**Shareholder Behavior at Controlled Companies:
The Strange Case of Tenured Voting**

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**Abstract**

Despite being a cumbersome principle of corporate governance, the “one share one vote principle” is constantly challenged by several attempts to circumvent the original structure of capitalism democracy, provided that no more and no less than one vote is attributed to each share.

Our paper deals with one of the most recent mechanism to depart from this rule − namely tenure voting rights − which is gaining ground in both the US and continental Europe, through contractual adaptation, in the former case, and through legislative intervention by an increasing number of Member States, in the latter. The US proposal to create a Long-Term Stock Exchange, in order to reduce short-term stock market pressure on the CEOs, thereby allowing them to focus more on innovation, significantly reflects the growing attention on mechanisms that reward long-term investment and shareholders’ long-term perspective. In this respect, the adoption of tenured voting (also referred to as “time-phased voting rights” or, slightly improperly, “loyalty shares”) represents one of the main feature of this new Stock Exchange.

We believe (and found empirical evidence for such intuition) that shareholding basis plays a fundamental role in the selection of companies that adopted tenured voting even though such diversity cannot be understood without describing the different environment in which tenured voting has been designed in the US and in Europe. Also in light of the ideas that emerged from overseas academic scholars, the article is focused on the control-enhancing effects of such mechanisms, considering how mild the multiplier in the EU is, if compared to the US. Looking specifically to the Italian scenario, dominated by family companies and controlling shareholders, our empirical research aims to describe the framework of institutional investors’ behavior and market reactions. Italy is noteworthy, as it is characterized by a number of companies that can be analysed in-depth in their facets, as well as by the non-negligible role of the founder, which will be explored. Therefore, as far as the methodological aspect of empirical analysis is concerned, our study includes all Italian listed companies belonging to the FTSE Index of the Italian Stock Exchange, as of 28 June 2018, covering approximately 95% of the entire market capitalisation.

In light of the above, we will address some specific questions.

Our first concern is to identify the characteristics of the companies with tenured voting and the reason behind the decision not to adopt it by other similar companies, particularly those of a family-oriented nature. Companies are classified, according to their main shareholders, into seven main categories: Italian Public Administration, Italian Families, Italian Institutional Investors, Foreign Institutional Investors, Foreign Family, Italian or Foreign Companies.

Then, our intention is to consider the impact of institutional investors in the ownership structure. In Italy, as in France, they opposed the introduction of the tenured voting. Hence, we will evaluate their presence in the corporations adopting and non-adopting tenured voting, and its increase or decrease following such adoption, in particular *(i)* after the proposal, *(ii)* after the shareholders’ meeting and, finally, *(iii)* at maturity of double voting. As far as data on the participation of institutional investors and the classification of shareholders into different categories (public administration, funds, enterprises, etc.), the Thomson Reuters Eikon database was used.

Moreover, the relationship between these elements and the market, *i.e.* the value of the shares (according to Thomson Reuters Datastream), will be addressed to understand if (and to what extent) the market discriminates against companies using tenured voting.

Lastly, always looking at the rationale behind its adoption, we will examine whether those shareholders who earned double voting actually exercised this power to approve extraordinary transactions.

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