

РАЗДЕЛ 3
КОРПОРАТИВНОЕ
УПРАВЛЕНИЕ
В ИТАЛИИ

SECTION 3
CORPORATE
GOVERNANCE IN
ITALY



AN EMPIRICAL ANALYSIS OF “CORPORATE ITALY”: LEGAL
ENTITIES, FINANCIAL AND OWNERSHIP STRUCTURE AND
CORPORATE GOVERNANCE 2004-2012

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Abstract

This research has a twofold target. For one extent it embraces on a wider historical period previous analyzed related to the innovative bodies of law introduced by the Vietti's Reform in 2004, providing an overall evidence related to the Italian corporate system, ranging from consistency and dynamics of the different forms of legal entities, to their corporate governance and ownership structures. For another extent it proposes completely new data about other patterns of “Corporate Italy” which have never been enquired in a systematic way before. The paper provides a wide analysis of the ownership structures of unlisted joint stock Italian companies and of the limited liability companies describing the number of all the M&A deals or corporations' transformation or liquidation during 2012.

Keywords: Vietti's Reform, Italian Corporations, Financial Structure, Ownership Structure, Merger & Acquisition, Corporate Governance

JEL Classification: G32; G34; L25; L33

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1. Introduction and related literature

The 2004 Vietti's Reform [1] introduced remarkable innovations in the body of the Italian Corporate Law, like alternative one tier and two tier systems of corporate governance for unlisted joint stock companies or the provision of specific bonds which may be issued by limited liability joint stock companies (article 2483 of the Civil Code).

Moreover the Reform allowed for joint stock companies further substantial innovations like the allowance for unlisted companies to entrust accounting auditing to an external auditor in non mandatory way (article 2409 bis of the Civil Code) or the duty to declare any sort of legal entities which are eventually in charge of a role of supervision and coordination of the corporate and business activities, according to the articles 2497

and following of the Civil Code. Notwithstanding this last institute was conceived for other purposes, it triggered the positive externality to allow scholars and practitioners to delve into the patterns and sizes of the Italian group of enterprises' phenomenon.

The introduction of these innovations represented the opportunity for a wider project of research encompassing both the analysis of stocks and dynamics of all the legal entities managing business activities and the monitoring of the widespread of the new institutes generated by the Vietti's Reform. This stream of studies which has been promoted by the Monitoring Committee [2] of the Chamber of Commerce of Milan with the data provided by the network of the Italian Chambers of Commerce, denominated Infocamere, represents a completely innovative field of research between law, economics and business studies. It has been supplied for the first time, at least in the Italian environment, a complete and fully detailed dataset and successively an historical series ranging since 2004 to 2012 of the main features of the Corporate Italy, regarding any sort of legal entities managing business activities, including the different typologies of no profit organizations (Bellavite Pellegrini 2006, 2009, 2012).

The aim of this study is at least twofold. For one extent it is intended to update the existing above mentioned historical series in order to monitor and explain the dynamics of the stocks of the Italian legal entities. The same target is pursued in relation to the different levels of implementation of the various institutes promoted by the Vietti's Reform [3]. However this study supplies additional evidences which were not available in the previously mentioned researches, providing the complete survey of the ownership's structures of the unlisted joint stock and limited liability Italian

companies. Moreover for the same typology of legal entities the paper gives evidence of all the different typologies of corporate deals that occurred during 2012 in Italy. Law and Economics studies are likely to receive clear benefits from an accurate and meticulous knowledge of the stocks of legal entities managing business activities and their relative weight and a systematic information about the main distinguishing features of the mainly unlisted "Corporate Italy."

This research is organized in the following way. The second section describes the Italian companies stocks' time series since 2005, meanwhile the third section is dedicated to the time series of the eventual implementation by companies of the institutes introduced by the Reform. A specific focus will be devoted to the feasible reasons of success or failure of these institutes. The fourth and the fifth sections will deal the new data about the ownership's structures of the unlisted Italian joint stock and limited liability companies and about the different typologies of corporate deals which took place in 2012. The last paragraph will provide some concluding remarks.

2. Time series of Italian legal entities since 2005 [4]

We will take into analysis stocks and dynamics of joint stock companies and partnerships, focusing our attention separately on the two different categories. Successively we will dedicate our attention to the legal entities belonging to the cooperative world. All these evidences have as starting point on June 30th 2005. Table 1 provides data about the still existing [5] joint stock companies, partnerships and cooperatives.

Table 1. Typologies of still existing limited and unlimited liability companies in Italy [6]

LEGAL ENTITIES TYPOLOGIES	30.06.05	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
Joint stock companies	61,314	60,631	59,127	57,107	55,956	48,033
Limited liability joint stock companies	1,046,139	1,129,003	1,162,586	1,261,295	1,305,705	1,357,936
Limited partnership joint stock companies	175	184	182	178	174	150
Total of joint stock companies	1,107,628	1,189,818	1,221,895	1,318,580	1,361,835	1,406,119
Non commercial partnership	68,143	69,130	69,089	70,500	71,561	72,743
Agricultural non commercial partnership						46,052
General partnership companies	646,597	637,024	611,436	588,969	575,642	540,862
Limited partnership companies	512,398	527,679	515,771	519,820	515,502	504,596
Total partnership companies	1,227,138	1,233,833	1,196,296	1,179,289	1,162,705	1,118,201
Total cooperatives	139,306	140,426	148,033	152,007	153,678	144,251
Total - general	2,474,072	2,564,077	2,566,224	2,649,876	2,678,218	2,668,571

Source: Our elaboration from the Infocamere Network

Table 1 highlights two very clear different trends existing since 2005. A significant increase of 26.94% of the number of the different typologies of limited liability companies and a decline of 8.87% of partnerships. The trend of the cooperatives shows a small increase of 3.54%, but the dynamic within the period is more complex. Partnerships are likely to confirm the negative trend starting in 2006, after a relative increase in the precedent 2002-2006 period of time (Bellavite Pellegrini 2006).

If we look more specifically at the different typologies of companies, joint stock companies register a sharp decline of 21.66% in their numbers in seven years time, meanwhile the number of limited liability joint stock companies significantly increases of 29.75%, even more highlighting a long term steady rate of growth (Bellavite Pellegrini 2009). It is detectable the existence of a substitution

effect between the two categories of companies for two possible feasible reasons. Limited liability joint stock companies are more convenient in terms of transaction costs because of some facilities introduced by the Reform. Moreover the insurgence of the economic and financial crisis since 2007 is likely to have fostered the incorporations of these companies. The decrease in partnerships is strictly linked with fall of 16.35% of the number of general partnership companies. Moreover non commercial partnership, 63.30% of them belong to the agricultural sector, realized a 6.75% growth in the period.

The Vietti's Reform introduced the opportunity of incorporating single shareholder companies. This innovative institute registered a significant success in these few years representing a new form of corporate business, as it is highlighted in Table 2.

Table 2. Single shareholder joint stock and limited liability joint stock companies

Single shareholder companies	30.06.05	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
<i>Single shareholder joint stock companies</i>	5,207	6,062	6,414	7,011	7,182	7,198
Percentage of the total	8.49%	9.99%	10.84%	12.27%	12.83%	14.98%
<i>Single shareholder limited liability joint stock companies</i>	67,341	91,430	106,894	144,021	163,860	199,549
Percentage of the total	6.43%	8.09%	9.19%	11.41%	12.54%	14.69%

Source: Our elaboration from the Infocamere Network

Table 2 shows respectively an increase of 38.23% and 1.96 times of stock of single shareholder joint stock and limited liability joint stock companies and a ratio on the total of the still existing companies of their specific category uprising respectively since 8.49% and 6.43% to the very similar percentage of 14.98% and 14.69%.

The opportunity of incorporating single shareholder companies has been quite popular in

the Italian group of enterprises (Bellavite Pellegrini 2006, 2009) and has crowded completely out the competing institute of the designed estate to a specific bargain, which experienced a substantial failure of its implementation. Table 3 devotes its attention to the legal entities managing business activities belonging to the non-profit sector. This time series starts since June 30th 2006.

Table 3. Still existing legal entities belonging to the non-profit sector [7]

Typology of legal entities	30.06.06	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
Still existing associations	12,194	12,648	13,881	15,884	16,850	19,150
Still existing foundations	1,539	1,583	1,671	1,971	2,089	2,375
Total	13,733	14,231	15,552	17,855	18,939	21,525
Still existing unions	21,272	21,097	21,712	22,231	22,479	22,182
Still existing economic group of European interest	147	144	154	174	198	218
Still existing nonprofit legal entities	35,152	35,472	37,418	40,260	41,616	43,925

Source: Our elaboration from the Infocamere Network

Table 3 gives evidence of a high rate of growth of associations and foundations in this period with a total increase of 56.93% which may be divided in similar rate, i.e. 57.04% for associations and 54.32% for foundations. Financial and economic crisis' s breaking up is likely to have impressed a further relevant stimulus to the rate of

incorporations of non-profit legal entities, probably underlining in this way the anticyclical nature of this sector [8]. Unions, not withstand they are mainly a category of legal entities more developed in the past times, register an increase of 4.27% typologies.

3. Time series of the degree of implementation of the institutes introduced by the Vietti's Reform

This paragraph is devoted to measure the degree of implementation of the different institutes introduced by the Vietti's Reform and to monitor whether do exist meaningful differences in comparison with the previously emerged trends. We take into analysis the existence of statutory

provisions to issue special debt instruments (ex article 2483 of the Civil Code) by limited liability joint stock companies. We cannot verify whether these financial devices have been effectively issued, because our database does not report these data. For some extent we may however consider that a statutory provision may be a (weak) proxy of the feasible willingness of the companies to eventually issue them.

Table 4. Limited liability joint stock companies with statutory provisions to issue special debt instruments

Typologies	Still existing at 30th June 2005	Still existing at 31st December 2006	Still existing at 31st December 2007	Still existing at 31st December 2009	Still existing at 31st December 2010	Still existing at 1st March 2013
Cooperative limited liability joint stock companies	215 (2.92%)	357 (4.44%)	447 (5.30%)	618 (6.63%)	679 (7.08%)	755 (7.67%)
Limited liability joint stock companies	72,366 (7.44%)	110,154 (10.69%)	132,420 (12.64%)	166,314 (15.01%)	181,716 (16.05%)	205,218 (18%)
Single shareholder limited liability joint stock companies	8,611 (12.78%)	16,215 (17.73%)	21,695 (20.29%)	32,916 (22.86%)	38,844 (23.71%)	50,128 (25.12%)
Simplified limited liability joint stock companies						532 (21.18%)
Limited liability joint stock companies with reduced capital						2 (0.037%)
Total [9]	81,192 (7.76%)	126,726 (11.22%)	154,562 (13.29%)	199,848 (15.84%)	221,239 (16.94%)	256,635 (18.90%)
Still existing limited liability joint stock companies	1,046,139	1,129,003	1,162,586	1,261,295	1,305,705	1,357,936

Source: Our elaboration from the Infocamere Network

Table 4 shows the historical series about the implementation of the statutory provisions for issuing special debt devices. This table confirms the evidence that approximately 19% of the limited liability joint stock companies contemplate in their incorporation acts this provision. Moreover this innovation gained a clear success among the single shareholder companies, with an adoption rate of 25.12%, showing their more innovative nature in comparison with traditional companies. Whether for some extent statutory provisions could be a

feasible proxy of adoption, the effective issue of these specific bonds is unknown, but anecdotal impression is supporting the idea of a very low rate of implementation.

Alternative corporate governance systems are one of the most interesting innovative institutes introduced by Vietti's Reform. Table 5 is related to the numbers of joint stock companies adopting one-tier alternative corporate governance systems since their introduction.

Table 5. Joint stock companies adopting one-tier alternative corporate governance systems

Typologies	31.12.06	31.12.07	31.12.08	31.12.09	31.12.10	01.03.13
Still existing single shareholder joint stock companies	24	31	32	36	40	44
Still existing joint stock companies	172	167	155	144	141	136
Total	196	198	187	180	181	180

Source: Our elaboration from the Infocamere Network

Since 2007 the stock of companies adopting a one-tier board experienced a 9.1% decrease, meanwhile the number has not registered any variation since 2009. Notwithstanding an initial interest and involvement by corporate managers and shareholders about this alternative form of corporate governance, we must register that the rate

of effective adoption is extremely low, representing the 0.37% and therefore a marginal percentage of the still existing joint stock companies.

Table 6 gives evidence of the stock of joint stock companies adopting a two-tier board alternative corporate governance system.

Table 6. Joint stock companies adopting two-tier alternative corporate governance systems

Typologies	31.12.06	31.12.07	31.12.08	31.12.09	31.12.10	01.03.13
Still existing single shareholder joint stock companies	28	36	36	37	38	33
Still existing joint stock companies	91	107	114	101	98	86
Total	119	143	150	138	136	119

Source: Our elaboration from the Infocamere Network

The number of joint stock companies adopting a two-tier board of corporate governance increased between 2006 and 2008 and dropped in 2013 to the same level of 2006, representing only the 0.24% of

the still existing joint stock companies. Table 7 presents evidences about all the joint stock companies adopting a one tier or two tier alternative corporate governance systems.

Table 7. Stocks of joint stock companies adopting one tier or two tier alternative corporate governance systems

Typologies	29.7.05 [10]	31.12.06	31.12.07	31.12.08	31.12.09	31.12.10	01.03.13
One-tier board	/	196	198	187	180	181	180
Two-tier board	/	119	143	150	138	136	119
Total	284	315	341	337	318	317	299

Source: Our elaboration from the Infocamere Network

If we make an overview about alternative corporate governance systems, it could be assert that these systems are experiencing a decrease in the number of their aggregate adoption. However because of the sharper decrease of the total numbers of joint stock companies, those adopting an alternative corporate governance systems upraised of some basis point, since 0.55% in 2009 to 0.62% in 2013. As above argued the initial interest of scholars and practitioners for these innovative corporate governance systems (Bellavite Pellegrini, Pellegrini, Sironi 2010a; Bellavite Pellegrini, Pellegrini, Sironi 2010 b) did not transform in a significant degree of adoption by companies of these systems.

Coming to another point the Reform introduced the chance for unlisted joint stock companies to

entrust accounting auditing to an external auditor and not to the board of auditors, without any mandatory rule. Corporate finance literature explains that unlisted joint stock companies are likely to entrust accounting auditing to an external auditor in order to more efficaciously contrast the phenomenon of *earning manipulation* (Baetge and Thiele 1998, Franks and Mayer 1998), mainly for venture capital or private equity companies, because executive compensations' policies necessarily rely on these accounting datasets. Table 8 presents stocks and dynamics of joint stock companies entrusting in different ways accounting auditing to the board of auditors or to an external auditor.

Table 8. Different ways of entrusting accounting auditing for joint stock companies

Entrusted subject of accounting auditing [11]	30.06.05	31.12.07	31.12.09	31.12.10	01.03.13
Board of auditors	33,210 (54.16 %)	45,614 (77.14%)	42,694 (74.76%)	40,969 (73.22%)	36,511 (75.78%)
External auditors	3,104 (5.05%)	6,060 (10.24%)	10,147 (17.77%)	10,742 (19.20%)	11,672 (24.22%)
Still existing joint stock companies that declared to which subjects accounting auditing has been entrusted	36,314 (59.22%)	51,674 (87.39%)	52,841 (92.53%)	51,711 (92.41%)	48,183 (100%)

Source: Our elaboration from the Infocamere Network

The number of joint stock companies entrusting accounting auditing to any sort of external auditors represents roughly one quarter of the total still existing joint stock companies. Previous evidences (Bellavite Pellegrini, Pellegrini, and Sironi 2009) suggest that, notwithstanding the introduction of this new institute, joint stock companies entrusting in no mandatory way the accounting auditing to an external auditor do

represent a partially residual phenomenon in the Italian corporate environment.

We take now into examination the same evidence related to limited liability joint stock companies. In order to achieve this result, it is previously necessary to enumerate the number of limited liability joint stock companies which, by law [12], do foresee the presence of a mandatory board of auditor. These evidences are presented in Table 9.

Table 9. Limited liability joint stock companies with Board of Auditors [13]

Typologies	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
Limited liability joint stock companies with Board of Auditors	38,809 (3.44%)	38,608 (3.32%)	38,338 (3.04%)	38,849 (2.98%)	36,537 (2.69%)
With accounting auditing entrusted to the Board of Auditors	36,401 (3.22%)	35,732 (3.07%)	34,853 (2.76%)	34,741 (2.66%)	31,223 (2.30%)
With accounting auditing entrusted to the external auditors	2,408 (0.21%)	2,876 (0.25%)	3,485 (0.27%)	4,108 (0.31%)	5,314 (0.39%)

Source: Our elaboration from the Infocamere Network

Limited liability joint stock companies with mandatory Board of Auditors are less than 3% of the total, registering a decrease in number and in percentage since 2006. The great majority of them entrust the accounting auditing to the same Board

of Auditors, continuing the deeply rooted Italian tradition. In Table 10 we present the different typologies of limited liability joint stock companies and their ways of entrusting accounting monitoring to different subjects.

Table 10. Typologies of still existing limited liability joint stock companies with Board of Auditors and modalities of entrusting accounting auditing

Limited liability joint stock companies typologies with Board of Auditors	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
Cooperative limited liability joint stock companies with Board of Auditors	869 (2.3%)	874 (2.3%)	943 (2.5%)	950 (2.5%)	896 (2.5%)
Auditing accounting to the Board of Auditors	837 (96.3%)	830 (95%)	886 (94%)	885 (93.2%)	814 (90.8%)
Accounting auditing to the external auditor	32 (3.7%)	44 (5%)	57 (6%)	65 (6.8%)	82 (9.2%)
Limited liability joint stock companies with Board of Auditors	32,533 (83.8%)	31,904 (82.6%)	30,828 (80.4%)	30,896 (79.5%)	28,180 (77.1%)

Auditing accounting to the Board of Auditors	31,125 (95.7%)	30,300 (95%)	28,940 (93.9%)	28,643 (92.7%)	25,300 (89.8%)
Accounting auditing to the external auditor	1,408 (4.3%)	1,604 (5%)	1,888 (6.1%)	2,253 (7.3%)	2,880 (10.2%)
Single shareholder limited liability joint stock companies with Board of Auditors	5,407 (13.9%)	5,830 (15.1%)	6,567 (17.1%)	7,003 (18%)	7,461 (20.4%)
Auditing accounting to the Board of Auditors	4,439 (82.1%)	4,602 (79%)	5,027 (76.5%)	5,213 (74.4%)	5,109 (68.5%)
Accounting auditing to the external auditor	968 (17.9%)	1,228 (21%)	1,540 (23.5%)	1,790 (25.6%)	2,352 (31.5%)
Total	38,809 (100%)	38,608 (100%)	38,338 (100%)	38,849 (100%)	36,537 (100%)

Source: Our elaboration from the Infocamere Network

The parsimonious number of limited liability joint stock companies with Board of Auditors substantially entrusts the accounting monitoring process to the same Board of Auditors, representing the external auditor a residual solution, probably for reasons connected with regulatory requirements [14]. Single shareholder limited liability joint stock companies represent a significant percentage of the ones endowed with the Board of Auditors and show a definitely higher percentage of 31.5% of entrusting an external auditor in comparison with traditional companies. It is likely that this higher

percentage, albeit connected with the more dynamic nature of single shareholder companies, does not however depend on non-mandatory bases.

Table 11 surveys the implementation of article 2497 of the Civil Code related to the different typologies of limited liability and joint stock companies declaring to be subject to the activity of control and coordination by another legal entity. These evidences contribute to sketch for the first time some outlines of the main economical and juridical features of the Italian phenomenon of the groups of enterprises.

Table 11. Still existing companies declaring to be subject to control and coordination by another legal entity ex article 2497 of the Civil Code

Typologies	20.07.05	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
Still existing single shareholder joint stock companies	2,846	3,584	3,802	3,994	4,024	4,002
Still existing joint stock companies	4,812	5,246	5,213	4,973	4,804	4,339
Total	7,658	8,830	9,015	8,967	8,828	8,341
Still existing single shareholder limited liability joint stock companies	6,433	9,319	10,568	13,222	14,708	17,256
Still existing limited liability joint stock companies	11,005	13,375	14,011	14,333	14,500	14,798
Total	17,438	22,694	24,579	27,555	29,208	32,054
Total of companies subjected to activity of control and coordination	25,096	31,524	33,594	36,522	38,036	40,395

Source: Our elaboration from the Infocamere Network

In the above table the numbers of companies subject to control and coordination activity by other legal entities registered a significant increase of 60%. Approximately 17.3% of the joint stock companies are subject to control and coordination, meanwhile only 2.3% of the limited liability joint stock companies do belong to some group of enterprises. Moreover more than a half (52.62%) of the various typologies of companies subject to control and coordination is composed by single

shareholder companies. This consideration suggests that one of the reason of the single shareholder companies relevant success is linked with the presence of these typologies of legal entities in the companies' groups. These evidences must be composed with the further ones provided by Table 12 and Table 13. In Table 12 we supply a comprehensive overview of the number of legal entities managing an activity of supervision and coordination on behalf of the above described

companies, meanwhile Table 13 supplies more detailed information about the natures of the

controlling legal entities.

Table 12. Legal entities managing activity of control and coordination

Typologies	20.07.05	31.12.06	31.12.07	31.12.09	31.12.10	01.03.13
Foreign controlling legal entities	4,193	5,374	5,508	5,866	6,058	8,495
Not classified controlling legal entities [15]	639	1,057	1,286	1,637	1,842	-
Classified controlling legal entities	10,207	12,575	13,479	14,974	15,714	16,994
Total of legal entities managing activity of control and coordination	15,039	19,006	20,273	22,477	23,614	25,489
Total of the companies subject to activity of control and coordination	25,096	31,524	33,594	36,522	38,036	40,395

Source: Our elaboration from the Infocamere Network

The number of legal entities managing activity of control and coordination increased of 69.48% since 2005, whose one third are foreign controlling legal entities. The ratio between controlling legal entities and controlled companies remains stable in

time at roughly 1.6. Table 13 suggests a further step in our description, analysing the different nature of the legal entities managing activity of control and coordination.

Table 13. Typologies of legal entities managing activity of control and coordination (average values)

Typologies	2009	Average values 2010-2013	Percentage on the total of controlling legal entities (2010-2013)
Limited partnership with share capital	43	43	0.26%
Single shareholder joint stock companies	848	919	5.62%
Cooperative joint stock companies	18	22.5	0.14%
Joint stock companies	4,798	4,792	29.30%
Total of joint stock companies	5,707	5,776.5	35.32%
Single shareholder limited liability joint stock companies	1,312	1,665	10.18%
Cooperative limited liability joint stock companies	20	30	0.18%
Limited liability joint stock companies	6,786	7,627	46.64%
Total of limited liability joint stock companies	8,118	9,322	57%
Limited partnerships	335	373.5	2.28%
Individual concerns	20	20	0.12%
Non commercial partnerships	28	30.5	0.19%
General partnerships	221	237	1.45%
Total of partnership	604	661	4.04%
Cooperatives	385	424.5	2.60%
Foundations	12	18	0.11%
Associations	35	37.5	0.23%
Unions	29	30.5	0.19%
Public bodies	75	74	0.45%
Religious and moral bodies	9	9	0.05%
Other subjects	160	169	1.04%
Classified controlling legal entities	14,974	16,353	100%

Source: Our elaboration from the Infocamere Network

These data confirm previous evidences about the prevailing nature of joint stock and limited liability joint stock companies as legal entities controlling roughly 92% of the companies declaring to be subject to supervision and coordination, while joint stock companies represent approximately two third of these companies. Single shareholder joint stock and limited liability companies represent roughly 15% of the controlling legal entities. The residual portion of this universe (less than 10%) is composed by other typologies of legal entities ranging from individual concerns to non commercial partnerships, foundations, associations and even public or religious and moral bodies. These subjects constitute a interesting evidence because they reveal an intriguing, even if residual, side of the nature of particular legal entities at the top of the Italian Group of Enterprises.

4. Ownership structures

Corporations' ownerships structures have been assuming an increasing relevance among the main issues of corporate finance and corporate governance. Financial literature has devoted an almost exclusive care to the ownerships' structures of listed companies, because of their connection with the nature of agency costs. Much less attention has been dedicated to unlisted companies, mainly because of the shortage of significant samples of reliable data. However with regard to Italy the role of unlisted companies played and still plays a predominant role in the Italian corporate environment. In this section we provide these completely innovative data about ownership's structures composition of Italian unlisted companies. In Table 14 we supply evidences about the numbers of shareholders composing the capital of joint stocks and limited liability companies.

Table 14. Number of shareholders/partners of joint stock companies

	Number of shareholders/partners (X)				Total
	$1 < X \leq 3$	$4 \leq X \leq 5$	$6 \leq X \leq 9$	$X \geq 10$	
Joint stock companies	16,469	6,934	5,027	5,605	34,035 [16]
Percentage of the total	48.39%	20.37%	14.77%	16.47%	83% of the total of still existing joint stock companies
Limited liability joint stock companies	858,454	147,766	45,521	15,315	1.067.056
Percentage of the total	80.45%	13.85%	4.27%	1.44%	92.12% of the total of still existing limited liability joint stock companies

Source: Our elaboration from the Infocamere Network

From these first data it stems out the confirmation of the existence of a concentrated ownership's structure. Approximately a half of joint stock companies have no more than three shareholders and this percentage rises up to 80% for limited liability joint stock companies. For these latter if we add companies with no more than five stockholders, the percentage reaches 94.3%. For the former there are however a little more than 30% of the companies having six or more than six shareholders. According to these evidences we may suppose that only these last companies which correspond to a number of a little less than 11,000 corporations may effectively present some ingredients of complexity in their corporate governance.

In Table 15 we analyze the percentage of ownership of the first and of the first three

shareholders in joint stock companies. These additional evidences do confirm the ones emerged in Table 14. For the 53.49% companies the first shareholder owns more than 51% of the shares and if we consider the first three shareholders this percentage rises to 91.47% of the analyzed companies. Conversely the percentage of companies in which the first shareholder owns less than 33% of the capital, represent 21.42% of the companies. If we juxtapose this outcome with the previous result about the number of shareholders, we have an implicit confirm about the likelihood of the existence of some effective corporate governance issues in approximately 10,000 joint stock companies. If we implement the same procedure to limited liability joint stock companies, we find a number of companies with more than six stockholders of approximately 60,000 companies.

Table 15. Percentage of capital of the first and of the first three shareholders of joint stock companies

Joint stock companies	Percentage of capital of shareholders					
	Percentage of capital of the first shareholder [17]					
	0%-10%	11%-20%	21%-33%	34%-50%	51%-80%	> 80%
Limited partnership with capital	0.01%	0.06%	0.10%	0.09%	0.08%	0.08%
Cooperative joint stock companies	0.11%	0.19%	0.17%	0.34%	0.34%	0.21%
Joint stock companies	1.11%	5.68%	13.99%	24.66%	27.71%	25.07%
Total	1.22%	5.93%	14.27%	25.09%	28.13%	25.36%
	Percentage of capital of the first three shareholders [18]					
	0%-10%	11%-20%	21%-33%	34%-50%	51%-80%	> 80%
Limited Partnership with capital	-	-	0.03%	0.06%	0.14%	0.33%
Cooperative joint stock companies	0.03%	0.08%	0.11%	0.21%	0.47%	0.83%
Joint stock companies	0.37%	0.59%	1.54%	5.53%	25.40%	64.29%
Total	0.40%	0.66%	1.67%	5.80%	26.02%	65.45%

Source: Our elaboration from the Infocamere Network

In Table 16 we propose the ownership's structure of limited liability joint stock companies, in which we notice that these latter present very

similar features with the ones highlighted in joint stock companies.

Table 16. Percentage of capital of the first and of the first three partners of limited liability joint stock companies

Limited liability joint stock companies	Percentage of capital of the partners					
	Percentage of capital of the first partner [19]					
	0%-10%	11%-20%	21%-33%	34%-50%	51%-80%	> 80%
Limited liability joint stock companies with reduced capital	-	-	0.01%	0.06%	0.03%	0.14%
Simplified limited liability joint stock companies	-	-	0.02%	0.14%	0.05%	0.30%
Cooperative limited liability joint stock companies	0.06%	0.11%	0.12%	0.25%	0.25%	0.11%
Limited liability joint stock companies	0.19%	2.33%	11.02%	34.84%	24.98%	24.99%
Total	0.25%	2.44%	11.17%	35.28%	25.32%	25.55%
	Percentage of capital of the first three partners [20]					
	0%-10%	11%-20%	21%-33%	34%-50%	51%-80%	> 80%
Limited liability joint stock companies with reduced capital	-	-	-	-	0.01%	0.07%
Simplified limited liability joint stock	-	-	-	-	0.01%	0.08%

companies							
Cooperative limited liability joint stock companies	0.02%	0.06%	0.12%	0.16%	0.38%	0.73%	
Limited liability joint stock companies	0.06%	0.13%	0.50%	2.37%	22.58%	72.72%	
Total	0.08%	0.19%	0.62%	2.53%	22.99%	73.60%	

Source: Our elaboration from the Infocamere Network

In approximately 50% of the limited liability companies the first shareholder holds more than 51% of the companies, meanwhile this percentage rises up to 96.59% if we consider the first three shareholders. Only in 13.86% of the companies the first shareholder holds a stake inferior to 33% of the capital, percentage which drops to less than 1% if we again take into consideration the first three shareholders. For these latter, which correspond at roughly 12,000 companies we may presume some more difficult elements of corporate governance.

5. Evidences about corporate deals in Italy

In this fifth section we propose new evidences about the number of different corporate deals [21] regarding joint stock and limited liability companies which occurred in Italy during 2012. Because of the innovative nature of these data we do not have any previous evidences to compare with. Table 17 highlights the evidences related to joint stock companies.

Table 17. Joint stock companies deals in 2012

Typologies	NI	D	B	L	M	C	Total
Joint stock companies							
Limited partnership with share capital	4	8	4	-	-	6	
Single shareholder joint stock companies	175	496	224	303	1	391	
Cooperative joint stock companies	20	17	13	18	-	13	
Joint stock companies	512	1,076	1,018	1,242	49	1,614	
Total	711	1,597	1,259	1,563	50	2,024	7,204

Source: Our elaboration from the Infocamere Network

Table 17 gives evidence how approximately 15% of the still existing joint stock companies experienced one sort of deals during 2012. However if we look at these data in a more detailed way, they clearly witness the progressive decline of Corporate Italy. The incorporations of new joint stock companies represent only 1.48% of the deals meanwhile the sum of discontinuities, bankruptcies

and liquidation weights for 9.19%. Approximately one tenth of the Corporate Italy has put into different procedures of liquidation in just one year. Table 18 proposes similar evidence about limited liability joint stock companies. The conversion rate, presumably in limited liability joint stock companies counts for 4.2%.

Table 18. Limited liability joint stock companies deals in 2012

Typologies	NI	D	B	L	M	C	Total
Limited liability joint stock companies							
Limited liability joint stock companies with reduced capital	1,142	2	-	2	-	-	
Simplified limited liability joint stock companies	2,826	2	-	4	-	-	
Cooperative limited liability joint stock companies	712	494	52	791	-	84	
Limited liability joint stock companies	57,236	42,029	14,514	58,503	716	12,807	
Single Shareholder limited liability joint stock companies	14,441	11,044	4,235	13,549	10	2,883	
Total	76,357	53,571	18,801	72,849	726	15,774	238,078

Source: Our elaboration from the Infocamere Network

The percentage of limited liability joint stock companies involved in any form of deals during 2012 is 17.53% and it is quite similar to the one of joint stock companies. This typology of legal entity shows a definitely higher ratio of new incorporation (5.62%) on the total of still existing companies, but the sum of discontinuities, bankruptcies and liquidations gives evidence that roughly 10% of the still existing limited liability joint stock companies are going to expire in short term. Differently the conversion rate of these companies are definitely lower, representing the 1.16%.

6. Some concluding remarks

This research has pursued different targets. Firstly the historical series of stocks and dynamics of a wide range of legal entities managing economic activities and businesses in Italy since 2005 to 2013 has been properly updated. The outcomes underline the previously trends described in Bellavite Pellegrini (2006, 2009). The number of joint stock companies is sharply decreasing; conversely the number of limited liability joint stock companies is strongly increasing. The number of partnerships slightly decreases, mainly because of the diminution of the number of general partnerships. The many coloured world of cooperatives and non-profit organization is invested by new interests, in particular associations and foundations, even because of the financial crisis breaking up.

The third section deals with the new institutes introduced by the Reform. Some of them registered a substantial success, like single shareholder company; meanwhile others registered only a partial implementation, like the issue of special debt devices by limited liability joint stock companies or the alternative systems of corporate governance. The entrusting of accounting auditing to an external auditors for unlisted companies reveals an increasing appealing, but it is likely (Bellavite Pellegrini, Pellegrini and Sironi 2009) that the absolute majority stemmed out specific requirements by regulation. The implementation of article 2497 about the activity of supervision and coordination by different typologies of legal entities on behalf of companies has progressively revealed sizes and nature of the group of enterprises phenomenon.

Section four introduces a new issue about the ownership structures of unlisted joint stock and limited liability companies. These data strongly confirm the idea of an extremely concentrated form of ownership in Italy, being the staked owned by the first shareholders more than 51% in more than 50% both of joint stock and limited liability companies. If we consider the first three shareholders, these data rise significantly to more than 90% of the companies. According to this evidences we may therefore presume the feasible

existence of a more complex corporate governance only when the first shareholder has less than 33% of the stocks or where the shareholders are six or more than six. This case occurs in a percentage ranging between 20% and 30% of the joint stock companies which approximately correspond to a number ranging between 8,000 and 11,000 corporations. Incidentally this occurs for a presumably same number of limited liability joint stock companies.

Section five proposes the second innovative issue of this research regarding the numbers of different typologies of deals concerning Italian companies. Indirectly it emerges a dramatic overview of the situation of the Corporate Italy since about 10% both of joint stock and limited liability companies have been discontinued or are going to expire in a very short period of time.

There is a nourished set for an agenda of future research in this field. In particular we recommend two different areas of further development of research's activities. The institute related with the declaration of activity of supervision and coordination by legal entities allows us to further investigate about the nature of the Italian Group of enterprises, a field in which there is shortage of reliable empirical evidences. Moreover the new databases related to the ownership structures of the joint stock and limited liability companies allow us a broader view in the corporate governance of unlisted companies. These evidences must be composed with other corporate information relating the business activities of these companies in order to have a better comprehension of their sectoral and business features and of their presumably more complex corporate governance.

FOOTNOTES

[1] Michele Vietti was the MP in charge of the bill of Reform.

[2] The Monitoring Committee of the Chamber of Commerce of Milan, headed by Cav. Bruno Ermolli to whom I express my personal thanks, made possible the implementation of this research. Many acknowledgments to Dr. Stefano Azzali and to the Professors Paolo Montalenti, Gaetano Presti and Mario Notari, who, with different tasks, helped me in the conceptual framework of this study and to Sabina Allegri and Laura Pellegrini for their support in the implementation of the datasets.

[3] These datasets show as concluding date of reference March 1st 2013.

[4] The data provided by these historical series come from two different sources and databases. The Italian Firms' Register which represents the first source is supposed to have expired since February 19th 1996. By no means the two databases should not theoretically be different, but in relation to this process of data storage systems, they may show

some differences till 2007 that has been eliminated afterwards.

[5] The Infocamere Network recognizes five different typologies of corporations: active, not active, suspended, in liquidation and in bankruptcy. The sum of the above mentioned five categories determines the set of the “still existing” companies.

[6] For a more specific comprehension of the different marks adopted by the Infocamere Network see Bellavite Pellegrini (2006, 2009, 2012).

[7] For a more specific comprehension of the different marks adopted by the Infocamere Network see Bellavite Pellegrini (2006, 2009, 2012).

[8] During the crisis non-profit entities represent in some way a sort of different answer in building up economic activities.

[9] In brackets we report the percentage on the still existing joint stock companies.

[10] The evidences at this first date must be taken only in an approximate way. Two tier board companies were approximately 90 and one tier board roughly 200.

[11] In brackets we express the percentage on still existing companies.

[12] Board of Auditors in limited liability joint stock companies has a mandatory nature according to some economic thresholds of the firms, like number of employee, total assets or the amount of accounting equity.

[13] In brackets we give evidence of the percentage on the number of the still existing limited liability joint stock companies.

[14] There are not similar evidences about the mandatory or non-mandatory nature of the entrusting of the accounting auditing for limited liability joint stock companies.

[15] These are Italian legal entities whose nature is not properly classified by Infocamere Network.

[16] We have complete evidences about 83% of the still existing joint stock companies.

[17] These evidences are related to approximately 80% of the still existing joint stock companies, with the exception of the single shareholder ones.

[18] These evidences are related to the 55% of the joint stock companies, with the exception of the single shareholder ones.

[19] These data are related to the 91.74% of the still existing limited liability joint stock companies, with the exception of the single shareholder ones.

[20] These data are related to the 36.22% of the still existing limited liability joint stock companies, with the exception of the single shareholder ones.

[21] We take into analysis the following typologies of deals: New incorporations (NI), Discontinuances (D), Bankruptcy (B), Liquidations (L), Mergers (M) and Conversions (C).

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