Abstract:

We analyze ultimate ownership and control of 3,740 corporations in five Western European countries. In comparison with East Asian firms, we find a higher ratio of family controlled firms and a higher ratio of firms with top managers from the controlling families. We discuss the mechanisms used to achieve a separation between ownership and control, and document a less pronounced use of pyramiding and cross-holdings than for East Asian firms. Moreover, we identify two further means of strengthening ultimate control, namely being the only controlling owner, and having a member of the controlling family as one of the top managers. In light of the possibility of expropriation of minority shareholders, different from East Asian countries, we document that a distinctive ultimate ownership structure would emerge to contain the expropriation in more developed Western European countries.