Part II. Central-European Countries

Chapter 2. AUSTRIA

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Abstract

In this chapter, we use several datasets to trace out the ownership and control structures in Austria 25 ago and compare them to the situation today.

The main findings are as follows. First and most importantly, ownership concentration was and is very high in Austria. Listed firm samples in the mid-1990s display majority control, on average, as do listed firm samples today. Thus, the large shareholder control model was and is the predominant corporate governance feature even in Austrian listed firms. The large shareholder model was and is even more important in non-listed firms, and if anything, ownership concentration has increased in the last 25 years. The largest shareholder held around 60% of the shares in the top 100 firms in the mid 1990ies, while he holds around 75% now. Second, the identities of these controlling shareholders remained very much the same during this time period with one important exception, banks. Thus, while the state, pyramidal ownership structures predominantly in ultimately family controlled firms, and foreign investors remained important ownership and control categories in top Austrian corporations, banks lost their significance in holding the equity of the largest companies. Finally, the widely held corporation does not appear to become anywhere near a role model for the Austrian corporation. While we witnessed an increase in the number of widely held firms in the last 25 years in Austria, their economic significance remains minor.

Prominent researchers have predicted convergence to Anglo-American corporate governance and ownership structures, i.e. widely held firms. For example, Hansmann and Kraakman (2001) claimed that the basic law of the corporate form has already achieved a high degree of uniformity and the ideology of shareholder primacy is likely to press all major jurisdictions toward similar rules of corporate law and practice. Franks and Mayer (2001) argued that competition between stock exchanges, the dismantling of control-enhancing mechanisms, and the development of a market for corporate control might gradually produce a convergence of the ownership structures of German and Anglo-American stock markets. We cannot confirm

these predictions for Austria. In speculating, why this might be the case, “complementary institutions“ (see Deakin et al. 2017) that hinder this convergence may be the preferences of owners to not give up control and the risk aversion of Austrian people leading them to not invest in equity, as well as the missing political will to embrace a more shareholder oriented model with a commensurate unwillingness to privatize the remaining state-controlled companies. Moreover, viable substitutes to the widely held company appear to exist, i.e. the “Hausbank system” as a still important provider of debt and the internal capital markets of foreign multinationals.