

OWNERSHIP AND CONTROL STRUCTURE OF FRENCH LISTED FIRMS



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Ownership and control structure indicates the distribution of capital and power in the firm. The ownership stake serves as a base to compute the amount of accrued dividends for a given shareholder. Power is inferred from shareholder's control rights who can decide on resource allocation when he/she has enough votes to pass resolutions in the shareholders' general assembly. Thus, ownership and control structure is not neutral which may lead to conflicts of interest among shareholders and/or between shareholders and the manager.

In France, it is still little known about ownership and control structure of listed firms. Charreaux (1991) pioneers the study of the ownership structure in France using a sample of 106 listed firms in 1980. He documents a high ownership concentration where the ownership stake held by the largest shareholders varies from 8.4% to 99% with an average value of 53.4%¹. Godard (1998) finds that only 12.5% of her sample of 200 French listed firms in 1990 are widely held firms. The remaining firms are either family-controlled (40.5%) or firm-controlled (47%). Mtanios and Paquerot (1999) analyze the ownership structure of 228 French listed firms in 1992. They document that the CEO's ownership holding averages 56.58%. Bloch and Kremp (2001) underline the high concentration of ownership and voting rights in the 40 largest French capitalizations. More recently, Labelle and Schatt (2005) analyze the ownership structure of 89 firms from SBF 120 in 2000. They show that the holding of the largest shareholder is 28.79% in average, whereas the second largest shareholder ownership holding averages 5.77%. Godard and Schatt (2005) argue that the proportion of managerial widely held firms is relatively low in France and that control is often concentrated in the hands of one or few blockholders². Latrous (2007) analyzes the shareholding structure of 118 non-financial firms from SBF250 over the 1998-2002 period. She finds that

64.7% of firms are majority-controlled, that 19.9% are minority-controlled and that 15.4% are non-controlled firms³. Moreover, she notes the presence of a unique controlling shareholder in 77.7% of controlled-firms as well as the dominance of family-controlled firms (in 57.1% of the sample) and a notable presence of controlling family members among the management team (in 92% of cases).

The above studies find that the ownership structure of French listed firms is concentrated and is dominated by families. Nevertheless, such studies suffer from some limits insofar as they focus sometimes on managers and other times on majority shareholders or control coalition, which may make findings not easily comparable. These studies are likely to underestimate ownership concentration and family ownership as they mainly focus on the largest French listed corporations (those belonging to the CAC40, SBF 120 or SBF 250). Besides, they do not distinguish between cash-flow rights and control rights. In addition, such studies do not highlight the effective owners of the firm since they do not trace control chains back to the ultimate shareholder whose identity remains unknown.

Faccio and Lang (2002) partially deal with such limits in their study on ownership and control structure of Western European listed firms by carrying out a distinction between cash-flows rights and control rights. This distinction was partial for French firms. In fact, they only consider non-voting shares and omit non-traded double voting shares although very widespread in France (Hamon, 2001). Besides, they do not trace ownership chains back beyond unlisted firms.

Such limits combined to the importance of the ownership and control structure in shaping agency problems within firms justify the current study. Our objective is to determine the ownership and control characteristics of publicly listed French firms.

The remainder of the paper is structured as follows: Section I describes the methodology adopted to separate cash-flow rights from control rights and Section II presents the results of empirical analyses using a sample of 560 French listed firms in the year 2000.

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I. THE ULTIMATE OWNERSHIP AND CONTROL STRUCTURE OF FRENCH LISTED FIRMS

Section I details the method used to trace back the ownership and control structure of French listed firms to the ultimate owners. It concludes by an illustrative figure.

I.1. DATA

Our sample begins with all French listed firms present in the Worldscope database in 2000. We have excluded financial firms as well as firms with missing ownership data. We are left with a sample of 560 companies. Table 2 displays the distribution of the sample firms across industries using Campbell's (1996) grouping. The representation of petroleum, transportation and utilities industries is very low with a proportion of respectively 0.89%, 2.85% and 3.39% of the total sample. Conversely, consumer durables and services industries are the most

represented ones with respectively 18.03% and 28.75% of observations. Capital goods and textiles & trade represent for each 11% of the total sample.

Due to the lack of a reliable and exhaustive ownership database, we have used various data sources. Ownership and voting data have been gathered from annual reports, which have been obtained from the COB's (Commission des Opérations de Bourse) database⁴, from firms' websites and from direct contact with investors' relation services. Besides, specialized press (les Echos and la Tribune) often permits to identify shareholders-managers family ties. Our final sample consists of 560 firms.

I.2. COMPUTING ULTIMATE CASH-FLOW RIGHTS AND ULTIMATE CONTROL RIGHTS

We begin by determining the direct shareholders for each sampled firm, then the shareholders of those shareholders and so on until reaching the ultimate shareholder. The question here is how to measure the cash-flow rights and the control rights of the ultimate shareholder.

Table 1. The Desmarais and Frère families' stakes at different levels of the Imerys pyramid

Desmarais Family	Level in the pyramid	Ultimate cash-flow rights	Ultimate Control rights
Power Corporation of Canada	1	30.36%	64.86%
Power Financial Corporation	2	20.46%	64.86%
Power Financial Europe B.V.	3	20.46%	64.86%
Parjointco	4	10.23%	50%
Pargesa Holding SA	5	5.59%	30.70%
Pargesa Netherlands BV	6	5.59%	30.70%
Groupe Bruxelles Lambert	7	3.06%	29.55%
Imerys	8	2.36%	34.76%
Frère Family	Level in the pyramid	Ultimate cash-flow rights	Ultimate Control rights
Frères-Bourgeois	1	100%	100%
ERBE	2	54.5%	54.5%
Caisse Nationale de Portefeuille	3	34.345%	61%
AGESCA Nederland/N.F.A	4	41.24%	61%
Parjointco	5	20.62%	50%
Pargesa Holding SA	6	11.28%	30.70%
Pargesa Netherlands BV	7	11.28%	30.70%
Groupe Bruxelles Lambert	8	6.16%	29.55%
Imerys	9	4.76%	34.76%

Stock ownership infers shareholder's ultimate cash-flow rights. One shareholder may have direct (firm A holds a stake in firm C) or indirect ownership (firm A holds a stake in firm B which in turn holds a stake in firm C). Ultimate cash-flow rights are the sum of all direct and indirect stakes of the ultimate shareholder.

The ownership stake of one large shareholder rarely equals his/her control stake. Indeed, granting a second vote to registered shares of more than two years, offering non-voting shares or allowing various shareholding forms makes voting rights disproportional to ownership rights. Thus, control rights are not too easy to compute as cash-flow rights. Among various methods of control rights calculation, we adopt the « weakest link » method of Claessens *et al.* (2000) which is an operational and a widely used method. The ultimate control rights are measured as the sum of the weakest links along the different control chains. This sum is compared to a cut off point, considered as the control threshold in the firm. Consistent with the relevant literature, the threshold of 10% or 20% of the voting rights should be sufficient to feature the shareholding patterns in any economy (La Porta *et al.*, 1999; Claessens *et al.*, 2000 and Faccio and Lang, 2002). These two commonly used thresholds are used in the present study to characterize the ownership structure of French listed firms. If the ultimate shareholder holds less than 10% (20%) of voting rights, then

the firm is said to be widely held or dispersed at the 10% (20%) threshold, and beyond those cut-off points, firms are considered to be controlled-ones. Thus, the ultimate controlling shareholders are subject to specific investigations. We have investigated the identity of these shareholders (families, widely held firms, widely held financial institutions, state, or miscellaneous)⁵. We have also verified whether the control is shared and whether the controlling shareholder is a member of the top management team.

Let's consider a simple illustration of the ultimate cash-flow rights and control rights calculation. Firm H (see, figure 1) is controlled by firm G with 25% of direct ownership rights (C) and 30% of direct voting rights (V). Firm G is itself controlled by firm F (C = 40%; V = 50%) which also controls firm H directly with (C = 8%; V = 12%). The family holding company has a 60% stake in firm F (C = V = 60%) and directly controls firm H with (C = V = 5%). The family holding company is the ultimate controlling shareholder of firm H. Its ultimate cash-flow rights in firm H are computed as the sum of direct holdings and the product of indirect holdings along the control chain (i.e., 15.8% (5% + (60%*40%*25%) + 60%*8%)). The ultimate control rights of the family holding company are the sum of both direct voting rights and the minimum of indirect voting rights. It amounts to 47% (5% + min (60%, 50%, 30%) + min (60%, 12%)).

Figure 1. Illustration of the control of firm H by pyramiding and holdings through multiple control chains

This figure describes the ownership and control structure of firm H controlled through a pyramid and multiple control chains. Hard lines and dotted lines respectively indicate pyramiding and holdings through multiple control chains. "C" and "V" denote respectively direct cash-flow stakes and direct voting stakes of the direct controlling shareholder. UCF_i is the ultimate cash-flow rights of the largest controlling shareholder. It is equal to the sum of the products of the cash-flow stakes along the control chains. UCO_i is his/her ultimate control rights. It is computed as the sum of the weakest links along the control chains. The family is the ultimate owner of H with an ultimate cash-flow stake (UCF) of 15.8% (5% + (60%*40%*25%) + 60%*8%) and with an ultimate control stake (UCO) of 47% (5% + min (60%, 50%, 30%) + min (60%, 12%)). *Excess control* is the ownership-control discrepancy measure of the largest controlling shareholder. It is measured as the difference between the ultimate control stake and the ultimate cash-flow stake, all divided by the ultimate control stake ((UCO-UCF)/UCO) and equates to 66.38% ((47% - 15.8%)/47% = 66.38%).

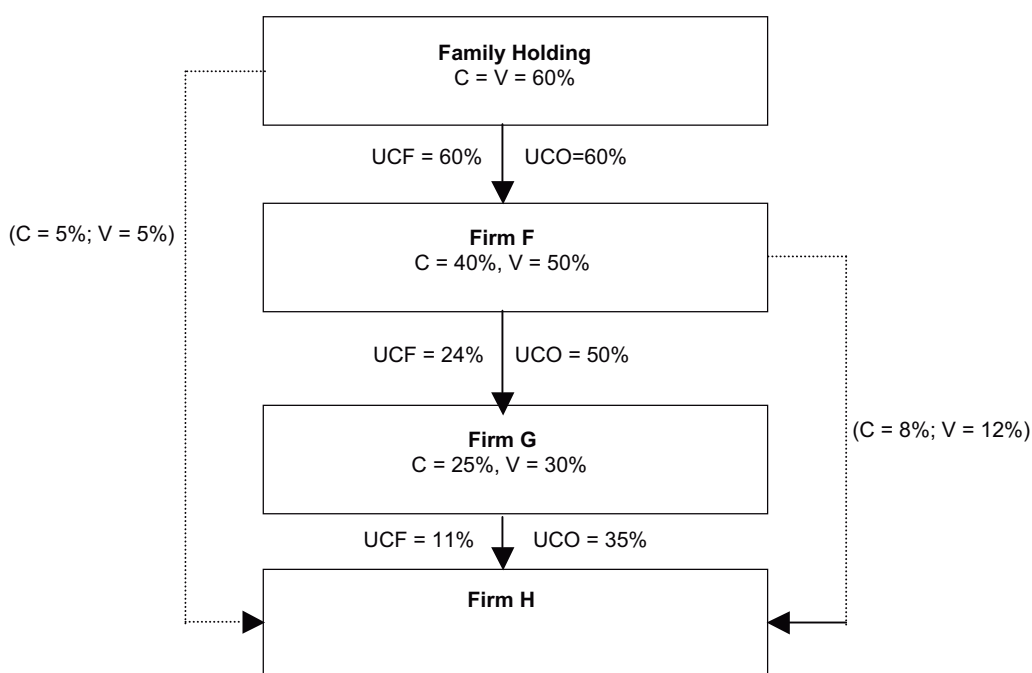
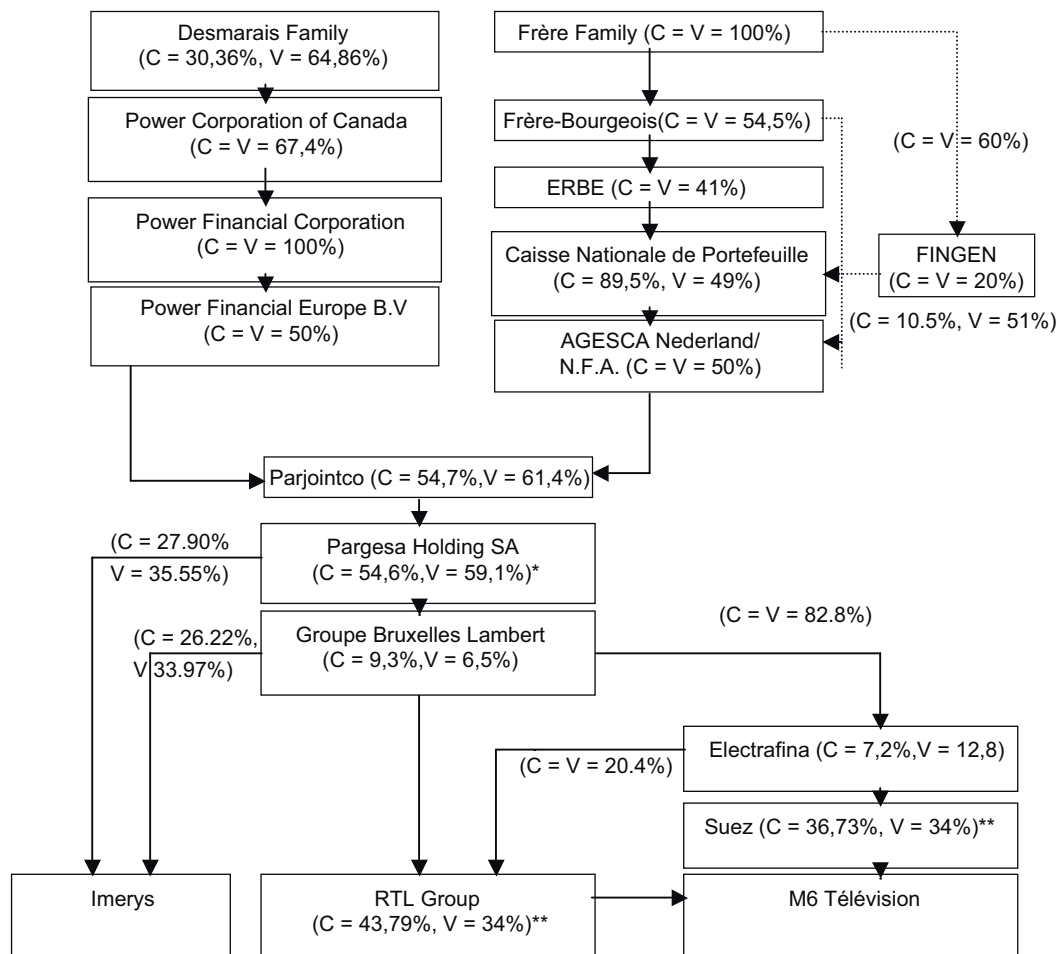


Figure 2. The ownership and control structure of Imerys and M6 Télévision

This figure describes the controlling shareholders of M6 Television and Imerys. Hard lines and dotted lines respectively indicate pyramiding and holding through multiple control chains. Firms in thick boxes are publicly traded firms. "C" and "V" denote respectively direct ownership stakes and direct voting stakes.



* The listed firm Pargesa Holding SA (headquartered in Switzerland) controls Imerys (France) and the Groupe Bruxelles Lambert (Belgium) through the wholly controlled Dutch firm Pargesa Netherlands B.V.

** Due to voting cap fixed at 34%, Suez (RTL Group) hold 36.73% (43.79%) of the cash-flow rights of M6 Télévision and only 34% of the voting rights

1.3. EXAMPLE OF OWNERSHIP STRUCTURE: THE CASE OF IMERYS AND M6 TELEVISION

Applying the above-mentioned calculation method shows the complexity of ownership and control structures of some French listed firms. We present the case of Iméry-M6 Television in figure 2. Both firms have the same controlling shareholders, Desmarais family and Frère family, who conjointly exert control on them with only 7.12% (for Imerys) and 1.24% (for M6 Television) of the ultimate cash-flow rights. We trace control back to the ultimate owners of these firms to provide some explanation.

Imerys is controlled directly by the Swiss listed company Pargesa Holding and by the Belgium listed group Groupe Bruxelles Lambert with (C = 27.9%; V = 35.55%) and (C = 26.22%; V = 33.97%), respectively. Pargesa Holding exerts an indirect control on Groupe Bruxelles Lam-

bert through its wholly controlled Dutch firm, Pargesa Netherlands B.V., with (C = 54.6%; V = 59.1%). Pargesa Holding itself is controlled directly by Parjointco, with (C = 54.7%; V = 61.4%). Parjointco is a subsidiary for both Desmarais and Frère families. Desmarais family exerts control through a pyramid consisting of three firms (i.e.; Power Corporation of Canada, Power Financial Corporation and Power Financial Europe B.V.). Desmarais family is the major controlling shareholder of Power Corporation of Canada. It holds 98.48%, directly and indirectly, of the 24 427 386 A-category preferred shares (one share-ten votes) and 21.75% of the 196 252 622 B-category ordinary shares (one share-one vote) thus totalizing 30.36% of the ownership rights and 64.86% of the voting rights of Power Corporation of Canada. Power Corporation of Canada holds (C = V = 67.4%) of Power Financial Corporation. Power Financial Europe, a wholly controlled firm by Power Financial Corporation, holds (C = V = 50%) of

Parjointco. Ultimately, Desmarais family controls indirectly half of the voting rights and 10.23% of the ultimate cash-flow rights of Parjointco⁶.

As for Frère family, it controls Parjointco through Charleroi group. Charleroi group consists of a four-level pyramid (Frère-Bourgeois, ERBE, Caisse Nationale de Portefeuille (CNP) and AGESCA Nederland) and a direct holding of Frère-Bourgeois in AGESCA as well as an indirect holding through FINGEN and CNP. Frère family controls indirectly CNP, through a stake of 60% of FINGEN and 54.5% of ERBE. The remaining stakes of FINGEN and ERBE belong respectively to Dassault and BNP Paribas. ERBE and FINGEN hold respectively (C = V = 41%) and (C = V = 20%) in CNP. AGESCA Nederland is controlled directly with (C = 89.5%; V = 49%) by CNP and with (C = 10.5%; V = 51%) by Frère-Bourgeois. In sum, Frère family indirectly controls half of the voting rights and 20.62% of the ultimate cash-flow rights of Parjointco⁷.

Parjointco itself controls (UCF = 23.09%; UCO = 69.52%) in Imerys⁸. Thus, Desmarais family and Frère family hold each 34.76% (69.52%/2) of the ultimate control rights of Imerys through Parjointco, with respectively 2.36% (10.23% x 23.09%) and 4.76% (20.62% x 23.09%) of the ultimate cash-flow rights. Finally, Desmarais and Frère families together wholly control Imerys with only 7.12% of ultimate cash-flow rights.

The table 1 sums up ultimate cash-flow rights and ultimate control rights of Desmarais and Frère families at each level of the pyramid. UCO equals to the sum of the weakest links along all pyramid chains. UCF equals to

the sum of the product of ownership stakes held along all pyramid chains.

Both families exert control on M6 Television with a small equity stake through their subsidiary Bruxelles Lambert. Bruxelles Lambert group holds 39.7% of the voting rights and 5.22% of the cash-flow rights of M6 Television⁹. Thus, Desmarais family controls 19.85% (39.7%/2) of the voting rights and 0.42% (3.06% x 13.66%) of ultimate cash-flow rights of M6 Television through Bruxelles Lambert group. For Frère family, the proportions are 19.85% of the ultimate control rights and 0.84% (6.16% x 13.66%) of ultimate cash-flow rights.

1.4. THE CONTROL THRESHOLD

The choice of the control threshold is controversial. Some researchers require that the controlling shareholder should hold the majority of voting rights in shareholders' general assembly (Chapelle and Szafar, 2001; Renneboog, 2000). The threshold of 50% of voting rights is legally founded and indisputable (a single shareholder controls a firm when he holds half of the votes plus one vote). Yet, it is actually not always needed to have that percentage of voting rights to fully control the firm. For instance, shareholders who act in concert, with managers or a dispersed shareholding with little attendance in assemblies should make control obtainable with a relatively small fraction of voting rights. There is a further more consensus on the 10% and 20% control thresholds¹⁰. Claessens et al. (2000) and Faccio and Lang (2002) consider that a control of 10% or 20% of voting right is sufficient to be a controlling shareholder.

Table 2. Sample Description

Table 2 presents the industry classification of the sample firms using Campbell (1996) classification. The industries are petroleum (SIC 13, 29), consumer durables (SIC 25, 30, 36, 37, 50, 55, 57), basic industry (SIC 10, 12, 14, 24, 26, 28, 33), food and tobacco (SIC 1, 2, 9, 20, 21, 54), construction (SIC 15, 16, 17, 32, 52), capital goods (SIC 34, 35, 38), transportation (SIC 40, 41, 42, 44, 45, 47), utilities (SIC 46, 48), textiles and trade (SIC 22, 23, 31, 51, 53, 56, 59), services (SIC 72, 73, 75, 76, 80, 82, 87, 89) and leisure (SIC 27, 58, 70, 78, 79). The sample consists of 560 non-financial firms listed in the French Stock Market in 2000.

Industry	SIC Codes	Number of firms	Percentage
Petroleum	13, 29	5	0.89
Consumer durables	25, 30, 36, 37, 50, 55, 57	101	18.03
Basic industry	10, 12, 14, 24, 26, 28, 33	47	8.39
Food and tobacco	1, 2, 9, 20, 21, 54	29	5.17
Construction	15, 16, 17, 32, 52	19	3.39
Capital goods	34, 35, 38	63	11.25
Transportation	40, 41, 42, 44, 45, 47	16	2.85
Utilities	46, 48, 49	25	4.46
Textiles and trade	22, 23, 31, 51, 53, 56, 59	62	11.07
Services	72, 73, 75, 76, 80, 82, 87, 89	161	28.75
Leisure	27, 58, 70, 78, 79	32	5.71
Total		560	100

Table 3. The distribution of direct ownership and vote of the three main shareholders of French Listed Firms

Table 3 provides descriptive statistics for selected ownership and control variables. C_i (V_i) is the direct ownership (vote) of the i^{th} largest shareholder. $\text{Float } c$ is the percentage of outstanding shares that are not owned by the insiders of the corporation. $\text{Float } v$ is the corresponding vote of $\text{Float } c$. $\text{Herf } c$ ($\text{Herf } v$) is the Herfindahl index that measures the ownership concentration (vote concentration) of the five largest direct shareholders. It is computed as Herf .

	1 st centile	1 st quartile	median	3 rd quartile	99 th centile	Mean	Standard Deviation
C_1	3.30	23.85	40.71	57.73	95.71	42.00	22.79
V_1	3.40	29.42	48.19	66.97	95.71	47.92	23.90
C_2	0.00	3.49	9.74	17.56	39.19	11.43	9.91
V_2	0.00	3.52	9.88	18.92	39.48	12.18	10.57
C_3	0.00	0.00	2.85	6.86	19.91	4.21	5.08
V_3	0.00	0.00	3.03	7.41	22.08	4.39	5.34
Float c	2.08	20.75	32.93	47.63	90.40	35.97	20.18
Float v	1.30	15.31	25.90	39.31	88.38	30.10	20.03
Herf c	0.0014	0.1032	0.1988	0.3663	0.9160	0.2555	0.2095
Herf v	0.0025	0.1374	0.2791	0.4681	0.9160	0.3174	0.2276

La Porta et al. (1999) note that a firm's control may be obtained while owning a fraction of shares far inferior to the absolute majority. They find that 74% of Continental European firms have a unique shareholder at the 20% threshold¹¹. This proportion exceeds 80% for South-East Asian countries¹². In the current study, this proportion equals to 86.79% (65.54%) at the 20% (10%) threshold. Both thresholds must be sufficient to describe the ownership and control structure of French listed firms.

The choice of the control threshold should give an actual description of the ownership structure. It should permit the distinction of widely held firms, firms with a unique controlling shareholder and firms with many controlling shareholders. On a sample of US listed firms, Holderness (2008) uses the 5% threshold. Such a control threshold is less adapted to the French context insofar as it reduces dramatically the proportion of widely held firms and increases significantly the fraction of shared-control firms. At the 50% threshold, the proportion of widely held firms increases widely and shared-control firms disappear totally.

La Porta et al. (1999) study the ownership and control structure of 27 countries. Claessens et al. (2000) focus their study on 9 East Asian countries whereas Faccio and Lang (2002) analyze 13 Western European countries. Attig and Gadhoun (2003) study the Canadian context whereas Gadhoun et al. (2005) analyze US listed firms. All cited researchers adopt the 10% and 20% thresholds. Holderness (2008) uses the 5% threshold to describe the ownership of US firms and adopt the 10% and 20% thresholds for robustness tests. Moreover, Godard and Schatt (2005) employ these thresholds to feature family-controlled firms in France.

Academic literature provides other arguments for the choice of the control threshold at 10% or 20%. According to Weston (1979), the success of a hostile takeover bid is

less likely if there is a large shareholder whose ownership exceeds the 20% threshold. Consistent with Shleifer and Vishny (1997, p. 754), a large controlling shareholder at the 10% or 20% threshold undertakes monitoring activities which mitigates the free-rider problem. This would lead, in many cases, to CEO's revocation through a proxy fight or a takeover (Shleifer and Vishny (1986)). Beyond a given threshold, ranging between 5% and 25%, Morck, Shleifer and Vishny (1988) argue that the major shareholder obtains a quasi-exclusive control of the firm and may prefer private benefits than sharing firm benefits with all shareholders.

According to academic literature, a level of 10% or 20% of voting rights should be sufficient to feature a country shareholding (La Porta et al., 1999; Claessens et al., 2000; Faccio and Lang, 2002). The 10% and 20% thresholds are the most common ones and that is the reason why we use them in the current study.

1.5. LIMITS OF THE "WEAKEST LINK" METHOD

The « weakest link » method has many limits insofar as it is appropriate only to compute the ultimate control of the main controlling shareholder but it gives aberrant results for other controlling shareholders. Let's consider a firm H controlled directly by Mr. X with a stake of ($C = V = 49\%$) and by firm G with a stake of ($C = V = 51\%$)¹³. Control of firm G is shared between Mr. X ($C = V = 49\%$) and Mr. Y ($C = V = 51\%$). Mr. Y is the main ultimate controlling shareholder of firm H as he controls firm G with a stake of 51% of the voting rights and firm G in turn controls firm H with a stake of 51% of the voting rights. Mr. Y holds $UCF_i = 26.01\%$ ($51\% * 51\%$) of ultimate cash-flows rights and $UCO_i = 51\%$ (min (51%, 51%)) of ultimate control rights of firm H. Consistent with this method, the second

largest controlling shareholder, Mr. X, controls firm H with $UCF_2 = 73.99\%$ ($49\% + 49\% * 51\%$) and $UCO_2 = 98\%$ ($49\% + \min(49\%, 51\%)$) which is unrealistic!

In some cases, the weakest link method may not take into account the length and/or the strength of the control chains. Let's consider a family holding company that controls indirectly, through a control chain, a firm L which is the unique direct controlling shareholder of firm M with a stake of ($C=V = 10\%$). The family holding company is the ultimate direct controlling shareholder of firm M at the 10% threshold ($UCO = 10\%$). The validity of this conclusion does not depend neither on the length nor on the strength of the control chain above firm L. Szafarz et al. (2005) assert that, in such a case, this method may result in some information loss and an erroneous perception of reality.

■ II. THE CHARACTERISTICS OF THE OWNERSHIP AND CONTROL STRUCTURE OF FRENCH LISTED FIRMS

The ownership and control structure of French listed firms is analyzed according to five criteria: shareholding

concentration, the identity of the ultimate controlling shareholder, the wedge between cash-flow rights and control rights of the ultimate shareholder, the extent of shared-control and the involvement of the ultimate shareholder in management. The findings are presented and compared, when possible, to those of Claessens et al. (2000) in East Asian countries, to Faccio and Lang (2002) in Western European countries, to Attig and Gadhoum (2003) in Canada and to Gadhoum, Lang and Young (2005) in Unites-States¹⁶.

II.1. IS OWNERSHIP STRUCTURE CONCENTRATED?

Univariate and multivariate tests show that ownership and control are very concentrated in French listed firms. Table 3 displays the distribution of the direct cash-flow rights and voting rights of the main shareholders of the firm. On average, the largest shareholder holds directly 42.00% of the cash-flow rights and 47.92% of the voting rights. The second (third) largest shareholder average holding is 11.43% (4.22%) of the cash-flow rights and 12.18% (4.38%) of voting rights. This concentration is confirmed by the Herfindhal index, which is computed as the sum of square of direct cash-flow rights (direct voting

Table 4. The identity of the controlling shareholder of the French Listed Firms

Table 4 shows the identity of the ultimate owners of French listed firms. Firms are classified according to the identity of their ultimate owners (family, the State, widely held firm, widely held financial institution, or miscellaneous (i.e., a charity, a cooperative, employees...)). A firm is considered as a controlled firm if it has a controlling shareholder at a given threshold. LCS is a dummy variable that equals 1 if the firm is controlled at a given threshold; and 0 otherwise. The controlling shareholder may be a family (LCS Family), a widely held firm (LCS WHF), a widely held financial institution (LCS WHFI), the state (LCS State) or a miscellaneous owner (LCS Miscellaneous). Proportions were computed based on the full sample (560 firms) and on the sub-sample of controlled firms (531 firms at the 10% threshold and 476 at the 20% threshold).

	Number	Proportion (Full sample)	Proportion (Controlled Firms)
Panel A- (10% threshold)			
LCS	531	94.8214	—
LCS Family	435	77.6786	81.9209
LCS State	33	5.8929	6.2147
LCS WHFI	37	6.6071	6.9679
LCS WHF	15	2.6786	2.8249
LCS Miscellaneous	11	1.9643	2.0716
Panel B- (20% threshold)			
LCS	476	85.0000	—
LCS Family	389	69.4643	81.7226
LCS State	26	4.6429	5.4622
LCS WHFI	23	4.1071	4.8319
LCS WHF	29	5.1786	6.0924
LCS Miscellaneous	9	1.6071	1.8908

Table 5. Ultimate cash-flow rights and ultimate control rights of the largest controlling shareholder

Table 5 provides descriptive statistics on ultimate ownership and control characteristics of the largest controlling shareholder. These statistics are provided for all controlled firms and depending on the identity of the largest controlling shareholder (family, the State, WHF or WHFI). *UCF_i* is the ultimate cash-flow rights of the largest controlling shareholder. *UCO_i* is his/her ultimate control rights. *Excess control* is the ownership-control discrepancy measure. It is computed as $((UCO-UCF)/UCO)$.

	1 st centile	1 st quartile	Median	3 rd quartile	99 th centile	Mean	Standard Deviation
All controlled firms							10% threshold – N = 531
UCF₁	0.2316	22.0500	40.2200	58.9800	89.1700	41.5933	23.8457
UCO₁	10.7510	33.0600	56.0600	72.2000	95.3000	53.0385	23.4958
Excess control	- 3.7269	5.8836	19.8092	34.6935	98.6204	24.3062	23.9432
All controlled firms							20% threshold – N = 476
UCF₁	4.1520	29.4350	47.3550	62.1150	93.3000	46.6750	22.0412
UCO₁	20.9000	41.8900	56.0600	73.5300	96.8700	58.7096	19.7967
Excess control	- 2.5328	5.6717	18.7209	31.7183	90.4800	22.5039	21.2046
LCS is a Family							10% threshold – N = 435
UCF₁	17.6590	24.2800	43.3800	60.0700	88.6000	43.1315	23.0946
UCO₁	10.8000	36.9100	58.9600	72.9000	93.6500	55.3737	22.6252
Excess control	- 2.9129	8.6788	20.7057	34.6133	98.6855	24.6206	22.8927
LCS is a Family							20% threshold – N = 389
UCF₁	5.1000	30.2560	48.6900	61.4000	89.1100	47.0778	21.0992
UCO₁	21.9000	45.5500	61.5000	74.2000	93.9000	60.1607	18.8179
Excess control	- 1.0356	9.0744	19.9596	31.7786	90.4800	23.4486	20.2222
LCS is a Widely Held Firm							10% threshold – N = 15
UCF₁	10.0600	32.7300	48.7000	74.7800	87.4400	49.8273	26.4960
UCO₁	20.0000	36.9600	48.9000	81.5500	85.5400	53.6387	23.3260
Excess control	- 4.6088	0.0000	0.4090	18.5057	66.0135	11.9300	20.2042
LCS is a Widely Held Firm							20% threshold – N = 29
UCF₁	6.9770	36.0500	50.9900	74.7800	97.9000	53.7375	26.4155
UCO₁	20.00	39.1000	51.9000	77.9000	97.9000	56.7862	23.7517
Excess control	- 12.2137	0.0000	0.0208	14.1958	66.0135	9.5379	19.2389
LCS is a Widely Held Financial Institution							10% threshold – N = 37
UCF₁	1.1950	10.2900	17.8560	28.0300	66.6700	22.7810	18.2735
UCO₁	10.0000	15.3000	25.0000	34.9000	95.3000	31.8299	22.2904
Excess control	- 1.2633	0.0723	15.3364	45.0545	94.3329	26.0701	31.0338
LCS is a Widely Held Financial Institution							20% threshold – N = 23
UCF₁	1.8690	20.9656	26.1630	54.8400	66.6700	32.6723	19.4725
UCO₁	21.2000	25.3300	32.9800	62.9100	95.3000	42.9537	21.7773
Excess control	- 1.2633	0.0000	19.2373	39.9267	94.3329	24.1949	27.5410
LCS is the state							10% threshold – N = 33
UCF₁	3.5000	10.9100	37.9800	55.9000	99.8000	40.0668	29.8419
UCO₁	13.9000	24.1000	44.2200	59.7000	99.8000	46.6279	25.7758
Excess control	0.0000	0.0000	7.0352	54.8708	82.7718	23.9493	29.3502
LCS is the state							20% threshold – N = 26
UCF₁	4.1520	29.5000	44.5050	70.0000	99.8000	48.5917	27.8627
UCO₁	20.9000	37.9800	51.6500	70.0000	99.8000	54.8994	22.6626
Excess control	0.0000	0.0000	3.1135	25.1569	82.7718	17.6386	25.4836

Table 6A. The frequency of shared control

*Shared Control*₁₀ (*Shared Control*₂₀) is a dummy variable that equals 1 if the firm has more than one controlling shareholder at a 10% (20%) threshold. The figures are provided for the full sample (560 firms) and for the controlled firms only (531 firms for the 10% threshold and 476 firms for the 20% threshold).

Variables	Full sample		Variables	Sample of controlled firms	
	Number	Proportion		Number	Proportion
Shared Control ₁₀	193	34.4643	Shared Control ₁₀	193	36.3465
Shared Control ₂₀	74	13.2143	Shared Control ₂₀	74	15.5462

Table 6B. The identity of the controlling shareholder and the presence of multiple controlling shareholders

This table reports the percentage of firms where control is shared depending on the identity of the large controlling shareholder. It also displays mean comparison tests of *Shared Control* between two groups of firms separated each time according to the identity of the controlling shareholder. The p-values of a two-tailed t-test are used for the pair-wise comparison of means. a, b, and c indicate significance at the 1%, 5%, and 10% levels, respectively. *Family* is a dummy variable that equals 1 if the firm is controlled by a family at a given threshold. *State* is a dummy variable that equals 1 if the entity is a state-owned enterprise at a given threshold. *WHF (WHFI)* is a dummy variable that equals 1 if the firm is controlled by a widely held firm (widely held financial institution) at a given threshold. *Shared Control* is a dummy variable that equals 1 if the firm has more than one controlling shareholder at a given threshold.

Sharing control depending on the identity of the largest controlling shareholder					
The identity of the largest controlling shareholder			The identity of the largest controlling shareholder		
10% threshold			20% threshold		
Family (N = 435)	State (N = 33)	p-value	Family (N = 389)	State (N = 26)	p-value
35.1724	45.4546 ^b	0.2361	15.9383	19.2308	0.5940
Family (N = 435)	WHF (N = 15)		Family (N = 389)	WHF (N = 29)	
35.1724	26.6667	0.4979	15.9383	6.8966	0.1930
Family (N = 435)	WHFI (N = 37)		Family (N = 389)	WHFI (N = 23)	
35.1724	45.9459	0.1908	15.9383	21.7391	0.4651
State (N = 33)	WHF (N = 15)		State (N = 26)	WHF (N = 29)	
45.4546 ^b	26.6667	0.2259	19.2308	6.8966	0.1769
State (N = 33)	WHFI (N = 37)		State (N = 26)	WHFI (N = 23)	
45.4546 ^b	45.9459	0.9341	19.2308	21.7391	0.8322
WHF (N = 15)	WHFI (N = 37)		WHF (N = 29)	WHFI (N = 23)	
26.6667	45.9459	0.2067	6.8966	21.7391	0.1241

rights) of the five largest shareholders. Results reveal that the average concentration of voting right equals 31.74%, which is greater than the average cash-flow concentration (25.55%). Consistent with Faccio and Lang (2002), Zaabar (2004) shows the existence of a large control concentration in a study of 490 European firms from seven civil-law countries in 2000¹⁵. She finds that the controlling shareholder holds, on average, 42.64% of the firm ownership. This is by far higher than the ownership of the second controlling shareholder that equals 14.06%. The findings of Charreaux (1991), Godard (1998), Mtanios and Paquerot (1999) and Godard and Schatt (2005) among others confirm the pre-

sence of a highly concentrated ownership. Consequently, ownership concentration is likely to be persistent.

II.2. WHO CONTROLS FRENCH LISTED FIRMS?

Up to now, the findings show a high ownership and control concentration in France without giving any enlightenment on the identity of the controlling shareholders. Table 4 reports some responses in this respect.

Families control a proportion of 69.46% of listed firms in France at the 20% threshold. Their control represents

Table 6C. The distribution of the number of voting blocs depending on the identity of the largest controlling shareholder

The controlling shareholder may be a family (LCS Family), a widely held firm (LCS WHF), a widely held financial institution (LCS WHFI) or the state (LCS State).

The number of voting blocs depending on the identity of the largest controlling shareholder										
Threshold		10% threshold					20% threshold			
The identity of the LCS	Total	Number of voting blocs					Total	Number of voting blocs		
		1	2	3	4	5		1	2	3
LCS Family	435	283	113	29	8	2	389	327	61	1
Proportion		65.06	25.98	6.67	1.84	0.46		84.06	15.68	0.26
LCS State	33	18	9	5	1	0	26	21	5	0
Proportion		54.54	27.27	15.15	3.03	0.00		80.77	19.23	0.00
LCS WHFI	37	20	13	3	1	0	23	18	5	0
Proportion		54.05	35.14	8.11	2.70	0.00		78.26	21.74	0.00
LCS WHF	15	11	2	2	0	0	29	27	2	0
Proportion		73.34	13.33	13.33	0.00	0.00		93.10	6.90	0.00

44.29% and 58.68% respectively in Western Europe and in East Asia at the 20% threshold¹⁶. These figures show that family control may be more important in France than in many other countries throughout the world. The proportion of French family controlled firms is close to that in Indonesia (71.50%) and Malaysia (67.20%) but largely exceeds that of Japan (9.70%) and the United-States (19.82%) where family control is the less representative. Godard (1998) and Latrous (2007), among others, provide similar evidence on family control dominance among French listed firms.

Other types of controlling shareholders are less represented. Widely held firms (WHF) control 5.18% of French listed firms which represents a so little proportion compared to the average one of Eastern Asia (9.16%) but superior to the European one (1.68%). State is in the third position as controlling shareholder of 4.64% of French listed firms. This proportion equals 4.64% in Eastern Asia and 4.14% in Western Europe. Finally, firms controlled by widely held financial institutions (WHFI) in France are rare (4.11%). Such proportion is lower than the Western Europe average (9.03%) and the Eastern Asia average (5.00%).

II.3. HOW IS THE CONTROL OBTAINED?

Table 5 examines the distribution of the ultimate cash-flow rights and control rights of the controlling shareholder as well as his/her ownership-control discrepancy. Results show that, on average, ultimate control rights (58.71%) exceed ultimate cash-flow rights (46.68%) at the 20% control threshold¹⁷. Consequently, the controlling shareholder maintains control with a 22.50% excess control. This level of discrepancy between the ultimate cash-flow rights and the ultimate cash-flow rights is similar to that observed in East Asian countries (25.4%) but it largely

exceeds the one in Western Europe (13.2%). Excess control varies significantly from one firm to another (standard deviation equals 23.94%). It exceeds 98% for 1% of the firms and is negative for less than 2% of the cases. The origins of negative wedge may be the existence of non-voting shares, voting caps or repurchased shares that are deprived from voting rights. The excess control varies with the identity of the controlling shareholder. Family-controlled firms have the highest median excess control of 19.96%. It is 19.24% for WHFI-controlled firms, 3.11% for State-controlled firms and 0.02% for firms controlled by widely held firms.

The wedge between ultimate cash-flow rights and control rights is also significant in Belgium (22.10%) and Norway (22.40%) but very low in Spain, the United-States and Thailand (from 5.90% to 6.00% in these countries) and very high in Japan (39.8%).

II.4. IS THE CONTROL SHARED?

Results in Table 6A suggest that control is not frequently shared in France insofar as only around one third of the French listed firms (36.35%) have more than one controlling shareholder at the 10% threshold. Such proportion is reduced to one-seventh (15.55%) at the 20% control threshold. Comparatively, control seems to be less shared in Western European countries (46.01% at the 20% threshold) but with dramatic national disparities. The situation in France is too close to the one in Austria where control is shared in 18.18% of the listed firms at the 20% threshold. Latrous (2007) consistently documents a similar proportion, 22.30% of joint-controlled firms.

Table 6B analyzes whether shared-control varies depending on the identity of the controlling shareholder.

Table 7A. The involvement of the large controlling shareholder in the management

Management10 (Management20) is a dummy variable that equals 1 if the largest shareholder controls the firm at a 10% threshold (20% threshold) and he is present (or a member of his/her family) among firm's top management (CEO, honorary chairman, chairman, or vice-chairman); and 0 otherwise. The figures are provided for the full sample (560 firms) and for the controlled firms only (435 firms for the 10% threshold and 389 firms for the 20% threshold).

Variables	Number	Proportion	Variables	Number	Proportion
Full sample			Sample of family controlled firms		
Management10	373	66.6071	Management10	373	85.7471
Management20	348	62.2143	Management20	348	89.4602

Table 7B. The ownership and control patterns depending on the involvement of the large controlling shareholder in the management

$C_i (V_i)$ is the direct ownership (vote) of the i^{th} largest shareholder. *Float c* is the percentage of outstanding shares that are not owned by the insiders of the corporation. *Float v* is the corresponding vote of *Float c*. *Herf c (Herf v)* is the Herfindahl index that measures the ownership concentration (vote concentration) of the five largest direct shareholders.

It is computed as $Herf c = \sum_{i=1}^5 C_i^2$ ($Herf v = \sum_{i=1}^5 V_i^2$). *UCF1* is the ultimate cash-flow rights of the largest controlling shareholder. *UCO1* is his/her ultimate

control rights. *Excess control* is the ownership-control discrepancy measure. It is computed as $(UCO1 - UCF1)/UCO1$. *Shared Control10 (Shared Control20)* is a dummy variable that equals 1 if the firm has more than one controlling shareholder at a 10% (20%) threshold. The p-values of a two-tailed t-test are used for the pair-wise comparison of means. a, b, and c indicate significance at the 1%, 5%, and 10% levels,

	Management (Sample of family controlled firms)		
	= 1	= 0	p-value
Panel A: Direct ownership and control structure			
C1	43.3697	43.7145	0.9022
V1	50.7059	48.5084	0.4588
C2	12.8625	10.2336	0.0610 ^c
V2	13.7007	10.2986	0.0230 ^b
C3	4.4671	4.1781	0.6910
V3	4.5792	4.4532	0.8681
Float c	33.5507	34.8731	0.5799
Float v	26.1765	30.6616	0.0447 ^b
Herf c	25.9607	28.1051	0.4007
Herf v	33.7517	33.0953	0.8187
Panel B: Ultimate ownership and control structure (10% threshold)			
UCF1	45.9042	26.4507	0.0000 ^a
UCO1	57.6375	41.7542	0.0000 ^a
Excess control	21.5792	42.9175	0.0000 ^a
Shared control	35.6568	32.2581	0.6038
Panel C: Ultimate ownership and control structure (20% threshold)			
UCF1	48.3636	35.6385	0.0003 ^a
UCO1	60.7065	55.1233	0.0758 ^c
Excess control	21.8345	37.5718	0.0000 ^a
Shared control	16.6667	10.000	0.2758

Table 8. The size effect on ownership and control distribution

UCF₁ is the ultimate cash-flow rights of the largest controlling shareholder. *UCO₁* is his/her ultimate control rights. *Excess control* is the ownership-control discrepancy measure of the largest controlling shareholder. It is measured as $((UCO-UCF)/UCO)$. *Shared Control* is a dummy variable that equals 1 if the firm has more than one controlling shareholder at a given threshold. *Management* is a dummy variable that equals 1 if the largest shareholder controls the firm at a given threshold and he is present (or a member of his/her family) among firm's top management (CEO, honorary chairman, chairman, or vice-chairman); and 0 otherwise. Large F, Medium F and Small F represent large sized firms, medium sized firms and small sized firms, respectively. The controlling shareholder may be a family (LCS Family), a widely held firm (LCS WHF), a widely held financial institution (LCS WHFI), the state (LCS State) or a miscellaneous owner (LCS Miscellaneous). The controlling family is involved in the management in 435 (389) firms at 10% threshold (20% threshold). Among these firms 167 (152) are small sized firms, 117 (137) are medium sized firms and 167 (152) are large sized firms.

Panel A1		10% threshold						
Size	Total	Controlled firms	% of controlled firms	Identity of the largest controlling shareholder				
				Family	State	WHF	WHFI	
Large F	190	172	90.5263	61.5789	11.5789	6.8421	6.8421	
Medium F	185	179	96.5676	81.6216	2.7027	10.8108	9.7297	
Small F	185	180	97.2973	90.2703	3.2432	0.0000	3.2432	
Total	560	531						
Large F. versus Small F.			0.0062 ^a	0.0000 ^a	0.0010 ^a	0.0002 ^a	0.0799 ^c	
Panel A2		20% threshold						
Size	Total	Controlled firms	% of controlled firms	Identity of the largest controlling shareholder				
				Family	State	WHF	WHFI	
Large F	190	152	80.0000	52.6316	9.4737	11.5789	3.6842	
Medium F	185	163	88.1081	74.0541	2.7027	3.2432	7.0270	
Small F	185	161	87.0270	82.1622	1.6216	0.5405	1.6216	
Total	560	476						
Large F. versus Small F.			0.0673 ^c	0.0000 ^a	0.0004 ^a	0.0000 ^a	0.1691	
Panel B1		10% threshold						
Size	Total	Controlled firms	% of controlled firms	UCF ₁	UCO ₁	Excess control	Shared control	Management
Large F	190	172	90.5263	38.9113	52.5049	29.8873	26.1628	72.6496
Medium F	185	179	96.5676	41.6892	53.0824	23.6587	38.5475	91.3907
Small F	185	180	97.2973	44.0609	53.5047	19.6172	43.8889	89.8204
Total	560	531						
Large F. versus Small F.			0.0062 ^a	0.0493 ^b	0.6971	0.0001 ^a	0.0005 ^a	0.0001 ^a
Panel B2		20% threshold						
Size	Total	Controlled firms	% of controlled firms	UCF ₁	UCO ₁	Excess control	Shared control	Management
Large F	190	152	80.000	45.5679	59.6371	29.6506	13.1579	79.0000
Medium F	185	163	88.1081	46.3904	58.3659	23.5509	12.8834	92.7007
Small F	185	161	87.0270	48.0084	58.1818	19.7487	20.4969	94.0397
Total	560	476						
Large F. versus Small F.			0.0673 ^c	0.3412	0.5250	0.0002 ^a	0.0841 ^c	0.0003 ^a

Table 9. International Comparison (The control threshold is 20%)

LCS is a dummy variable that equals 1 if the firm is controlled at a 20% threshold; and 0 otherwise. The controlling shareholder may be a family (LCS Family), a widely held firm (LCS WHF), a widely held financial institution (LCS WHFI), the state (LCS State) or a miscellaneous owner (LCS Miscellaneous). *Shared Control* a dummy variable that equals 1 if the firm has more than one controlling shareholder at a 20% threshold; and 0 otherwise. *Management* is a dummy variable that equals 1 if the largest shareholder controls the firm at a 20% threshold and he is present (or a member of his/her family) among firm's top management (CEO, honorary chairman, chairman, or vice-chairman); and 0 otherwise. *UCF1* is the ultimate cash-flow rights of the largest controlling shareholder. *UCF1* is his/her ultimate control rights. *Excess control* is the ownership-control discrepancy measure of the largest controlling shareholder. It is measured as $(UCO1 - UCF1) / UCO1$.

Country	Number of firms	LCS	LCS Family	LCS State	LCS WHF	LCS WHFI	Shared control	Management	UCF1	UCO1	Excess control
Austria	99	88.89	52.86	15.32	0.00	8.59	18.18	80.00	47.16	53.52	0.149
Belgium	130	80.00	51.54	2.31	0.77	12.69	28.85	80.00	35.14	40.09	0.221
Canada	1.121	62.79	41.07	2.03	9.66	11.15	16.13	34.27	25.69	31.62	0.150
Finland	129	71.32	48.84	15.76	1.55	0.65	58.70	69.23	32.98	37.43	0.158
France	560	85.00	69.46	4.64	5.18	4.11	15.55	89.46	46.68	58.71	0.225
Germany	704	89.63	64.62	6.30	3.65	9.07	40.10	61.46	48.54	54.50	0.158
Hong Kong	330	93.00	66.70	1.40	19.80	5.20	30.90	53.40	24.30	28.08	0.118
Indonesia	178	94.90	71.50	8.20	13.20	2.00	46.60	84.60	25.61	33.68	0.216
Ireland	69	37.68	24.63	1.45	2.17	4.35	57.69	77.78	18.82	21.55	0.189
Italy	208	87.02	59.61	10.34	2.88	12.26	41.24	70.00	38.33	48.26	0.257
Japan	1.240	20.20	9.70	0.80	3.20	6.50	12.80	37.20	6.90	10.33	0.398
Malaysia	238	89.70	67.20	13.40	6.70	2.30	59.60	85.00	23.89	28.32	0.147
Norway	155	63.23	38.55	13.09	0.32	4.46	61.22	66.67	24.39	31.47	0.224
Philippines	120	80.80	44.60	2.10	26.70	7.50	64.20	42.30	21.34	24.36	0.092
Portugal	87	78.16	60.34	5.75	0.57	4.60	39.71	50.00	38.42	41.00	0.076
Singapore	221	94.60	55.40	23.50	11.50	4.10	62.40	69.90	20.19	27.52	0.206
South Korea	345	56.80	48.40	1.60	6.10	0.70	23.30	80.70	13.96	17.78	0.142
Spain	632	73.58	55.79	4.11	1.64	11.51	55.70	62.50	42.72	44.24	0.059
Sweden	245	60.82	46.94	4.90	0.00	2.86	51.68	73.47	25.15	30.96	0.210
Switzerland	214	72.43	48.13	7.32	1.09	9.35	31.61	70.00	34.66	46.68	0.260
Taiwan	141	73.80	48.20	2.80	17.40	5.30	56.70	79.80	15.98	18.96	0.168
Thailand	167	93.40	61.60	8.00	15.30	8.60	59.90	67.50	32.84	35.25	0.059
U.K.	1.953	36.92	23.68	0.08	0.76	8.94	57.00	75.85	22.94	25.13	0.112
United States	3607	28.11	19.82	0.00	2.41	4.66	6.88	76.22	n.a	n.a	0.060

The figures of Austria, Belgium, Finland, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland and UK are from Faccio and Lang (2002). Those of Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand are from Claessens *et al.* (2000). The figures of Canada are from Attig and Gadhoun (2003) and those of the United States are from Gadhoun, Lang and Young (2005). French figures are from the present study.

We compute the total number and the proportion of firms where the control is shared for each category of controlling shareholders. The mean difference tests do not reveal a particular tendency. The presence of multiple controlling shareholders does not seem to depend on the identity of the main controlling shareholder.

Table 6C presents the distribution of the number of voting blocs depending on the identity of the largest controlling shareholder. Results indicate rare cases where firms are controlled by more than three controlling shareholders at the 10% threshold. At the 20% threshold, control is shared by the two largest shareholders¹⁸.

II.5. ARE CONTROLLING SHAREHOLDERS INVOLVED IN THE MANAGEMENT?

Shareholders have no vocation to manage firms by themselves so they delegate authority to a management team (Berle and Means, 1932). However, shareholders may prefer to take part in management, which increases their influence. This situation is very common among French family firms. Table 7A reports that 85.75% (89.46%) of French family-controlled firms appoint a family member among the top management team (at the 10% (20%) threshold). The involvement of the controlling family in the management seems to be more important in France than in many other countries around the World. On average, a member of the controlling family is present among the top management team in 68.45% of the Western European countries (Faccio and Lang (2002)) and in 57.10% of the Eastern Asian countries (Claessens *et al.* (2000)) with major differences among countries. The highest proportions are observed in Malaysia (85.00%) and South Korea (80.70%) and the weakest one in Canada (34.27%)

Table 7B compares ownership and control patterns depending on the involvement of the large controlling shareholder in the management. The controlling family holds, on average, 45.90% of ultimate ownership rights and 57.63% of ultimate control rights when its members are involved in the management. These proportions are lower when all management team members are professional managers and are 26.45% and 41.75% for ultimate ownership rights and for ultimate control rights, respectively¹⁹. As a result, Excess control is lower when the controlling family has a member among the management team (21.57%) than when it has not (42.92%). Thus, the involvement of controlling shareholder in the management seems to limit the relative ownership-control discrepancy.

II.6. DOES OWNERSHIP AND CONTROL STRUCTURE DEPEND ON FIRM SIZE?

Firm size may affect ownership structure (see Faccio and Lang (2002), Attig and Gadhoun (2003) and Cronqvist and Nilsson (2003) among others). To test this potential effect, we divide our sample into three groups depending on firm size proxied by total assets: small firms, medium-sized firms and large firms. Table 8 (Panels A1 and A2) reports results. Large firms are more likely to be widely held which is consistent with the argument of Fama and Jensen (1983) who suggest that the largest the firm is, the more efficient widely held firms are. Another important result is the State and widely held firms often control larger firms whereas families control more often smaller firms.

Table 8 (Panels B1 and B2) shows that ownership-control discrepancy is greater for large firms. Small firms show a more shared-control than large ones and are less often managed by professional CEO when they are family-controlled. Indeed, Small family-controlled firms are often younger and managed by the founder.

III. CONCLUSION

The current study analyzes the ownership and control structure of French listed firms. To do so, we have traced ownership and control back to the ultimate owners for 560 firms listed in the French market as of December 2000. The results show the importance of family control in France. This control is concentrated and often maintained with an incommensurately small fraction of cash-flow rights. This power is frequently leveraged by the presence of a member of the controlling family among the management team and by the absence of multiple controlling shareholders.

What are the research avenues? A review of academic literature on corporate governance has allowed us assessing difficulties to isolate specific agency problems linked to ownership concentration, ownership-control separation and family ties of managers and controlling shareholders. Ownership and control structures studied are indeed complex and often combine many features. Future studies to understand specific risks of each feature would surely help preventing conflicts of interests. ■

- 1 The sample used in Charreaux (1991) consists of 18 managerial firms with no dominant shareholder (s), 47 controlled-firms and 37 family-controlled ones totalizing 102 firms.
- 2 Their study is conducted on a sample of 85 firms from SBF 120 in 2002.
- 3 Firms are considered to be majority-controlled if they have a large shareholder at the 40% threshold. Minority-controlled firms are those with no bloc of control at the 40% threshold but where there is a coalition with the board of directors. Other firms are considered non-controlled ones.
- 4 Now Autorité des Marchés Financiers (AMF), the French equivalent to the US Securities and Exchange Commission (SEC).
- 5 We consider that individual owners linked by blood or marriage ties or having the same last name as a unit of analysis. We aggregate their ownership and control right notwithstanding the possibility of family conflicts.
- 6 $30,36\% \times 67,4\% \times 100\% \times 50\% = 10,23\%$
- 7 $100\% \times 54,5\% \times 41\% \times 89,5\% \times 50\% + 60\% \times 20\% \times 89,5\% \times 50\% + 100\% \times 10,5\% \times 50\% = 20,62\%$
- 8 $\min(61,4\%; 35,5\%) + \min(61,4\%; 59,1\%; 33,97\%) = 35,5\% + 33,97\% = 69,52\%$
 $54,7\% \times 27,9\% + 54,7\% \times 54,6\% \times 26,22\% = 23,09\%$
- 9 $\min(6,5\%, 34\%) + \min(82,8\%, 20,4\%, 34\%) + \min(82,8\%, 12,8\%, 34\%) = 39,7\%$
 $+ 9,3\% \times 43,79\% + 82,8\% \times (7,2\% \times 36,73\% + 20,4\% \times 43,79\%) = 5,22\%$
- 10 More than twenty research papers in accounting and finance have used the Claessens *et al.* (2000) and Faccio and Lang (2002) data and/or have employed one of these two thresholds.
- 11 The likelihood of the presence of a unique shareholder is, at the 20% threshold, 100% in Italy and Netherlands, 92% in Spain, 86% in Switzerland, 83% in Greece, 76% in Austria, 73% in Finland, 71% in Belgium, 65% in Portugal, 63% in France, 60% in Germany and Denmark and 43% in Sweden.
- 12 The sample studied by La Porta *et al.* (1999) includes thirty firms by country (the 20 largest capitalizations of the market and the 10 lowest capitalizations but superior to 500 million dollars by year). Ownership data of French firms are not relative to one and unique year but they cover the 1994-1997 period.
- 13 « C » and « V » refer respectively to direct cash-flow rights and direct voting rights of the direct controlling shareholder.
- 14 The sample of firms in Faccio and Lang (2002) includes listed firms in Germany, Austria, Belgium, Spain, Finland, France, Ireland, Italy, Norway, Portugal, United Kingdom, Sweden and Switzerland. Claessens *et al.* (2000) study listed firms in South Korea, Hong Kong, Indonesia, Japan, the Philippines, Singapore, Thailand and Taiwan. Attig and Gadhoun (2003) study Canadian listed firms whereas Gadhoun, Lang and Young (2005) analyze the ownership of US listed firms. Table 9 reports a summary of the results of the cited studies on country-by-country basis.
- 15 Her sample consists of listed firms from Belgium, Spain, France, Greece, Italy, Netherlands and Portugal.
- 16 Such proportion is equal to 38.30% if we add the Japanese firms into the sample
- 17 Results and interpretation remain qualitatively the same at the 10% threshold.
- 18 Statistic tests of mean differences (not reported) do not reveal any significant impact of the identity of the controlling shareholder on the number of voting blocs.
- 19 Means differences are significantly different from zero.

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