share value, which could be higher than an immediate purchase of shares. According to Grossman and Hart (1980), in this case, each target shareholder wants to become the free-rider of the bidder, that is to benefit completely from the improvements the acquirer intends to bring to the firms' operations. Rossi and Volpin's results (2004) corroborate this hypothesis since they show that countries with a higher concentration of ownership have more M&A.

According to Bolton and Von Thadden (1998), corporate acquisitions and concentration of ownership are two different ways for controlling managers. Lower concentration of ownership makes financial markets more liquid and thus facilitates takeovers. Consequently, according to this argument, acquisitions (in particular, hostile ones) should be more numerous in countries with dispersed ownership as they are easier to implement. In addition, differences in concentration of ownership across countries can also have an impact on deals types. Shleifer and Wolfenzon (2002) affirm that concentration of ownership characterizes countries with lower investor protection because companies have no opportunity to sell shares to minority shareholders when investors are not well protected by law. Transfers of minority stakes should be less frequent in countries with higher concentration of ownership.

2.3. Synthesis of testable hypotheses

We can, first, derive seven hypotheses from the analysis of the typology based on the type of financial system.

H1: IPOs should be more frequent (H1a) and transfers of ownership should involve more frequently quoted firms (H1b) in market-based economies than in bank-centred economies.

H2: The volume/value of deals should be higher in market-oriented economies than in bank-centred economies.

H3: Payments in shares should be more frequent in market-based economies (H3a), whereas payments in cash should be more frequent in bank-centred economies (H3b).

H4: MBIs should be more frequent in market-oriented economies (H4a), whereas MBOs should be more frequent in bank-centred economies (H4b).

H5: Bank financing should be more significant in the financing of transfers of shares in bank-centred economies.

H6: Private equity firms' activity requires the existence of an active financial market where shares can be sold.

Then, three other hypotheses come from the analysis of legal regimes.

H7: The volume/value of transfers of shares should be higher in common law countries.

H8: Payments in cash should be less frequent in countries with higher shareholder protection (common law).

H9: Private equity firms' activity should be more developed in countries with lower investor protection (civil law).

Finally, two hypotheses derive from the analysis of corporate ownership structures.

H10: The volume/value of transfers of shares should be higher in countries with higher concentration of ownership.

H11: Transfers of minority stakes should be less frequent in countries with higher concentration of ownership.

3. Methodology

To test these hypotheses, we conduct unidimensional and bidimensional analyses on a sample that contains deals, corresponding to sales of shares, completed between 1996 and 2004, involving targets from France, Germany, Italy, Spain and the United Kingdom, and reported by Zephyr, a database from Bureau Van Dijk. We first describe the database and the sample's features. Second, we present the variables used in our study and third, we introduce our method to assess the relevance of the different typologies.

3.1. Population and sample selection

Zephyr database from Bureau Van Dijk contains information on various types of deals including mergers and acquisitions, initial public offerings (IPOs), joint ventures and private equity deals, with no minimum deal value. Over 260,000 transactions are included since 1996[21].

[21] The availability of data varies with deals' types.

Our sample contains all deals corresponding to transfers of shares' ownership, completed as of May 5, 2004, and reported by Zephyr, a database from Bureau Van Dijk. Because we wish to study all transactions that create transfers of ownership rights, we select mergers (business combinations in which the number of companies decreases after the transaction), acquisitions of majority interests (all cases in which the acquirer ends up with 50% or more of the votes of the target), transfers of minority stakes (below 50%), leveraged buy-outs (LBOs), and IPOs, which involve targets (companies being sold, or companies in which a stake is being sold) from France, Germany, Italy, Spain and the United Kingdom. We thus obtain 47 942 deals. The availability of targets' turnover before the deal limits our sample's size to 21 155 deals. In interpreting the results, we note that it is important to be aware that the availability and quality of the data may be better in the United Kingdom because of broader Zephyr coverage. Moreover, the coverage of a country seems to improve over time. The sample is redressed so that it is representative of the total population according to the target's country before the filters are applied to select the sample.

3.2. Description of variables

For the variables that allow multiple answers, we retain only the main answer. For instance, if a deal is financed by both capital increase and debt, then we retain only the main financing resource.

We first consider variables that describe the deal's characteristics. First, the deal type is included: acquisitions of majority interests (above 50%) are distinguished from MBOs, MBIs or IBOs (Institutional Buy-Outs, that is LBOs, in which a private equity firm takes the majority stake), mergers and demergers, IPOs, and transfers of minority stakes (below 50%). Second, the deal's financing distinguishes between capital increases, debt and financing by private equity firms (specialized in venture capital or development capital, possibly joined by a standard company). Third, the deal's method of payment indicates whether the price is paid in cash, by shares, by debt or with an earnout.

We then identify variables that describe the characteristics of the target and those of its acquirer. The following variables are included: the target and acquirer countries, and their respective activities and quotations. A continuous variable, the deal value, is also introduced.

3.3. Assessment of typologies

To assess the relevance of typologies, we reckon a score for each one by comparing the number of accepted hypotheses to the total number of testable hypotheses. We exclude the hypotheses for which results are indeterminate.

4. Results

Results from unidimensional analysis (appendix 1) show a significant number of deals, in relation to the whole sample, involving British targets. On the 21,155 deals studied, 48.92% involve British companies, 16.52% French companies, 16.16% German companies, 10.55% Italian companies, and 7.82% Spanish companies. Thus, results are in line with the hypotheses (H2) and (H7), which expect a more important volume of transfers of shares, respectively, in market-centred economies and in common law legal systems. The hypothesis (H10), which expects a larger volume of deals in countries with a high degree of ownership concentration, is however refuted.

The bidimensional analysis (appendix 2) enables us to go further by linking the deal value and the target country. Results show a significant relation between these two variables. Two particular relations explain this result: the positive relation between the deal value and Germany and the negative relation between the deal value and the United Kingdom. Although the volume of deals is larger for the United Kingdom, in relation to the whole sample, Germany involves larger deals in value and the United Kingdom smaller ones. This result is confirmed by the variance analysis of deal value by target country (appendix 3). Only two relations are significant (using a 5% threshold): the positive relation between the deal value and Germany, and the negative relation between the deal value and the United Kingdom. Hypotheses (H2) and (H7) are thus not verified when activity is measured in value. However, these results are in line with hypothesis (H10). Note, however, that Zephyr coverage of deals is probably not exhaustive and, that coverage, in particular for small deals, is certainly broader for the United Kingdom than for the others countries because of better informational standards (common law system). The bidimensional analysis also enables us to study the relation between the target country and several variables, namely acquirer country, target quotation, acquirer quotation, deal type, deal financing, and deal method of payment. The chi-square tests of independence show significant relations between the target country and each one of these variables except for the deal method of payment. The hypotheses, which link the target country and the deal method of payment (H3a, H3b, H8), are thus not corroborated. The significant relations between the target country and some other variables complete this result. The relation between the target country and its quotation highlights the importance, in relation to the whole sample, of:

- unquoted targets for France, Spain and the United Kingdom;
- quoted targets for Italy.

For Germany, there is no significant relation between these two variables.

The relation between the target country and the acquirer quotation highlights the importance, in relation to the whole sample, of:

- unquoted acquirers for France and Spain;
- quoted acquirers for Germany and Italy.

For the United Kingdom, there is no significant relation between these two variables. These results do not corroborate hypothesis (H1b), according to which transfers of shares involve more often quoted targets and acquirers in market-based economies, that is initially the United Kingdom. The relation between the target country and the deal type highlights the importance, in relation to the whole sample, of:

- transfers of minority stakes, IBOs, acquisitions (above 50%), IPOs for France and Germany;
- transfers of minority stakes for Italy;
- mergers-demergers and acquisitions for Spain.;
- mergers-demergers and MBIs for the United Kingdom.

The hypothesis (H1a), according to which transfers of shares involve more often IPOs in market-based economies, is once again not corroborated. The hypothesis (H11), according to which transfers of minority stakes are less frequent in countries with a high concentration of ownership, is also invalidated. On the contrary, the hypothesis (H4a) of the importance of MBIs in market-based economies is verified since this deal type is linked to the United Kingdom only. MBOs, however, are homogeneously distributed in the sample, whatever the target country: the hypothesis (H4b) of their overrepresentation in bank-centred economies is not verified.

The relation between the target country and the deal financing highlights, in relation to the whole sample, the importance of financing by private equity firms and the small use of debt for France and Spain. Germany and Italy are negatively linked to debt. The United Kingdom is positively linked to debt and other sources (including capital increases) and negatively to private equity financing. These results, in particular the slighter role of debt for Germany and its importance for the United Kingdom, are completely opposite to the expectations based on the traditional classification of financing systems (H5). The importance of private equity financing for France and Spain is in line with the need for financial intermediaries providing equity in economies with a low investor protection, especially for minority shareholders: hypothesis (H9) is thus verified.

5. Discussion

Using a large sample of transfers of shares, completed between 1996 and 2004, in five major European countries with different financial systems, we find a more important volume of transfers of shares, respectively, in market-centred economies, in common law systems, and in countries with a high concentration of ownership. This result, however, is not confirmed when activity is measured in value, since the United Kingdom is negatively associated with the deal value.

We also find that there is no relation between the target country and the deal's method of payment, and that the transfers of shares in the United Kingdom, contrary to our expectations, do not involve more frequently quoted firms or IPOs. Moreover, we find that transfers of minority stakes are not less frequent in countries with a higher concentration of ownership, and that majority acquisitions are not more numerous in the countries with dispersed ownership. Concerning MBIs, we find that they are positively associated with the United Kingdom only, whereas MBOs are not associated with a specific country.

Results concerning deal financing indicate, contrary to our expectations, a slighter role of debt for Germany and a more important one for the United Kingdom. We also find that private equity financing plays an important role for France and Spain, which is in line with the need for financial intermediaries providing equity in economies with a low investor protection, especially for minority shareholders. All these results are summarized in Table 1.

Overall, our results invalidate, in their great majority, the expectations induced from the theoretical analysis of corporate governance systems, which is based on the three classical approaches (market-based versus bank-centred economy, origin of the legal system, and corporate ownership structures). The typology based on the legal regime appears to be the less bad one. But the three classical typologies are insufficient to distinguish between governance systems as they miss to capture institutional complementarities and political differences. Our results are in line with the analysis of Pollin and Vaubourg (2006) and suggest that the analysis of European corporate governance systems should take into account other national differences, such as labour market organization and productive system characteristics. Our unexpected results could also suggest a convergence of corporate governance systems, not towards the Anglo-American model, but towards a new model. We observe indeed that the deals involving British targets are significantly financed by debt. Germany is obviously no longer a pure bank-centred economy since there is a negative relation between this country and the debt financing.

6. Conclusion

The aim of this article was to address the question of the relevance of corporate governance systems typologies in Europe. We analysed transfers of ownership rights to assess the robustness of different competing typologies. Results contrast with the widely known typology based on the opposition between "market-based" and "bank-based" financial systems. We also take a critical look to the LLSV's thesis and to the typology of countries based on corporate ownership structures. Actually, the three typologies miss to capture the implications of institutional complementarities on the ways firms are governed (Pollin and Vaubourg, 2006). Our study suggests that the analysis of European corporate governance systems should take into account other national differences, highlighted by Vaubourg and Pollin (2006), such as labour market organization and productive system characteristics.

Table 1. Results of the test of hypotheses

Hypotheses	Results
Typology based on financial systems	
H1: IPOs should be more frequent (H1a) and transfers of ownership should involve more frequently quoted firms (H1b) in market-based economies than in bank-centred economies.	H1a: Refuted H1b: Refuted
H2: The volume/value of deals should be higher in market-oriented economies than in bank-centred economies.	Indeterminate
H3: Payments in shares should be more frequent in market-based economies (H3a), whereas payments in cash should be more frequent in bank-centred economies (H3b).	H3a: Refuted H3b: Refuted
H4: MBIs should be more frequent in market-oriented economies (H4a), whereas MBOs should be more frequent in bank-centred economies (H4b).	H4a: Accepted H4b: Refuted
H5: Bank financing should be more significant in the financing of transfers of shares in bank-centred economies.	Refuted
H6: Private equity firms' activity requires the existence of an active financial market where shares can be sold.	Refuted
Score =	1/8
Typology based on legal regimes	
H7: The volume/value of transfers of shares should be higher in common law countries.	Indeterminate
H8: Payments in cash should be less frequent in countries with higher shareholder protection (common law).	Refuted
H9: Private equity firms' activity should be more developed in countries with lower investor protection (civil law).	Accepted
Score =	1/2
Typology based on ownership structures	
H10: The volume/value of transfers of shares should be higher in countries with higher concentration of ownership.	Indeterminate
H11: Transfers of minority stakes should be less frequent in countries with higher concentration of ownership.	Refuted
Score =	0

There is an alternative explanation. Our unexpected results could also suggest a convergence of the systems, not towards the pure Anglo-American model, but towards a new model. We observe indeed that the deals involving British targets are significantly financed by debt. Germany is obviously no longer a pure bank-centred economy since there is a negative relation between this country and the debt financing. The question of convergence of systems will be analysed in a further study.

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Appendix 1. Descriptive statistics of nominal variables

Target country			
	Number	% / Total	% / Expr.
France	3 495	16,52	16,52
Germany	3 424	16,18	16,18
Italy	2 232	10,55	10,55
Spain	1 655	7,82	7,82
United Kingdom	10 349	48,92	48,92
Total	21 155	100,00	100,00
Target Zephus Classification			
	Number	% / Total	% / Expr.
Agriculture	68	0,32	0,32
Banking, Insurance	1 925	9,10	9,10
Biotechnology, Pharmacy	444	2,10	2,10
Chemicals, Petroleum	780	3,69	3,69
Communications	745	3,52	3,52
Computer, IT	3 358	15,87	15,87
Construction	343	1,62	1,62
Food & Tobacco Manufacturing	787	3,72	3,72
Hotels and Restauran	552	2,61	2,61
Industrial Electric	1 849	8,74	8,74
Leather Stone Clay	277	1,31	1,31
Metals & Metal production	580	2,74	2,74
Mining & Extraction	254	1,20	1,20
Miscellaneous Manufacturing	148	0,70	0,70
Personal, Leisure Services	2 924	13,82	13,82
Printing & Publishing	525	2,48	2,48
Property Services	432	2,04	2,04
Public Administration	374	1,77	1,77
Retailing	884	4,18	4,18
Wholesaling	1 045	4,94	4,94
Textiles & Clothing	347	1,64	1,64
Transport Manufacturing	438	2,07	2,07
Transport Freight	819	3,87	3,87
Wood	389	1,84	1,84
Utilities	430	2,03	2,03

Unknown	440	2,08	2,08
Total	21 156	100,00	100,00
Target quoted/unquoted			
	Number	% / Total	% / Expr.
Quoted	6 888	32,56	32,56
Unquoted	14 268	67,44	67,44
Total	21 155	100,00	100,00
Deal type			
	Number	% / Total	% / Expr.
Acquisition	10 286	48,62	48,62
Minority	3 986	18,84	18,84
MBO	243	1,15	1,15
IPO	1 046	4,94	4,94
IBO	469	2,22	2,22
MBI	883	4,17	4,17
Merger-Demerger	4 243	20,06	20,06
Total	21 155	100,00	100,00
Deal financing in classes			
	Number	% / Total	% / Expr.
Private equity	2 903	13,72	39,02
Debt	504	2,38	6,78
Others (incl. capital increase)	4 033	19,07	54,21
Total	7 441	35,18	100,00
Deal method of payment			
	Number	% / Total	% / Expr.
Cash	9 275	43,85	87,66
Converted Debt	20	0,09	0,19
Debt	237	1,12	2,24
Earn-out	29	0,14	0,27
Loan notes	92	0,44	0,87
Other	82	0,39	0,77
Shares	847	4,00	8,00
Total	10 581	50,02	100,00

Acquiror Zephus classification			
	Number	% / Total	% / Expr.
Agriculture	34	0,16	0,24
Banking, Insurance	4 756	22,48	33,70
Biotechnology, Pharmacy	194	0,92	1,38
Chemicals, Petroleum	337	1,59	2,38
Communications	371	1,76	2,63
Computer, IT	1 357	6,41	9,61
Construction	225	1,06	1,59
Food & Tobacco Manufacturing	403	1,90	2,85
Hotels and Restaurants	230	1,09	1,63
Industrial Electric	923	4,37	6,54
Leather Stone Clay	154	0,73	1,09
Metals & Metal production	304	1,44	2,16
Mining & Extraction	117	0,55	0,83
Miscellaneous Manufacturing	63	0,30	0,45
Personal, Leisure Services	1 489	7,04	10,55
Printing & Publishing	332	1,57	2,35
Property Services	210	0,99	1,49

Public Administration	160	0,76	1,14
Retailing	404	1,91	2,86
Wholesaling	131	0,62	0,93
Textiles & Clothing	252	1,19	1,79
Transport Manufacturing	492	2,33	3,49
Transport Freight	645	3,05	4,57
Wood	223	1,05	1,58
Utilities	307	1,45	2,17
Total	14 113	66,71	100,00
Acquiror quoted/unquoted			
	Number	% / Total	% / Expr.
Quoted	5 608	26,51	31,88
Unquoted	11 984	56,65	68,12
Total	17 592	83,16	100,00
Acquiror country			
	Number	% / Total	% / Expr.
France	2 355	11,13	13,98
Germany	1 933	9,14	11,48
Italy	1 293	6,11	7,68
Spain	1 149	5,43	6,82
United Kingdom	7 066	33,40	41,96
Others	3 044	14,39	18,08
Total	16 840	79,60	100,00

Appendix 2. Results from bidimensional analysis

Class: France							
Variables	Characteristical modalities	% of modality in the class	% of modality in sample	% of class in the modality	Value-Test	Probability	Weight
Acquirer country	Acquirer France	67.38	14.04	81.61	78.49	0.000	2362
Deal type	Minority	34.16	18.84	29.96	23.84	0.000	3986
Deal financing	Private Equity	64.59	39.02	23.92	18.30	0.000	2903
Deal type	IBO	4.73	2.22	35.26	9.87	0.000	469
Deal type	Acquisition	52.07	48.62	17.69	4.45	0.000	10286
Deal type	IPO	6.40	4.94	21.37	4.19	0.000	1046
Acquirer quoted/unquoted	Acquirer Non-Quoted	70.42	68.12	17.62	2.95	0.002	11984
Target quoted/unquoted	Unquoted	69.51	67.44	17.03	2.83	0.002	14268
Acquirer country	Acquirer others	19.08	17.66	18.37	2.17	0.015	2971
Target quoted/unquoted	Quoted	30.49	32.56	15.47	-2.83	0.002	6888
Acquirer quoted/unquoted	Acquirer Quoted	29.59	31.88	15.82	-2.95	0.002	5608
Deal type (Acq vs other)	Other	47.93	51.38	15.41	-4.45	0.000	10869
Deal financing	Debt	2.25	6.78	4.81	-7.14	0.000	504
Acquirer country	Acquirer Italy	2.40	7.70	5.29	-13.09	0.000	1296
Deal financing	Other	33.15	54.21	8.84	-15.01	0.000	4033
Deal type	MBI	0.22	4.17	0.87	-16.03	0.000	883

Acquirer country	Acquirer Spain	0.90	6.84	2.23	-16.51	0.000	1150
Acquirer country	Acquirer Germany	2.55	11.52	3.77	-18.99	0.000	1939
Deal type	Merger-Demerger	0.45	20.06	0.37	-39.48	0.000	4243

Class: Germany

Variables	Characteristical modalities	% of modality in the class	% of modality in sample	% of class in the modality	Value-Test	Probability	Weight
Acquirer country	Acquirer Germany	61.24	11.52	86.58	75.96	0.000	1939
Deal type	Minority	29.42	18.84	25.27	16.48	0.000	3986
Deal type	IPO	10.70	4.94	35.00	15.24	0.000	1046
Acquirer country	Acquirer others	24.62	17.66	22.71	10.07	0.000	2971
Deal type	IBO	3.67	2.22	26.76	5.77	0.000	469
Deal type	Acquisition	52.25	48.62	17.39	4.62	0.000	10286
Acquirer quoted/unquoted	Acquirer Quoted	35.52	31.88	18.14	4.55	0.000	5608
Acquirer quoted/unquoted	Acquirer Non-Quoted	64.48	68.12	15.41	-4.50	0.000	11984
Deal type (Acq vs other)	Other	47.75	51.38	15.04	-4.62	0.000	10869
Deal financing	Debt	2.85	6.78	5.53	-5.66	0.000	504
Acquirer country	Acquirer Italy	2.06	7.70	4.35	-13.86	0.000	1296
Deal type	MBI	0.21	4.17	0.83	-16.01	0.000	883
Acquirer country	Acquirer Spain	0.42	6.84	1.01	-18.05	0.000	1150
Acquirer country	Acquirer France	4.17	14.04	4.84	-18.28	0.000	2362
Deal type	Merger-Demerger	1.19	20.06	0.96	-36.59	0.000	4243
Acquirer country	Acquirer UK	7.49	42.24	2.89	-44.03	0.000	7108

Class : Italy

Variables	Characteristical modalities	% of modality in the class	% of modality in sample	% of class in the modality	Value-Test	Probability	Weight
Acquirer country	Acquirer Italy	68.05	7.70	85.03	70.86	0.000	1296
Deal type	Minority	60.04	18.84	33.63	46.42	0.000	3986
Target quoted/unquoted	Quoted	55.94	32.56	18.13	24.10	0.000	6888
Deal type (Acq vs other)	Other	66.58	51.38	13.67	15.32	0.000	10869
Acquirer quoted/unquoted	Acquirer Quoted	35.93	31.88	10.95	3.72	0.000	5608
Deal financing	Debt	4.36	6.78	2.92	-1.70	0.045	504
Acquirer quoted/unquoted	Acquirer Non-Quoted	64.06	68.12	9.14	-3.72	0.000	11984
Deal type	IPO	2.72	4.94	5.81	-5.42	0.000	1046
Acquirer country	Acquirer Spain	0.82	6.84	1.15	-12.36	0.000	1150
Acquirer country	Acquirer Germany	3.09	11.52	2.58	-12.82	0.000	1939
Acquirer country	Acquirer France	4.64	14.04	3.18	-12.86	0.000	2362
Deal type	MBI	0.00	4.17	0.00	-13.94	0.000	883
Deal type	Acquisition	33.42	48.62	7.25	-15.32	0.000	10286
Target quoted/unquoted	Unquoted	44.06	67.44	6.89	-24.06	0.000	14268
Deal type	Merger-Demerger	0.50	20.06	0.26	-30.78	0.000	4243

Acquirer country	Acquirer UK	6.89	42.24	1.57	-33.45	0.000	7108

Class : Spain

Variables	Characteristical modalities	% of modality in the class	% of modality in sample	% of class in the modality	Value-Test	Probability	Weight
Acquirer country	Acquirer Spain	72.91	6.84	93.94	75.88	0.000	1150
Deal type	Merger-Demerger	41.66	20.06	16.25	20.96	0.000	4243
Target quoted/unquoted	Unquoted	78.21	67.44	9.07	10.00	0.000	14268
Acquirer quoted/unquoted	Acquirer Non-Quoted	73.34	68.12	9.33	4.63	0.000	11984
Deal financing	Private Equity	45.87	39.02	7.61	3.11	0.001	2903
Deal type	Acquisition	51.12	48.62	8.22	2.09	0.018	10286
Deal type (Acq vs other)	Other	48.88	51.38	7.44	-2.09	0.018	10869
Deal financing	Debt	3.66	6.78	3.49	-2.83	0.002	504
Deal type	IPO	3.09	4.94	4.89	-3.80	0.000	1046
Acquirer quoted/unquoted	Acquirer Quoted	26.66	31.88	7.25	-4.63	0.000	5608
Deal type	MBI	1.89	4.17	3.54	-5.31	0.000	883
Acquirer country	Acquirer others	12.34	17.66	6.15	-5.80	0.000	2971
Deal type	IBO	0.35	2.22	1.23	-6.34	0.000	469
Acquirer country	Acquirer Italy	2.22	7.70	2.54	-9.46	0.000	1296
Target quoted/unquoted	Quoted	21.79	32.56	5.23	-10.01	0.000	6888
Acquirer country	Acquirer France	4.45	14.04	2.79	-12.53	0.000	2362
Acquirer country	Acquirer Germany	2.22	11.52	1.70	-13.81	0.000	1939
Deal type	Minority	0.98	18.84	0.41	-24.14	0.000	3986
Acquirer country	Acquirer UK	5.86	42.24	1.22	-33.07	0.000	7108

Class: United Kingdom

Variables	Characteristical modalities	% of modality in the class	% of modality in sample	% of class in the modality	Value-Test	Probability	Weight
Acquirer country	Acquirer UK	79.82	42.24	91.22	101.27	0.000	7108
Deal type	Merger-Demerger	33.68	20.06	82.16	49.94	0.000	4243
Deal type	MBI	8.09	4.17	94.76	30.44	0.000	883
Deal financing	Debt	9.19	6.78	83.25	11.02	0.000	504
Deal financing	Others	59.17	54.21	67.03	10.85	0.000	4033
Target quoted/unquoted	Unquoted	69.80	67.44	50.63	7.13	0.000	14268
Acquirer country	Acquirer others	16.01	17.66	43.77	-5.38	0.000	2971
Target quoted/unquoted	Quoted	30.20	32.56	45.38	-7.14	0.000	6888
Deal type	IPO	3.33	4.94	32.92	-10.72	0.000	1046
Deal type	IBO	1.12	2.22	24.63	-10.81	0.000	469
Deal financing	Private Equity	31.64	39.02	49.79	-16.36	0.000	2903
Acquirer country	Acquirer Spain	0.24	6.84	1.67	-37.34	0.000	1150
Acquirer country	Acquirer Italy	0.45	7.70	2.79	-38.35	0.000	1296
Acquirer country	Acquirer Germany	1.28	11.52	5.38	-44.08	0.000	1939

Acquirer country	Acquirer France	2.20	14.04	7.58	-46.09	0.000	2362
Target country	Spain	0.00	7.82	0.00	-48.46	0.000	1655
Deal type	Minority	4.13	18.84	10.74	-56.68	0.000	3986

Relation between Target country and Deal method of payment

Frequency	France	Germany	Italy	Spain	United Kingdom	TOTAL
% line						
% column						
Shares	98	107	48	54	540	847
	11.6%	12.6%	5.6%	6.3%	63.8%	100.0%
	7.4%	9.3%	7.9%	6.9%	8.0%	8.0%
Others	1 229	1 049	554	723	6 179	9 735
	12.6%	10.8%	5.7%	7.4%	63.5%	100.0%
	92.6%	90.7%	92.1%	93.1%	92.0%	92.0%
TOTAL	1 327	1 156	602	777	6 719	10 581
	12.5%	10.9%	5.7%	7.3%	63.5%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

KHI2 = 4.37 / 4 DEGREES OF FREEDOM

PROBA (KHI2 > 4.37) = 0.359 / V.TEST = 0.36

Effect of Target country on Deal value

Target country	NUMBER	WEIGHT	V.TEST
France			Non significant
Germany	2779	3423.65	4.26*
Italy			Non significant
Spain			Non significant
United Kingdom	9614	10349.08	-3.66*

* Statistically significant at 5 %

Appendix 3 – Results from Analysis of Variance

Target country	Number	Weight
France	1652	1448.40
Germany	1129	1393.64
Italy	965	773.60
Spain	996	832.32
United Kingdom	6991	7541.14

Variable	Number Weight	Mean Standard deviation
Deal Value (in M€)	11733 11989.30	214572.98 2444609.50

TARGET COUNTRY	V.TEST	COEFF.	STAND DEV	STUDENT	PROBA.
France	- 0.28	-16317.5498	59242.695	0.275	0.783
Germany	3.34	200991.2031	60074.602	3.346	0.001
Italy	0.85	64261.7891	75582.672	0.850	0.395
Spain	- 1.71	-125098.6953	73342.922	1.706	0.088
United Kingdom	- 3.23	-123836.7422	38328.496	3.231	0.001
Constant	8.77	275613.5625	31368.422	8.786	0.000