The Extra Vote as Bonus for Loyalty Shares in the Evolution of the French Model What Effects does it have On Shareholder Relationships, "Long termism," And Company Market Value?

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Abstract

With the recent introduction into Italy of the traditional French model of Loyalty Shares, in the meantime modified in France, the debate has been reopened about the real nature of the type of loyalty premium based on an extra vote for shares owned uninterruptedly for a given period (loyalty period) by the same shareholder, and with the condition that such an award ceases when the share is transferred to another investor. Is such a premium real award for loyal shareholders and an incentive for all the others to translate from short to long termism in the holding period, with an indirect support to business long termism? Instead is it a simply Control Enhancing Mechanism in the hands of majority shareholders? This paper will show that, whatever the scheme in which this model is applied (the old one and the new French scheme, and also the one Italian), it is not able to realize the conversion of all the minority shareholders to long termism, and this failure grants to the majority and most loyal shareholders leverage for increasing their control. These results in a variety of controversial effects, among which: a worsening in the agent/principal relationship, but with some exceptions, and the possibility of other more complex intermediate situations, a tendential block in the market of the control, a stronger long termism thanks to ambiguously achieved governance stability. The balance of these contrasting effects is the object of a difficult case-by-case market evaluation.

Keywords: Loyalty Shares, Corporate Governance, Long termism Control Enhancing Mechanisms, Agency Problem, Market Efficiency

1. Introduction

Loyalty Shares, in the form of shares with extra voting right, long and widely used in France, and just recently adopted in Italy with some modifications, while at the same time greater changes have been introduced in France, are nothing more than ordinary common shares endowed with a "conditional" loyalty bonus. This award consists of a predetermined increase in the voting right, provided that the holder of the share demonstrates his uninterrupted possession during a predetermined period. Such an award, since it is conferred on the basis of fidelity (loyalty) to the company, expires on cessation of this fidelity, namely when the share is sold.

[1]Although the work was done on the basis of a constant exchange of ideas between the two authors, and the final draft is a cooperative effort, each author takes responsibility for his/her own contribution. Bruna Ecchia was responsible, in particular, for sections 1, 2, 3, 4, and 8, and Raffaele Visconti was responsible for sections, 5,6 and 7.

Consequently, the loyalty share is a market tool in no way different and distinct from the common share, the only difference lying in power relations between a corporation's members and only for the purposes of corporate resolutions. In other words, the vote increase, not being, in contrast to what occurs with multiple voting shares (Rydqvist, 1987), a permanent feature of the title apart from passages of ownership, does not qualify the loyalty share as a separate share category. The market price of the shares, being related to trading in all in one-vote securities, is therefore also single. Nevertheless, the voting bonus, while not able to create two separate markets for loyal and un loyal shares, should influence the (single) market price. As will be made clear from our analysis, the vote increase, although "conditioned" and immediately terminated with the act of security transfer, can play a crucial role in stabilizing corporate governance, and this stabilization occurs in a different manner according to the original or to the modified French format, or even to the Italian format, more similar to the former. Consequently, it is possible to see a variety of enhancing control situations with controversial effects both on a long termism vision in business strategies and on the shareholders' relationship and the market price of the shares. Whatever the model, the extra voting system is usually tossed into the great cauldron of Control Enhancing Mechanisms, no differently from the multiple vote shares. There is no doubt that this voting system acts also and principally as a CEM.

However, it makes no sense to associate it indifferently with other CEMs, or even only with multiple vote shares, not just because of its presumed ethical nature, which, unlike other CEMs, seems to underlie the loyalty feature of these shares, since this feature is largely insubstantial, but rather because the bonus mechanism, in all the varieties of its application, produces a range of complex and ambiguous effects (and for difference lengths of time) that is much broader than a predetermined, irrevocable multiple vote. For these reasons, it is important to make a critical re-estimation of the specific characteristics of this financial instrument in the light of both the consolidated French experience of the old model and of the expected result of the new one. Without neglecting the reasons for the adoption of this instrument, with limited modifications, by Italian lawmakers. We will therefore begin (section 2) with a reference to the field literature on the subject of voting systems and the reasons why Loyalty Shares have been lumped together with other CEMs, without distinguishing the differences that result from their marked specificity.

We will then continue (section 3) by examining if, given these specificities, and distinguishing between the old and the new model, loyalty shares can really be considered a premium for "all" the loyal shareholders or instead contribute to increasing the asymmetric distributions of advantages and disadvantages among the majority and minority shareholders. Subsequently we will examine (section 4) the effects that, in an efficient market, should ensue from this loyalty premium, in its old and new format, to market share prices, and the out of the price of the control premium and we will examine also whether loyalty shares effectively achieve their boasted aims, in particular those of stabilizing governance, to which others are linked and all together make up an improvement of business management in a sustainable, long-term vision, In section 5 we will reappraise the experience of the old loyalty share model in the empirical analyses carried out in France, highlighting both the elements that confirm the results of our theoretical analysis and, instead, some problematic aspects of compatibility with this. Subsequently (section 6) our analysis will be focused on the specificity of the Italian case in which the old model of loyalty shares has been preferred, with some modification, to the one new one and, in particular, we will consider the real intentions that have guided the Italian Government in adopting this formula.

In particular, we will observe its functionality toward a multiplicity of objectives, not only of private but also of public interest. In section 7 we will consider if the multifaceted uses of the voting bonus also opens up prospects for its diffusion in other financial systems. In the end (section 8) we will draw conclusions concerning this problematic instrument, for which the ethical denomination of "loyalty bonus" appears to be highly questionable because the real objective is not to reward, and least of all to incite, the loyalty behavior on the front of minority shareholders but to strengthen the concentration of power in the hands of the control group: an objective that can find some partial and practical justification in a loyalty program of governance stabilization in favor of long-term strategies but that is realized with a method that is a long way from real corporate democracy and that can involve some risks. In particular, this kind of stability, obtained artificially, can raise the barrier against any change of governance and open up larger spaces to moral hazard by the command group.

These spaces have been reduced but not eliminated in the new French model of the extra voting bonus, which seems moreover able to make it easier to improve the agent-principal relationship in certain situations of precarious decision control, but only trough the creation of an occasional or permanent third ring of shareholders whose character is half-way between the classic agent's and the principal's, and that worsens the situation of the remaining principal. However, it is also possible that this governance stability, whatever the means used to obtain it, making it easier to devise efficient long-term strategies, in effect becomes a benefit for the business and for all the shareholders.

Consequently, this possibility does not make it possible to reject *a priori* this peculiar CEM, which is, moreover, in keeping with the generally widespread tendency at present to reinforce the decisional hubs of firms. It is the market that in its case by case evaluations will show in the prices of the shares if and how much the application of the loyalty bonus is consistent with the final objective of increasing market business value, which although it's not the only one for each shareholder, is in any case able, to the extent that the market is efficient, to be a common denominator for the various and often contrasting interests of all shareholders.

2. Corporate Governance and voting systems in the Agency Theory context

In the past few decades the "one-share-one-vote" principle has been the normal procedure in Joint Stock Companies, but not the only one, as it was not in the past, and even today it is not considered unanimously the best one in theoretical and empirical analyses, as is apparent from reviews of the recent literature on the subject (De Beaufor 2006, Ferrarini 2006, Khachaturyan 2006, Bukart And Lee 2008, Adams-Ferrera 2008, Hayden-Bodie 2008, Wong 2013,Alvaro And Others 2014, Spolidoro 2014, Linciano 2014, Abriani 2014, Montalenti 2014, Pollastro 2015). Therefore even if in the prevalent opinion of scholars and practitioners equality between share numbers and vote numbers seems the best guarantee of authentic company democracy, there are a certain number of cases in which practice diverges from that general principle, finding sometimes partial justifications in certain sectors of the literature,

The deviation from the principle takes on in any case a very different importance for the governance of an enterprise, depending on whether it occurs in companies with much divided and scattered property or those with concentrated ownership. As is well known, the studies in the field of governance, from the pioneering ones (Berleand Means, 1932*)* on*,* were initially concentrated on the issues of scattered property on Agency problems caused by the separation between ownership and control of an enterprise (Jensen and Meckling*,* 1976), identifying all shareholders asprincipal (devoid of effective control over management), and managers as agents who, in wielding control, are tempted to extract private benefits. In the systems of continental Europe, where scattered property is rarer and, conversely, shareholder coalitions aimed at obtaining command are more frequent, the Agency problem manifests itself within the shareholder class itself.

On the one hand, the shareholders belonging to the control group (agent), which appoint and control the managers, and, on the other, all the minority shareholders (principal). In this case, the problem of the extraction of private benefits on the part of managers is much reduced, while it becomes central in regard to the control group. This problem is aggravated if the control group uses financial instruments and/or strategies that create a "leverage effect" on the control as compared with the effect normally obtainable with the simple coalition of shareholders within the company on the basis of the normal "one-share-one-vote" system. As regards these financial instruments, the leverage effect is obtained by issuing, in addition to common shares, zero vote shares, which give leverage to one vote shares, and/or multiple voting shares, which give leverage with respect to one vote shares, and even more so, of course, with respect to zero vote shares. As regards, instead, to "equity lever" strategies, they are made possible by the cross-participation and "pyramid" systems of companies. Instruments and strategies of control leverage are all included in the all-encompassing category of Control Enhancing Mechanisms (CEMs), of which all vote increase systems are also a part, and our analysis focuses on these, which have been the object of various criticisms in the literature.

The terms which frame the agency problem subsequent to the introduction of a vote system in the form of a CEM have long been subjected to critical examination in Europe, particularly in the context of the research promoted by the European Commission (2007) in order to incentive conditions for greater transparency and fairness in company governance. Summaries of this research can be found in the already cited work of Burkart and Lee (2008) and Adams and Ferreira (2008).

The proposals developed at that time, and tending to establish the uniqueness of the "one-share-one-vote" criterion, as supported in a work of the Winter Commission, were not approved, even if there was confirmation of a vast area of aversion to the multiple vote criterion as the cause of majority shareholders' abuse of power.Probably the giving upof rejecting voting systems different from the "one share, one vote" was determined not only by the fact that the literature did not evidence entirely unambiguous indications of what the best policy was, but also by the fact that the adoption of thatas the sole criterion would place EU countries in a situation of competitive disadvantage compared to countries that allow for different criteria. Which might cause investments and companies to migrate toward the latter Countries? Subsequently, as we shall see, in the wake of the effects of the economic crisis that began at the end of 2007, some European Union countries expressed very different tendencies from those of the Winter Commission guidelines, when not actually more or less explicit preferences for voting systems structured in the form of CEMs. Nevertheless, it would be mistaken to address the complex problems that arise from these systems without making distinctions and taking into account the considerable differences between them.

The terms of the issue of multiple voting shares, are not the same in which the problem of loyalty shares must be framed, in spite of the association which is usually made by regarding only the vote increase feature of both (Chene, 2008). For multiple-vote shares voting remains so in any subsequent transfers of ownership of the share. For Loyalty Shares, on the contrary, the vote increase ceases with the act of property transfer and the share reverts to a condition of a normal one vote common share. This difference results in different ways of achieving the official intent underlying both multiple-vote shares and extra vote shares (loyalty shares), namely to stabilize corporate governance in order to support long-termism. An aim which is difficult to achieve without reinforcing the voting power in company situations where control of the command group is precarious because it holds only a relative majority and not the absolute one of shares, and the shares are single vote. In such situations the control group, while counting on the usual absenteeism of most small shareholders at the membership meeting, lacks the certainty of pushing through their own line on all occasions.

How can the control group issue from such a situation in the event that it wishes to or can act only on the characteristics of the shares *already in place and with no capital outlay*? Not with multiple vote shares, which, even if permitted, do not comply with such an arrangement, but precisely through the increase of *gratuitous* plus votes for shares held for some time by the same shareholder who, in this way, has proven to be tied to the fate of the company and will have to continue to be so if he wants to keep his extra vote. This, as we will see shortly, exerts a leverage effect that while, on the one hand, it allows the control group, generally faithful by definition and as such rewarded, to achieve its (undeclared) aim of majority control, the other "should" ensure small loyal shareholders a greater "voice" in the company. That vote premium should then act normally (even if not necessarily) as a brake to the high average turnover of shares. A phenomenon well known on the markets where, over the last decades, the average holding period for shares has fallen from seven years in the 197's to seven months in recent years (Wallace, 2012), and that of course concerns, in addition to Investment Funds, largely small investors. In reality, however, the effects of the bonus on shareholder behavior are not so clear cut and in accord with such hypotheses, as will come clear from the following chapters, which get to the heart of the issue concerning this loyalty bonus.

3. The impact of loyalty shares on the agency problem

The vote increase related to loyalty shares is clearly a "conditioned" privilege, in both its acquisition and its maintenance. It is then a matter of seeing whether and for whom it is truly a premium. The fact that the shareholder, after some years, does not have to pay anything, in relation to the price already paid for the common share, in order to obtain the vote bonus (contrary to what occurs for multiple voting shares), seems to confirm its nature of a premium awarded only to loyal shareholders and to justify the loyalty attribute which gives its name to shares so awarded, and which is lost at the time of share transfer. In theory, there is not a permanent and unequal distribution of benefits if the award is also granted to persons who only later acquire the loyalty requisite. In practice, however, this premium is in itself a factor of permanent inequality in disfavor of the minority shareholders because it is in the area of the minority shareholders that most of the trading of a listed company's shares are concentrated, and so the greater number of shares that remain with one-vote, contrary to what occurs for the shares of the majority shareholders, as certainly the most loyal.

Thus, this award contributes to strengthening the command position of the majority shareholders more than proportionally to the number of shares owned, because it also includes a vote leverage effect resulting from the denial of access to the premium for all shareholders who do not have the prescribed seniority and most of whom are generally minority.

In theory this disproportion could be reabsorbed over time because all the “young” shareholders are able, if they want, to become “senior” and so, by benefit of the extra vote, to renewing the pre-existent balance of power between agent and principal. This is precisely the aim of the bonus, as we have seen. But it is a tease. Even if the bonus had the effective function of a brake on the exit, a floating part of the minority shareholders, though diminished, would continue to be short time investors so favoring a certain turnover that is a positive, not a negative phenomenon, because essential for the regular market functioning of these shares, in order for the intrinsic value of the business not to remain an abstraction for the shareholder but its quotation of this value can be realized without difficulties or significant losses.

Only the excess in the revolving of the holding of the shares, obviously concentrated in the area of minority shareholders, can generate negative effects since it causes well known efforts by management to improve short period results through maneuvers not consistent with the aim of sustaining the value of the business in the long period. In any case, in correspondence with the persistence of this physiological or pathological floating the majority shareholders will have acquired a permanent, albeit variable, advantage in terms of an increased number of votes with respect to the minority. Because the persistence of the “floating” is absolutely obvious, albeit perhaps to a lesser extent, it is just as obvious that the majority shareholders are sure of obtaining an advantage when they (or the law as in the new French model of loyalty shares, as we will see) impose the introduction of the extra vote bonus. The effect of this premium is thus a shift of part of the voting power from the minority to the majority shareholders thus increasing previous disproportionate positions and creating the basis for a worsening of the agent-principal relationship.

With regard to this, it can be easily understood what extent these effects can have if the granting and structuring of the bonus are totally or not in the discretional power of the company. It is important to note that the increased incidence of votes of the control group over the new total number of votes depends directly on the combination of the period of uninterrupted possession of shares necessary for the acquisition of the premium with the number of extra votes attributed to the loyalty share. If both of these elements rely entirely on the will of the company, which in practice is the will of the majority shareholders, as in the old extra voting right system, it is these shareholders who choose and determine the increasing of their control power. Ultimately, in such a case, the command group can choose/impose whether and when to grant the loyalty premium, its size and to what holding period it is subject, so modulating the effect of the voting premium in function of the desired level of control over the company, and without limits other than a moral one and that imposed by “market discipline”, and hence of the market’s tendency to punish whatever excess.

Perhaps it was by looking especially at the risk that this limits is insufficient and that we can therefore see strong discretionary tampering with the extra voting system by the control shareholders, so that the loyalty bonus will lose its ideal purpose of creating the physiological chain of “shareholder fidelization -greater governance stability - greater long-termism” supplanted by the personal interest of the command group, that French lawmakers, with the “Florange Law”of 2014 recently ruled on such an issue. With this law the extra voting right should no longer be discretionarily “granted” by the company but since march 2016 double votes will “automatically”be granted once shares have been held in registered form continuously for a two-year period, unless two-thirds of a company’s shareholders vote to overturn the option, making loyalty shares the default. These valid external rules undoubtedly represent a substantial step forward, compared to the old loyalty bonus format, to restore to minority shareholders a portion of that corporate democracy of which they had been deprived with the introduction of the previous loyalty bonus. In a comparative view, the difference with regard to the system adopted at the same time in Italy is not negligible. Italian lawmakers have been rigid only with regard to increasing the vote, which cannot be more than doubled, but not with regard to the loyalty period because they have established only the minimum period, two years, but not the maximum, which therefore remains a strategic discretional element for the command group, with corresponding negative effects on the agency’s problems. Nevertheless, even the most ethical new French model exposes itself to severe criticisms. It seems the intent of French lawmakers was to realize this sequence of objectives:

- To create a fast lane (in terms of a default rule) to reward loyal shareholders

- To entice other shareholders to hold onto their shares to mature over the loyalty period and to gratuitously acquire the vote premium
- Consequently to promote a greater involvement of small shareholders in the long-term fortunes of the company and therefore in long-term strategies in a less biased and more collaborative outlook
- To reduce or overcome, in this way, the traditional antagonism between agent and principal, thereby countering the worsening of the agency relationship, which should follow from the fact that this system, according to all the literature, is a Control Enhancing Mechanism.

If this was the intent of French lawmakers it can easily be proven that such an idealistic outlook, albeit very appreciable, is at least in part illusory. The new rules, being valid *erga omnes*, certainly eliminate the potential opportunistic use of the bonus through a discretional selection of its structural elements strictly in function of the specific opportunities of the company and its control group. However the bonus continues to be a way for the control group to increase its control cost-free over the company rather than a true bonus for all the loyal shareholders, and, with regard to the antagonism between agent and principal, it is always a cause of increasing and not decreasing contrast with respect to the "one share, one vote" system, except in two relevant corporate situations. These two situations are the following.

The first is relative to the case of low property concentration in the company, in other words where a coalition of large shareholders has only relative control over the company's choices, and can no longer be sufficiently reinforced by manipulating the loyalty bonus as in the old model. In such a hypothesis, in order to obtain a more secure consensus, especially in the case of certain strategic choices, this coalition is compelled to find the external support of other shareholders, naturally loyal and generally of some weight. In this case, these shareholders can augment their otherwise weak "voice." Naturally, all the remaining shareholders, whether loyal or not, are even more confined to the margins. What are the consequences? This partial governance sharing, although more likely temporary than permanent, creates a discrimination in the area of minority shareholders that, in turn, causes the creation, more or less extended over time, of a third area of shareholders, mid-way between the majority and the remaining minority shareholders, occasionally made up of a mix of the characters of agent and principal, thus making complicating the agency's problem even more.

The second case has to do with a type of fragmented but not pulverized company property, in which a certain number of shareholders of some weight are able to form a coalition which, without any true control over the company (because this remains in the hands of the managers as agent), is in any case able to exert a certain influence over business decisions. With the aim of reinforcing their influence these shareholders can find useful both the loyalty bonus and the integration of their group with other loyalty shareholders of not negligible weight. In this case, too the bonus is worthwhile simply to make it easier, with respect to the "one share, one vote" case, to create, in temporary or more permanent form, an extensive coalition with the possibility that it will become a real control group over time. In this case too all the other shareholders are pushed even more to the margins.

In these two situations the new system, by reducing the discretional power of combining the leverage of the extra vote, can effectively induce the coalitions of shareholders, with limited control over the company, to seek support from a part of the loyal minority shareholders. Obviously, this is not an original phenomenon connected to the new model of the loyalty bonus but simply the heightening of a conduct that already occurs, albeit much more seldom, when the bonus is absent and all the shares are at one vote. Moreover, in the new format to the bonus is ineffectual for providing an effective "voice" in corporate governance to "all" the minority shareholders, albeit loyal, but only to an elite minority.

4. A theoretical analysis of the interrelated effects of the bonus: the controversial expected result on the sustainable business value over time.

If our previous considerations are correct, the transformation of common shares into loyalty shares, or, better, the acquisition of the right to extra vote for common shares held uninterruptedly for the prescribed fidelity period, should determine a number of contrasting effects in the market share price, in both the short and long term, albeit of different weight, according to the largely discretional model adopted in the past in France and fairly similar to the one that has now been imported into Italy, or according to the automatic regulation of the bonus which has been applied in France since 2016.

With the old system the command group, if strong or convincing enough to impose its choices on the bonus application, especially as regards the length of the possession period and the number of extra votes, was able to assemble a strong combination of these elements to maximize a leverage effect on corporate control. All that was needed was to extend the time (and so restrict the number of loyal shareholders) and grant a greater number of votes with respect to a mere doubling. This implied a discretional increase of the incidence of the votes of the command group on the new total amount of votes. This fact inevitably caused a great many consequences, both negative and positive, on the market price.

Negative consequences

- The potential worsening of an agency's problem due to the extraction of private benefits by a reinforced command group had to produce a negative sensation on the investors from a lowering of the share price;
- The potential buyers know they would acquire one-vote shares, and this makes the shares less attractive, especially for a possible hostile takeover because, the raider should clash, armed with one-vote-only shares, with majority shareholders who can count on extra vote, i.e. on a CEM endowed with considerable anti-takeover power.

  So the market price should negatively incorporate the loyalty period before the new acquisition shares can enter into play with the voting bonus, and in a greater measure the longer this period lasts.
- Similar considerations apply also to the case of request of listening with concomitant placement of newly issued stocks that is a necessary step for a company that wishes to use the extra-voting system, if the law reserves the bonus exclusively for companies that are listed or in the process of being listed, as in our case. So the placement of these shares would occur, all things being equal, at a different, penalizing price with respect to what it would be if the loyalty bonus system had not been introduced.

Obviously, these negative elements, being contoured to this bonus system, continue to operate even after the modifications introduced by law, but their weight is now well determined and it is much reduced with respect to the previous case of the bonus discretionally structured by the command group.

Positive consequences

On the side of the elements that would generally play positively when the voting bonus system is introduced, the market would take into account those that should instead be beneficial to all shareholders, including the minority ones. The following stake on particular weight:

- The possibility for a company to unfasten itself from an oppressive short-termism in managerial action thanks to governance that has become more stable as a result of an increased vote. This aspect has been forcefully emphasized in France also by business associations, who however are hardly disinterested observers;
- The admission to listing on the Stock Exchange provides shares with a liquidity that benefits the price in possible sales and broadens the company's market funding;
- Increased funding, in turn, has positive quantitative and qualitative effects on the choice of investments, in particular on the acceptance of projects that, albeit profitable, could not previously be accepted because of lack of resources.

Ultimately, the stock market should then incorporate correctly not only the negative elements connected to the plus vote system but also the elements recognized as certainly positive and incorporate them into the share value of the single companies in accordance with the specific, different weight that each of them has in the single companies. However, all these elements, positive and negative, and their balance, are estimated in rational terms to the extent that the market is efficient. The literature on investor behavior has clarified, starting with Fama's traditional analysis (Fama E., 1970) and more recently in an increasing number of studies (among others, particularly useful to our considerations in this paper, Kahneman-Twersky, 1974, 1979, 1981, Kumar 2005, Loewenstein-O' Donoghue 2004, Massa-Simonov 2005, Rashes 2001, Shiv *and others* 2005, Shefrin, 2007, Finucane *and others* 2000, Stein 1989) that actually the evaluation processes are more or less distorted by biases and heuristics. In less efficient markets, some elements are subject not so much to irrational underestimations asto irrational overestimations, and among these the elements that tend to attribute to stability itself in the governance the potentiality of creating long-term value without considering the way in which it is obtained can certainly play a non-negligible role. Governance stability is certainly suitable for realizing a company's growth potential (Share, 2004) but this aim is not always realized by a stability artificially obtained through a manipulation of the voting system.

The CEM mechanism amplifies both positive and negative effects of governance and therefore amplifies the risk. When the market is at no strong efficiency biases are frequent, and one of these, especially in the case of prolonged good returns of the business over the time, is to establish a correlation between the favorable trends of return and the governance stability assured by the present command group.

Therefore the market can tend to extrapolate in the future the performances experimented till now, and can even consider that the risk (more precisely the downside risk) will reduce also in the future by the governance imposed by this group. This also reflects strongly on the manner in which a CEM as the vote premium system is considered. In other words, a weekly efficient market can identify the contribution of this voting system to governance stability with a contribution to enhancing the stability of strong returns thanks to the ability of the control group, so this system appears able to combine stability with governance efficiency. However, even if the conditions of a greater control of the actual command group can be a certain guarantee for the near future, over time this happy marriage can fail while the conditions of stability of the command group still hold because the extra voting system continues to favor the block in control of the company and any turnaround in the business becomes more difficult, with the consequent risk of the firm's bankruptcy.

The disadvantage, in that case, affects above all the minority shareholders, since the majority shareholders have been able to benefit in the meantime from an extraction of enhanced private benefits. A weakly efficient market is unable to adequately anticipate these events. Obviously these potential negative effects have been reduced in the new bonus regulation. It will be interesting to examine in the near future, on the basis of evidence that has formed in the meantime, if the market will have appreciated these changes or if, on the contrary and paradoxically, it will have evaluated them negatively.

The effects of the structure of loyalty shares on the control premium

The control premium is not negotiated in the market and not necessarily in monetary form, and it is understood as a good proxy for expected private benefits. What consequences on the price of this premium will ensue from the anti-takeover mechanism represented by the extra vote and which is certainly not appreciated by a finance inspired by free market principles (Iss, 2015)? To the extent to which the bonus system is applied, and with a dynamic that now is subject to automatism in its attribution, the determination of the control premium has obvious complications. The elements taken into consideration by the potential buyer are the following:

a. At the sale of the controlling blocks the increased vote fails with the sale of the share,
b. It is true that once the loyalty test period is over, the increased vote is re-established, thus allowing once again an increased extraction of private benefits, but meanwhile a certain segment of minority shareholders (the loyal ones) benefits from the increased vote and, following the restoration of one vote for the shares of the former control packet, there is an increase in the incidence of minority shareholder votes over the total number of votes,
c. As a consequence of the previous point one must consider if the packet in question, made up of shares which have become the single vote variety, will still have control or if it will become necessary, for the purpose at hand, to purchase market supplements of other shares (which will also necessarily be only of the one vote variety).

In other words, the acquisition of control becomes more costly than it would be if the increased vote system had never been introduced. The buyer then is faced with a difficult problem in evaluating the balance sign between the present value of the major benefits expected to be extracted once the new fidelity period is over and the higher short-term cost is sustained for the acquisition of control.

In what terms does the loyalty bonus make it possible to realize the ends attributed to loyalty shares?

On the basis of all these considerations, it is also possible to examine what would be the effect of the bonus on the targets of loyalty shares.

There are three proven main targets of loyalty shares. Besides the consolidation of shareholder loyalty, and ideally connected with it, but with the greatest reservations from our standpoint, are the greater governance stability (in function of a long-term business vision) and the increase of listed companies. The listing is imposed by both French and Italian law makers as a necessary condition for applying the extra voting system because a listing increase means indirectly promoting, the improvement in funding, especially of risk capital, at the company level, and a greater mobilization of financial savings, for the country’s development.

It seems, at first sight, that these three aims are placed in logical sequence, i.e. that the loyalty of the shareholding structure achieves greater governance stability and with it lower company exposure to the risk of hostile takeovers, and hence, an increased propensity of the control group to list the company. In reality, this sequence is not so linear and unconditional, for the following reasons:

- First, the action of fidelization targets only the small minority shareholders and some medium-sized ones. It concerns neither the control shareholders, by nature normally faithful, nor the Hedge Funds, just heavy and active minority shareholders but with a short horizon and “a priori” hostile to extra vote. And on the front of the small shareholders, in a strongly efficient market it is doubtful that there should be an increase rather than a decrease in loyalty and therefore, in the second case, greater sales. Therefore the objective of a greater fidelization of the minority shareholders with the bonus fails and with it the objective of a minor pressure on the front of short time returns in favor of a more shared long termism.
  Obviously, to the extent that shareholders do not behave rationally, the effects can be quite varied and many small shareholders who receive the "loyalty bonus" undergo an illusory psychological effect of "counting more", which will in fact reinforce the sentiment of loyalty to the company (especially in the case of smaller companies where this sentiment is even stronger than in larger ones, because of the lesser human distance from the company).
- Second, in any case the risk of external takeover would not be contrasted so much by the fidelization of small shareholders (this sentiment can easily crumble before a possible takeover bid if the price is very tempting) but by the reinforcement of the control group thanks to the bonus. And in this perspective the listening that is necessary for obtaining the extra voting system can appear a non-burdensome request for this group.

The vote increase system can ultimately make a concrete contribution to the above-mentioned aims. But the starting point of the entire logic chain that binds the three aims together can be given, at least in part, and if our considerations are valid, by a lack of market efficiency in evaluating the mechanism of the loyalty bonus, both in the old and in the new format. Without this lack the stronger loyalty of the minority shareholders would not often be possible but on the contrary would be more probable an increase of the “exit” solution, with a consequent lowering of the market share price. In addition, by a reflex action the listing too would be less advantageous because both the IPO and subsequent company funding would be penalized.

5. Empirical analyses of loyalty share performances in the French experience

Clearly, the only strong evidence of the performance of the loyalty bonus not only is limited to the French market but also refers only to the old scheme, which however must not be considered by now obsolete since it is applied with limited variants in Italy and maintains all its validity both as scientific research and as a possible application in other countries. Moreover, some fundamental outcomes of the old system are significant also for considering the new one, although with the necessary adaptations which take into account the elements of differentiation that we have seen. The following empirical analyses reveal the performances of this voting system under different aspects, albeit do not always lead to unequivocal conclusions, because of differences in the composition and/or the amplitude of the sample and/or the methodologies adopted.

Spread of Loyalty shares in France.

One incontrovertible fact that emerges is the great success that this voting system has had with businesses. The most recent research, (Alvaro and others, 2014) certifies that most of the companies that are part of the CAC40 index (which brings together leading companies listed on the French stock market), use this system, confirming the results of previous in-depth analyses, in particular Belot’s of 2005, from which it appeared that 60% of the French companies of the SBF 120 used the system of double voting. In a broad research of 2008 Chenefinds that among the companies with low market capitalization (less than €200 million)as much as 77% make use of this voting system. This does not mean, however, that this voting system is useful only for limited-sized companies or family businesses, even if another previous research on the subject (Facci and Lang, 2002) revealed that the double voting system was the most widespread (87.9 % of all family businesses), in a sample consisting of 607 companies of which almost 65% have a family as principal shareholder. In fact Chene finds that, on the basis of a sample of 190 companies present in the SBF 250 in the three-year period from January 1, 2005 to January 1, 2008, about 68% of these companies (the major listed companies in France), had a fidelity clause in their statutes and a fifth of the companies that have adopted this system have widespread scattered shareholding.

Ultimately, although, as outlined in our theoretical analysis and verified in empirical analysis, shareholder fidelization should take place primarily in smaller companies, all empirical analyses show that this system is spread transversely.

Effects on share liquidity

Empirical analysis (Ginglinger and Church, 2007) demonstrate that the right to an increased vote has no impact on a large company's share liquidity, or even simply on companies with well diversified and widespread shareholding, while it has positive effects on the liquidity of modest sized and family controlled companies. This fact is in line with our previous theoretical analysis.

Effects on a company's market value

Of great importance are the results of the research on the significant problem of the repercussions on a company's market value of introducing the increased vote. In the perception of 80% of fund managers, universally opposed to any CEM, the presence of one or more mechanisms of deviation from the "one-share-one-vote" principle leads to a 10% to 30% decline in prices, and subsequently to significant destruction of a company's value. In the specific case of loyalty shares Belot, based on Tobin's Q ratio, confirms that the presence of the double vote has a much more negative effect on market price the longer the required period of fidelity (fully in line with our considerations) and the more the company is family-controlled. Chene does not share the opinion of the managers of investment funds, also endorsed by Belot's empirical analysis, that this system causes a decline in courses. In support of this position, Chene, in addition to formulating the observation that if Belot's thesis were founded, a good two-thirds of French companies would be penalized in quotations, introduces the results of a more scientific analysis, conducted on the basis of two criteria, the *price-to-book ratio* (PBR) and the change in stock market prices over a three-year period, starting from January 1, 2005. On the basis of the first criterion, the conclusion is reached that the presence of the double vote has not been a differentiation factor at the PBR level. This conclusion is confirmed by the analysis founded on the second criterion, namely the observation of the development of three-year courses, albeit with all the reservations that can be moved forward on this criterion, as Chene warns, by taking into account the possible variability of conditions in this period (such as, in particular, the nature of the shareholders or the size of the company).

In any case, the influence of the plus vote differs according to whether the property is concentrated or scattered. In the first hypothesis, the quotations of family businesses appear to be influenced positively by the double vote. But, surprisingly, it is among the companies with scattered property that double voting seems to have more positively influenced the quotations despite the fact that the introduction of the double vote in these companies has not been of any value in forming a stable command group organized and contractually bound in a syndicate pact, but simply in facilitating its spontaneous formation or enhancing already existent informal coalitions of middle shareholders which sustain the position of the managers, according to Chene's observation (and in line with our theoretical analysis). In other words, the bonus in companies with scattered ownership favors concentrating control in the hands of the present managers and rewards it in the share market price, without any particular concern for agency cost. This response can be interpreted in the sense that not only the shareholding but also the external investors place great trust in the managers of those companies.

Effects of the length of the loyalty period

Another point of great importance is the effects on a company's market value of the length of the period which is required for the voting bonus. Chene's research on the one hand shows that most companies establish a period greater than the minimum two-year one (the median valueis somewhere between two and four years, but in some cases it is as high as five years and, in one case, even ten years), which confirms the importance that companies, and for them the control groups, attach to the period in question. On the other hand, however, this research shows that the length of this period has no effect on the company's market value. While the first result seems to be in line with our previous theoretical analysis, from which we inferred that the length of loyalty period represented in the old French bonus an element of fundamental strategic importance for the control group (and the same importance it will have in its new life in Italy), the second - the irrelevance of this length on a company's market value - seems to be completely misaligned. In fact the market, if our previous analysis is well-founded, should rationally consider that the greater the length of the period in question, the greater will be the control group's vote leverage and its related power of extraction of private benefits, and should then penalize the price in proportion to the length of that period.

The fact that for the market this length is irrelevant may then be due to an insufficient perception of its strategic significance or the conviction that it will not be used in function of expropriating benefits. In the first hypothesis we can argue a lack of market efficiency in not perceiving all the implications of certain negative aspects of the bonus, which results in their not being reflected in quotations or even reflected positively. Such a situation leads to strengthening those who already command, thus hindering or even blocking turnover in company management, even when the turnover will become a necessity due to an eventual decline of the capacity of managing the business, with consequent destruction of the company's value. A well-known problem in literature (Stein, 1989). The problem is, of course, greater in the case of concentrated company ownership, where the turnover is hindered, especially in family companies, particularly widespread in France. Nevertheless, these companies, according to other results of Chene’s analysis, have performed better than other concentrated property companies have or those with scattered properties. But this should not come as a surprise.

As Chene also points out, elements such as the name, history and reputation acquired by a company are of sufficient weight to greatly reduce, in practice, the risk of large extractions of private benefits by the founders and their descendants, while it is often the case that these already favorable conditions are matched by efficient company guidance. Naturally, according to our previous considerations, it is wrong to make a projection for an indefinite period of time of a combination of such favorable circumstances, which, by their very nature, are destined sooner or later to change. And when this occurs the block in the turnover of positions of command can be lethal for a company.

Influence of the loyalty bonus on the actual growth of the power of majority shareholders

Chene’s research shows that the vote increase system, while it does not lead to outstanding results that deviate from the situation that would occur with the one-share-one-vote system, is in any case, for the most part, used precisely to the extent needed to allow the control group to obtain the absolute majority in shareholders’ meetings. Chene finds that in the face of a 45.5% average of the share capital in the hands of the control group, the quote in terms of voting rights is, on average, 54.81 %. The difference is only slightly higher in the case of family businesses. Such empirical evidence fully confirms our previous considerations about the business situations, in which the extra voting bonus is of particular usefulness for a command group which wants to pass from a relative control of the company, based on the usual absenteeism of a part of minority shareholders in the meetings, to one that is more secure or in absolute control.

The anti-takeover role of loyalty bonus

The anti-takeover role played by the increased vote does not seem confirmed by the relevant statistics: on the basis of certain results of Chene’s analysis, the increase in voting did nothing to prevent various takeover operations. This fact appears normal for the cases of friendly takeover, much less so for hostile ones. However, even the latter may not be countered sufficiently by the increased vote, if it is assumed that the raider makes an adequate hoard of one-vote shares, keeping them until they have also gained the vote increase, to gain control of the company. Nevertheless it should be noted that such a maneuver may be made without paying an increasing market share price only if the raider’s purchases remain very diluted over time, but this would long delay the takeover, since at the same time the maturation of the loyalty requisite would also be fractioned. Moreover, the feasibility of the operation assumes that:

- The raider should have the financial strength to make a takeover with such as deferred effect by relying mainly on his own capital, since the use of financial leverage would lead to high risks;
- The present command group has obtained, thanks to the loyalty premium, not “full” control but only a narrow, temporary majority, that is, until the shares acquired by the raider have not matured the loyalty requirement,
- The present command group is incapable of noting or counteracting the raider’s action through appropriate “poison pills”.

6. The extension of the French model of loyalty shares to Italy: a case of possible “reason of State”?

The French model of loyalty shares remained a kind of prerogative of the French market for a long time. Only at the end of 2014 was it introduced into Italy(see Law 116/2014, Gazzetta Ufficialen. 302, 2014), with one significant modification in terms of an upper limit (a cap) of two votes per share, while the minimum two-year holding period remains fixed and no automatism is imposed as a default rule.

The aims of Italian lawmakers in allowing the companies to be able to adopt the loyalty bonus (with the condition of the listing), was to reward loyal shareholders and allow for other purposes already discussed, but beyond them two other aims have been noted with a certain emphasis, only one openly declared by the Government, though not very substantial, and the other identified within the academic community and in controversy with the Finance Ministry. The first aim is to neutralize the frequent recourse to external leverage for company control by giving the command group an internal CEM. In other words, loyalty shares would represent an alternative to the external CEMs very widespread in Italy. Among those particularly favored by Italian companies are pyramidal structures, considered appropriately opaque (Assogestioni, 2015). Nevertheless, this will to reduce external leverage seems entirely utopian, since the enhancing of the voting power of the command group at the head of the pyramid will cause a reduction of the capital necessary for controlling the pyramid, thus stimulating an increase, and not a reduction, of the disproportion between capital and control. Ultimately, the loyalty share formula will not reduce opacity, but rather the ambiguity of the new CEM will be added to the pyramid's opacity.

The other undeclared though important aim pursued in Italy with the introduction of the loyalty bonus (Zingalez, 2014), which however was pursued also by French government according to some scholars (Moore-Gillyon, 2015) is linked to residual resistance on the part of public operators (not only State but also Municipalities, Provinces and Regions, besides other public bodies), to completely privatize the firms and banks under their control. In this regards disposal operations of these holdings had been started up or were under way. This process may be interrupted because of the current economic crisis, which poses new problems for companies deemed critical to employment levels or for the type of productive activity. In such cases, the need arises to block, officially for a temporary period, the divestiture of public capital. Alternatively, so as not to interrupt this process, there is an attempt at least to reconcile the aim of introducing private capital with that of maintaining any residual positions of public control or strong public influence. It is in this context that, in addition to others, loyalty shares have seemed a good solution, as they make it possible to maintain public operators' positions of residual force without their contributing to capital increases, which in fact are thus reserved for private investors, domestic or foreign. Nevertheless, it is difficult to find private investors willing to bring capital into companies in, among other things, precarious conditions, without their having full control. Trade union interests that rely on the continued presence of the State or public entities in the business would hamper the necessary turnaround process.

Ultimately, in companies still under public control the increased vote formula for preserving that control could simply undermine the influx of external capital, which appears indispensable for the survival of those companies. It is a different kettle of fish for the banks controlled by foundations connected to local authorities, which are a coveted prey for domestic and foreign financial groups, even when they are in very critical condition, because of their local roots. It is plausible that the Italian government has discerned in the increased vote a tool, among others, to avoid yielding control, of some Italian banks to foreign investors. In any case, the introduction of the bonus in Italy is too recent for providing significant empirical evidence, in both the public and the private sector. It is, however, interesting to note that in the private sector three important companies whose equity is entirely in private hands have till now applied the bonus, and in corporate situations where the incidence of the votes in the hands of the majority shareholders was just under 50% before the introduction of the bonus, and has become sufficiently higher than 50% since the bonus. Which fully confirms our previous considerations?

Ultimately, even in Italy, and even more than in France, the use of loyalty shares is functional to a multiplicity of interests, among which those of small shareholders (who are nominally the main recipients of the loyalty bonus). These interests, which constitute the most ethical justification for the loyalty bonus as a premium for those small shareholders already loyal and as an incentive to loyalty for the others, are absent or largely neglected, except, naturally, in the case of a public company with ownership not entirely pulverized and in the case of insufficiently concentrated ownership if the condition of an insufficient "critical mass" of votes for forming stronger and stable decisional centers needs this extra vote and the support of a certain number of shareholders external to this group to gain full control of the company. However, these latter conditions are favorable only to a weightier segment of minority shareholders, where they open the door to the anteroom of command.

7. The possible extension of the French model to other countries

Once the reasons have been made clear for the introduction of loyalty shares into Italy and the possibilities for success they will have in this country, one may wonder, given the similar motivations that could manifest themselves elsewhere, if this formula might also spread to other countries.

The question is a potentially interesting one, mostly if referred to those countries where lawmakers grant companies the freedom to decide on the voting system. Which means also allowing the market to evaluate in a comparative way the possible various voting system, and among these also the loyalty bonus, with an increase in share prices or, on the contrary, with a fall in prices (Ecgs, 2014), such as to make the system respectively less or more onerous for the company's funding. However, this is perhaps the best solution, where the markets are efficient, and where the *laissez-faire* principle is more entrenched. This may occur, and in any case never perfectly because biases and heuristics are always present to a greater or lesser extent, for Anglo-Saxon markets, but not for others. In the latter, the valuations operated by the market only on occasion can be entirely consistent and this lack of efficiency frequently causes inadequate perceptions of widespread phenomena of excessive confidence in the command group and the stability it gives to governance. Such a risk can be reduced only by monitoring vis-à-vis the managers, as usually happens in family-controlled companies, and even if these are run by managers selected from outside the family (Villalonga andAmit, 2006).

It must be said, however, that all types of shares with a vote that has deviated from the principle of "one share, one vote" have so far found a very limited reception by the companies themselves. They have had hardlyany success in the Northern European countries, particularly Sweden, Finland, Denmark and the Netherlands, and very little in Australia, Japan, Hong Kong and other Asian countries. In the USA only nine companies (0.2%) out of a sample of 4400 (Assogestioni, 2015) have tried out some kind of increased voting systems, probably because of the widespread presence there of public companies with their system of governance, which is traditionally linked to the one share one vote principle. But of course the fact that loyalty shares are widely used in half of the French public companies makes it impossible to exclude any chance of affirmation of these titles in Anglo-Saxon markets too. In fact, it is significant that in the USA the cases of deviation from "one share, one vote" is taking place precisely in the new economy sectors, and by large companies (Google, Facebook, LinkedIn, Groupon). And a stir has been raised by the fact that Mark Zuckerberg, with a limited quote ofcapital, will thus be guaranteed more than half of the voting power (Montalenti, 2014).However, the departure from the classical principle has occurred so far in favor of multiple-vote shares, while the French-style extra vote is still at a standstill. But the debate on this issue is growing, even for example in Great Britain, where, however, consistent with the great freedom granted to free enterprise it is already permissible for a company in its articles of association to permit certain shares to enjoy additional voting rights (Moore and Gillyon 2015).

8. Conclusions

At the beginning, we posed the question of what and who will benefit from this type of bonus. Now we have the answer. But it is a necessarily variegated answer because, together with positive elements, there are also negative ones, and it even seems that each positive aspect is matched with a negative one that is not necessarily of the same weight. The weight of each element can vary according to the specific and inconstant situation of the business and the shareholding, and therefore the bonus too can assume different worth according to the different and inconstant standpoints of investors. In particular, we have seen the following contrasting aspects.

1. Advancing this formula as a premium equal for "all" loyal shareholders (and as an incentive for loyalty to those who have not yet satisfied this requirement) seems a conceptual falsity. In fact, it accentuates the agency problem due to the increased disproportion of votes between majority and minority shareholders. However, it must be recognized that the bonus is undoubtedly useful for reinforcing governance stability and long termism, with potential benefits for both groups of shareholders.
2. Also, in the case of these generalized benefits, these are not necessarily in proportional measure to the capital invested, since the private benefits extracted by the command group. However it has to be recognized that in certain family businesses some consolidation of entrepreneurial values often gives rise to a code of conduct, which reduces or eliminates the eventuality of moral hazard behavior. But even in this case the past correct behavior and good governance by the command group do not eliminate the risk of future changes, while the turnover in governance will be more contrasted by this voting system with respect to the case of the "one share one vote" system.
3. A bonus in the form of an extra vote, such as the one under consideration here, does not serve to convince speculator shareholders and even large shareholders such as hedge funds with a short investment horizon to be converted to a long-term horizon, while will be unnecessary for that part of the minor shareholders who are by nature long-term investors.

4. In a situation of insufficient control by the command group or in the fragmented but not excessively scattered property, the bonus can make facilitate a call for the support of control in the name of a more extended sharing of the general interest of the business, but only to a part of the minority shareholders of middle weight will be called for such a support and will be able to make their say heard more loudly, in a temporary or more permanent way. But if this situation does not flow into a full integration of this medium class in the command group, a third level of shareholders would create it, mid-way between the classics levels represented by the majority and the minority, with different interests and so with unavoidable complications of the comprehensive agency' relationship.
5. The bonus plays in favor of an increase of the control of the command group, but we have seen that on this front too some elements of complex and sometimes uncertain evaluation appear. In fact, if the majority shareholders' interest in this bonus voting system is justified only or mainly on the basis of the advantage of extracting private benefits, they will keep their shares indefinitely blocked.
   It follows that the majority shareholders remain condemned to a pact that binds them indefinitely to each other, and this "condemnation" is hard to tolerate except, but with difficulty, and not perpetually, within a strong family. And when the pact dissolves, and the command packet is transferred *into*, the acquirer, as we have seen, not only will consider that the benefits of the extra vote are unavailable for at least two years from the share purchase, but will also assess negatively the fact that, within the company structure, there are many minority shareholders with increased vote shares.

In short, Loyalty Shares pose a series of complex questions, against controversial market assessments. This fact raises the suspect that the great success of shares with such a bonus was in part due to a lack of full efficiency in the evaluation of the various and contrasting effects by the various players. Apart from long-termism, the only function of the bonus, albeit not made evident, is that of a strong instrument of financial marketing. In fact it convinces many minor shareholders that they will count more in the company. Their sentiment is that a share of a company that guarantees the bonus once the loyalty period is matured is in any case preferable to another share. By so doing, the investor deviates from a rational evaluation of the real quality of the product. Therefore, it is a misleading type of marketing, but certainly very useful for a company's advantageous funding. Now by importing the old French extra vote, Italian companies have greater freedom than French ones. Paradoxically, the latter now seem duty-bound to be suffering from the new system, but only in appearance, because in any case the bonus is advantageous for them, albeit in a reduced measure with respect to the previous format. In this regard it should be observed that now in France companies can exclude this bonus but at great risk, namely that the market intends this exclusion as a disadvantage with respect to the shares of the companies that accept the default rule, with a consequent penalization in shares prices. So today in France the marketing function should be understood as not excluding this default rule.

Naturally, the fact that the State assumes a role of bonus sponsor, which in practice is a gift to the majority shareholders, seems rather inconsistent with its function of guaranteeing market efficiency and the interests of the weakest investors. The configuration as a default rule can induce small investors to think that this bonus is really a premium, and so can induce them to participate in company life and share a long termism vision in an idealistic corporate philosophy à la Hirschman. In spite of these observations, it would make no sense to deny the right of citizenship to this, as to others, extra voting model. Besides, it seems that companies in all countries, though in vastly varying degrees, are gradually consolidating, on the pillars of the Enhancement of Control Mechanisms (Montalenti, 2014). It seems that lawmakers are almost anticipating the changes that could take place in the governance of companies in a global and more competitive context, and where long-term strategies cannot be overlooked if companies want to be competitive. In practice, lawmakers themselves, who should be especially careful to protect the rights of minority shareholders, are virtually resigning themselves to the fact that without an agent who can maintain a strong, stable control in corporate governance, it is not possible to ensure that companies have a vision of long termism that is necessary for the sustainability of their long-term value. And this is a concept that can be shared, although it should immediately be made clear that, for the purposes of a long-term vision it is not necessary that the agent be constituted by a command group. Especially, but not exclusively, in large companies, it is the managers themselves who should have a long-term vision, if adequately supported by no short-term incentives. However, there is actually a lack of strong incentives in this regard and many pressure toward the short termism by active shareholders as the Hedge Funds.

Moreover, it should be observed that the extra vote system we have analyzed, while it presents a serious risk of progressive detachment from the principles of corporate democracy, also, perhaps paradoxically, as long it is freely adopted by companies (allowing dissenting shareholders the right to withdraw),does not necessarily contradict the market economy. That is, if companies are left to choose their voting system and the market is left to pursue its natural mission, which is to evaluate, in the share price, the choices that have been made, it is in perfect harmony with free market principles. Of course, to ensure that the market, besides being free, is also capable of expressing efficient assessments, there must be correct and transparent information to prevent a company's freedom of choice is connected to not conscious choices on the part of small investors because of psychological traps favored by potentially misleading voting mechanisms. Market Authorities are thus called on to ensure a more stringent monitoring of possible abuses. Once these conditions are in force, governments need have no other role than that of absolute impartiality. And where it is nonetheless desirable to have a specific system as a default rule, the democratic "one share one vote" surely cannot be shunted aside in favor of the premium loyalty system.

This last condition remains certainly less democratic and potentially misleading, and this leads us to acknowledge that there is much room for research on alternative procedures for rewarding loyal shareholders and favoring a more physiological endorsement of long-termism. And such research would concern both improvements of the mechanism of the extra voting bonus and, in comparative way, other types of loyalty reward mechanisms about which (first among them the Bolton and Samama model of 2013, which is based on an option mechanism of acquiring shares at a definite price) the debate is spreading worldwide, and with the tendency for framing logical organization of shareholder relations in a context of a greater "voice", à la Hirschman, for loyal minority shareholders.

Acknowledgements

The authors gratefully acknowledge the helpful comments of Marco Pagano. Of course, the views and opinions expressed in this article are solely that of the authors.

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