

Enterprise groups in Italy

2008

Istat makes available data on the structure and size of enterprise groups in Italy in 2008 under the new classification of economic activities Nace 2007, which came into force from 1 January 2008. The information is taken from the statistical business register on enterprise groups, built up in accordance with the provisions of European Regulation No. 177/2008 696/1993 according to an harmonized methodology adopted by Eurostat. The register is created integrating administrative sources and statistical sources.

The population considered for the reconstruction of the groups is composed of all incorporated companies included in the statistical observation of the business register of active enterprises (Asia).

Structure and size of enterprise groups in Italy

In 2008, enterprise groups in Italy were over 76,000, they accounted for more than 178 000 resident active enterprises and employed over 5.7 million people. Compared to the universe defined by Asia, groups involved 3.9 percent of active enterprises and about one third of total employment. The incidence of groups rose to 21 percent if calculated in relation to incorporated enterprises only, and to 55.3 percent in terms of their employment.

Groups in 2008 were about 2 percent more than in 2007 (they were 74,681) and employment 0.8 percent more (employees were 5,729,210)

Enterprise groups presented a strong polarization between few large structures with significant economic impact and many small size ones (Table 1). 64 percent of the groups was concentrated in the 1-19 employees size class, involving 50.5 percent of enterprises, but represented only 5.7 percent of total employment. The two largest size classes (500-4,999 and 5,000 and above employees), that included only 1.7 percent and 0.1 percent of the groups and 6.9 per cent and 1.8 percent of enterprises accounted for more than 3 million employees (respectively 28.1 percent and 30.5 percent).

Table 1 – Groups, enterprises and employment of groups by size classes
(absolute values and percentages)

SIZE CLASSES	Groups 2008						% change 2008/2007		
	Groups	%	Enterprises	%	Employment	%	Groups	Enterprises	Employment
EMPLOYMENT OF GROUPS									
1-19	48,813	64.0	90,258	50.5	326,409	5.7	2.6	2.9	3.1
20-99	20,193	26.5	50,131	28.0	874,958	15.2	1.2	1.7	0.5
100-499	5,840	7.7	22,834	12.8	1,188,295	20.6	1.3	0.7	1.7
500-4,999	1,300	1.7	12,407	6.9	1,622,027	28.1	0.5	3.7	1.9
5,000 and above	114	0.1	3,198	1.8	1,761,604	30.5	2.7	-38.2 (a)	-1.2
TOTAL	76,260	100.0	178,828	100.0	5,773,292	100.0	2.1	1.2	0.8
NUMBER OF ENTERPRISES IN GROUPS									
1	23,337	30.6	23,337	13.0	644,325	11.2	0.5	0.5	-0.2
2	34,189	44.8	68,378	38.2	1,028,208	17.8	2.9	2.9	-1.4
3-4	14,270	18.7	46,424	26.0	1,028,882	17.8	3.5	3.5	5.3
5-9	3,545	4.6	21,542	12.0	1,068,927	18.5	0.3	0.2	3.0
10-49	860	1.1	14,012	7.8	1,371,614	23.8	1.7	0.0	-2.5
50 and above	59	0.1	5,135	2.9	631,336	10.9	13.5	-23.5 (a)	1.8
TOTAL	76,260	100.0	178,828	100.0	5,773,292	100.0	2.1	1.2	0.8

Source: Istat. Business register of enterprise groups

- (a) The decline of enterprises in the 5,000 employees and above size class and in the 50 enterprises and above size class, compared to the year 2007, is due to an adjustment of the definition of groups in the banking sector and in trust companies.

Overall, nearly 76 percent of the groups, reconstructed on the basis of the existence of at least one control relationship with a resident or a non-resident legal unit, had very simple structures (1-2 active enterprises); totally they included more than 90 000 enterprises (more than half of the total belonging to groups), and occupied over a half million people.

Groups with more complex structures (i.e. those having between 10 and 49 enterprises and those with more than 50 enterprises) were the minority (respectively 1.1 and 0.1 per cent) and although they included only 7.8 and 2.9 percent of enterprises, played a decisive role in terms of employment (more than two million people in total, equal to 34.7 percent of total employment of groups).

The analysis by type of group heads, classified by group's size in terms of employees (Table 2), shows similar characteristics in the two smallest size classes: a significant presence of natural persons as group heads (respectively 43.3 per percent and 42.6 percent of the cases), a low presence of limited liability companies (3.6 percent and 11.6 percent respectively) and a very small share of public sector (1.6 and 1.4 respectively). On average, these groups held only 1.5 to 1.9 different activities and were present in only one Italian region.

Table 2 - Indicators on the organizational structure of the groups for classes or groups – Year 2008 (Percentage shares of total group)

SIZE CLASS: EMPLOYMENT OF GROUPS	Share of groups with group head SAPA	Share of groups with group head limited liability	Share of groups with group head natural persons (a)	Share of groups under public sector	Average no.. of economic activities in the group (b)	Average no. of Italian regions with groups affiliates
1-19	0.1	3.6	43.3	1.6	1.5	1.1
20-99	0.1	11.6	42.6	1.4	1.9	1.1
100-499	0.6	24.9	27.9	2.4	2.6	1.4
500-4,999	0.8	25.9	16.6	3.2	4.4	2.4
5,000 and above	0.9	23.7	8.8	8.8	10.0	4.7
TOTAL	0.1	7.7	41.4	1.7	1.8	1.1

Source: Istat. Business register of enterprise groups

(a) Includes both sole proprietorships registered as legal units and natural persons not registered as legal units.

(b) Two digits of Nace 2007 classification.

For groups with larger dimension (5,000 or more employees) the organizational complexity is reflected in the higher number of economic activities carried out (10 on average) and in the presence in different Italian regions (4.7 on average). Among the groups of 5,000 or more employees those under public control (equal to 8.8 percent of the class) played a particularly important role.

Another aspect that characterizes the group heads in Italy is foreign control: indeed, 11, 3 per cent of groups with at least one active resident enterprise was controlled by a non-resident unit, which corresponds to a weight on the employment of groups equal to 24,5 percent (Table 3). The average size of groups controlled by non-residents was 164 employees per group, compared with an average size of the groups controlled by residents of 64 people per group. Adding to non resident group heads the branches, the percentage of foreign control groups rose up to 16 percent.

Table 3 - Groups, enterprises and employment by nationality and legal form of the group heads – Year 2008 (absolute values and percentages)

NAZIONALITÀ AND LEGAL FORM OF GROUP HEADS	Groups (a)		Enterprises		Employees (b)		Average size of groups (b/a)
	No.	%	N	%	N	%	
Non resident group heads	8,620	11.3	15,894	8.9	1,416,377	24.5	164
Resident group heads	67,640	88.7	162,934	91.1	4,356,915	75.5	64
Of which:							
Branches (c)	3,548	4.7	5,139	2.9	74,261	1.3	21
Natural persons	22,125	29.0	56,311	31.5	925,935	16.0	42
Sole proprietorships	9,475	12.4	27,266	15.2	217,785	3.8	23
Partnerships	4,197	5.5	7,882	4.4	100,243	1.7	24
Spa (*)	5,891	7.7	19,611	11.0	1,613,264	27.9	274
Srl (*)	16,761	22.0	35,338	19.8	599,421	10.4	36
Sapa (*)	103	0.1	627	0.4	118,294	2.0	1.148
Cooperatives	1,116	1.5	3,492	2.0	387,500	6.7	347
Other (d)	4,424	5.8	7,268	4.1	320,211	5.5	72
Total	76,260	100.0	178,828	100.0	5,773,292	100.0	77

Source: Istat. Business register of enterprise groups

(c) Non resident enterprises are those registered in another country that carry out activities in Italy.

(d) Are included in this type: Consortium, different types of cooperative agreements of enterprises, independent authorities, public bodies, some types of public enterprises.

(*) Different types of limited partnerships in Italy.

Among the residents group heads those with natural persons or sole proprietorships (41.4 percent of groups) outweighed, accounting for more than 34 percent of enterprises belonging to groups and 19.8 percent of employment.

In terms of employment, the limited liability companies (Spa) were the most represented legal form (27.9 percent of residents group heads).

Methodological notes

1) The business register on enterprise groups

The two European regulations regarding business groups are the EC Regulation No 696/1993 on statistical units for the observation and analysis system in the Community and the EC Regulation No 177/2008 for EU coordination in the implementation of the archives of businesses for statistical purposes.

Regulation No 696/1993 defines the group of enterprises as “an association of enterprises linked by financial and non-financial relationships” having “different decision-makers centres in particular as regards the production, sales, profits policies and can unify some aspects of financial management and taxation”. The group is characterized as “the economic entity that can make choices, particularly concerning the units that compose it”.

This definition is sufficiently general to capture the multiple configurations of enterprise groups, it provides no criteria for its immediate implementation in statistical registers where, according to Regulation No 177/2008, shall be registered all relationships of control between legal units both nationally and on a multinational basis as well as some main characteristics of the group. The standardized methodology, developed by Eurostat in collaboration with the statistical offices of member countries within the Working Group “Enterprise Groups” and published in Chapter 21 of the Recommendations Manual on Business Registers, provide an answer to this operational requirement.

The methodology does not require the identification of identical administrative or statistical sources in all member countries, but provides basic concepts and operational criteria applicable regardless of the specific sources, that are sufficient to ensure international comparability of statistics produced. In particular, it states that the link of association, indicated by the Regulation No. 696/1993, should materialize for operational purposes in an effective way of control, exercised, either directly or indirectly, by the group head on all other legal units. Another important criterion is that to build groups for statistical purposes, each legal unit must be attributed unequivocally to one and only one group. The operational criteria, based on principles of objectivity, observability and measurability of the information used for statistical purposes, require that to establish a control relationship between two legal units at least one of the following conditions should be met:

- a legal entity directly controls, through ownership of 50 percent plus one of voting rights, another legal unit;
- a legal entity indirectly controls, through other subsidiaries, a third legal unit;
- a legal unit fully consolidates the accounts of another legal unit, even if it has an ownership share below 50 percent of the voting rights;

more legal entities claim to the competent supervisory authority to control, in agreement with each other (syndicate, pooling, etc) another legal unit listed on the regulated market of one member country.

2) The building up and updating of the business register on enterprise groups

Information used by ISTAT for the construction of business register on enterprise groups comes from administrative sources and specifically by: 1) the statements made on the structure of major holdings

in the National Commission for Companies and Stock Exchange; 2) statements lists of shareholders of incorporated companies in the Chamber of Commerce, 3) information available from the annual and consolidated account reports of incorporated companies.

The first source is the standard reference to Article 120 of the Consolidated Financial Legislative Decree no. 58/1998. relating to reporting of major holdings to Consob. The requirement applies to all "those involved in an incorporated listed company with more than two percent of its equity" (paragraph 2), and "all listed companies participating in a not listed incorporated companies with more than 10 percent of equity" (paragraph 3).

The second source is based on the third paragraph of Article 2435 of the Civil Code requiring publication of the list of shareholdings of incorporated companies resident in Italy, not listed on regulated markets. Board members are responsible for registering to the Chambers of Commerce "the list of shareholders (natural persons, residents or not) at the date of approval of the annual report and indicating the number of shares owned and other persons than shareholders who have rights or are entitled to the same constraints on the shares". The declaration must be made in the first phase of incorporation and annually within 30 days of approval of the budget.

These first two sources cover the entire population of incorporated companies (listed and unlisted) and provide a database where information on the ownership structure is organized in a bottom-up way. The third source of information used to create the business register on enterprise groups consists of the annual and consolidated accounting reports of incorporated companies, and provide information on direct and indirect holdings, as required by Article 2427, paragraph 5) Civil Code and Article 39 of Legislative Decree no. 127/1991.

Compared to the previous two sources, it presents a top-down structure of information, which enables not only immediate comparison with the other two sources, but also the recovery, in order to cover those units failing to comply registration requirement. Moreover, the consolidated financial statements provide a list of the controlling stakes of the major Italian groups in foreign affiliates and qualitative information to identify the de facto control in the case of joint ventures.

The methodology for the integration of different administrative sources, starting from elementary data on the structure of direct holdings of all incorporated companies, identifies the relationships of control, exercised either directly or indirectly, for each company according to the criteria above. For each subsidiary its parent is found, defined as "the first person or entity that performs direct or indirect control." The group structure is finally rebuilt by a continuous sequence of control pair-wise links between parents and subsidiaries coming up to the top of the whole group.

In case of multinational groups, the possibility to find out the entity that ultimately controls all the group is more difficult and this methodology stops at the nearest non-resident parent, in such cases we are talking about truncated groups. These structures constitute the reference population for the surveys on international activities of enterprises (inward FATS) carried out by Istat from a sample. They report the latest information on foreign control, that is used to update the ultimate controlling unit (UCI).

Glossary

Branches: branches are local units resident in Italy of foreign enterprises.

Classification of economic activities (Ateco 2007): The new classification of economic activities Ateco 2007, in force from 1 January 2008 is the national version of the new European classification of economic activities NACE Rev. 2.

Subsidiary: legal unit directly or indirectly controlled by a group head.

Index of asymmetry: index of dispersion given by $J = (1-MA/ME) * 100$, where MA is the arithmetic mean and ME the entropic mean. The entropic mean is given by $ME = \exp(\sum_j L_{ij} / \text{Lilog}L_{ij})$, where L_i is the number of total employees of the i-th and L_{ij} is the employment share of firm j belonging to the i-th group. While the arithmetic mean is affected by the high abundance of small firms, the entropic mean –

which is a particular geometric weighted average where the weights are proportional to the intensity of character possessed by the units – tend to be more representative of the units of large size. So, the greater the distance between the two means, for each group, the higher the index and the greater the degree of asymmetry in the distribution of the enterprises that compose a group. An index value close to 100 indicates the presence of one or a few large companies and many units of relatively smaller size within the same group, while a value close to zero indicates enterprise groups with an average size consistent with each other.

Active enterprise: enterprise that carries out a productive activity for at least six months in the reference period.

Trust: contract of mandate with which one person (the grantor) transfers a right to another person (the trustee), with the obligation to exercise it for the fulfilment of interests of the transferor or a third party or shared by him and the transferor or the third. With the trust, the trustee has the duty to administer in a professional, transparent and discretion on behalf of the grantor, its heritage. The latter is owned by the grantor and the trustee acts in accordance with the directives from the former.

Enterprise group: combination of legal units controlled by a group head. The EC Regulation No 696/1993 defines the group of companies as an association of enterprises governed by financial and non financial links having different decision centres, in particular as regards the policies of production, sales and profits and can unify some aspects of financial management and taxation. The group is characterized as "the economic entity that can make choices, particularly concerning the units that compose it".

Resident group: group formed only by resident legal units in the same country.

Multinational group: group of enterprises that has at least two legal units located in different countries.

Truncated group: part of a multinational group formed resident units on national territory.

Group head: a legal unit that controls the legal units of the group and which is not controlled by any other legal unit.

Non-resident group head: the group head resident outside the compiling country.

Resident group head: the group head established within the national territory.

Natural person: the concept of control implies that natural persons may be part of a chain of control only if they are at the top of the structure.

Incorporated company: companies incorporated in the form of Spa, Srl, Sapa. cooperatives, consortia of private law, other forms of cooperation between companies, established enterprises engaged in foreign economic activity in Italy, independent authorities, government bodies, special services public companies.

Resident unit: a unit is considered resident in a country when it has its center of economic interest in the economic territory of that country - that is, when exercising for a long period (one year or more) an economic activities in that territory. Therefore, residents are also considered notional resident units, defined as "those parts of non-resident units which have a center of economic interest (ie, in most cases. engaged in economic transactions for a year or more or who attend to an activity for a period exceeding one year on the economic territory of the country (ESA 1995).

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