Journal of Corporate Finance 97 (2026) 102938

Contents lists available at ScienceDirect

Journal of Corporate Finance

journal homepage: www.elsevier.com/locate/jcorpfin

"Death becomes her": Market reaction to the death of controlling inside blockholders☆

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ARTICLE INFO

Editor: M Bennedsen

JEL:
Classification
G32
G34

Keywords:
Controlling shareholder
Equal opportunity rule
Control premium

ABSTRACT

The death of a controlling inside blockholder triggers market expectations of possible changes in corporate control, which would extend the control premium to minority shareholders under the European Equal Opportunity Rule (EOR). Using data from Italy (1992–2023), we find cumulative average abnormal returns around the death announcement of +4.3 % over [−5,+1] and +3.6 % over [−1,+1]. Reactions are negligible when the deceased held a non-controlling stake, and stronger when a second relevant blockholder is present. We find no evidence of a stronger reaction for older blockholders or firms with weaker performance or valuation. Within 10 years, over one-third of firms formerly controlled by the deceased undergo a control transition, typically via tender offer under the EOR. Succession does not lead to ownership dispersion, but rather preserves or further concentrates control.

1. Introduction

In Robert Zemeckis's film "Death Becomes Her," the protagonists, played by Meryl Streep and Goldie Hawn, drink a magical potion that grants them eternal youth and makes them appear more attractive after death. Similarly, some firms become more attractive to investors right after the death of their controlling inside blockholders.

For instance, on June 12, 2023, at 9:30 a.m., Silvio Berlusconi, the founder of MediaForEurope (MFE), one of Europe's biggest media groups, passed away. Following his death, shares of MFE surged by around 20 % over two days. Andrea Pininfarina, a renowned Italian car designer, died in a scooter accident on the morning of August 7, 2008. That day, Pininfarina shares rose by nearly 20 %. Wanda Ferragamo, a renowned Italian fashion designer, passed away on Friday, October 19, 2018, when markets were closed. The following Monday, Ferragamo shares increased by over 7 %.

What do these events have in common, and why does the market react so positively to the death of a controlling inside blockholder? Consistent with how these three events were interpreted by financial analysts and the business press, we posit that the death of a

☆ We thank Morten Bennedsen (Editor), an anonymous Associate Editor, and two anonymous Reviewers for their insightful comments, which have significantly improved the paper. We also thank the participants of the 2024 Italian Academy of Banking and Finance (ADEIMF) Conference in Genoa and the 2025 Financial Engineering and Banking Society Conference in Montpellier, as well as Emanuele Bajo, Andrea Carosi, Sonia Falconieri, Valentina Febo, Manuela Geranio, Massimiliano Giamprini, Renatas Kizys, Silvia Rigamonti, Giuseppe Rimo, Sandro Sandri, Tanseli Savaser, Raffaele Staglianò, and Tania Stefanelli for their valuable suggestions. All remaining errors are our own. The data supporting the findings of this study are drawn from news articles aggregated through Nexis Uni, public disclosures from the Italian securities regulator (CONSOB) on ownership of Italian listed firms, and commercial data provided by LSEG Datastream.

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https://doi.org/10.1016/j.jcorpfin.2025.102938
Received 13 November 2024; Received in revised form 11 December 2025; Accepted 13 December 2025
Available online 18 December 2025

controlling inside blockholder increases the likelihood that heirs may decide to sell their inherited stakes and thus relinquish control of the company. If this happens, these shares are likely to be sold as a block to capture the control premium. Unlike in the U.S., the transfer of a control block in Europe is subject to the Equal Opportunity Rule (EOR) established by the EU Takeover Directive (2004/25/EC), which requires the acquirer to extend a mandatory public tender offer to minority shareholders at the same price. Therefore, the higher probability of a control block transaction following the death of a controlling inside blockholder may lead to an appreciation in the company's share price upon the announcement of the event.

This study analyzes data on deaths of controlling inside blockholders in Italian family firms from 1992 to 2023 and investigates the market reaction to these events. We find an average 7-day cumulative abnormal return (CAR) of +4.3 % (from day −5 to day +1) and an average 3-day CAR of +3.6 % (from day −1 to day +1). Conversely, when the inside blockholder holds a relevant but non-controlling stake in another firm, the market reaction is statistically indistinguishable from zero. Average CARs are also significantly higher when a second relevant blockholder is present. These results support the interpretation that the market perceives the death of a controlling inside blockholder as increasing the likelihood of a future control block transaction, with the premium being extended to all minority shareholders.

Our study contributes to the literature on the consequences of exogenous personal events affecting key corporate figures. Existing literature has analyzed market reactions to the death of senior executives (Johnson et al., 1985; Worrell et al., 1986; Salas, 2010; Nguyen and Nielsen, 2014), especially CEOs (Quigley et al., 2017; Lee et al., 2020; Chiang et al., 2022) and founder-entrepreneurs in private firms (Becker and Hvide, 2022), as well as to CEO hospitalization (Bennedsen et al., 2020).

Slovin and Sushka (1993) examined the death of inside blockholders in the U.S. and found that such events increase shareholder wealth, lead to a more dispersed ownership due to estate division or heirs selling shares, and increase the likelihood of takeover attempts. Our study is the first to analyze the death of a controlling inside blockholder within the legal context of the EOR in Europe, where ownership is more concentrated and family firms are prevalent.

Unlike the U.S., Europe is characterized by controlling inside blockholders, who often transfer control through negotiated and friendly transactions, typically at a substantial premium (Nenova, 2003; Dyck and Zingales, 2004; Martynova and Renneboog, 2011; Alcalde-Fradejas and Pérez-Soba, 2025). We track control-changing events for the firms in our sample and find that over one-third experienced such a transition within ten years of the blockholder's death. In all these cases, we observe no increase in ownership dispersion. Contrarily, in most instances, the death of a controlling inside blockholder was followed by a tender offer under the EOR which further concentrated control.

Our study also contributes to the literature on the determinants of voting premia. Prior studies have examined the size of voting premia in the context of differentiated bids for multiple classes of shares (Bergström and Rydqvist, 1992) or in situations in which such bids are anticipated by the market (Smith and Amoako-Adu, 1995). We extend this literature by documenting an increase in the value of voting rights following the death of a controlling inside blockholder in an EU country governed by the EOR. Within this regulatory framework and under concentrated ownership, the probability of a control transfer is the key driver of the value of voting rights. This probability replaces the traditional Shapley value approach, as minority shares are assigned a 100 % probability of inclusion in the control block if the EOR is triggered.

Finally, we aim to contribute to the ongoing debate on the relative efficiency of the U.S. Market Rule versus the EU EOR in takeover regulation within concentrated ownership environments (Bebchuk, 1994; De La Bruslerie, 2013; Burkart et al., 2000). Following the death of a controlling inside blockholder, market prices appear to anticipate the application of future EOR provisions. By documenting this mechanism, our study highlights a previously overlooked aspect of the EOR's functioning, namely its role in shaping market expectations.

The remainder of this paper is structured as follows. Section 2 reviews the relevant literature and institutional background. Section 3 describes the data and methodology. Section 4 discusses in detail the three cases introduced earlier. Section 5 presents the empirical results. Finally, Section 6 concludes and discusses the research implications.

2. Literature review and institutional background

The death of key figures has long been recognized as a significant event in corporate finance research. In a seminal study, Johnson et al. (1985) document significant abnormal returns following the sudden deaths of 53 senior executives in publicly traded U.S. firms between 1971 and 1982, more than two-thirds of whom were CEOs. The sudden deaths of founder–executives are associated with an average stock price excess return of +3.5 % on the event date, while the deaths of non-founder–executives lead to an average excess return of −1.16 %. The authors interpret this asymmetry as evidence that founders tend to extract greater private benefits from their employment relationships than their successors. Moreover, excess returns are negatively associated with the executive's position in the corporate hierarchy. CEO deaths generate the most negative returns due to the loss of firm-specific human capital and unique managerial skills. Similarly, Worrell et al. (1986) studied market reactions to 127 announcements of key executive deaths in the U.S. and found a negative reaction when the deceased held hands-on roles such as CEO or both CEO and chair.

Salas (2010) analyzed 195 sudden deaths of senior executives in U.S. firms between 1972 and 2008 and found that positive market reactions are more likely when the deceased executives are older and have longer tenures. Moreover, positive market reactions tend to occur in firms with lower market-to-book ratios. The findings suggest that the market might interpret such deaths as the removal of entrenched executives. Nguyen and Nielsen (2010) examined 108 sudden deaths of independent directors in U.S. firms (1994–2007) and found an average stock price decline of 0.85 %. The effect is stronger when the deceased held key board roles or when board independence was otherwise limited, suggesting greater value of independent oversight in firms with potentially entrenched CEOs.

Nguyen and Nielsen (2014) used stock price reactions to sudden top executive deaths as a proxy for executives' contributions to

shareholder value in U.S. firms. They found a positive relationship between abnormal executive compensation and the market's perceived contribution to firm value, suggesting that higher-paid executives are generally regarded as more valuable to the firm. Quigley et al. (2017) examined unexpected CEO deaths in publicly traded U.S. firms between 1950 and 2009. They found that the magnitude of market reactions, irrespective of direction, has increased over the decades. This trend suggests that shareholders increasingly view CEOs as central to firm performance, whether positively or negatively. Sudden CEO deaths have also been shown to affect innovation outcomes. Using data on publicly listed U.S. firms that experienced sudden CEO deaths, Lee et al. (2020) found that the transition from a founder–CEO to a professional CEO is associated with a 43.8 % decline in the firm's citation-weighted patent count. This suggests that founder–CEOs are more effective at fostering innovation, partly because they are better at retaining key innovative talents.

Despite their structured governance and formal succession plans, CEO deaths significantly impact large public firms, but the consequences are more severe for private firms. Chiang et al. (2022) reported that many small and medium-sized enterprises (SMEs) are either liquidated or sold following the death of their CEO–owner. An even greater impact is observed in startups. The death of a founder–entrepreneur substantially reduces startup performance, as smaller startups often do not survive, while larger ones experience significant declines in sales (Becker and Hvide, 2022). Importantly, the influence of a CEO on firm performance extends beyond their death. Bennedsen et al. (2020) analyzed a large sample of mostly private Danish firms and found that CEO hospitalizations lead to significant declines in both profitability and investment. These effects are more pronounced in firms led by younger CEOs, in high-growth or family-controlled firms, and in industries that are intensive in human capital. Conversely, the hospitalization of other top executives does not produce similarly negative outcomes.

Executive and CEO deaths have also been examined in the context of managerial succession. Borokhovich et al. (2006) studied executive deaths in public firms in the U.S. and found that the stock market reacts more positively when firms have a majority of outside directors on their boards. They argue that board independence is especially valuable when no clear successor is in place and firm performance is weak, as independent boards may use the opportunity to enhance management quality. Similarly, Ansari et al. (2014) studied family firms in France, Germany, and the U.K. and showed that greater board independence reduces the likelihood of appointing a family member as the CEO successor. In Danish family firms, the likelihood of appointing a family successor is influenced by the gender and birth order of the departing CEO, as firms led by male first-born CEOs are significantly more likely to pass control to another family member (Bennedsen et al., 2007). Moreover, family successions are associated with declines in operating profitability around the CEO transition. Focusing on private Swedish SMEs, Eddleston et al. (2025) propose a U-shaped relationship between a firm's financial performance and the sudden death of a CEO-owner. Their findings indicate that financial performance initially declines, subsequently stabilizes, and eventually recovers. Notably, while non-family successors are more effective at reducing short-term financial distress, family successors tend to produce stronger long-term outcomes.

Although existing literature has extensively examined the effects of deaths among CEOs, senior executives, and entrepreneurs in private firms, relatively little attention has been paid to the death of inside blockholders. To the best of our knowledge, the only study that investigates this issue in depth is Slovin and Sushka (1993), which focuses on the U.S. market, where takeover regulation does not enforce the EOR provisions that apply in the EU. Following the death of an inside blockholder, defined under the Securities and Exchange Commission (SEC) disclosure rules as a member of the firm's control group holding more than 5 % of the shares, shareholder wealth increases and ownership structures tend to become more dispersed, as control group holdings fall in two-thirds of the sample due to estate division or heirs selling their shares. Most firms subsequently become takeover targets; approximately three-quarters of the bids are successful, while one-third are hostile. The authors interpret their findings as consistent with Stulz's (1988) model, which posits that reducing excessive ownership concentration mitigates managerial entrenchment and increases the firm's exposure to the market for corporate control.

Aligning with the findings of Slovin and Sushka (1993) for the U.S. market, we argue that the death of a controlling inside blockholder in a family firm increases the likelihood that heirs will choose to sell their inherited stakes. However, our analysis focuses on inside blockholders with a controlling stake (or controlling inside blockholders) and occurs within a different institutional context, namely the European market. In Europe, the transfer of controlling blocks of shares is governed by the EU Takeover Directive (2004/25/EC), which establishes the so-called Equal Opportunity Rule, in contrast to the U.S. Market Rule (Bebchuk, 1994; De La Bruslerie, 2013; Burkart et al., 2000). Many European listed firms are family-owned, with ownership stakes frequently exceeding the 30 % threshold that triggers the EOR (Faccio and Lang, 2002; Barontini and Caprio, 2006; Aminadav and Papaioannou, 2020). Additionally, average control premia are significantly higher in the EU, and particularly in Italy, compared with the U.S. (Zingales, 1994; Albuquerque and Schroth, 2010).

The death of a controlling inside blockholder in a family firm is associated with an increased probability that the heirs will sell their inherited stake. However, in this context, the controlling interest will likely be sold as a single block to capture the control premium through negotiated, friendly transactions. As minority shareholders must be offered the same price as the acquirer, the positive market reaction at the time of the announcement should be determined by the expected discounted value of the control premium and the increased probability that control will indeed change hands.

Our study also contributes to the literature on control premia and the value of voting rights. In the literature, the value of a voting right is modeled as a function of the private benefits that can be extracted by controlling shareholders and the likelihood that minority shareholders will partially share in these benefits through a tender offer that includes a control premium (Grossman and Hart, 1988; Zingales, 1994; Burkart et al., 1998, 2000). In the U.S., where ownership is generally dispersed and takeovers follow the Market Rule, the likelihood of a control contest is estimated through the Shapley value, which proxies the likelihood that a vote held by minority shareholders is pivotal in forming a majority coalition (Milnor and Shapley, 1978; Rydqvist, 1986; Zingales, 1995). Conversely, European takeovers follow the EOR, and Europe is characterized by concentrated ownership and majority shareholders in family firms.

In a cross-country study based on data from 2004 to 2012, Aminadav and Papaioannou (2020) show that family-controlled firms account for 52 % of all listed companies in Germany, 54 % in France, and 59 % in Italy. According to the 2024 report on corporate governance of Italian listed companies published by the Italian securities regulator (*Commissione Nazionale per le Società e la Borsa*, CONSOB), family firms account for over 60 % of all listed Italian companies. For additional context, excluding state-owned enterprises and financial institutions, fewer than 20 % of listed firms lack a controlling shareholder. In terms of ownership concentration, the largest shareholder holds, on average, approximately 48 % of the company's shares, a proportion that has remained virtually unchanged over time (it was 49 % in 1998; CONSOB, 2024). In this setting, the probability of a control contest, and consequently the value of voting rights estimated through the Shapley value, would be close to zero. Instead, controlling shareholders in Europe occasionally sell their blocks of shares, typically through friendly transactions at substantial premiums (Nenova, 2003; Dyck and Zingales, 2004; Martynova and Renneboog, 2011; Alcalde-Fradejas and Pérez-Soba, 2025), and this triggers the EOR. Consequently, the value of voting rights is determined by the probability that the controlling block will be sold at a premium, rather than through a contested takeover.

Researchers have proposed several approaches to estimate the value of voting rights (for a review, see Bigelli and Croci, 2013, and Levit et al., 2025). Among these, Bergström and Rydqvist (1992) assess the value of voting rights in firms with dual-class shares during takeover attempts. When superior voting shares are offered a higher price, the bid differential provides an estimate of the value of voting rights. Similarly, Smith and Amoako-Adu (1995) show that the anticipated likelihood of a future takeover involving differentiated bid prices for superior and inferior voting shares explains the observed price spread in Canadian dual-class firms, thus influencing the value of voting rights. Aligning with these studies, we argue that, in EU firms subject to the EOR, the value of voting rights crucially depends on the likelihood of a future control-block transaction. The death of a controlling inside shareholder increases the likelihood that heirs will divest the controlling stake, leading to an upward revaluation of the voting component embedded in the market price of voting shares (Manne, 1965).

Finally, this study adds to the literature on anticipatory market reactions to merger and acquisition (M&A) activity (Dennis and McConnell, 1986; Schwert, 1996). The positive market response observed at the time of the death reflects expectations of a potential, albeit uncertain, control transfer. Prior studies focus on price run-ups occurring in the days or months preceding an acquisition announcement, often driven by illegal trading by corporate insiders and legal trading by investors anticipating upcoming M&A transactions (Jabbour et al., 2000; Betton et al., 2014; Brennan et al., 2018; Dutordoir et al., 2021). Conversely, our findings reveal a market reaction that arises much earlier, measured in years. The anticipated transaction is not a hostile takeover but a friendly transfer of the inherited controlling block of shares, which would trigger a mandatory totalitarian bid. Although the outcome of the bid remains uncertain, the death of a controlling inside blockholder increases its likelihood, prompting a positive market response well before any formal announcement.

3. Sample and methodology

We use Nexis Uni (formerly LexisNexis Academic) to search for news concerning the deaths of controlling inside blockholders in Italian family-owned firms. The database aggregates news from newspapers and websites across various countries. Since the EOR was first enforced in Italy in 1992, our search covers the period 1992–2023. We restrict our search to articles published in Italian. The primary sources we rely on are *Il Corriere della Sera* (the most widely read Italian generalist newspaper), *La Stampa* (another leading national daily), and ANSA (*Agenzia Nazionale Stampa Associata*, Italy's leading news agency).

The core search criterion is the co-occurrence, within the same article, of at least one term referring to death and one referring to business ownership or leadership.[1] Since Italian uses gendered forms for most nouns and adjectives, we explicitly include masculine and feminine variants to capture all relevant cases. Moreover, we do not use wildcard characters, which would retrieve articles with words sharing the same root but that are contextually off-topic. The objective is to capture news articles linking the deceased to a family firm in which they held a controlling stake, regardless of whether they occupied a formal executive role at the time of death. This includes current or former executives, chairpersons, founders, founding family members, or others closely tied to the firm's ownership.

To avoid missing relevant cases, our search criteria are deliberately broad, since we are unable to detect entries only for listed firms.[2] Therefore, we screen all retrieved items based on the title, preview text, and thematic classification tags provided by Nexis Uni (for example, "Death + Dying," "Executives," "Entrepreneurship," "Families + Children," "Shareholders"). Articles unrelated to the focus of our research or referring to non-listed firms are excluded.

We retain cases in which the deceased shareholder held a controlling stake in an Italian listed company, exceeding the threshold that triggers a mandatory takeover bid (30 % under Italian law, except for SMEs, which, since 2014, may set a threshold between 25 %

[1] Death-related terms include "*morto,*" "*morte*" (Italian for "dead" or "death"), and commonly used expressions in journalistic language such as "*deceduto*" ("deceased"), "*scomparso*" ("passed away"), "*si è spento*" ("has died"), "*addio a*" ("farewell to"), "*spirato*" ("expired"), "*se ne va*," "*se ne è andato*" ("gone"), and "*venuto a mancare*" ("has passed"). Terms referring to business ownership or leadership include "*imprenditore*" ("entrepreneur"), "*fondatore*" ("founder"), "*presidente*" ("chairperson"), "*amministratore delegato*" ("chief executive officer"), "*industriale*" ("industrialist"), "*Cavaliere del Lavoro*" (a honorific title often conferred on prominent industrialists), and "*capo azienda*" ("company head").

[2] We attempt to refine the results by requiring at least one term associated with stock market activity, such as "*Borsa*" ("stock exchange"), "*Piazza Affari*" (the Milan Stock Exchange), "*quotazione*" ("listing"), or "*azioni*" ("shares"). However, news articles do not always explicitly state a company's listed status, particularly in the case of smaller firms.

and 40 % in their bylaws). News articles often report the deceased's equity stake. We cross-check or integrate this information using CONSOB's public disclosures, which provide shareholdings exceeding the mandatory filing thresholds (typically 3 %). We identify 39 observations meeting these criteria.

All these observations concern controlling inside blockholders in family firms. The deceased shareholder held, on average, approximately 54 % of the firm's equity. In all but three cases, the deceased was either the founder or held a key leadership position (such as CEO, chairperson, vice-chair, or board member, in one case) or, if not, other family members (such as descendants) were on the board. In the three remaining cases, the deceased shareholder retained dominant control by appointing most board members. In other words, all death events involve family firms, as the deceased shareholder maintained significant ownership and exercised control at the time of death (Burkart et al., 2003; Anderson and Reeb, 2003; Villalonga and Amit, 2006).

For each of these 39 observations, we determine whether the deceased shareholder held a relevant but non-controlling stake in other listed firms. We include firms where the deceased owned at least 10 %, a common cutoff for significant ownership in family firms, especially in continental Europe (e.g., Barontini and Caprio, 2006; Maury, 2006). As in the previous step, we rely on CONSOB disclosures to confirm ownership structures. This yields 12 additional cases, bringing the total sample to 51 observations. We define a dummy variable, *Tender offer stake*, as equal to 1 for the 39 cases in which the deceased was a controlling inside blockholder, and 0 otherwise. The 39 cases with the dummy equal to 1 form our main sample, while the 12 remaining cases constitute the control sample.

Since the Italian equity market is relatively small compared with the overall number of private firms, our sample size is limited. For context, the number of domestic companies listed on the regulated market was 229 in 1992, 279 in 2003, 247 in 2013, and 210 at the end of 2023.[3] When considering only non-financial firms, the average number of listed companies falls to fewer than 190 over the period 1978–2008 (Rigamonti, 2025). By comparison, Slovin and Sushka (1993) report 85 deaths of inside blockholders between 1973 and 1989 in the U.S., a much larger market in terms of listed firms. Nevertheless, we acknowledge that the small sample size may limit the statistical power of our tests.

Occasionally, the death of a blockholder is announced when stock markets are open or about to open, resulting in an immediate market reaction on the announcement date. In other instances, the announcement occurs when markets are closed or during weekends, causing the market reaction to occur on the next available trading day. Therefore, to capture these instances, we identify the exact day and time of the first death announcement using sources such as Reuters or ANSA.

We conduct an event study to investigate the market reaction to the death announcement. Day zero is the day of death if the first announcement occurs during market hours or the next available trading day if the announcement is made when the market is closed. We gather daily prices and volumes for the 51 stocks and relevant market indices from LSEG Datastream. The MSCI Italy Index, which covers more than 80 % of Italian market capitalization, is used as a proxy for market returns in our analysis.[4] Abnormal returns are computed using a market model with beta estimation over a 250-day window preceding the longest event window (−270 to −21). For robustness, we also employ a simple market adjustment. We cumulate abnormal returns over various event windows. Since deaths typically occur after a period during which the individual's illness may be public information, rather than suddenly, we include event windows that extend a few days prior to the event.

4. Three notable examples

We briefly present three examples from our sample that support the empirical evidence presented later in the paper. Fig. 1 shows daily cumulative abnormal returns and trading volume around the event dates.

4.1. MFE

Silvio Berlusconi was a prominent Italian political leader and media magnate. He founded Mediaset in the 1970s during the rise of Italian private television, and the company later expanded internationally to become Europe's second-largest private television group. Although Mediaset was controlled by Berlusconi's holding company Fininvest, which held around 40 % by the end of 2016, the French media company Vivendi acquired approximately 28 % in an attempt to challenge corporate control. This motive was partially thwarted by new legislation subsequently adopted by the Italian government.[5]

In 2021, the firm relocated its legal headquarters to the Netherlands and rebranded as MediaForEurope (MFE). The equity was split into two classes of shares: Class B, the original shares, with a par value of €0.60 and 10 votes per share, and Class A, distributed to all Class B shareholders, with a par value of €0.06 and one vote per share. Both classes of shares enjoy equal dividends and are treated

[3] Figures for 1992 and 2003 are from CONSOB's Annual Report for the respective years. Data for 2013 and 2023 are from CONSOB's Report on Corporate Governance of Italian Listed Companies for the respective years.

[4] Alternatively, we use the COMIT Globale, a comprehensive market index originally developed by Banca Commerciale Italiana (now Intesa Sanpaolo, Italy's largest bank) and available since 1973. Results are reported only for the MSCI Italy index, as they are nearly identical across both indices.

[5] The hostile attempt prompted legal and regulatory responses, including a rule by the Italian Communications Authority (AGCOM). This rule barred companies from holding significant stakes in both telecommunications and media firms concurrently. With Vivendi already owning a substantial share in Telecom Italia (the Italian largest telecommunication company), the regulation compelled Vivendi to decide between its interests in Telecom Italia and Mediaset.

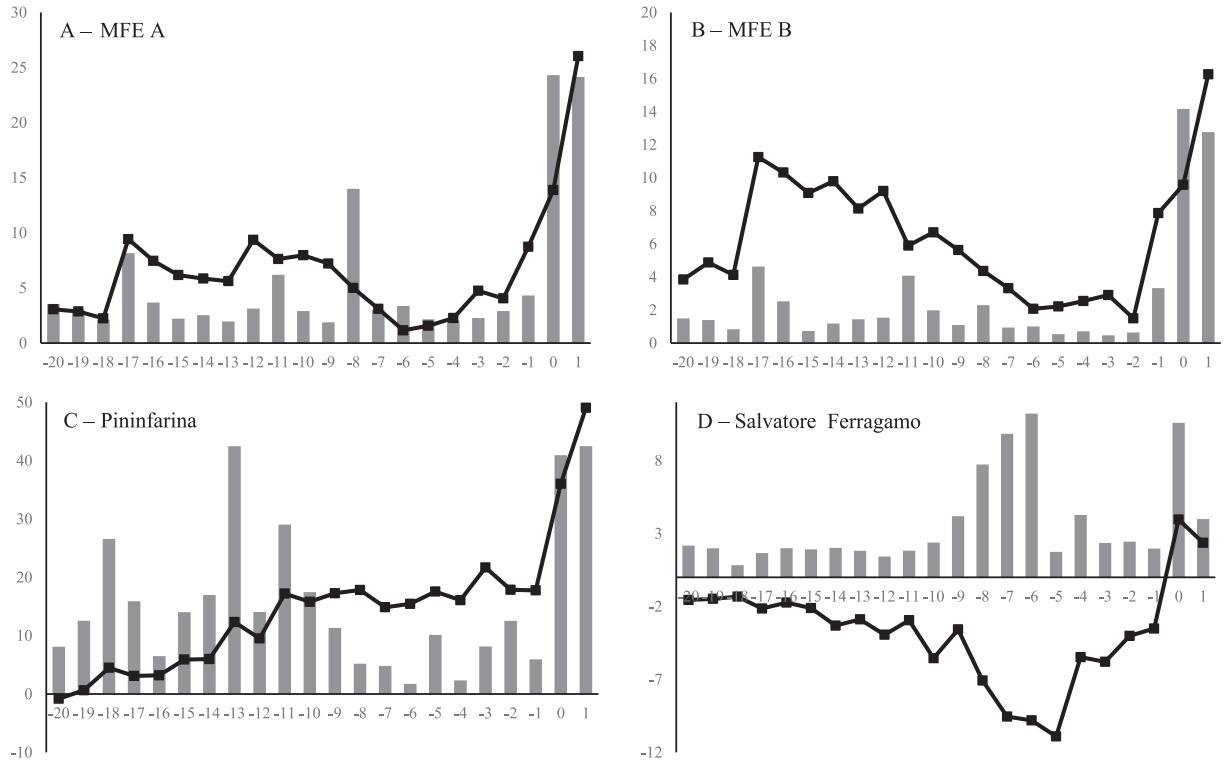

Fig. 1. *CARs and trading volume of selected stocks*. The figure shows cumulative abnormal returns (CARs, %, line chart) and the daily trading volume (bar chart) of stocks MFE A (Fig. 1A), MFE B (Fig. 1B), Pininfarina (Fig. 1C), and Salvatore Ferragamo (Fig. 1D). The event date ($t = 0$) is the first trading day following the controlling shareholder's death, that is, June 12, 2023 (MFE A and MFE B), August 7, 2008 (Pininfarina), and October 22, 2018 (Salvatore Ferragamo). Abnormal returns are computed using a market model with beta estimation based on the 250 trading days preceding the event window (i.e., from −270 to −21 relative to the event date) and the MSCI Italy index as a proxy for market return.

equally in the event of a takeover bid. Following the restructuring, Mediaset, Fininvest, and Vivendi agreed that Vivendi and its fiduciary trust (Simon Fiduciaria) would sell 5 % of MFE shares to Fininvest. Additionally, Vivendi committed to selling a further 19.19 % stake in MFE within five years, subject to favorable market conditions.

Silvio Berlusconi led his group directly until 1994, when he entered politics. His son, Piersilvio, assumed the role of vice president of MFE in 2000 and became CEO in 2015. His daughter, Marina, served as vice president of the family holding from 1996 to 2005 and took over as president in 2005. Silvio Berlusconi passed away at the age of 86 on June 12, 2023, at 9:30 a.m., after three days of hospitalization. Following the announcement of his death, MFE Class A and B shares surged by almost 10 % and 8 %, respectively, before closing with more modest gains of 5.9 % and 2.3 %. The following day, both classes of shares continued to rise, with Class A increasing by 13 % and Class B by 7 % (Fig. 1A and B).

At the time of Silvio Berlusconi's passing, he owned a 61.3 % stake in Fininvest, which controlled 48.5 % of MFE. Fininvest also held controlling interests in Mondadori, Italy's largest publishing house, whose stock rose by around 1 % over the following two days. Through MFE, it owned a 30 % stake in a German company (ProSiebenSat.1), which saw a 2 % increase in its shares.[6] Additionally, Fininvest held a significant but non-controlling stake in Banca Mediolanum, an Italian bank, insurance, and asset management group led by the Doris family, whose shares remained virtually unaffected by the news.

Reuters commented on the stock surge: "*Rather than a sign of disrespect for the billionaire who made his fortune in commercial television before going into politics, the buoyancy of the shares reflects the options that could open for the company as its founder exits the scene.*" They added: "*[i]n a fast-changing media landscape, some investors bet that his heirs may be more open to seeking a partner for MFE, or selling to a larger rival. MFE's second-biggest shareholder, French media group Vivendi […], is widely seen in the industry as the main candidate.*"[7] Bloomberg echoed this sentiment: "*MFE-MediaForEurope NV rose for a second day with investors speculating that Silvio Berlusconi's successors could pave the way for potential M&A scenarios for Italy's largest commercial broadcaster.*"[8] On June 14, *Il Corriere della Sera* (the

[6] As the scope of this study is limited to Italian listed firms, ProSiebenSat.1 is not included in the sample used for the analysis later in the paper.

[7] Reuters, June 12, 2023, "Berlusconi's passing raises prospects of business empire's shakeup" available at: https://www.reuters.com/business/media-telecom/berlusconis-passing-paves-way-reshape-business-empire-2023-06-12.

[8] Bloomberg, June 13, 2023, "Berlusconi's MFE Rises Amid M&A Speculations on Succession Plan," available at: https://www.bloomberg.com/news/articles/2023-06-13/berlusconis-mfe-rises-amid-m-a-speculations-on-succession-plan.

most widely read Italian newspaper) reported that "*[t]he family has promised 'absolute continuity in every aspect,' while the stock market is betting on a turning point.*" It further noted: "*[t]he volume of transactions was exceptional, more than 10 times higher than the average: in two days, 50 million Mfe A shares and 25 million Mfe B shares changed hands.*"[9]

4.2. Pininfarina

Pininfarina is an Italian company founded in 1930 by Battista Farina, also known as "Pinin." Renowned for designing some of the world's most iconic cars, including some Ferraris, Maseratis, and Rolls-Royces, the company has left a significant mark on the automotive industry. In 1961, as a symbolic gesture of national gratitude, the Italian government authorized Battista Farina's request to officially change his surname to Pininfarina.

In 2008, the firm was controlled by the family holding, Pincar, which held a majority stake of 50.6 %. Andrea Pininfarina, the founder's nephew, was president and CEO. On August 7, 2008, at the age of 51, Andrea Pininfarina died in a road accident while riding his Vespa scooter to work. His death occurred at approximately 8:15 a.m., and the news was first reported at 11:44 a.m., during trading hours on the stock market. Pininfarina's stock opened with an 11 % price increase and trading was halted multiple times throughout the day due to the sharp rise. By the end of the trading day, the stock had surged by over 20 %, supported by high trading volumes (Fig. 1C). On the same day, Reuters commented that "*[Andrea Pininfarina's] death prompted speculation that the entrance of new investors will speed up, sending its shares sharply higher.*"[10] The New York Times stated that "*Mr. Pininfarina's death raised speculation that the family could sell the company. Its shares surged 21 percent on Thursday.*" [11]

A few months later, a Reuters article dated December 31, 2008, reported that "*[t]he Pininfarina family […] agreed to sell its stake in the company, the designer of iconic cars for films and Ferrari […] The company had earlier said the family's holding Pincar had agreed with creditor banks to sell its 50.6 percent stake […] The potential buyer of Pincar Holding's stake will have to launch a bid on the remaining stake in Pininfarina.*"[12] Pininfarina was eventually sold to the Indian group Mahindra on December 14, 2015, and a mandatory takeover bid was launched at the same price on the remaining listed shares.

4.3. Salvatore Ferragamo

Salvatore Ferragamo is an Italian fashion company renowned for its stilettos and silk scarves. It was founded in Florence in 1927 by Salvatore Ferragamo. Following Salvatore Ferragamo's death in 1960, his wife, Wanda Ferragamo Miletti, assumed company leadership at 39. She served as president until 2006 and has since held the honorary president title, overseeing the global expansion. As of 2018, the family-holding company Ferragamo Finanziaria controlled the company with a 54.3 % stake, while Wanda Ferragamo retained usufruct rights on 10.7 % of the shares.

Wanda Ferragamo passed away on Friday, October 19, 2018. The news of her death was released shortly before 8:00 p.m., after the markets had closed. The following Monday, three calendar days after her death, Ferragamo shares surged by 7.4 %, accompanied by large trading volumes (Fig. 1D). Market speculation emerged that her heirs might consider selling the company despite Wanda Ferragamo's staunch opposition to such a move. However, analysts were divided, with some expressing skepticism about immediate changes, citing the family's deep-rooted commitment to the firm (three of her sons served on the board) and her son Ferruccio's statements that the company was not for sale.

The Financial Times reported that Salvatore Ferragamo shares jumped "*on expectations that the maker of stilettos and silk scarves would be more likely to consider a buyout after the death of its matriarch, Wanda Ferragamo.*"[13] Bloomberg similarly noted the market reaction: "*Salvatore Ferragamo shares gained the most in two years as the death of the founder's widow prompted speculation that her heirs may eventually sell their stakes in the Italian luxury shoemaker.*"[14]

5. Empirical results

5.1. Market reaction

The results of the event study for the 39 firms where the deceased shareholder held a controlling stake (*Tender offer stake dummy* =

[9] Il Corriere della Sera, June 14, 2023, "Mediaset sale di un altro 13 % in Borsa dopo la morte di Berlusconi. Faro sulle mosse di Vivendi," available (in Italian) at: https://www.corriere.it/economia/aziende/23_giugno_13/mediaset-sale-un-altro-13percento-faro-mosse-vivendi-25e08ddc-0a22-11ee-bee7-ee379b110155.shtml.

[10] Reuters, August 7, 2008, "Car design head Pininfarina dies in road crash," https://www.reuters.com/article/idUSL794937.

[11] New York Times, August 7, 2008, "Andrea Pininfarina, Chief of Car Designer, Dies at 51," https://www.nytimes.com/2008/08/08/business/08pininfarina.html.

[12] Reuters, December 31, 2008, "Car designer Pininfarina family sells stake in company," https://www.reuters.com/article/business/autos-transportation/car-designer-pininfarina-family-sells-stake-in-company-idUSTRE4BU02C.

[13] Financial Times, October 22, 2018, "Ferragamo shares jump after widow's death sparks sale talk," https://www.ft.com/content/54c2b386-d607-11e8-a854-33d6f82e62f8.

[14] Bloomberg, October 22, 2018, "Ferragamo Shares Jump as Widow's Death Sparks Takeover Talk," https://www.bloomberg.com/news/articles/2018-10-22/ferragamo-shares-jump-as-widow-s-death-sparks-takeover-talk.

1) are reported in Table 1. Panel A presents calculations of risk-adjusted average cumulative abnormal returns (CARs), where expected returns are estimated using a market model, as previously explained. In Panel B, CARs are computed using a market-adjusted returns approach. We provide parametric (*t*-test) and non-parametric (Wilcoxon signed ranks, Corrado-Cowan rank, and Cowan generalized sign tests) statistics for the null hypothesis of zero market reaction, along with their significance according to the conventional thresholds (Wilcoxon, 1945; Corrado, 1989; Cowan, 1992).

Table 1 shows that the market responds with positive, significant, and economically relevant CARs. Specifically, in Panel A, the average three-day CAR (centered on the event date) is 3.6 %, while the average four- and seven-day CARs, covering the two and five trading days before and one trading day after the event date, are 3.7 % and 4.3 %, respectively. In Panel B, market-adjusted CARs are slightly lower (e.g., 3.4 %, 3.5 %, and 3.7 % for the average three-, four-, and seven-day CARs ending one day after the event date, respectively) but remain strongly significant. In either case, the market reaction is economically large and confirms that the death of a controlling inside blockholder results in an abnormal increase in stock prices.

Fig. 2 visualizes the evolution of CARs from −20 to +1 trading days relative to the event date for the stocks in the main sample. Fig. 2A shows risk-adjusted returns, while in Fig. 2B returns are market-adjusted. Average CARs increase significantly a few trading days before the event date, suggesting that expectations are progressively reflected in stock price run-ups. The average 22-day CAR (from −20 to +1) reaches 3.8 % in Fig. 2A. Interestingly, although prices begin to rise around five trading days prior to the event, the increase becomes more pronounced in the two to three days leading up to the death announcement. This evidence motivates the use of the 7-day CARs (from −5 to +1) in the multivariate investigation later in the paper.

We repeat the analysis to examine the market reaction on the date of death for the control sample, that is, firms in which the deceased shareholder held a significant but non-controlling stake (*Tender offer stake dummy* = 0). The results are presented in Table 2.

The structure of Table 2 mirrors that of Table 1. The key takeaway is that the market reaction is negligible. According to non-parametric tests, all average CARs are indistinguishable from zero, except for one event window in Panel B (where returns are market-adjusted), for which the market reaction is negative. This evidence supports the idea that the market reacts strongly only when a control transfer that would eventually trigger a mandatory takeover bid is more likely. Conversely, the reaction is negligible when a significant blockholder dies, but the voting stake represents a non-controlling interest, insufficient to trigger a mandatory tender offer upon transfer.

5.2. Sample characteristics

Table 3 reports sample characteristics, comparing firms in the main sample (*Tender offer stake dummy* = 1) with those in the control sample (*Tender offer stake dummy* = 0). The table presents descriptive statistics for market reaction (CARs) and firm-level variables.

The first set of variables in Table 3 shows that firms in the main sample experience a significantly larger market reaction. Specifically, focusing on the 7-day CARs (from −5 to +1 relative to the event date), we observe a mean difference of +5.7 % and a median difference of +4.7 %, both statistically significant under the *t*-test and non-parametric rank sum test (the *p*-value of the median test is 12 %). Notably, all CAR differences are positive, indicating a systematically different market response between the two samples across all event windows.

In the untabulated results within the main sample, we isolate the market reaction of stocks where the controlling inside blockholder's death is classified as a sudden event. Sudden death is fully unexpected by the market and occurs "*instantaneously or within a few hours of an abrupt change in the person's previous clinical state*" (Nguyen and Nielsen, 2010). We identify only five such cases in the main sample (including the previously discussed Pininfarina), compared with 34 non-sudden deaths. For this reason, we use the 7-day CAR in our multivariate analysis. However, the average 3-day CAR (from −1 to +1) for these five observations is 7.5 %, more than double the 3.1 % average CAR for the 34 non-sudden deaths. For reference, the average 3-day CAR across all 39 observations is 3.6 %.

The second set of variables in Table 3 includes ownership-related variables expected to influence the market reaction. *Deceased shareholder's stake* is the equity stake held by the deceased shareholder. *Second shareholder's stake*, reported only for the main sample (in which the deceased is the controlling inside blockholder), captures the ownership share of the second-largest shareholder. *Institutional investors* is a dummy variable indicating whether institutional investors are among the firm's minority shareholders.[15] A significant second shareholder, potentially positioned to acquire control if the controlling stake is divested, may increase the perceived likelihood of an ownership transition. Furthermore, the presence of institutional investors, who typically have stronger incentives than retail investors to monitor corporate governance, could influence the size of the control premium offered by a potential acquirer (Bajo et al., 2013). Firm-specific variables also include financial metrics such as *Net Sales*, *Leverage*, *ROE*, and *Tobin's Q*.[16]

The last set of variables in Table 3 relates to the characteristics and roles of the deceased shareholder. *Founder* is a dummy variable indicating whether the deceased shareholder founded the firm, while *CEO/chair* identifies whether they held the position of CEO or chair of the board. *Descendants on board* is a dummy equal to 1 if at least one descendant of the deceased shareholder served on the board of directors. These variables proxy for the deceased shareholder's personal involvement in the firm and the potential implications of their death for ownership and managerial continuity. We also include a dummy variable *Over 65*, equal to 1 if the deceased was older than 65. This applies to 46 of the 51 observations, as most deaths occur at an advanced age.

[15] The presence of institutional investors is based on the thresholds for mandatory disclosure set by the securities regulator (typically 3 % of voting rights).

[16] These financial metrics are measured at the end of the year preceding the event. This is particularly relevant for *Tobin's Q*, to ensure that market capitalization does not reflect the event-related reaction.

Table 1

Average CARs of stocks in the main sample. The table presents the average cumulative abnormal returns (CARs) for the 39 stocks in the main sample (*Tender offer stake dummy* = 1), measured in the [t1; t2] window around the event. Tests of zero-CAR include the parametric *t*-test and the non-parametric Wilcoxon signed rank, Corrado-Cowan rank, and Cowan generalized sign tests. Abnormal returns are risk adjusted using a market model with beta estimation based on the 250 trading days preceding the longest event window (i.e., from −270 to −21 relative to the event date) and the MSCI Italy index as a proxy for market return in Panel A, and market adjusted (using the same market index) in Panel B. ***, **, and * indicate statistical significance at the 1 %, 5 %, and 10 % levels, respectively.

Panel A - Risk-adjusted (market model) abnormal returns

	N	CAR, %	t-test	Wilcoxon signed rank test	Corrado-Cowan rank test	Cowan generalized sign test
[−1; +1]	39	3.63	5.19***	2.67***	2.95***	2.79***
[−2; +2]	39	3.36	3.70***	2.05**	2.44**	3.75***
[−2; +1]	39	3.71	4.58***	2.56**	2.92***	3.43***
[−5; +1]	39	4.25	3.97***	2.70***	2.87***	2.47**
[−20; +1]	39	3.76	1.92*	0.60	0.92	2.47**

Panel B - Market-adjusted abnormal returns

	N	CAR, %	t-test	Wilcoxon signed rank test	Corrado-Cowan rank test	Cowan generalized sign test
[−1; +1]	39	3.41	4.63***	2.26**	2.67***	2.71***
[−2; +2]	39	3.15	3.31***	1.72*	2.38**	2.71***
[−2; +1]	39	3.50	4.11***	2.16**	2.74***	3.35***
[−5; +1]	39	3.74	3.32***	2.29**	2.86***	2.71***
[−20; +1]	39	3.65	1.78*	0.70	1.58	3.67***

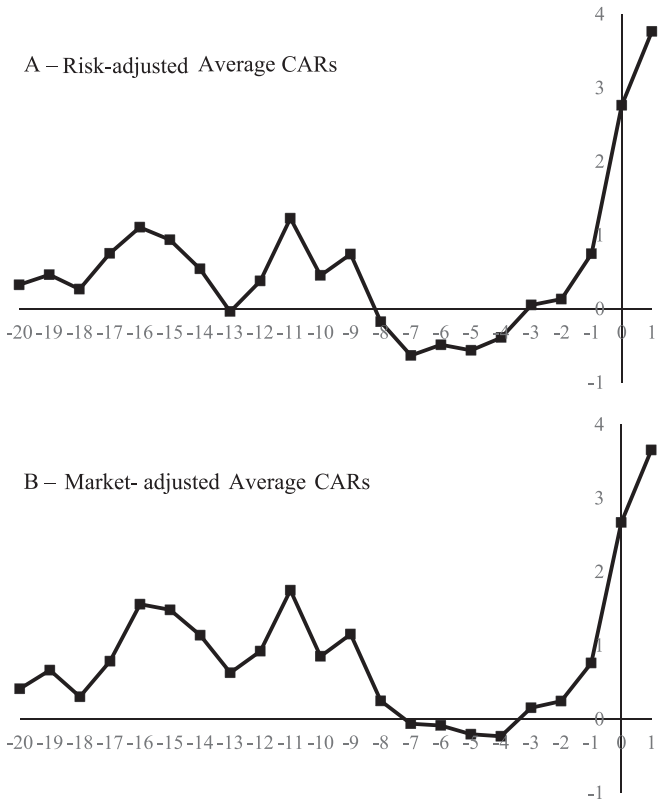

Fig. 2. *Evolution of average CARs for stocks in the main sample*. The figure shows the daily average cumulative abnormal returns (CARs, %) for the 39 stocks in the main sample (*Tender offer stake dummy* = 1). Abnormal returns are risk adjusted using a market model with beta estimation based on the 250 trading days preceding the event window (i.e., from −270 to −21 relative to the event date) and the MSCI Italy index as a proxy for market return in Fig. 2A, and market adjusted (using the same market index) in Fig. 2B.

Table 2

Average CARs of stocks in the control sample. The table presents the average cumulative abnormal returns (CARs) for the 12 stocks in the control sample (*Tender offer stake dummy* = 0) measured in the [t1; t2] window around the event. Tests of zero-CAR include the parametric t-test and the non-parametric Wilcoxon signed rank, Corrado-Cowan rank, and Cowan generalized sign tests. Abnormal returns are risk adjusted using a market model with beta estimation based on the 250 trading days preceding the longest event window (i.e., from −270 to −21 relative to the event date) and the MSCI Italy index as a proxy for market return in Panel A, and market adjusted (using the same market index) in Panel B. ***, **, and * indicate statistical significance at the 1 %, 5 %, and 10 % levels, respectively.

Panel A - Risk-adjusted (market model) abnormal returns

	N	CAR, %	t-test	Wilcoxon signed rank test	Corrado-Cowan rank test	Cowan generalized sign test
[−1; +1]	12	0.45	0.52	0.11	0.24	1.24
[−2; +2]	12	0.50	0.45	−0.24	−0.14	−1.07
[−2; +1]	12	0.17	0.17	−0.19	−0.18	0.09
[−5; +1]	12	−1.47	−1.12	−0.95	−0.7	−1.64
[−20; +1]	12	−1.07	−0.44	−0.14	0.23	−1.64

Panel B - Market-adjusted abnormal returns

	N	CAR, %	t-test	Wilcoxon signed rank test	Corrado-Cowan rank test	Cowan generalized sign test
[−1; +1]	12	0.46	0.51	0.00	0.16	0.06
[−2; +2]	12	0.76	0.66	0.07	0.31	0.64
[−2; +1]	12	0.27	0.26	−0.02	0.09	−1.09
[−5; +1]	12	−1.55	−1.13	−0.96	−0.66	−1.67*
[−20;+1]	12	0.84	0.34	0.95	1.27	0.06

Table 3

Descriptive statistics comparing the main and control samples. The table reports the descriptive statistics of variables, contrasting observations between the main (*Tender offer stake dummy* = 1) and control (*Tender offer stake dummy* = 0) samples. *CAR [t1; t2]* is the cumulative abnormal return of the stocks measured in the [t1; t2] window around the event, *Deceased shareholder's stake* is the voting stake of the deceased shareholder; *Second shareholder's stake* is the voting stake of the shareholder with the second-largest voting rights in the firm, excluding the deceased controlling inside blockholder; *Institutional investors dummy* takes the value of 1 if the firm's ownership structure includes institutional investors, and 0 otherwise; *Net sales* is revenue from sales and other operating revenue; *Leverage* is financial debt over invested capital; *ROE* is return on equity; *Tobin's Q* is enterprise value over the book value of total assets; *Over 65 dummy* takes the value of 1 if the deceased shareholder is older than 65, and 0 otherwise; *Founder dummy* takes the value of 1 if the deceased shareholder is the founder, and 0 otherwise; *CEO/chair dummy* takes the value of 1 if the deceased shareholder is the CEO or the chair of the board of directors, and 0 otherwise; and *Descendants on board dummy* takes the value of 1 if at least one descendant of the deceased shareholder sits on the board of directors, and 0 otherwise. *Net sales*, *Leverage*, *ROE*, and *Tobin's Q* refer to the fiscal year preceding the one in which the event date falls. All financial ratios are winsorized at the 5th and 95th percentiles. Statistical tests include the t-test, non-parametric Wilcoxon-Mann-Whitney rank sum test, and non-parametric K-sample median test (χ^2 test with Yates's continuity correction). *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

	Tender offer stake dummy = 1			*Tender offer stake dummy* = 0			Mean diff.	Median diff.	t-test	Rank sum test	Median test
	N	Mean	Median	N	Mean	Median					
CAR [−1; +1], %	39	3.6	3.0	12	0.4	0.1	3.2	2.9	1.4	1.9*	5.0**
CAR [−2; +2], %	39	3.4	3.1	12	0.5	−0.2	2.9	3.2	1.4	1.9*	2.5
CAR [−2; +1], %	39	3.7	2.9	12	0.2	−0.3	3.5	3.2	1.6	2.2**	2.5
CAR [−5; +1], %	39	4.3	3.6	12	−1.5	−1.0	5.7	4.7	2.3**	2.6***	2.5
CAR [−20; +1], %	39	3.8	3.1	12	−1.1	−1.7	4.8	4.8	1.2	1.6	2.5
Deceased shareholder's stake, %	39	53.6	53.6	12	15.5	12.0	38.1	41.6	8.0***	4.7***	8.9***
Second shareholder's stake, %	39	7.1	5.0	.	.	.	.	.	.	.	.
Institutional investors dummy, %	39	43.6	.	12	75.0	.	−31.4	.	−1.9*	−1.9	.
Net sales, € billions	39	6.1	1.0	12	19.4	2.1	−13.3	−1.1	−1.6	0.7	1.1
Leverage, %	39	45.1	43.3	12	47.6	48.6	−2.6	−5.3	−0.3	−0.4	0.1
ROE, %	39	5.1	9.3	12	9.5	8.7	−4.4	0.6	−0.9	−0.1	0.1
Tobin's Q	39	0.8	0.7	12	0.7	0.5	0.1	0.2	0.6	1.1	0.8
Over 65 dummy, %	39	89.7	.	12	91.7	.	−1.9	.	−0.2	−0.1	.
Founder dummy, %	39	48.7	.	12	8.3	.	40.4	.	2.6**	2.5**	.
CEO/chair dummy, %	39	43.6	.	12	16.7	.	26.9	.	1.7*	1.7	.
Descendants on board dummy, %	39	61.5	.	12	33.3	.	28.2	.	1.7*	1.7	.

All the observations in the main sample concern controlling inside blockholders in family firms. The deceased shareholder held, on average, approximately 54 % of the firm's equity, while the second-largest shareholder held around 7 %. The control sample, in which the deceased inside blockholder lacks control, differs significantly from the main sample in terms of the shareholders' characteristics, roles, and ownership. In the main sample, the deceased shareholder was the founder in about half of cases (compared with 8 % in the control sample), held a leadership position as CEO or chair in 44 % of cases (compared with 17 %), and had descendants on the board

more frequently in 62 % of cases (compared with 33 %). Institutional investors are more prevalent in the control sample, likely because they typically prefer larger, less concentrated firms (the average net sales are €19 billion in the control sample against €6 billion in the main sample). Firms in the main and control samples do not differ significantly in terms of leverage, market valuation (Tobin's Q), or ROE (although the mean ROE is lower in the main sample, the median is higher).

5.3. Cross-sectional regression of CARs

We estimate a multivariate regression of the 7-day CAR (from −5 to +1 relative to the event date) on firm- and shareholder-specific variables. The key variable of interest is the *Tender offer stake* dummy, which distinguishes between observations in which the deceased held a controlling stake and those in which they did not. We expect a positive and significant coefficient for this variable.

The results are presented in Table 4. Model 1 includes only the *Tender offer stake* dummy. Model 2 augments this specification by adding firm-level financial controls and the *Institutional investors* variable. Models 3–5 incorporate shareholder-related variables. *Over 65* and *Founder* are included in Models 3–5. *CEO/Chair* is added in Models 4 and 5, while *Descendants on Board* is introduced in Model 5.

The main takeaway from Table 4 is the consistently positive coefficient of the *Tender offer stake* dummy across all models. This confirms that the market response to the death of an inside blockholder is positive and statistically significant only when the voting stake is sufficiently large to confer control (the constant term is nonsignificant). The estimated market reaction is 5.7 % in Model 1 and 4.1 % in the fully specified Model 5. Conversely, the other variables show no statistically significant impact.

Notably, *Founder* has a positive and economically meaningful coefficient, approximately 2 % across all models. Combined with the *Descendants on board* dummy (whose coefficient is about 3 % in Model 5, *p*-value = 12 %), this may suggest a stronger market reaction when the founder dies and uncertainty surrounds whether the descendants will remain involved in the firm. The coefficient of *CEO/chair* is nonsignificant and economically negligible. The deceased shareholder often holds no formal executive management position, serving as CEO in only one-fourth of the sample.

Finally, among the controls, the only variable that is nearly significant at conventional thresholds is *Log sales* (p-value = 12.8 % in Model 5). Firm size is positively associated with CARs, as larger and more visible firms elicit a stronger market response, evidence we further explore later in the paper.

Table 4

Regression analysis of CARs. The table reports the results of an OLS regression where the dependent variable is the 7-day cumulative abnormal return, that is, *CAR [−5;1]*. *Tender offer stake dummy is* a dummy variable that takes the value of 1 if the voting stake of the deceased shareholder is a control stake and above the mandatory tender offer threshold, and 0 otherwise; *Institutional investors dummy* takes the value of 1 if the firm's ownership structure includes institutional investors, and 0 otherwise; *Log sales* is logarithm of the revenue from sales and other operating revenue; *Leverage* is total debt over total invested capital, *ROE* is return on equity; *Tobin's Q* is enterprise value over the book value of total assets; *Over 65 dummy* takes the value of 1 if the deceased shareholder is older than 65, and 0 otherwise; *Founder dummy* takes the value of 1 if the deceased shareholder is the founder, and 0 otherwise; *CEO/chair dummy* takes the value of 1 if the deceased shareholder is the CEO or the chair of the board of directors, and 0 otherwise; and *Descendants on board dummy* takes the value of 1 if at least one descendant of the deceased shareholder sits on the board of directors, and 0 otherwise. *Log sales*, *Leverage*, *ROE*, and *Tobin's Q* refer to the fiscal year preceding the one in which the event date falls. All financial ratios are winsorized at the 5th and 95th percentiles. Robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)
Tender offer stake dummy	0.0573***	0.0526***	0.0512***	0.0500***	0.0409**
	(0.0169)	(0.0176)	(0.0172)	(0.0169)	(0.0184)
Institutional investors dummy		0.0032	0.0128	0.0145	0.0180
		(0.0234)	(0.0244)	(0.0288)	(0.0288)
Log sales		0.0018	0.0059	0.0058	0.0083
		(0.0047)	(0.0053)	(0.0053)	(0.0053)
Leverage		−0.0132	−0.0164	−0.0140	−0.0073
		(0.0432)	(0.0425)	(0.0444)	(0.0469)
ROE		−0.0972	−0.0270	−0.0282	−0.0431
		(0.0898)	(0.0823)	(0.0813)	(0.0847)
Tobin's Q		0.0160	0.0135	0.0145	0.0200
		(0.0169)	(0.0184)	(0.0197)	(0.0182)
Over 65 dummy			−0.0864	−0.0846	−0.0941
			(0.0670)	(0.0646)	(0.0633)
Founder dummy			0.0195	0.0175	0.0175
			(0.0255)	(0.0276)	(0.0278)
CEO/chair dummy				0.0092	0.0144
				(0.0299)	(0.0292)
Descendants on board dummy					0.0306
					(0.0191)
Constant	−0.0147	−0.0387	−0.0291	−0.0345	−0.0801
	(0.0100)	(0.0622)	(0.0659)	(0.0654)	(0.0682)
Observations	51	51	51	51	51
R-squared	0.0953	0.1308	0.2255	0.2280	0.2552

5.4. CAR variation by ownership and controlling inside blockholders' characteristics

We further analyze the 39 observations in the main sample. Table 5 reports average CARs by subsample characteristics. This table compares observations with and without a relevant second shareholder (Panel A), by whether the deceased was over 65 years old (Panel B), by founder status (Panel C), by whether the deceased held the CEO or chair position (Panel D), and by the presence of descendants on the board (Panel E).

CARs are significantly higher when a second blockholder exists in addition to the controlling inside blockholder. For instance, the average 7-day CAR (from −5 to +1) is 4.6 % versus 3.1 %. The presence of a second blockholder suggests more concentrated ownership, reduced free float, and may increase the perceived likelihood that an existing shareholder could take an active role if the majority stake becomes negotiable.

The few cases (only four) in which the deceased shareholder was relatively young (aged 65 or below) are associated with higher CARs. The average 7-day CAR is approximately 11 % compared with 3.5 %, while the median CAR is 6.4 % versus 3.6 % (unreported). Additionally, the death of a founder, the presence of a formal leadership role (CEO or chair), and the presence of descendants on the board are all linked to stronger market reactions (6.0 % vs. 2.6 % for founders vs. non-founders; 5.5 % vs. 3.3 % for CEO/chair vs. others; and 4.5 % vs. 3.9 % for firms with descendants vs. those without). These findings are consistent with the signs of the respective coefficients reported in Table 4.

Table 5

Average CARs by subsample characteristics in the main sample. The table reports the average cumulative abnormal returns (CARs) in the main sample, measured in the [t1; t2] window around the event. Panel A contrasts observations with a second relevant shareholder other than the deceased controlling inside blockholder against those without such a shareholder. Panel B contrasts observations where the deceased shareholder is older than 65 against those where the deceased shareholder is younger. Panel C contrasts observations where the deceased shareholder is the founder versus those where they are not. Panel D contrasts observations where the deceased shareholder is CEO or chair of the board versus those where they are not. Panel E contrasts observations where at least one descendant of the deceased shareholder sits on the board of directors versus those where no descendants are on the board. Statistical tests are reported in italics and include the Wilcoxon signed rank test, applied within each subsample to assess whether the CARs differ from zero, and the non-parametric Wilcoxon-Mann-Whitney rank sum test, which tests for differences in CARs between the two complementary subsamples.*, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

Panel A - Average CARs by *Second relevant shareholder*	N	CAR [−1; 1], %	CAR [−2; 1], %	CAR [−5; 1], %
Second relevant shareholder = 1	30	4.0	4.0	4.6
		*2.8****	*2.9****	*2.6****
Second relevant shareholder = 0	9	2.4	2.7	3.1
		1.6	*1.6*	*1.5*
CAR difference		1.6	1.3	1.6
		0.2	*0.2*	*0.2*
Panel B - Average CARs by *Over 65*	N	CAR [−1; 1], %	CAR [−2; 1], %	CAR [−5; 1], %
Over 65 = 1	35	3.5	3.5	3.5
		*3.6****	*3.6****	*2.7****
Over 65 = 0	4	5.0	5.2	11.1
		−0.4	*0.0*	*1.5*
CAR difference		−1.5	−1.6	−7.7
		1.1	*0.8*	*−0.8*
Panel C - Average CARs by *Founder*	N	CAR [−1; 1], %	CAR [−2; 1], %	CAR [−5; 1], %
Founder = 1	19	4.6	4.1	6.0
		*2.1***	*1.9**	*2.3***
Founder = 0	20	2.7	3.3	2.6
		*2.4***	*2.8****	*2.1***
CAR difference		1.9	0.8	3.4
		−0.3	*−0.8*	*0.5*
Panel D - Average CARs by *CEO/chair*	N	CAR [−1; 1], %	CAR [−2; 1], %	CAR [−5; 1], %
CEO/chair dummy = 1	17	3.6	3.6	5.5
		*1.8**	*1.9**	*2.5***
CEO/chair dummy = 0	22	3.7	3.8	3.3
		*2.7****	*2.8****	*1.7**
CAR difference		−0.1	−0.2	2.2
		0.0	*0.0*	*0.6*
Panel E - Average CARs by *Descendants on board*	N	CAR [−1; 1], %	CAR [−2; 1], %	CAR [−5; 1], %
Descendants on board = 1	24	4.0	3.8	4.5
		*3.4****	*3.2****	*2.6****
Descendants on board = 0	15	3.0	3.6	3.9
		0.7	*1.1*	*1.4*
CAR difference		1.0	0.1	0.6
		1.5	*1.1*	*1.1*

5.5. Cross-sectional regression of CARs within the main sample

To complement the univariate comparisons presented in Table 5, we estimate a cross-sectional regression of the 7-day CAR (from −5 to +1 relative to the event date) on firm- and shareholder-specific variables, focusing on the 39 observations in which the deceased is a controlling inside blockholder. Compared with Table 4, Table 6 includes the voting stake of the second-largest shareholder, which is the variable of interest.

Second shareholder's stake is the only covariate in Model 1, while Models 2 and 4 correspond to Models 2 and 5 of Table 4, respectively. Panel A of Table 5 suggests that the presence of a second blockholder is associated with a stronger market reaction, a finding confirmed by the regression analysis. Despite the limited sample size, the coefficient on the second-largest shareholder's stake is statistically significant in Models 1 and 2. Economically, an increase of one standard deviation (approximately 7 %, unreported) in this stake corresponds to an increase of 2.5 % in CARs in both Models 1 and 2, approximately 60 % of the average CAR (4.3 %). The market appears to adjust stock prices to reflect that a larger second blockholder's stake increases the likelihood of a change in corporate control.

We find no evidence that more positive market reactions are associated with the death of older controlling inside blockholders or with weaker firm performance and valuation. Firms in which the deceased shareholder is older have lower average CARs (Table 5, Panel B), and the *Over 65* dummy is nonsignificant in Tables 4 as well as 6 (with a negative coefficient). Moreover, firms where the deceased is a controlling inside blockholder have higher median ROE and higher average and median Tobin's Q (Table 3). Both variables are nonsignificant in explaining CARs in Tables 4 and 6 (Tobin's Q has a positive coefficient). This evidence is relevant, as one might expect more positive market reactions to the death of older controlling inside blockholders or in firms less valued by the market, which may signal the removal of entrenched leadership and potentially lead to more dispersed ownership (Johnson et al., 1985; Slovin and Sushka, 1993; Salas, 2010).

To refine the analysis, Models 3 and 5 in Table 6 replace *Leverage*, *ROE*, and *Tobin's Q* with their industry-adjusted counterparts. For each observation, we subtract the median value of the respective variable, computed in the same year for firms operating in the same industry.[17] In Model 3, *Second shareholder's stake* remains statistically significant, while the industry-adjusted controls are not. In the fully specified Model 5, the industry-adjusted Tobin's Q enters with a positive and statistically significant coefficient. This refinement confirms that higher CARs occur in firms more highly valued than their industry peers, rather than the reverse.

In Table 7, we extend the CAR regressions based on Models 4 and 5 from Table 6 (i.e., with and without industry adjustment for *Leverage*, *ROE*, and *Tobin's Q*) by adding three governance and ownership-related variables. First, we include the percentage of independent directors relative to the board size (Models 1 and 2).[18] Second, we replace the dummy for descendants on the board with the number of family members serving on the board (Models 3 and 4). Third, we add the residual equity stake in Models 5 and 6, defined as one minus the combined equity stakes of the controlling inside blockholder and second-largest shareholder (when present). The proportion of independent directors and number of family members on the board may be interpreted as proxies for external and internal monitoring, respectively. The residual equity stake captures the degree of ownership dispersion beyond the two largest shareholders and is a rough proxy for the relative influence of minority shareholders. In short, Table 7 shows that *Second shareholder's stake* remains generally significant, while the other variables are not. Taken together, the evidence is inconsistent with the view that the death of the controlling inside blockholder mitigates managerial entrenchment and increases the firm's exposure to the market for corporate control.

5.6. Interpretation of the death in the news

We read all available news items related to each death event in the main sample to validate our interpretation of the market reaction. We assign a value of 1 to the dummy variable *News* if at least one article explicitly frames the event as potentially leading to the sale of the controlling interest, thereby triggering a mandatory tender offer under the EOR. Conversely, if none of the articles suggest such an outcome and report the death as a factual occurrence, the variable is set to 0. Based on the description of the three cases in Section 4, we assign a value of 1 to *News* for each of them. Additionally, we identify 16 further cases in our sample that meet the same criterion. Overall, the media interpret approximately half of the deaths of controlling inside blockholders in our sample (19 out of 39 cases) as potentially leading to a sale of the controlling interest.

We split the sample according to the value of the dummy variable *News* and report average CARs by subsample in Panel A of Table 8. The market reaction is significantly stronger in the subsample where *News* equals 1. Focusing on the 7-day CAR, the average return for these 19 observations is 7.3 %. The average market reaction remains positive but smaller (1.4 %) in cases where *News* = 0. Firms in this group tend to receive less media coverage, likely due to their smaller size. Their net sales average is €2.7 billion, with a median below €500 million, while firms in the *News* = 1 subsample report €9.1 billion on average and €1.6 billion at the median (untabulated). This lower visibility may explain the more limited investor response.

[17] Industry classification follows the Industry Classification Benchmark (ICB) at the sector level. The ICB taxonomy, as provided by LSEG Datastream, organizes firms into a hierarchical structure with four levels: Industry (10 categories), Supersector (19 categories), Sector (41 categories), and Subsector (114 categories). We use the Sector level for industry adjustment, as the Subsector level would be too granular given the size of the Italian market.

[18] The number of independent directors is available only after 1999, when the first version of the Italian Corporate Governance Code was introduced. The Code strongly encouraged the presence of independent directors, but their appointment became mandatory only in 2007.

Table 6
Regression analysis of CARs within the main sample. The table reports the results of an OLS regression where the dependent variable is the 7-day cumulative abnormal return, that is, *CAR [−5;1]*, within the main sample. *Second shareholder's stake* is the voting stake of the shareholder with the second-largest voting rights in the firm, excluding the deceased controlling inside blockholder; *Institutional investors dummy* takes the value of 1 if the firm's ownership structure includes institutional investors, and 0 otherwise; *Log sales* is logarithm of the revenue from sales and other operating revenue; *Leverage* is total debt over total invested capital, *ROE* is return on equity; *Tobin's Q* is enterprise value over the book value of total assets; *Over 65 dummy* takes the value of 1 if the deceased shareholder is older than 65, and 0 otherwise; *Founder dummy* takes the value of 1 if the deceased shareholder is the founder, and 0 otherwise; *CEO/chair dummy* takes the value of 1 if the deceased shareholder is the CEO or the chair of the board of directors, and 0 otherwise; and *Descendants on board dummy* takes the value of 1 if at least one descendant of the deceased shareholder sits on the board of directors, and 0 otherwise. *Log sales*, *Leverage*, *ROE*, and *Tobin's Q* refer to the fiscal year preceding the one in which the event date falls. All financial ratios are winsorized at the 5th and 95th percentiles. Industry-adjusted financial ratios are computed as the respective ratios minus the median value of that ratio within the firm's industry for the same year. Robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)
Second shareholder's stake	0.3621**	0.3557*	0.3424*	0.2842	0.2652
	(0.1745)	(0.1831)	(0.1819)	(0.2218)	(0.2218)
Institutional investors dummy		−0.0027	0.0014	0.0100	0.0117
		(0.0272)	(0.0261)	(0.0367)	(0.0328)
Log sales		0.0012	0.0006	0.0084	0.0094
		(0.0055)	(0.0054)	(0.0073)	(0.0071)
Leverage		−0.0223		−0.0209	
		(0.0693)		(0.0704)	
ROE		−0.1073		−0.0808	
		(0.0925)		(0.1056)	
Tobin's Q		0.0224		0.0282	
		(0.0263)		(0.0256)	
Industry-adjusted leverage			−0.0277		−0.0298
			(0.0607)		(0.0533)
Industry-adjusted ROE			−0.1001		−0.0815
			(0.1131)		(0.1019)
Industry-adjusted Tobin's Q			0.0341		0.0524**
			(0.0256)		(0.0235)
Over 65 dummy				−0.0951	−0.1102
				(0.0884)	(0.0872)
Founder dummy				−0.0015	−0.0132
				(0.0269)	(0.0244)
CEO/chair dummy				0.0195	0.0216
				(0.0314)	(0.0300)
Descendants on board dummy				0.0398	0.0467*
				(0.0265)	(0.0256)
Constant	0.0167	−0.0021	0.0032	−0.0537	−0.0507
	(0.0185)	(0.0814)	(0.0795)	(0.0959)	(0.0837)
Observations	39	39	39	39	39
R-squared	0.0937	0.1355	0.1491	0.2423	0.2820

We include *News* as a regressor of the 7-day CAR and present the results in Panel B of Table 8. The first two models use unadjusted leverage, ROE, and Tobin's Q, while Models 3 and 4 include their industry-adjusted counterparts. Models 2 and 4 are fully specified, with shareholder-level controls. The dummy variable *News* is associated with a significantly higher CAR in all models. It is important to note that we do not aim to provide a causal interpretation of these results. While more informative news likely boosts investor attention and increases demand for the stock, it often comments on a price run-up that has already partially occurred. For our purposes, we conclude only that this analysis supports the interpretation of the event proposed in the paper.

5.7. Post-death control dynamics

This final section examines the evolution of corporate control following the death of the controlling inside blockholder. We track control-changing events for each of the 39 firms in our sample up to June 2025. Panel A of Table 9 reports the number of such events occurring within 3-, 5-, 7-, and 10-year windows following the death.

By year 10, we observe 14 events, accounting for over one-third of the sample. In eight of these, a change of control occurred through the sale of the stake held by the deceased inside controlling blockholder, followed by a mandatory tender offer under the EOR. In another three cases, a tender offer was launched by a vehicle of the controlling shareholder with the explicit aim of delisting the firm. Although not technically changes of control, these transactions involve the acquisition of all minority shares at a premium and

Table 7

Regression analysis of CARs within the main sample: additional analyses. The table reports the results of an OLS regression where the dependent variable is the 7-day cumulative abnormal return, that is, *CAR [−5;1]*, within the main sample. *Second shareholder's stake* is the voting stake of the shareholder with the second-largest voting rights in the firm, excluding the deceased controlling inside blockholder; *Independent directors* is the proportion of independent directors on the board; *Family members* is the number of family members serving on the board of directors; and *Residual equity stake* is defined as one minus the combined equity stake of the first and second shareholders. Robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
Second shareholder's stake	0.4183*	0.4008*	0.3254	0.3179	0.3525*	0.3374*
	(0.2099)	(0.2012)	(0.1966)	(0.1952)	(0.1914)	(0.1930)
Independent directors	−0.1176	−0.1010				
	(0.1370)	(0.1187)				
Family members			0.0103	0.0099		
			(0.0143)	(0.0146)		
Residual equity stake					0.0072	0.0096
					(0.1183)	(0.1108)
Firm- and shareholder-level controls	Yes	Yes	Yes	Yes	Yes	Yes
Industry-adjusted financial ratios	No	Yes	No	Yes	No	Yes
Observations	36	36	39	39	39	39
R-squared	0.1532	0.1631	0.1571	0.1685	0.1356	0.1493

Table 8

Interpretation of the controlling inside blockholder's death in the news. Panel A reports the average cumulative abnormal returns (CARs) in the main sample, measured in the [t1; t2] window around the event. The panel contrasts observations where the news explicitly links the positive market reaction to an increased likelihood of a change in corporate control with those where such interpretation is not present. Statistical tests are reported in italics and include the Wilcoxon signed rank test, applied within each subsample to assess whether the CARs differ from zero, and the non-parametric Wilcoxon-Mann-Whitney rank sum test, which tests for differences in CARs between the two complementary subsamples. Panel B reports the results of an OLS regression where the dependent variable is the 7-day cumulative abnormal return, that is, *CAR [−5;1]*, within the main sample. *News dummy* takes the value of 1 when the news explicitly suggests a potential change in control and 0 otherwise; *Second shareholder's stake* is the voting stake of the shareholder with the second-largest voting rights in the firm, excluding the deceased controlling inside blockholder. The first two models use un-adjusted leverage, ROE, and Tobin's Q, while Models 3 and 4 include their industry-adjusted counterparts. Robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

Panel A - Average CARs by *News*	N	CAR [−1; 1], %	CAR [−2; 1], %	CAR [−5; 1], %
News = 1	19	6.9	6.7	7.3
		*3.7****	*3.5****	*3.0****
News = 0	20	0.5	0.9	1.4
		0.7	*0.9*	*1.3*
CAR difference		6.3	5.8	5.9
		*3.1****	*3.3****	*2.1***
Panel B - Regression of CARs	Model	Model	Model	Model
	(1)	(2)	(3)	(4)
Second shareholder's stake	0.3211**	0.3246**	0.244	0.2456
	(0.1500)	(0.1480)	(0.1967)	(0.1914)
News dummy	0.0801***	0.0823***	0.0778**	0.0768**
	(0.0258)	(0.0265)	(0.029)	(0.0285)
Firm-level controls	Yes	Yes	Yes	Yes
Shareholder-level controls	No	Yes	No	Yes
Observations	39	39	39	39
R-squared	0.3144	0.336	0.3894	0.4264

typically signal a planned reorganization once the firm is taken private. Subsequent developments support this interpretation in at least one instance, where the company was later acquired by a private equity fund.[19] The remaining three cases involved changes of control that occurred without a tender offer.[20] Except for these, where ownership concentration remained unchanged, all other events involved a tender offer under the EOR and further concentrated control. This is consistent with the view that acquisitions in an EOR

[19] The remaining two delistings occurred in late 2022 and early 2025, and their long-term outcomes are not yet fully observable.

[20] These include transactions either authorized by the securities regulator or conducted through non-standard mechanisms, such as the acquisition of a controlling interest in the parent company by a state-owned entity, or the contribution of operating assets into a listed vehicle through a capital increase that transferred control.

Table 9
Post-death control dynamics. Panel A reports the number of control-related events occurring within 3-, 5-, 7-, and 10-year windows following the death of the controlling inside blockholder, across the 39 firms in the main sample. Events include tender offers following the sale of the controlling block and other transactions that materially alter the ownership and control structure. Panel B compares the average 7-day cumulative abnormal returns, that is, *CAR [−5;1]*, at the time of death between firms that experienced a control-related event within each time window and those that did not. For each comparison, only firms with sufficient post-event data are retained. Statistical tests use the Wilcoxon signed rank test, applied within each subsample to assess whether CARs differ from zero. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % probability levels, respectively.

Panel A - Number of post-death control-related events			
Time since death	N	Tender offer/control changes, N	Share of sample (%)
3 years	39	3	7.7
5 years	39	8	20.5
7 years	39	11	28.2
10 years	39	14	35.9

Panel B - Average CARs by control-related events in the post-death window				
Time since death	N (Event = 1)	CAR [−5; 1], % (Event = 1)	N (Event = 0)	CAR [−5; 1], % (Event = 0)
3 years	3	2.6	30	3.6**
5 years	8	0.4	24	4.6***
7 years	7	3.5	18	4.4**
10 years	8	8.8*	12	1.8

environment tend to be ownership-concentrating (Burkart et al., 2000).

Panel B of Table 9 compares the average CAR at the time of death between firms that experienced a control-related event within 3, 5, 7, or 10 years, and those that did not. For a meaningful comparison, we only retain firms for which at least 3, 5, 7, or 10 years of post-death data are available.[21] While no evidence exists of a stronger market reaction at shorter horizons, for the 10-year window, the average CAR is significantly higher for firms that later undergo a control-related event (8.8 % vs. 1.8 %). While this result should be interpreted with caution given the small sample size, it indicates that the market may partially anticipate long-term changes in control, although such events materialize well after the death of the incumbent controlling blockholder.

6. Conclusion

We study the market reaction following the death of controlling inside blockholders in Italian family firms, where most listed companies are family-controlled and ownership is highly concentrated. The event triggers a positive and economically significant market response, with an average cumulative abnormal return of 4.3 % and 3.6 % over a 7- and 3-day window surrounding the death announcement, respectively. Conversely, when the deceased shareholder holds a substantial but non-controlling equity stake, the market reaction is indistinguishable from zero.

We interpret this evidence as indicative of investors anticipating a potential change in corporate control. Similar to inheriting and subsequently selling real estate, heirs may choose to sell their inherited control stake in a family firm, either because they are unwilling to manage the company themselves or because prefer to cash out. Under the EOR, such a transaction would require the acquirer of the stake to launch a bid for all other listed shares at the same price paid for the control block, ensuring that minority shareholders equally benefit from the control premium. This expectation results in positive abnormal returns at the time of the shareholder's death. The market reaction is stronger when the ownership structure includes a second large shareholder, who may be positioned to acquire control if the majority stake is eventually sold.

We find no evidence that the market reacts more strongly to the death of older controlling inside blockholders or to deaths occurring in underperforming firms. Unlike the U.S., Europe is characterized by a prevalence of family firms, where controlling blocks of shares are typically transferred through negotiated, friendly transactions, often at a substantial premium. Examining the evolution of control after the death of the controlling inside blockholder, we find that over one-third of firms in our sample experienced a transition within ten years, most commonly through the sale of the controlling stake. In no case did ownership dispersion increase. Instead, the death of a controlling inside blockholder typically led to a totalitarian tender offer that further concentrated corporate control.

Despite the limited sample size, our study highlights the central role of control dynamics in family-controlled firms and offers novel evidence on how markets value voting rights. It further informs the broader debate on the effectiveness of the EOR in protecting minority shareholders.

CRediT authorship contribution statement

Massimiliano Barbi: Writing – original draft, Validation, Methodology, Formal analysis, Data curation, Conceptualization. **Marco**

[21] This restriction explains why the number of control-related events does not increase monotonically as the post-death window is extended.

Bigelli: Writing – original draft, Validation, Methodology, Formal analysis, Data curation, Conceptualization.

Data availability

Data will be made available on request.

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