

РАЗДЕЛ 1
НАУЧНЫЕ ИССЛЕДОВАНИЯ
И КОНЦЕПЦИИ

SECTION 1
ACADEMIC
INVESTIGATIONS
& CONCEPTS



TAKEOVER ACTIVITIES IN THE LAST EUROPEAN MERGER WAVE:
A CROSS-COUNTRY COMPARISON*

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Abstract

The efficiency of “markets vs corporations” in reallocating assets, changing industry structure and moving capital from declining industries to emerging industries is a very important issue. The vast literature on this subject has examined the role played by corporate governance systems, technological shocks and institutional factors in triggering mergers and takeovers, but has not considered the specific influence that technological regimes of innovation can exert in reallocating assets and moving capital among sectors. In the present work we attempt to fill this gap, evaluating on empirical grounds not only the role of corporate governance systems and investor protection factors, but also the influence that alternative technological regimes can play on mergers and takeovers. This comprehensive analysis is another step along the lines suggested by Hall and Soskice (2001), two authors who have shown that the industrial specialization of each country may be seen in its complementarity with its institutional framework. Until now, this complementarity between production regimes and varieties of capitalism has not been fully explored in terms of the role of the market for corporate control. The present paper is a first attempt at filling this gap, by taking into account the European experience of the last few years (2002-2005) which seems to mark a new wave in M&A activities.

Keywords: Corporate governance, Mergers and Acquisitions, Innovation, Technological regimes

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1 Introduction

The role of takeovers, which play an important function in well-performing corporate governance systems, has been attracting increasing interest in recent years.

Many studies, like the extensive survey by Shleifer and Vishny (1997), have stressed the crucial relevance of external threats by raiders on inducing greater loyalty from management and favouring an alignment of interests with their ‘principals’,

especially when dispersed ownership impedes direct monitoring of ‘agents’.

The question of the efficiency of “markets vs corporations” in reallocating assets, changing industry structure and moving capital from declining industries to emerging ones is also a very important issue. In this perspective, Holmstrom and Kaplan (2001) point out that, in market-based systems, like those prevailing in the US and UK, mergers may play a powerful role in reallocating assets between sectors, particularly when some significant changes such as deregulation,

globalisation and information technology affect the economic landscape.

Moreover, in other studies (e.g. Mitchell and Mulherin, 1996), takeover activity is one of the channels that convey industry shocks (changes in technology, deregulation, shifts in demand and supply conditions). The above authors stress that 'takeovers and related restructuring activity are the message bearers of the more fundamental changes facing an industry' (Mitchell and Mulherin, 1996, p. 221).

Rossi and Volpin (2004), assuming again that mergers and acquisitions permit corporate assets to be directed toward their best possible use, also identify investor protection laws and other regulatory institutions as crucial determinants which can favour merger and takeover activities.

In sum, while the role played by corporate governance systems, technology shocks and institutional factors in triggering mergers and takeovers is widely acknowledged, the prevailing literature, as pointed out in many vast surveys on M&A (Jensen, 1988; Andrade et al., 2001; Harford, 2005; Tirole, 2006), does not consider the issue of the specific influence that technological regimes of innovation can exert in reallocating assets and moving capital among sectors.

In the present work we attempt to fill this gap by evaluating empirically not only the role of corporate governance systems and investor protection factors, but also the influence that alternative technological regimes of innovation may have on mergers and takeover activities. This will be done by taking into account the European experience of the last few years (2002-2005) which seems to mark a new wave in M&A activities.

The paper is structured as follows. After reviewing the basic causes and consequences shown in the literature on takeovers and discussing our hypothesis on technological regimes (Section 2), the main studies and evidences related to M&A in European economies until 2001 will be examined (Section 3), while in Section 4 the new comprehensive framework mentioned before will be adopted to explore the European experiences of the last few years (2002-2005). Finally, some conclusions will be provided (Section 5).

2 Takeovers: causes and consequences

Since the seminal paper of Manne (1965), Mergers and Acquisitions (M&A) have been considered no longer as ambiguous economic activities, in the past forbidden by antitrust laws, but as valuable strategies that improve corporate governance.

In this context, the market for corporate control works as a cheaper alternative to bankruptcy for many corporations: it enables quick transfer of assets from failing to successful firms. M&A also trigger mechanisms of external growth which are especially notable in rapidly expanding industries, whereas

internal-scale economies supporting growth require several years to act successfully. Lastly, the takeover scheme threatens badly managed firms, ensures competitive efficiency among corporate managers, and protects the interests of large numbers of small shareholders. In other words, Manne's contribution outlines some basic rationales underlying takeover activities that were developed in the following years by a huge theoretical and empirical literature.

Indeed, a brief overview of the main determinants of takeovers should consider their role as a basic device aimed at reaching alternative aims: i) to increase the firm's market power; ii) to increase its efficiency (through synergistic effects operating with economies of scale or scope); iii) to mitigate the impact of transaction costs (as in vertical integration); iv) to correct mismanagement.

Clearly, except for the first of these objectives, which involves the price-cost margin, the other rationales of takeovers are related to various classes of economic costs: productive, transaction, and agency costs. This rich variety of reasons has been tested in the study by Gugler et al. (2004), in which the authors attempted to identify market power effects, efficiency impacts, and the 'pursuit of size' in nearly two decades of M&A activities in the US.

It is also important to stress that each takeover wave, characterising the US experience, saw the prevalence of one of the four aims mentioned above¹, but it was only in the 1980s that agency costs and the correction of mismanagement begin to represent the driving force of a new merger boom. Indeed, in a system where the free-riding behaviour of small shareholders was overwhelming and impeded direct monitoring of management, hostile takeovers represented the main mechanism for reducing corporate inefficiencies and mitigating agency costs² (Holmstrom and Kaplan, 2001).

In terms of consequences, a brief overview of the empirical literature on profitability of takeovers (see Bruner, 2004) suggests a wide consensus on the

¹ For instance, the greatest level of M&A in US history, which took place around 1900, as documented by Golbe and White (1988), was mainly motivated by the basic intent to increase firms' market power, a way of reaching the monopolistic position stigmatised by Stigler (1950). Instead, the episodes of the 1920s and 1960s started when the new antitrust regulations made horizontal mergers more difficult. These new waves were marked, respectively, by the role of vertical integration, which minimises transaction costs - as in the famous case study of Fisher Body and General Motors - and by the emergence of conglomerates, more closely aiming at exploiting economies of scope and synergies in financial costs.

² However, in hostile bids a free-riding problem does emerge. As Grossman and Hart (1980) write: "It is commonly thought that a widely held corporation that is not being run in the interest of its shareholders will be vulnerable to a takeover bid. We show that this is false, since shareholders can free ride on the raider's improvement of the corporation, thereby seriously limiting the raider's profit" (1980, p. 42).

overall wealth effect for each merger wave: target shareholders reap positive returns. On the contrary, the bidder shareholders get mixed effects: some obtain small positive premiums, while some others suffer some losses. We must be cautious about the interpretation of these findings which are still controversial, but from empirical evidence a new perspective seems to emerge. The small premium or losses of the bidder shareholders would represent a new symptom that mergers come about not only as correction of management failures, but also as the outcomes of new managerial strategies. In fact, executives choose to buy target firms in order to increase their power and to divert free cash flow, instead of returning it to investors. It is remarkable that in the 1980s, 45% of takeovers were financed by cash. This finding does not contrast with the claim that strategies adopted to enlarge managerial empires may also cause a 'wealth destruction on a massive scale', a thesis well documented in many studies, as in Moeller et al. (2005).

It must be re-emphasised that most of the literature signals that M&A come in waves. Furthermore, each wave seems to be triggered by some specific industry shocks. In this perspective, new contributions, starting from Mitchell and Mulherin (1996), suggest that 'a fruitful line of research design would consider the joint effect of macroeconomic and industry-level factors in modelling the behaviour of takeovers over time' (Mitchell and Mulherin, 1996, p. 195).

In this new field of research, which reconsiders the clustering in time of M&A and the role of industry shocks, three different perspectives seem to prevail.

The first one, a neoclassical approach, suggests that economic and technological shocks occurring at industry level cause a high degree of dispersion of the firms' opportunities. The different Q-ratios achieved by the different firms induce the acquisition of the bad performers by the more successful ones, thus promoting an efficient selection (Jovanovic and Rousseau, 2001, 2002).

A second group of models develops a behavioural motivation by focusing on agency problems, with herding and hubris at the centre of the stage, as in Roll (1986). In this perspective, it is hypothesised that the first successful bids encourage managers of other companies to imitate the beginners. These strategies devoted to increase the firm's size are therefore motivated by the basic aim to maintain power, which induces inefficiencies and misallocation of corporate resources.

A third group of studies signals the role of financial failures and addresses the attention to mispricing occurring in bull markets. In these episodes, management of the over-evaluated firms use their equities to buy the undervalued assets of the other ones, thus taking advantage from mispricing. At the same time, target management reaps gains by simply maximising their short run benefits. A good reason for target management's consent, as shown in Shleifer and

Vishny (2003, p. 303), "is that the acquirer pays them for it", for instance, "through the acceleration in the exercise of stock options (which could be very valuable if the target is overvalued)", or "even by keeping the managers of the target in top positions (as was done, for example, in the AOL acquisition of Time Warner)". This means that "a merger requires a coincidence of short-term objectives of the target managers with longer-run objectives of the bidders" (Shleifer and Vishny, 2003, p. 307).

In sum, as easily verified from this brief *excursus*, theories and evidence both suggest that takeovers represent not only an efficient way of correcting agency problems, but also manifest agency problems themselves. It is also widely admitted that industry shocks are important driving forces triggering the various merger waves.

One expected hypothesis of our analysis is that countries and sectoral patterns may also be explained by the main differences that characterise sectors in terms of innovation processes. Thus the existence of two distinct regimes, the *entrepreneurial* and *routinised* sectors, may have a significant impact on mergers.

The first regime, type of SMI, reveals the lower stability of the hierarchy of innovators, a lower concentration ratio of the more innovative firms, and a higher proportion of new innovators with respect to the old ones (Audretsch, 1996; Dosi, 1988; Malerba and Orsenigo, 1993, 1996).³

In this more turbulent environment, mergers and acquisitions are expected to be more frequent, and may be an efficient way of growing and obtaining synergies in R&D expenditure. The opposite may be true for the other, *routinised*, regime, SMII. Here, innovations are incremental along existing technological trajectories and a less frequent reallocation process by acquisitions of other firms may be expected since the newly hired workforce has to spend time and effort in order to operate efficiently in specialised routines.

In the present study, one important point to be explored is whether innovation activities characterising the different technological regimes are driving factors capable of explaining the occurrence of M&A.

The challenging theme of knowledge and innovation-enhancing strategies represented by corporate acquisitions has been the focus of some recent studies. The main intent of this literature is to inquire if the innovation performance of acquiring firms is influenced not only by the technological base (measured in absolute and relative terms) of the companies involved, but also by the degree of relatedness of those knowledge bases (Cassiman and Colombo 2006).

³ Other main references are Nelson and Winter (1982), Kamien and Schwartz (1982), Malerba and Orsenigo (1997) and Breschi et al. (2000).

In our empirical research, more than asking what can happen *ex-post*, in terms of innovation capabilities, we inquire what *ex ante* is the actual propensity to merge associated with various innovation regimes. For instance, for chemicals, a sector characterized by large firms, continuity in innovative processes, and cumulativeness of firms' capabilities, a lower incidence of M&A is expected. Instead, in sectors characterized by creative destruction, R&D processes and efforts are probably less serious obstacles for corporate acquisitions.

In sum, in our perspective, what is explored is the overall question of whether the *creative accumulation* regime (SMII) results in the lower probability of occurrence of M&A. Here innovations are incremental along existing technological trajectory, and for this regime one can expect a less frequent reallocation process by acquisitions of other firms, since newly hired workforce has to spend time and effort to operate efficiently in specialised routines.

3. The European experience: M&A activity in the 1990s

It is well known that Continental Europe is characterised by more concentrated ownership structures (Barca and Becht, 2001; Faccio and Lang, 2002), weaker investor protection, and less highly developed capital markets (La Porta et al., 1998), as analysed in Chlosi and Damiani (2007). In the

European scenario, there is therefore less space open to the market for corporate control, as can be seen in the remarkable gap in terms of M&A activities between the European and the Anglo-Saxon economies (see Figure 1).

The incidence of hostility, which signals the role of takeovers as a governance mechanism, is also remarkably lower in Continental Europe (see Figure 2). However, the last few years have witnessed some convergence in corporate governance systems and in Europe an increasing number of takeovers was recorded in the years 1993-2001, a period which is considered as that of the fifth wave of mergers and acquisitions. An examination of takeover activities in the 1990s, well documented in the study of Martynova and Renneboog (2006), highlights not uniform diffusion in all countries, but significant differences in geographical patterns. The resulting divergences are even greater when compared with the GDP weights of each single country. This is shown in Figure 3: the distribution of M&A activity in the 1990s is correlated not only to the total size of national economies, as measured by GDP, but also to some other factors. Additional causes are required to explain why some countries, such as Germany, France and Italy, account for a lower number of operations than those expected from the size of their economies. Italy, for instance, showed an M&A share of 6.4% but 12.7% weight in terms of GDP.

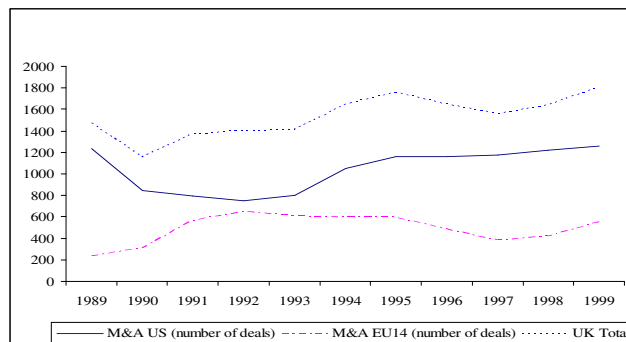


Figure 1. M&A in EU and US: 1989-1999

Source: Thomson Financial (see Becht et al. 2003)

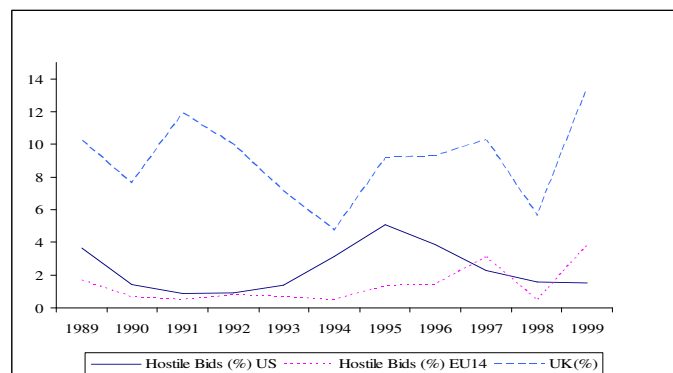


Figure 2. The market for corporate control: incidence of hostile bids in EU and US

Source: Becht et al. (2003)

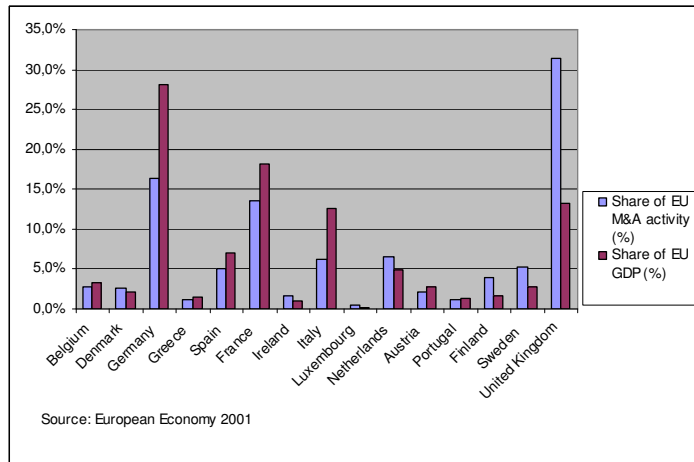


Figure 3. Distribution of M&A activity and GDP between EU Member States, 1991-1999

Source: European Commission (2001)

Additional information can be gathered by simply splitting all the M&A into domestic and cross-border deals. A significant fraction, nearly one-third of the intra-European M&A of the period 1993-2001, is represented by cross-border deals. However, some important distinctions affect the patterns observed in the various countries. For instance, British and French firms were net acquirers in the European market for

corporate control, while German and Italian firms were mainly targets of cross-border deals. Moreover, Eastern European firms, except the Hungarian ones, were all 'prey' to intra-European M&A deals. It is shown by Figure 4, where the difference between number of all takeover announcements of each country as a bidder or target is reported (see Martynova and Renneboog, 2006, Table 4).

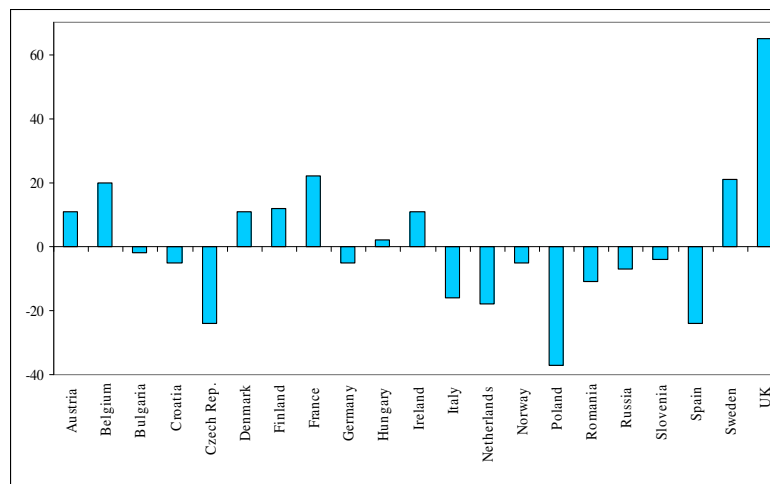


Figure 4. Net bidders or net targets? Europe: 1993-2001

Source: Thomson Financial (see Martynova and Renneboog, 2006)

The prevailing literature also focuses on investor protection factors and ownership structures as the main determinants of divergences between countries, but it does not analyse whether the different patterns of reorganisation pertaining to different sectors affect the market for corporate control.

A promising line of research, as shown below, should consider this new perspective, thus also focusing on sectoral factors and technological regimes.

4 M&A in Europe in the new merger wave (2002-2005)

4.1 Sample selection and data description

Our sample of mergers and acquisitions comes from the Datastream database; additional information was taken from Lexis and Nexis. The sample comprises eight countries, whose activities represent nearly 80% of the European market for corporate control:

Denmark, France, Finland, Germany, Italy, Norway, Sweden and the United Kingdom. Data on M&A were collected from the “Capital Issues and Changes” Report of Datastream; only transactions related to takeovers and involving changes in corporate control were selected. Completed and not completed takeovers, and financial and non-financial sectors were included in our sample, and total 802 deals, for the period 2002-2005.

Comparative analysis by country and sector was performed. First, we aggregated 39 four-digit sectors in 10 two-digit industries provided by Datastream⁴. This classification follows the Industry Benchmark Classification (IBC), a system for listed companies managed by FTSE and Dow Jones Indexes (2004).

The Datastream data by sectors (DS) were then classified and grouped into two Technological Regimes (TR): SMI and SMII. This last classification, as seen in Malerba and Orsenigo (1993, 1996, 1997), concerns the various innovation activities which are in turn described by means of patent applications. For this reason, the traditional technological classes, stemming from the International Patent Classification (IPC), are the statistical units used to classify industries within the TR context. In particular, the four-digit IPC sub-classes were adapted by Malerba and Orsenigo (1996) to obtain 49 technological classes.

Unfortunately, an official concordance table to match the two classification systems (IPC and IBC) does not exist. Nevertheless, following Van Dijk (2000), we used a concordance criterion in order to convert the traditional sector classification into Technological Regimes (Table 1).

The data obtained at aggregate level for each country are examined in Section 4.2, and an analysis by sector and technological regime is performed in Section 4.3⁵.

4.2 The last M&A wave: varying patterns in some European countries

A convenient starting point is a comparison of the number of deals obtained in our study with the figures recorded in the previous M&A wave, fully explored in Martynova and Renneboog (2006), one of the main contributions for the European context already mentioned. Both samples refer to transactions involving changes in corporate control, but in Martynova and Renneboog only domestic and intra-

European cross-border deals were taken into account, while our data set also includes the extra-European acquisitions.

Table 2 offers some interesting information; in particular, it displays minor changes in the distribution of M&A activity between the two periods 1993-2001 and 2002-2005, as shown by the ranking orders reported in brackets. The UK still comes top, followed at some distance by France and Germany. The Italian market for corporate control looks more active than in the past, thus reaching the ranking position that Sweden had obtained in the previous years. A small increase also affected the share of deals of Denmark.

A plausible explanation might indicate legislative changes occurring in Italy and Denmark, where in the last few years the threshold of mandatory bid rule has been lowered⁶, thus increasing the ‘exit’ rights of minority shareholders. In any case, this issue is still controversial, as argued in Goergen et al. (2005). Indeed, on one hand, the mandatory bid rule mitigates the problem of expropriation of small owners; on the other, it makes transactions more expensive, since it forces the bidder to offer the same price to all shareholders, thus reducing the volume of trade in controlling stocks. Moreover, in a block holder system such as that prevailing in Italy, it is possible that domestic M&A were used as anti-takeover devices.

⁴ For lack of space, we do not show the table concerning this aggregation. It is available upon request from the authors.

⁵ Note that, in our analysis, computers and telecommunications are separated, respectively, into Hardware (SMII) and Software Computer Industry (SMI) and Fixed (SMII) and Mobile Telecommunications (SMI), whereas these distinctions were not operated in the original study by Malerba and Orsenigo (1996). Our reclassification does not contradict new methodological refinements (see Corrocher et al., 2007).

⁶ The mandatory bid rule provides minority shareholders with an opportunity to exit the company on fair terms. This rule requires that the acquirer must make a tender offer to all shareholders, once it has accumulated a certain percentage of their shares. The new norms in Italy and Denmark dictate that a tender offer needs to be made to all remaining shareholders as soon as the bidder has accumulated one-third of the company’s equities.

Table 1. Technological Regimes and Industries

SMI	SMII	Other Manufacturing
Food producers	Aerospace & Defence	Mining
Beverages	Oil and Gas Producers	Forestry & Paper
Tobacco	Oil Equipment & Services	General Industrials
Household Goods	Chemicals	Automobiles & Parts
Personal Goods	Pharmaceuticals, Biotechnology	Support Services
Construction & Materials	Healthcare Equipment	
Industrial Engineering	Electronic, Electrical Equipment	
Industrial Metals	Fixed Line Telecomm.	
Industrial Transportation	Technology Hardware & Equipment	
Leisure Goods		
Mobile Telecommunications		
Software & Computer Services		

Source: Our elaborations from FTSE and Dow Jones Indexes (2004) and from Malerba and Orsenigo (1996).

Table 2. Mergers and Acquisitions by target country in the last decade

Countries	Number M&A 1993-2001	% M&A 1993-2001	Number M&A 2002-2005	% M&A 2002- 2005
United Kingdom	932	47.53 (1)	475	59.23 (1)
France	308	15.71 (2)	106	13.22 (2)
Germany	269	13.72 (3)	57	7.11 (3)
Sweden	150	7.65 (4)	43	5.36 (5)
Norway	95	4.84 (5)	40	4.99 (6)
Italy	83	4.23 (6)	45	5.61 (4)
Finland	73	3.72 (7)	11	1.37 (8)
Denmark	51	2.60 (8)	25	3.12 (7)
<i>Total</i>	<i>1,961</i>	<i>100.00</i>	<i>802</i>	<i>100.00</i>

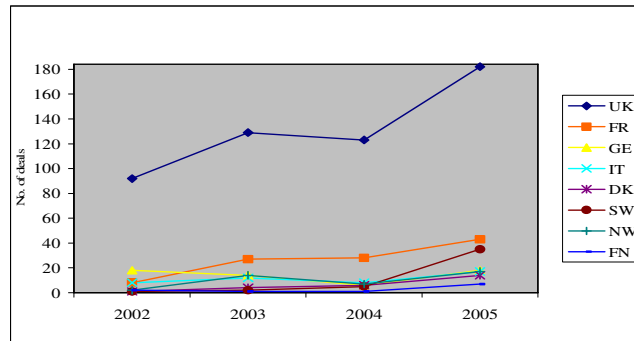
Sources: 1993-2001 Thomson Financial SDC; see Martynova and Renneboog (2006), 2002- 2005, our elaborations of Datastream and Lexis-Nexis data; ranking shown in brackets.

A second point to be raised is the trend observed in the sample period which follows the stock market collapse of 2001. From 2000 (the year of the peak of the fifth European takeover wave) to 2002, M&A decreased in Europe by about 50% in volume and 70% in value (McCahery et al., 2004, p.601). Since 2002, almost all the eight countries considered in our sample have recorded a weak and unstable increase in their activities.

In 2005, a remarkable increase emerges (see Figure 5), particularly in the UK, followed at a remarkable

distance by France. Recent information on M&A suggests a new peak in 2006, since many takeovers announced but still not completed have taken place in the last few years.

Table 3 offers a better comparison of geographical patterns: for each country, the absolute number of deals was standardised on the total number of firms included in the Datastream sample. Then a binomial test was performed to evaluate the significance of the different proportions shown for each couple of countries (Table 4).

**Figure 5.** Mergers and Acquisitions by country and year

Source: Datastream

Table 3. Mergers and Acquisitions by target country (2002-2005)

Absolute and relative frequencies of M&A			
Countries	Number M&A	Total number of firms	M&A / Total firms (%)
United Kingdom (UK)	475	2,719	17.47
France (FR)	106	1,026	10.33
Germany (GE)	57	1,242	4.59
Italy (IT)	45	312	14.42
Sweden (SW)	43	436	9.86
Denmark (DK)	25	200	12.50
Norway (NW)	40	318	12.58
Finland (FN)	11	145	7.59
Total	802	6,398	12.54

Source: Datastream

Table 4. Difference between proportions and statistical significance of M&A in 2002-2005

	UK	FR	GE	IT	SW	DK	NW
UK							
FR	7.14*						
GE	12.88*	5.74*					
IT	3.05*	-4.09*	-9.83*				
SW	7.61*	0.47	-5.27*	4.56*			
DK	4.97*	-2.17**	-7.91*	1.92	-2.64		
NW	4.89*	-2.25**	-7.99*	1.84	-2.72***	-0.08	
FN	9.88*	2.74*	-3.00*	6.84*	2.28***	4.92**	4.99*

Note: Reported figures are differences between column country proportion and row country proportion. Difference proportion test is based on binomial test.

* Significant at 1% level

** Significant at 5% level

*** Significant at 10% level

Each column in Table 4 reports the difference of each country with respect to the others (which enter distinct rows). For instance, the first column shows the positive and significant differences in the UK with respect to all the other countries, whereas the third column shows the negative and significant disparities in Germany.

This analysis confirms that the UK was the most active player in the market for corporate control. The

standardised figures show that Germany is at the bottom: only 4.59% of national companies experienced a merger in the period considered (see Table 4). In an intermediate position is a first group of countries with a relative high proportion of M&A: Italy (14.42%), Norway (12.58%) and Denmark (12.50%), whose differences are not statistically significant (see Table 3). Below them come France (10.33%) and Sweden (9.86%), which share very

similar takeover activity (the difference in proportion is not significant). Lastly, Finland has a low proportion of M&A (7.59%), but in any case significantly higher than that of Germany.

A preliminary interpretation of the low figures recorded in this last country should take into account the concentrated ownership structure and the role played by banks and employees, particularly important in the Renanian system. The monitoring role of insiders and their presence in the supervisory board should work as a corporate governance device, a well-functioning mechanism and a substitute for hostile bids. Instead, the dispersed ownership structure prevailing in the UK, requires the discipline exerted by raiders, thus explaining the high incidence of takeovers. However, a wider examination should focus on additional institutional features, which act as complementary factors for well-designed corporate governance. Some of these determinants, fully explored in La Porta *et al.* (1998) and Manchin (2004), are listed in Table 5.

In order to examine these findings, some considerations must be made. The main benefit of concentrated ownership is the possibility of overcoming the free-riding problem of dispersed ownership. Large investors are able and motivated to exercise control, since they have enough power and can obtain significant gains by monitoring activity. When cash flow rights and voting powers are aligned, large owners are in a position to deal effectively with asymmetric information *ex-ante* and to exert a strong bargaining power in the division of rents *ex-post*. However, large investors may adopt personal strategies at the expense of minority shareholders' interests. As noted by Shleifer and Vishny (1997), large investors may obtain special dividends or use other devices, such as green mail or targeted share repurchase, to their benefit. The expropriation activity of controlling shareholders may discourage investors and obstruct hostile bids. In addition, legal shareholder protection may mitigate failures coming from 'private benefits of control', and better investor protection is correlated with a more active market for mergers and acquisitions, as shown in Rossi and Volpin (2004). Theories and evidence provide opposite conclusions: i) the German model of corporate governance performs well and does not need the discipline of hostile bids; ii) in such a system, the combined effects of ownership structure

and lower investor protection is a serious obstacle to the firm's contestability.

This issue needs additional exploration, and each country tells a different story. For instance, in Italy, there is a weak governance regime, notwithstanding the legal reforms and improvements of the last few years, but there is a higher incidence of takeovers than that observed in Germany. Conversely, in the UK, good protection for minority shareholders makes control more contestable. How can these results be interpreted? By efficient deals, or hubris and managerial self-interest strategies? The evidence for the UK examined by Franks and Mayer (1996) shows that the market for corporate control 'does not function as a disciplinary device for poorly performing companies. Rejection of bids is more consistent with opposition to the anticipated redeployment of assets by the bidder and negotiation over the terms of bids' (Franks and Mayer, 1996, p.180).

A wide spectrum of factors, covering the structure of ownership, shareholders' rights, the quality of the legal system, and takeover regulation may all play a significant role. Table 5 shows some selected indicators for the eight European countries.

The first columns of Table 5 show that there is distinct segmentation between ownership patterns in Continental Europe and the UK⁷, revealed by comparing the average ownership of the three largest shareholders, as shown by La Porta *et al.* (1998) for the ten largest non-financial firms of each country⁸. The lowest concentration figures are in the UK, and the highest in Italy and Germany. Similar results were obtained by Faccio and Lang (2002) for a different dataset, which included medium and small financial and non-financial companies and which referred to a sample of 5,232 European corporations. That study showed that widely held firms have the highest incidence in the UK (63% of firms) and the lowest in Germany (10.37%).

What about the identity of the ultimate owner? Faccio and Lang (2002) showed that, on average, a large proportion (around 44.3%) of Western European firms are family controlled (at the 20% threshold of voting rights) but, even so, the country diversities are remarkable: the phenomenon of family control is

⁷ See main studies by La Porta *et al.* (1998), Barca and Becht (2001) and Faccio and Lang (2002).

⁸ The study by La Porta *et al.* (1998) refers to a larger dataset which includes 49 countries.

lowest in the UK (around 24%) and Norway (39%) and highest in France and Germany (around 65%).

Table 5. Ownership, shareholders' protection and legal system in eight European countries

Country	Ownership concentration	Widely held firms	Family Control (at 20% threshold)	Family Control in ten largest groups	Anti-director rights (revised index)	Rule of law
	(1)	(2)	(3)	(4)	(5)	(6)
United Kingdom	19	63.08	23.68	20	5.0	8.80
France	34	14.00	64.82	40	3.5	7.66
Germany	48	10.37	64.62	10	3.5	8.95
Italy	58	12.98	59.61	50	2.0	7.10
Sweden	28	39.18	46.94	60	3.5	8.78
Denmark	45	n.a.	n.a.	10	4.0	9.08
Norway	36	36.77	38.55	50	3.5	8.86
Finland	37	28.68	48.84	30	3.5	9.16
Average	38	29.30	49.58	32	3.56	8.55

Legenda: Ownership concentration: average percentage of common shares owned by three largest shareholders in 10 largest non-financial, privately owned, domestic firms of a given country (La Porta et al. 1998, Tab.7); Widely held firms: percentage of companies which do not have shareholders controlling, at least 20% of votes, in a sample of 5,232 publicly traded financial and non-financial corporations (Faccio and Lang 2002, Tab. 3); Anti-director rights: revised index by Djankov et al. (2008); see our note 8; Family control: fraction of firms which are majority controlled by wealthy families out of ten largest conglomerates (Fogel, 2006, Tab. 1); Rule of law: measures quality of legal system and takes into account judicial independence, impartiality of courts, protection of intellectual property, military interference in rule of law, and integrity of legal system (see Manchin, 2004).

New similarities and divergences across countries are shown in a recent research conducted by Fogel (2006), focusing on ownership of the largest ten conglomerates; it offers precious information, since oligarchic family groups can tunnel wealth between the firms under their control and generate great private benefit and resource misallocation, as reviewed in Morck, Wolfenzon and Yeung (2005); thus family groups may represent a serious obstacle to efficient corporate restructurings obtained via M&A deals. Fogel's study offers a controversial finding: in Germany, control by wealthy families is lower than in the UK (and similar to the US, where families retain small, non-controlling stakes in public companies). This result contrasts with the evidence from France and Italy, since four and six groups, respectively, in these countries, are majority controlled by wealthy families (see column 4 of Table 5).

Investor protection laws and other countries' regulatory institutions may be crucial determinants in explaining why firms are owned and financed so differently in different countries, as argued in La Porta et al. (1998). The authors make considerable efforts to elaborate accurate indicators for shareholders' rights. A measure of the strength of minority shareholder protection is shown by the so-called anti-director rights, which considers, among other things, important areas such as voting rights in shareholders' meetings, representation on the board of directors, and preemptive rights to subscribe to new

securities issued by the company.⁹ In Djankov et al. (2008), the original index for investor protection has recently revised: the new measure elaborated by the authors for 72 countries (revised anti-director rights), distinguishes better between enabling rules and mandatory or default provisions.¹⁰ The revised index (see Table 5, column 5) is also based on laws and regulations updated to May 2003 and is more useful for our purposes. Table 5 clearly shows that the index of anti-director rights is higher in the UK, and good ranking is obtained by Denmark.

Good ranking of Nordic European countries also arises according to a measure of the quality of the legal system, like that shown in the last column of Table 5. This indicator, elaborated in a European Commission study, "measures the quality of the legal system and takes into account judicial independence, impartiality of courts, protection of intellectual

⁹ More precisely, the index covers six areas: i) vote by mail; ii) obstacles to actual exercise of the right to vote (i.e., the requirement that shares be deposited before the shareholders' meeting); iii) minority representation on the board of directors through cumulative voting or proportional representation; iv) an oppressed minority mechanism to seek redress in case of expropriation; v) preemptive rights to subscribe to new securities issued by the company; and vi) the right to call special shareholder meetings (see Djankov et al., 2008).

¹⁰ The authors also propose new indexes of the strength of minority shareholder protection against self-dealing by the controlling block-holder (anti-self-dealing index) for a group of 72 countries. For a methodological explanation of these new indicators, see Djankov et al. (2008, Tab. I).

property, military interference in the rule of law, and the political process and integrity of the legal system” (Manchin, 2004 p.15). On the basis of this measure, as already mentioned, the superior quality of the Nordic countries’ legal system can be ascertained and, for these economies, it may be expected that the concentrated ownership structure does not obstruct a well-functioning market for corporate control.

In addition, takeover regulation may be an important determinant of transfers of control, since it affects the costs and benefits of these transfers, as extensively analysed by Bebchuk (1994). For instance, legal provision of squeeze-out rights solves free-riding problems caused by dispersed possession, which are more important in widely held firms. Indeed, each individual shareholder, anticipating that the post-takeover share price will exceed the offered price, prefers not to tender. The squeeze-out rule, giving the controlling shareholder the right to force minority shareholders to sell their shares, solves free-riding problems and thus allows raiders to make value-increasing acquisitions (Burkart and Panunzi, 2004).

EU Directive 2004/25 recently intended to harmonise EU member states’ takeover regulation, and the debate as to whether uniform national legislation produces identical effects in countries with heterogeneous corporate governance regimes is still ongoing (Goergen, Martynova and Renneboog, 2005). In any case, it should be noted that some of the member states of our database, which covers the period 2002-2005, only brought the provisions of the Directive into force in 2006, and that the Directive leaves some discretionality to national legislators.

Table 6 lists six different measures, as evaluated for the reference period 2002-2005: i) mandatory bid rule; ii) and iii) squeeze-out and sell-out rules; iv) ownership and control transparency; v) passivity rule in terms of board neutrality with respect to anti-takeover defences; vi) break-through rule.¹¹

In a heterogeneous legislative environment like that typical of European countries, it is important to compare the different takeover rules, like those shown in Table 6. At first sight, a general evaluation of Table 6 suggests that the Nordic countries have lower ‘exit’ opportunities for minority shareholders, at least according to their takeover regulation. An instance is the mandatory bid rule, which obliges a bidder, once it has accumulated a certain percentage of stocks, to make a tender offer to all shareholders at a fair price. In Nordic countries, particularly in Finland, the percentage of shares that makes the tender offer compulsory to all shareholders was higher.

However, the potential impact of this provision should be evaluated according to other governance features and, in this perspective, some trade-offs arise. On one hand, “the mandatory bid requirement may

mitigate the problem of expropriation of minority shareholders”; on the other hand, “it also decreases the likelihood of value-creating restructuring. The main reason for this is that the rule makes control transactions more expensive and thereby discourages bidders from making a bid....” (Goergen et al. 2005, p.11).

An additional trade-off concerns the lower incentive for listing on the stock market which a more restrictive regulation might produce as an unintended result. This is a serious drawback for those economies, such as the Italian one, with an under-developed stock market and where too few companies go public.

Additional information was obtained by considering cross-border deals and their incidence on total M&A activities, as shown in Figure 6.

Two lines divide the diagram into four quadrants; the intercept of the horizontal line corresponds to the average value of total M&A activity (12.54 % of firms were targeted in the period 2002-2005); the vertical line corresponds to the average proportion of cross-border deals (on average, 20.37% of targeted firms were acquired by foreign investors). However, some caution should be invoked, since, in terms of M&A percentages, the proximity of Italy to the UK is biased by the low number of Italian listed companies, and it is worth noting that, in absolute terms, the number of Italian and UK target firms was, respectively, 45 and 475!

The percentage values, in any case, show that Italy is located in the bottom-right quadrant and reveals a high incidence of M&A activity, but a low fraction of cross-border deals. At the opposite, we find two Nordic countries (Finland and Sweden), open to foreign deals, but showing a lower incidence of total M&A.

A further study could focus on a comparison between Italy and Sweden, two countries whose absolute figures of M&A deals do not reveal a large gap over the period 2002-2005: 45 firms were targeted in Italy, whereas 43 mergers occurred in Sweden.

A starting point for a comparison between the two economies is evaluation of their ownership structure. Italy shows higher concentration, broader diffusion of family control (see Table 5, column 3), and the adoption of pyramids as a common control device¹². However, Sweden features a higher proportion of conglomerates controlled by wealthy families, as seen in Table 5, column 4.

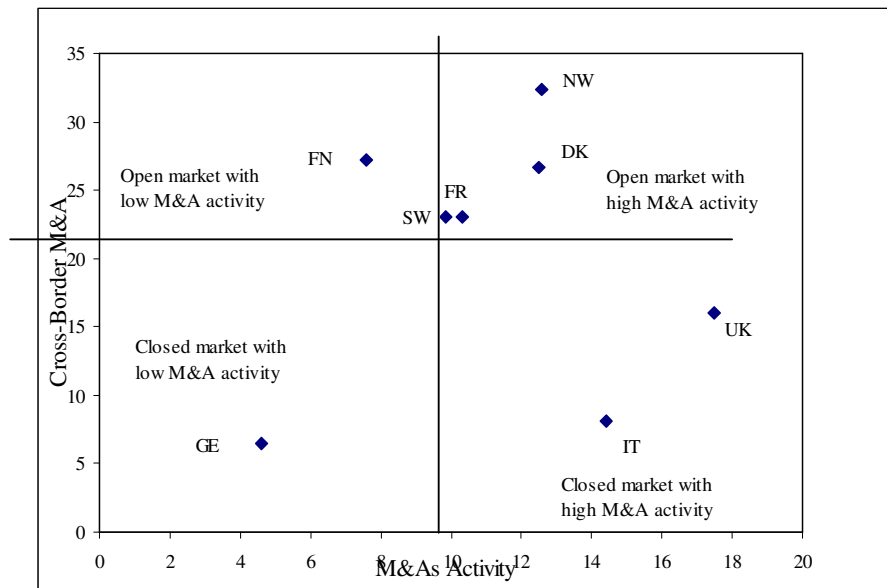
¹¹ Additional information on the criteria adopted to obtain the index of takeover regulation used here is available upon request.

¹² As Bianchi, Bianco and Enriques (2001, p.161) observe “... pyramidal groups have been favoured by a neutral tax policy (i.e. dividends are taxed only once, no matter how many levels the control chain has) and by the absence of any legal provisions to prevent conflicts of interest between the controlling agent and minority shareholders in the subsidiaries”.

Table 6. Takeover regulation - legislative framework in eight countries in period 2002-2005

	Mandatory bid rule (a)	Squeeze out rule (% of stocks) (b)	Sell out rule (% of stocks) (c)	Transparency (% of stocks) (d)	Break through rule (e)	Passivity rule (f)
UK	30	90	90	3	no	yes
FR	33.33	95	95	5	no	yes
GE	30	95	95	5	no	yes
IT	30	98	90	2	yes	yes
SW	40	90	90	5	no	yes
DK	33.33	90	90	5	no	yes
NW	40	90	90	5	no	yes
FN	66.67	90	90	5	no	yes

Legenda: a) percentage of shares that makes tender offer compulsory to all shareholders; b) percentage of equities that gives controlling shareholder the right to force minority shareholders to sell their shares; c) threshold above which remaining shareholders have the right to sell their shares at a fair price; d) threshold above which ownership of voting rights must be disclosed; e) rule that permits a bidder to break through existing voting arrangement and to exercise control, as in a context of one share-one vote; f) rule that requires board neutrality in case of anti-takeover measures and that makes approval by shareholders' meeting compulsory. (For legislative sources, see Appendix).

**Figure 6.** Market for corporate control and cross-border M&A

Additionally, takeover regulation in Italy appears to be more oriented at protecting minority shareholders' interests (see Table 6), and it was adopted even before the new EU Directive was passed in 2004. In terms of investor protection, the Italian legal framework was undergone major improvements: between 1990 and 2005, significant strengthening of internal governance was enacted with various reforms, such as the Draghi Law (1998), the new Company Law (2004) and the Law on Savings (2005). All these reforms, as detailed examined by Enriques and Volpin (2007), have empowered small shareholders. For instance, legal innovations include: i) the introduction of the mandatory provision that at least one director and one board of auditor-members must be elected by minority owners; ii) the increasing

disclosure and procedural requirements on related-party transactions; iii) the ban of voting caps; iv) the limits for pacts among block-holders. But what is remarkable is that an indicator, as Rule of Law which captures the quality of the legal system, as shown in Table 5 column 6, still reveals Italy's poor performance with respect to Sweden. The same problem of related-party transactions, which in Italy are at the origin of many common self-dealing deals, was faced by insufficient private enforcement of legal provisions (Enriques and Volpin, 2007, p. 138).

In sum, in principle, according to legislative innovations, Italian companies should have become more market-oriented and more exposed to the market for corporate control. But most of the changes concern only the *instruments* used to exert control,

which remains stable and concentrated in the hands of wealthy families, at least until now. For instance, the lower concentration of ownership and the less extensive use of pyramidal structures have been accompanied by a higher percentage of companies

controlled through coalitions. Paradoxically, the extensive reforms undertaken between 1990 and 2005, were followed by strengthening of family coalitions, as shown in Figure 7.

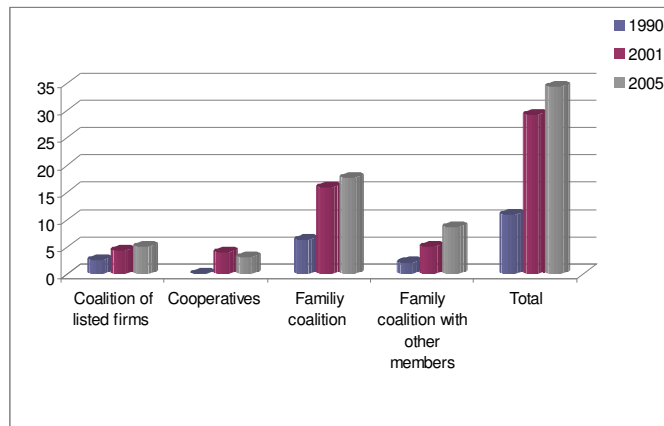


Figure 7. Listed companies controlled by coalitions: Italy, 1990, 2001, 2005

Source: Bianchi and Bianco (2006, Tab.16)

These findings explain why the market for corporate control in Italy is still confined within its national borders. Analogous evidence was gathered for non-listed companies, since, over the last ten years, half of the changes in control (amounting to 3% every year) occurred *within the family*. These changes reveal not ‘actual contestability’, but only “infra-generational transfers (possibly inducing the inefficiencies that the literature suggests are associated with 2nd, 3rd and so forth generation family control)” (Bianchi and Bianco, 2006, p. 5).

In Sweden, the corporate governance system has been described as “promoting strong private owners with a long term investment horizon and a far reaching social responsibility towards employees and society in general” (Agnblad et al., 2001, p.251). A distinctive feature of its market for corporate control is that the bidder retains a substantial long-term toehold, and its voting power is on average 31%. This may explain why corporate acquisitions are mainly friendly and negotiated between the two parties (Agnblad et al. 2001, p. 247).

Some concluding remarks, to compare Italy and Sweden better, concern a disaggregate analysis by sector. Italy shows high concentrations of M&A in the financial sector, since 25% of total deals involve banks. In this sector, the privatisation process of the last few years, besides the need to face stronger international competition, probably triggered a M&A wave, but it is remarkable that, in the period 2002-2005, no cross-border deals can be detected on the eleven deals which targeted banking companies. One potential explanation is the attitude of the national authorities, more oriented to the protection of domestic companies and not encouraging foreign acquisitions of national ‘champions’.

Instead, Sweden is not only open to foreign deals, but shows a wider sectoral diffusion of the market for corporate control. But sectoral aspects are a matter for exploration in the next section.

4.3 The last M&A wave: patterns by sector and the role of technological regimes

The structural barriers to takeover activities may have a complementary explanation. Technological factors in different industries may constitute another determinant of takeovers. As already seen, there is a research line in this field, which maintains that industries also matter in driving the occurrence of M&A (Mitchell and Mulherin, 1996; Andrade and Stafford, 2004). In particular, some authors have stressed that once a technological, regulatory or economic shock to an industry’s environment occurs, industry assets can be reallocated through mergers (Harford, 2005). Sometimes technology itself boosts institutional and regulatory changes (Jovanovic and Rousseau, 2001, 2002). In addition, when radical innovations such as microprocessors and computers emerged thirty years ago, deregulation and friendly antitrust policies encouraged mergers in telecommunications, airlines and other hi-tech sectors (Jovanovic and Rousseau, 2001).

In our analysis, as already mentioned, we group sectors by Technological Regime (TR). As discussed in Section 2, TR may constitute a context in which systematic differences in takeover frequencies can be observed. In particular, the specific knowledge-based system characterising the SMII regime, centred on higher investments on Research and Development, may raise structural barriers and limit the market for corporate control.

Table 7 shows the sectoral dimension of our Datastream sample for the eight pooled countries. Data by industry, provided by IBC in Datastream, are also grouped by technological regime: SMI and SMII¹³.

First, the performance of the Telecommunications sector over the period 2002-2005 is worth noting. Despite the low number of deals and the high concentration at industry level, the highest relative frequency of takeovers occurred in this sector. Indeed, a first round of consolidation in this sector occurred in the 1990s and was driven by the need to compete with American providers (OECD, 2001). Probably, the rapid technological change of the last few years, coupled with drastic regulatory reforms and the need to combine content and delivery, drove a further surge of mergers.

Takeover activity in Telecommunications was been notable not only in the number of deals, but also in value: the share market fluctuated from 7% to 11% (Thomson Financial 2002; 2003; 2004; 2005). In 2003, Olivetti's acquisition of the remaining 46% interest in Telecom Italia for \$28 billion was by far the largest deal in Europe. And Telefonica's planned tender offer for O2 (UK), for \$31.8 billion, was the second largest deal announced for 2005 (Thomson Financial 2003; 2005).

Consumer Services and Utilities were the second and third most active markets for corporate control: 18.87% and 15.20% of companies were targets of M&A, respectively. The growing importance of service sectors in advanced economies, combined with the success of Information and Communication Technologies, the introduction of the Euro, and the interest of manufacturing firms also for services such as retail and wholesale trade, probably boosted merger activity in these industries. Unlike Utilities, deals in Consumer Services were larger in terms of number (177 was the largest absolute number of deals occurred in industries for the period 2002-2005) but not in value (Thomson Financial 2002, 2003, 2004, 2005).

However, manufacturing sectors also have played an important role. The relative frequencies of takeovers in Industrial and Consumer Goods were slightly below the sample average: 12.49% and 12.34%, respectively (see Table 7). In terms of value, for 2002-2005 Thomson Financial estimated a share market ranging from 7% to 11% for Industrial and from 3% to 6% for Consumer Goods.

It is worth noting that in the 1990s, a considerable number of deals in industries such as plastics, metals, machinery, food, textiles and chemicals was detected by the European Commission (2001). In particular, this number of deals was more stable in the last decade, responding less to the evolution of the economic cycle, in both its upswings and downturns (European Commission, 2001).

These last considerations appear to support our view that structural characteristics related to sectors may affect takeover activity. Indeed, if we reorganise manufacturing sectors by technological regime (SMI and SMII), a considerable difference emerges.

The last three rows of Table 7 show that the relative frequency of takeovers within manufacturing sectors included in SMI (13.10%) was significantly higher than in SMII (9.77%).

¹³ Seven manufacturing industries are included in SMI, SMII and the residual Other Manufacturers. Oil&Gas, Basic Materials, Industrials, Consumer Goods, Healthcare, Telecommunications and Technology.

Table 7. M&A in 8 countries analysed by industry and Technological Regime (2002-2005)

Absolute and relative frequencies of M&A			
Industries	No. Target firms	No. Total Firms	% target firms
Oil & Gas	18	154	11.69
Basic Materials	31	318	9.75
Industrials	166	1,329	12.49
Consumer Goods	89	721	12.34
Healthcare	40	358	11.17
Consumer Services	177	938	18.87
Telecomm.	21	98	21.43
Utilities	19	125	15.20
Financial	155	1,480	10.47
Technology	86	876	9.82
Total	802	6,398	12.54
Technological Regimes	No. Target firms	No. Total Firms	% target firms
SMI	264	2,015	13.10
SMII	109	1,116	9.77
Difference: SMI - SMII			3.33***

Note: values in last two columns represent difference of SMI, SMII proportions, and other sectors

Difference proportion test is based on binomial test

* Significant at 1% level

** Significant at 5% level

***Significant at 10% level

These findings, related to the aggregate level, confirm the assumption formulated in Section 2. Except for Telecommunications, large companies included in SMII sectors (Chemicals, Pharmaceuticals, Electronics, Computers) are less frequently targeted by other firms, probably because the costs to reorganise the specific assets and knowledge accumulated inside the firm are too high,

and the need to maintain continuity in specific lines of research and development is too expensive for the bidder, who generally expects short-term returns from the deal.

Some interesting results may be obtained from an analysis by country and sector. For instance, Italy and Sweden offer an interesting comparison, as shown in Table 8.

Table 8. Mergers and Acquisitions in Italy and Sweden by industry and Technological Regime (2002-2005)

Italy	Absolute and relative frequencies of M&A			Difference between proportions	
	No. Target firms	No. Total Firms	% target firms	SMI	SMII
Oil & Gas	0	4	0.00	13,79*	14,63*
Basic Materials	1	11	9.09	4,7***	5,54
Industrials	8	62	12.90	0,89	1,73
Consumer Goods	4	54	7.41	6,38**	7,22
Healthcare	2	6	33.33	-19,54*	-18,7**
Consumer Serv.	3	33	9.09	4,7***	5,54
Telecom.	4	8	50.00	-36,21*	-35,37*
Utilities	5	17	29.41	-15,62*	-14,78**
Financial	14	87	16.09	-2,3	-1,46
Technology	4	30	13.33	0,46	1,3
Total	45	312	14.42	-0,63	0,21

Table 8 continued

<i>Tech. Regimes</i>					
<i>SMI</i>	16	116	13.79	-	0,84
<i>SMII</i>	6	41	14.63	-0,84	
<i>Other Manufact.</i>	1	18	5.56	8,23	9,07
Sweden	Absolute and relative frequencies of M&A			Difference between proportions	
Industries	No. Target firms	No. Total Firms	% target firms	SMI	SMII
Oil & Gas	0	9	0.00	12,99*	5,45*
Basic Materials	4	25	16.00	-3,01	-10,55*
Industrials	10	114	8.77	4,22***	-3,32
Consumer Goods	4	44	9.09	3,9***	-3,64
Healthcare	3	44	6.82	6,17*	-1,37
Consumer Serv.	3	41	7.32	5,67**	-1,87
Telecom.	4	11	36.36	-23,37*	-30,91*
Utilities	1	4	25.00	-12,01*	-19,55*
Financial	10	64	15.63	-2,64	-10,18*
Technology	4	79	5.06	7,93*	0,39
Total	43	435	9.89	3,1	-4,44***
<i>Tech. Regimes</i>					
<i>SMI</i>	20	154	12.99	-	-7,54*
<i>SMII</i>	11	178	5.45	7,54*	
<i>Other Manufact.</i>	4	62	6.45*	6,54	-1

* Significant at 1% level

** Significant at 5% level

*** Significant at 10% level

Clearly, the weak and good performances of corporate governance of, respectively, Italy and Sweden (see also Table 5) probably interact with the role played by technological regime, thus producing opposite effects. In other words, institutional factors and a poor performing 'variety of capitalism' may interfere with technological determinants, giving rise to too low levels of M&A in those sectors characterized by 'creative destruction' regimes of innovation.

These results bring a wider set of factors into the analysis to evaluate the market for corporate control. The low incidence of M&A activity in sectors featuring technological regime SMI and the low incidence of cross-border deals, as shown for Italy, confirm the low capabilities of Italian firms to remain competitive. Conversely, the results for M&A obtained for Nordic economies show opposite trends.

5. Conclusions

The prevailing literature on mergers and acquisitions focuses on investor protection and ownership structure as the main determinants of divergences between countries, but does not analyse whether the different patterns of reorganisation activities (pertaining to different sectors and different innovation patterns) affect the market of corporate control.

The new approach adopted in this study promises a more comprehensive perspective. Indeed, our results

for the European experience of the last merger wave suggest remarkable divergences in sectors characterised by different technological regimes. At the same time, the role of institutional determinants turns out not to be secondary, but as a driving force of the market for corporate control. These considerations may qualify and render more controversial the relation between technological features and takeover activities which may actually be discovered in reality.

For instance, in countries like those of Nordic Europe, featuring good quality and enforcement of their governance mechanisms, companies are exposed to changes in control and international contestability. Sweden is a good case in point, since takeovers are more frequent in 'entrepreneurial' sectors where radical, investment projects are short-lived, capital depreciation is rapid, and knowledge and competences are general, i.e., in SMI sectors. By contrast, in the same countries the incidence of M&A deals is lower in routinised sectors, featuring higher stability of the hierarchy of innovators, lower concentration ratio of the more innovative firms, and a higher portion of new innovators with respect to the old ones.

These findings are reversed in a country like Italy, where cross-border deals are less frequent, one quarter of all transaction involves national deals targeted to banks, merger activities seem to be unrelated to innovation sectoral patterns. This should be interpreted as confirmation that not all mergers are efficient devices to remedy faulty governance and/or

to exploit innovative synergies in *entrepreneurial* industries (marked as SMI sectors).

This motivates us to explore further various inefficiencies of takeover activities found in a vast theoretical and empirical literature.

A plausible explanation takes sectoral and innovative dimensions into explicit account. In this more comprehensive perspective, a further step should be overall evaluation of the main consequences of takeover activity, in order to detect in which *corporate governance systems* and in which *sectoral regimes* takeovers really do improve shareholders' returns rather than managerial or blockholder private benefits.

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Appendix

Table A1. Sources for takeover regulation

UK	The Panel on Takeovers and Mergers (2002), The Takeover Code
Sweden	The Swedish Financial Supervisory Authority's Regulations Governing Rules of Conduct on the Securities Market (2002) Tude B., "Swedish Securities Council Issues Statement on Mandatory Bids", <i>International Financial Law Review</i> , 2000
Finland	Himonas D., "The Financial Supervision Authority Imposes New Guidelines", <i>International Financial Law Review</i> , 2000 Securities Market Act 26.5.1989/495
Norway	Act on Securities Trading, Act no. 79 , 19th June 1997
Germany	Roos M. – Cornett C. (2002), <i>Takeover season in Germany</i> , AltAssets Schmid F.A. – Wahrenburg M. (2002), <i>Mergers and Acquisition in Germany</i> , The Federal Reserve Bank of St. Louis, Working Paper Series 2002- 027A
France	Décret n. 2003-1109 du 21 Novembre 2003 Relatif à l'Autorité des Marchés Financiers Règlement général de l'Autorité des marchés financiers, 2006
Italy	Testo Unico Finanziario, Decreto Legislativo 24 febbraio 1998, n. 58 , "Testo Unico delle Disposizioni in Materia di Intermediazione Finanziaria, ai sensi degli Articoli 8 e 21 della Legge 6 febbraio 1996, n. 52"