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**THE OWNERSHIP AND CONTROL OF AUSTRALIAN COMPANIES
IN THE INTERWAR PERIOD**

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ABSTRACT

We build on an evolving international literature by investigating the relationship between ownership and control in a sample of 92 Australian companies in the 1930s. The interwar period was a formative one in Australia for the growth of corporations and share ownership, although investor protections and information lagged. We estimate the ownership share of the Board, separately the CEO/Chairman, and other significant blockholders. Our sources enable us to adopt a new approach that accounts for shares controlled indirectly through family ownership and related entities. This makes an important difference to our results. Board ownership was similar to the US and the UK in the early twentieth century; but taking account of shares controlled through related entities changes the story to one of an insider system where ownership and control had not separated. Dual CEOs also mattered along with blockholders beyond the Board in many companies. We also examine some of the drivers of this structure of ownership and control including company size, the role of family firms, and of preference shares.

KEYWORDS

Ownership and control; Board of Directors; CEO; Blockholder; Australia

INTRODUCTION

The relationship between the ownership and control of companies has absorbed the interests of many scholars including business historians, management and organisational theorists, economists, and legal scholars. Under the influence of the foundational work of Berle and Means nearly a century ago, it was long accepted that, from the late nineteenth century, ownership and control separated in many enterprises as part of the emergence of the modern corporation in the United States.¹ These firms were owned by a growing population of shareholders and operated by modern managerial hierarchies, filled by business-educated career managers. Different rates of growth of the modern corporation allegedly affected the comparative performance of economies, epitomised by Chandler's favourable comparison of the US with the UK.² The latter belatedly wallowed in owner-run family firms – personal capitalism – that lacked modern professional managers and broad share ownership until the middle years of the twentieth century.³

However, it is now becoming increasingly apparent that these conventional wisdoms are too simplistic and, in some respects, simply incorrect. A shift from owner-managed to 'managerial' firms has not been a linear process. Diffuse ownership patterns among a growing body of shareholders in both the US and the UK date back to the mid nineteenth, or even eighteenth, century and, in some respects, this pattern unravelled in the late nineteenth to early twentieth century and again in more recent decades.⁴ Nor has the managerial firm been without its drawbacks. Agency theory has argued that the divorce of ownership from control can create conflicting interests between shareholders and managers that can be difficult to reconcile.⁵ This has been especially significant for earlier historical phases of ownership dispersion where the

¹ Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (Brunswick, NJ, 1932).

² Alfred D. Chandler, *Scale and Scope. The Dynamics of Industrial Capitalism* (Cambridge, MA, 1990). Also see Bernard Elbaum and William Lazonick, "The Decline of the British Economy: An Institutional Perspective", *Journal of Economic History* 44, no. 2 (1984): 567–83.

³ Derek H. Aldcroft, "The Entrepreneur and the British economy, 1870-1914", *The Economic History Review*, 17, 1, (1964): 113-134; Peter L. Payne, "The Emergence of the Large-Scale Company in Great Britain, 1870–1914," *Economic History Review* 20, 3 (1967): 519–42; Terence R. Gourvish, "British Business and the Transition to a Corporate Economy: Entrepreneurship and Management Structures", *Business History* 29, 4 (1987): 18–45; Nicholas Crafts, Timothy Leunig and Abay Mulatu, "Were British Railway Companies Well Managed in the Early Twentieth Century?" *Economic History Review* 61, 4 (2008): 842–66. Although others have sought to resurrect the reputation of the Victorian British entrepreneur Donald N. McCloskey and Lars G. Sandberg, "From Damnation to Redemption: Judgments on the Late Victorian Entrepreneur". In Donald N. McCloskey ed. *Enterprise and Trade in Victorian Britain* (London, 1981): 55-72.

⁴ Clifford G. Holderness, Randall S. and Dennis P. Sheehan, "Were the Good Old Days That Good? Changes in Managerial Stock Ownership Since The Great Depression", *Journal of Finance* 54, 2 (1999): 435-69; Eric Hilt, "When did Ownership Separate from Control Corporate Governance in the Early Nineteenth Century" *Journal of Economic History* 68, 3 (2008): 645-85; Julian Franks, Colin Mayer, and Stefano Rossi, "Ownership: Evolution and Regulation", *Review of Financial Studies* 22, 10 (2009): 4009–56; Graeme G. Acheson, Gareth Campbell, John D. Turner, and Nadia Vanteeva, "Corporate Ownership and Control in Victorian Britain", *Economic History Review*, 68, 3 (2015): 911–36; Biran Cheffins, Dimitri Koustas, and David Chambers, "Ownership Dispersion and the London Stock Exchange's 'Two-Thirds Rule': an Empirical Test", *Business History*, 55, 4 (2013): 670–93; John D. Turner, "Three Centuries of Corporate Governance in the United Kingdom" *Economic History Review* (2024) <https://doi-org.ezproxy.uow.edu.au/10.1111/ehr.13326>.

⁵ Jonathan Farrer and Ian Ramsay, "Director Share Ownership and Corporate Performance—Evidence from Australia", *Corporate Governance: An International Review*, 6, 4 (1998): 233-48.

legal and regulatory oversight of managerial authority, such as through disclosure requirements, had been in their early stages.⁶

Research using large samples of companies has focussed on the corporate Board as the principal locus of managerial control, consistent with Berle and Means. Its results have revealed that the UK, like the US, had experienced significant separation of ownership from control by the eve of World War One, confirming the intuitions of contemporary economist Alfred Marshall.⁷ Several studies have also addressed how well the key strategic managers, principally Chairmen and CEOs, handled the responsibilities cast upon them both in terms of capabilities and honest behaviour. Marshall had been disdainful of the new breed of managers in the UK, Foreman-Peck and Hannah have been more sympathetic, while Aldous et al measured the performance of Boards and reached the conclusion that the ownership and control nexus did not really matter.⁸

Management and legal theorists frequently distinguish between ‘outsider’ and ‘insider’ forms of corporate governance.⁹ Outsider governance, typical of the UK and the US, is where effective control lies beyond the organisation and is determined by external forces such as the share price and the market for corporate control (mergers and acquisitions). More common insider governance regimes reflect controlling influences within the organisation such as investor block-holders that might include directors, founding families, creditors, and institutional investors. The exercise of inside corporate control is a complex question that requires reference to both capital ownership and voting systems. It takes consideration of such factors as the influence of board members, CEOs, groups of block-holders, and related parties such as personal connections and interlocking directorates. The share of ownership that represents control is also debated and depends on factors such as the degree of fragmentation of the remaining stock of the company. Thus, minority control by the Board is still possible where shares are widely owned.

In this paper, we address these questions of ownership and control for Australia in the 1930s. Australia was regarded as a late transitioner from an insider to an outsider corporate governance system following UK experience. Studies on Australian corporate governance between the 1950s and the 2000s found many companies had blockholders that exercised varying degrees of control. Following the revisionist work on the UK, we provide a reassessment of Australian experience to see if ownership and control had also separated earlier in the century and what were the key determinants of the pattern of ownership and control. As we explain in the following section, this was a key period for Australia, when the growth of share ownership

⁶ Brian R. Cheffins, “Does Law Matter? The Separation of Ownership and Control in the United Kingdom”, *The Journal of Legal Studies* 30, 2 (2001): 459-84; John C. Coffee, “The Rise of Dispersed Ownership: the Roles of Law and the State in the Separation of Ownership and Control”, *Yale Law Journal*, 111 (2001): 1–82; Hilt, “When did Ownership?”; Franks et al, “Ownership, Evolution”.

⁷ James Foreman-Peck, and Lesley Hannah, “Extreme Divorce: the Managerial Revolution in UK Companies before 1914”, *The Economic History Review*, 65, 4 (2012): 1217-38; Michael Aldous, Philip Fliers and John D. Turner, “Was Marshall Right? Managerial Failure and Corporate Ownership in Edwardian Britain?” *Journal of Economic History*, 83, 1 (2023): 131-65.

⁸ James Foreman-Peck and Leslie Hannah, “Some Consequences of the Early Twentieth-Century British Divorce of Ownership from Control”, *Business History*, 55, 4 (2013): 543-64; Aldous et al, “Was Marshall Right”.

⁹ Cheffins, “Does Law Matter?”; Alan Dignam and Michael Galanis, “Australia Inside-Out: the Corporate Governance System of the Australian Listed Market”, *Melbourne University Law Review*, 28, (2004): 623-53.

expanded considerably but without a concomitant improvement in legal rights and business information to protect many novice investors.

We follow the approaches used by studies of other countries in evaluating ownership and control in Australian companies. However, our sources also enable us to add new methodological dimensions to the literature. We calculate a broader measure of Director ownership that takes account of shares controlled by directors through family ownership and related entities. We calculate separately the ownership share of Chairmen and CEOs from the Board as a stricter measure of managerial control, and we distinguish whether the roles of CEO and Chairman were jointly held as was becoming increasingly common.

We deploy new data extracted from a detailed record of company shareholder lists that was published, we believe, only in 1938 from which we calculate the direct and indirect holdings of directors and other major shareholders. We find that board ownership was similar on average in Australia to the US and the UK in the early twentieth century; but when one takes into account shares controlled by directors through related entities this changes the story to one of an insider system. Ownership was also more concentrated than later measures in Australia in the 1950s.

GOVERNANCE AND ENTERPRISE IN AUSTRALIA

We have limited knowledge of the structure of ownership and control in Australian companies before the second half of the twentieth century. Many of the larger enterprises in colonial Australia were either government-owned, such as the railways, or were branches of foreign multinationals such as Dalgety and the Union Bank of Australia. The domestic capital market was small and focussed on mining companies, local banks, insurance companies, gas, urban railways and a limited number of manufacturing enterprises including many unlisted or rarely traded enterprises.¹⁰ Most listed firms were of relatively minor size with a limited shareholder population. Ville and Merrett concluded that before World War One, ‘Separation of ownership from control was minimal. Firms bore family names and continued to draw their directors and managers from within the family circle’.¹¹ Firms like CSR and BHP were unusual in their scale and recourse to professional managers.¹²

The interwar era was a watershed period for stock markets in Australia as the nature and scale of enterprise began to change.¹³ In spite of the interwar downturn, this was also an era of the growth of population, incomes and consumerism with the expansion of new manufacturing and service sectors.¹⁴ At the same time, the availability of international funds was disrupted by World War One and the increasing caution of British overseas investors. In its place, there emerged a growing and diverse body of local investors, which now extended to many small

¹⁰ Alan Hall, *The Stock Exchange of Melbourne and the Victorian Economy, 1852-1900* (Canberra, 1968).

¹¹ Simon Ville and David T. Merrett, “The Development of Large-Scale Enterprise in Australia, 1910–64”, *Business History*, 42, 3 (2000), p. 30.

¹² Arthur G. Lowndes, *South Pacific Enterprise: The Colonial Sugar Refining Company Limited* (Sydney, 1956); Alan Trengove, *What's Good for Australia...!: The Story of BHP* (NSW, 1975).

¹³ The next two paragraphs draw on the more detailed account of the interwar Australian capital market in Grant Fleming, Zhangxin (Frank) Liu, David Merrett and Simon Ville, “Underpricing in a Developing Capital Market: Australian Equity Issuances, 1920-1939”, *Economic History Review* 74, 3 (2021), pp. 835-8.

¹⁴ Gregory Whitwell, *Making the Market: The Rise of Consumer Society* (Melbourne, 1989).

shareholders including women.¹⁵ Many investors may have been initially enticed by the success of the War and Peace Loans, but they increasingly invested in the widening range of financial instruments, including preference shares. The number of stocks listed on the two principal stock exchanges of Sydney and Melbourne doubled in the interwar period to 950, and their aggregate paid-up value tripled to £485 million.¹⁶ Many companies saw a large increase in their shareholding population. Australian Gaslight Company, the dominant provider of gas in the Sydney area, had 1599 investors in 1911, a figure that jumped to 7092 two decades later in 1931.¹⁷

Several writers have identified the growing separation of ownership from control in the UK and US prior to the development of legal infrastructure, such as disclosure requirements and accounting standards, that would help to protect them from opportunistic behaviour by large shareholders.¹⁸ The protection of Australian shareholders by the interwar period was probably less advanced than in either of those nations. For example, it was not until in 1925 that the Sydney Stock Exchange required companies to provide an annual profit and loss account; it then diluted this rule by permitting consolidated group accounts two years later. An audited balance sheet and profit and loss account was only required of New South Wales companies in 1936 with similar legislation following in other states, three decades after similar British legislation. Some advice was forthcoming from professional investment sources such as underwriters, but their ranks were quite thin in this period.

Investors could also look to the growing business media for information and advice. An older generation of specialist publications—*the Australasian Insurance and Banking Record* (1877) and the *Australasian Joint Stock Companies Yearbook* (1899-1914)—were joined by new regular outlets, particularly *Jobson's Investment Digest* (1920, various titles), *the Wild Cat Monthly* (1923), and *Rydges Business Journal* (1928). As we will see in the next section, our data is largely drawn from a temporary but very detailed publication listing the shareholders and directors of a large set of companies. It appears to have been the product of the publisher's personal frustration at 'insider dealing' by one such company.

Therefore, it is clear that the expansion in the population of Australian shareholders preceded the introduction of a range of modern measures designed to inform and protect them. It is important, thus, to investigate the extent to which interwar shareholders, many new to investing, were exposed to firms that were dominated by insider blockholders.

In contrast to the scholarship on the UK and US, no attempt has been made to measure the relationship between ownership and control of Australian firms in the first half of the twentieth century, in spite of the watershed nature of the interwar period. Wheelwright's later study for

¹⁵ David Merrett and Simon Ville, "Financing Growth: New Issues by Australian Firms, 1920–1939", *Business History Review* 83, 3 (2009): 563-89; Fleming et al, "Underpricing"; Grant Fleming, Zhangxin (Frank) Liu, David Merrett and Simon Ville, "Gender(ed) Equity: the Growth of Female Shareholding in Australia, 1857-1937" *Asia-Pacific Economic History Review* (2024) <https://doi-org.ezproxy.uow.edu.au/10.1111/aehr.12300>.

¹⁶ Merrett & Ville, "Financing Growth", p. 569.

¹⁷ Grant Fleming, Zhangxin (Frank) Liu, David Merrett and Simon Ville, "Shining a Light: Female Investors in the Australian Gas Light Company, 1836-1940", *CEH Discussion Papers* 05, 2024, Centre for Economic History, Australian National University <https://ideas.repec.org/p/auu/hpaper/121.html>

¹⁸ Cheffins, "Does Law Matter?"; Coffee, "The Rise of Dispersed Ownership"; Hilt, "When did Ownership"; Franks et al, "Ownership, Evolution".

1957 indicates low levels of Director ownership. This might suggest the separation of ownership and control, but it was complicated by frequent examples of blockholders.¹⁹

DATA AND METHODS

Our examination of share ownership and control is made possible by the publication of shareholder lists for 90 companies in 1938 by *The Share Register of Australia* (SRA), a commercial publication owned by Archer Whitford, a Sydney businessman wishing to “bring daylight to dark places of the Australian financial world”.²⁰ Whitford sought to help investors and the public at large understand who owns and controls Australian companies, and in particular the extent of director share ownership in order to reveal, “the class of person who holds shares in your company...who the Directors are and the number of shares they hold and how long they have been Directors...[and] allow the small investor to know the movements of the big investor” (SRA, 5 January 1938, p. 1).²¹ It was intended that the SRA would record differences in shareholder lists and thus show investors who was selling and buying shares, including whether directors were trading.²²

Whitford’s staff collected information about shareholder registers from company secretaries and registries in New South Wales. The lists contained the name, address (suburb or city), and number of ordinary and preference shares held by each shareholder.²³ They also provided a summary of each company at the head of the company entry that included a description of the business, equity capitalisation (nominal and paid-up capital), the names of directors and number of ordinary shares held in their name, company financial information such as net profit, dividends yield, reserves, and summary statistics on shareholdings (total number of shareholders, average shareholding).

It is unclear how long the SRA existed and a search of Australia’s newspapers (via TROVE) finds no mention of the publication after 1938.²⁴ Like many other initiatives of the time, it may have fallen victim to the drift towards wartime in the following year. The publication occurred weekly between 5 January 1938 and 16 March 1938 (with a few exceptions), and then monthly

¹⁹ Edward L. Wheelwright, *Ownership and control of Australian companies: a study of 102 of the largest public companies incorporated in Australia* (Sydney, 1957).

²⁰ The Share Register of Australia Pty Limited was registered on 4 November 1937 and owned by Archer Whitford (50%) and Mrs Elsie Irene Whitford (50%). He was the founder and owner of Whitford’s Theatre Ads and the publisher of *Everyones*, a trade magazine for the motion picture industry.

²¹ The objective of the SRA appears similar to *The Investors’ Four Shilling Yearbook (IFSY)*, published for four years before World War One in the United Kingdom. According to Aldous et al (“Was Marshall Right?”, p.134), the *IFSY* provided a record of the position of every important corporate body whose securities were quoted in the U.K. and was aimed at investors “however inexpert in finance” (quoted from *IFSY* 1912, p. v). The 1912 edition is used by Aldous et al (“Was Marshall Right?”) to examine director share ownership in Britain in 1911.

²² Whitford stated that he was also motivated to establish the SRA when he bought additional shares in a company in Sydney, only to experience a 40% decline in the share price not long after the acquisition: speaking of himself in the third person, “Imagine his disgust when he found out that some of the shares he had bought were sold by one of the directors. Surely a director with inside knowledge should not be allowed to sell shares without first notifying the shareholders” (SRA, 5 January 1938, p.2).

²³ The SRA decided not to publish the full address of shareholders but only the suburb or town. “In this way the person cannot be reached by circulars, etc. and mailing matter” (SRA 5 January 1938, p.1).

²⁴ In 1947 it was reported as being removed from the NSW Register of Companies. *Government Gazette of the State of New South Wales* 19.12.1947, Issue 143, p. 2946.

for April and May 1938. While its longevity is uncertain, it appears to have attracted attention from major financial institutions and institutional shareholders since the SRA customer list included banks (Commonwealth Bank of Australia, Rural Bank), institutional investors such as life insurers (National Mutual Life Association, A.M.P. Society), insurance companies (Prudential Insurance, Bankers and Traders Insurance), trustees (Union Trustee Company), stockbrokers (J.B. Were & Co, E.L. Balleau & Co), the National Stock Exchanges of Australia, and, perhaps not surprisingly, the media (The Daily Telegraph, Truth Newspaper, The Advertiser).²⁵

The National Library of Australia holds 10 issues of the SRA between 5 January 1938 to 1 May 1938. The SRA contents index for 1 May 1938 listed 115 companies but given that there are missing issues between January and May 1938, we have complete shareholder lists for 90 companies, including company financial information for financial years ending 1934, 1935, 1936 and 1937. We cross-checked all company financial information with two leading contemporary financial publications (*Jobson's Investment Digest* and *Australasian Insurance and Banking Record*) and found no inconsistencies in the financial data. Given that the first entries in the SRA were published on 5 January 1938, we have assumed that all shareholder lists are accurate as at 31 December 1937 since most companies only updated their shareholder lists with the company offices on an annual basis.

There is no indication how the SRA identified the companies to include, although it stated that it would “not give one word of advice regarding the buying or selling of shares” and in “making application to 143 secretaries we met with only five direct refusals, and there was mostly a reason at the back of them”.²⁶ We have assessed the representativeness of the SRA sample against the industry distribution of the top 100 non-financial companies by total assets for 1930 (Table 1).²⁷

²⁵ *SRA*, 9 March 1938, p.160.

²⁶ *SRA*, 12 January 1938, p. 16.

²⁷ See: Grant Fleming, David Merrett and Simon Ville, *The Big End of Town: Big Business and Corporate Leadership in Twentieth-Century Australia* (Melbourne, 2004); Simon Ville and David Merrett “Big Business in Australia”, *ANU Source Papers in Economic History* 21 (2016), pp. 1-34. (<https://rse.anu.edu.au/sites/default/files/2020-05/sp21-merrett-ville.pdf>)

Table 1. Sample Representativeness

	Share Register 1938			Top 100 1930	
	Number of companies in SRA	Number (%)	Total Assets (%)	Number (%)	Total Assets (%)
Agriculture, Forestry, Fishing & Hunting	3	4%	1%	6%	5%
Electricity, Gas, Water	1	1%	2%	10%	13%
Entertainment, Recreation, Restaurants, Hotels & Personal Services	5	7%	2%	4%	3%
Manufacturing	26	36%	45%	39%	40%
Mining	2	3%	1%	5%	4%
Transport & Storage	5	7%	3%	5%	5%
Wholesale & Retail Trade	31	42%	47%	31%	30%
	73	100%	100%	100%	100%
Finance, Insurance & Real Estate	17				
Total	90				

The SRA sample contains 73 non-financial companies across a breadth of sectors with wholesale and retail trade and manufacturing being the largest groups by industry as it was for the top 100. The SRA has fewer electricity, gas and water companies than the top 100 and slightly more wholesale and retail trade than the top 100. The average total assets for the SRA non-financial companies is £667,788, compared with £2,748,511 for the top 100.²⁸ Therefore, the SRA sample represents director ownership and shareholder bases for, on average, smaller-sized companies than in the top 100 as well as a greater variety of sizes as we will see below.²⁹

The SRA includes 17 financial, insurance and real estate companies, which were typically, smaller real estate investment companies, personal credit companies, smaller trustee and insurance companies. One company (United Insurance) is in the list of the 25 largest financial companies in 1930.³⁰ Therefore, the SRA sample is not representative of director ownership and shareholder bases of Australia's trading banks (such as the Bank of New South Wales, Bank of Australasia). We also note that given the SRA started with companies registered in New South Wales, there is likely fewer Victorian registered companies. This probably did not present a problem for its subscribers, as the major Australian companies tended to be listed on both major stock exchanges (Sydney Stock Exchange and the Melbourne Stock Exchange) making the SRA useful for investors in all states.

We use two definitions of director shareholding: the number of shares held solely in the director's name (*Director (Name)*), and the total number of shares held by the director in their name, jointly with other shareholders, with family members, and through holding companies (*Director (Total)*). We believe that the second definition better captures director control although we complete empirical analyses for Directors (and Chairmen separately) with both

²⁸ Ville & Merrett, 'Development', p. 37.

²⁹ In total, 13 out of the 90 companies in the SRA were in the Fleming et. al. *Big End* Top 100 list for 1930.

³⁰ Fleming et al, *Big End*, pp. 244-49.

definitions to allow comparison with U.K. studies, none of which attempt to calculate *Director (Total)*.³¹ For *Director (Name)* we collected the shareholding for each director from the SRA shareholder lists, cross-checking our total for each director against the SRA company summary provided at the front of every company entry. For *Director (Total)* we also collected data on shareholdings held jointly with at least one other person, and with family members (same surname and address) where a connection could be found between the shareholder and the director (for example, a family firm, unusual surname). It is possible that this approach has resulted in false negatives, missing family connections that were not obvious but we prefer to be conservative in estimating family connections.³² Finally, we reviewed shareholder lists for companies that had the same surname as a director, defining these as holding companies and counted those shares under the director's control.

The additions to the director's individual holdings often identified major differences between director shares held in their own name and total shares under their control. For example, R.C. Dixson was the Chairman of the Electric Light and Power Supply Company and held 1,455 shares in his own name, a nominal 0.19% of ordinary shares. However, he also owned 6,213 shares jointly with various individuals, and 17,150 shares through the Dixson Trust Pty Ltd and the trust jointly with other individuals. In total R.C. Dixson controlled 16.1 times more shares than his individual shareholding indicated, and thus controlled 3.3% of Electric Light and Power. Sir Mark Sheldon was the chairman of brewery Tooheys Ltd and held 866 shares solely in his own name, dwarfed by the 40,833 shares held jointly with two others. Sir Mark thus held 2.38% of all shares on issue in one of Australia's largest breweries. In total, we collected information on 417 director entries for 375 unique directors. Five directors held 3 or more directorships.

We also deployed a series of measures to look for controlling influences, or blockholders, that may have existed beyond the Board. These included the largest five shareholders and any shareholders who held 10 per cent or more of a firm's capital. The concentration of shareholding of the top 5 shareholders is measured using a modified Herfindahl-Hirschmann index, calculated as the Herfindahl-Hirschmann index for the top 5 shareholders divided by the square of the total shareholding held by the top 5 shareholders. In each case we use the measure of 'Total' rather than 'Name' to capture fully their influence.

We also selected two variables to measure managerial control in the form of chairman shareholding and managing director shareholding. The chairman can play an important role in guiding the firm and creating value through monitoring and ensuring alignment between executive management and shareholder interests, providing advice and counsel to senior management as they formulate strategy or respond to competitive threats, providing legitimacy and communication skills that may help managing stakeholders, and access to external resources through professional networks.³³ The strategic management literature also tells us

³¹ Aldous et al "Was Marshall Right?", p. 134 analyse a small sub-sample in relation to wives' shareholdings; Foreman-Peck & Hannah ("Extreme Divorce", p. 1226) acknowledge the problems with missed family and trustee accounts but their source is silent on the question; Acheson et al ("Corporate Ownership") do not mention the issue. In his study of voting patterns in early nineteenth-century American corporations, Hilt ("When did Ownership", pp. 666-8) used a similar approach to measure shares held indirectly through trusts, corporations and partnerships.

³² Zorina Khan, "Related Investing: Family Networks, Gender, and Shareholding in Antebellum New England Corporations", *Business History Review* 96, Autumn (2022): 487–524.

³³ Michael C. Withers and Markus A. Fitza, "Do Board Chairs Matter? The Influence of Board Chairs on Firm Performance", *Strategic Management Journal*, 38, 6 (2017): 1343-55; Ryan Krause, Weiwen Li, Xufei Ma, and Garry D. Bruton, "The Board Chair Effect Across Countries: an Institutional View", *Strategic Management*

that the chairman can have a positive impact on firm performance and that this impact varies by the level of discretion they have in influencing organizational objectives.³⁴ Adams et al. (2023, Figure 1) identify the first half of the twentieth century as one of transition in the U.K. from chairmen-led businesses to managing directors taking greater leadership roles. They note that the 1920s and 1930s was a period when the managing director rose to prominence and where the emergence of the dual chairman/managing director role reflected companies experimenting “with the position of power and nature of the leadership roles”.³⁵ We know very little about the history of the role of chairmen and managing directors in Australian companies.

The name of the chairman of each company is provided in the SRA, but the managing director was rarely identified. We collected the names of managing directors from *Jobson’s Investment Digest* and other sources such as company histories. We identified 61 managing directors from these sources. We then reviewed each shareholder list to identify the managing director by name and recorded their shareholding. If the name of the managing director was known but not on the shareholder list, we assumed that the managing director held no shares. We also collected the board size and specific member categories who held public roles - peers of the realm, Members of Parliament, and military officers - from the *SRA* and *Jobson’s Investment Digest*. We defined a family firm as one that had directors with the same name on the Board.³⁶ The number of shareholders is provided by the SRA. A full list of definitions can be found in Appendix Table A1.

Unfortunately, we lack information on the voting systems of companies in our sample. Cash flow and voting rights can differ in cases where graduated voting rights were adopted by firms to restrict the voting power of larger shareholders.³⁷ We cannot rule out that cash flow and voting rights were separated for some of our companies, as an examination of companies in Wheelwright’s sample indicates that approximately 40% of companies had graduated voting rules.³⁸ While graduated voting rights normally favour separate ownership and control by strengthening the power of smaller owners, preference shares might have the opposite effect. Founding families listing their companies in the UK at the end of the nineteenth century often issued non-voting preference shares to help protect their control.³⁹ 50 per cent of our 1938 sample (Table 2) had preference shares as well as ordinary shares, and it was often the case in Australia that preference shares held no voting rights except in situations where the board was proposing changes material to their position, such as to the rights and privileges of preference shares, a reduction in capital of the company, or a sale of wind-up of the company.⁴⁰ It was also rare for preference shareholders to have a representative on the board of directors and we found

Journal, 40, 10 (2019): 1570-92; Robert Langan, Ryan Krause, and Markus Menz, “Executive Board Chairs: Examining the Performance Consequences of a Corporate Governance Hybrid”, *Journal of Management*, 49, 7 (2023): 2218-53.

³⁴ Withers & Fitza, “Do Board Chairs Matter?”; Krause, Li, Ma & Bruton, “The Board Chair Effect”.

³⁵ Robin J. C., Adams, Michael Aldous, Philip Fliers, and John D. Turner, “Aristocratic amateurs to fat cats? British CEOs in the twentieth century”, *QUCHE Working Paper Series*, 08 (2023), Figure 1 and p. 15.

³⁶ Aldous et al, “Was Marshall Right”, p. 139.

³⁷ Howard Bodenhorn, “Voting Rights, Shareholdings, and Leverage at Nineteenth-Century US Banks”, *The Journal of Law and Economics*, 57, 2 (2014): 431-58; Hilt, “When did Ownership?”; Aldo Musacchio, “Can Civil Law Countries Get Good Institutions? Lessons from the History of Creditor Rights and Bond Markets in Brazil”, *The Journal of Economic History*, 68, 1 (2008): 80-108; Mariana Pargendler and Henry Hansmann, “A New View of Shareholder Voting in the Nineteenth Century: Evidence from Brazil, England and France”, *Business History*, 55:4 (2013): 585-600.

³⁸ Wheelwright, ‘Ownership’.

³⁹ Acheson et al, “Corporate Ownership”, pp. 926-7.

⁴⁰ See for example, Wheelwright’s (*Ownership*) description of voting rights for British Tobacco Co. (Australia) Ltd (p.141), Felt & Textiles of Australia Ltd (p.167), and John Vicars & Co Ltd (p.183).

no instance of such in our sample. Overall, we lack the specific data to calculate the distribution of voting powers in our sample of firms.

DIRECTOR OWNERSHIP

The descriptive statistics for the sample of 90 companies are provided in Table 2. There is a spread of companies by size and age, two factors often discussed in relationship to ownership structure.⁴¹ The largest company is Tooth & Co at £17,195,515 in market capitalisation and the smallest is Australian Investment & Discount Co Ltd at £9,528, with a median size for the entire sample of £149,496. The oldest firm is 85 years old, established in 1852, while the median company is 22.5 years old, which indicates that half the companies were established after 1900. 28.9 per cent of our companies are family firms, similar to the UK figure of 25 per cent.⁴² The median leverage ratio is relatively low at 8.9 per cent (percentage of total assets).

Table 2. Descriptive Statistics

	Count	Mean	Std Dev	Min	Median	Max
<i>Ownership</i>						
Director (Name)	90	0.169	0.203	0.003	0.093	1.000
Director (Total)	90	0.215	0.228	0.009	0.150	1.000
Chairman (Name)	90	0.065	0.143	0.000	0.015	0.971
Chairman (Total)	90	0.097	0.184	0.001	0.021	0.971
Managing Director	61	0.096	0.194	0.000	0.028	0.971
Director > 1/3	90	0.189	0.394	0.000	0.000	1.000
Director > 1/2	90	0.111	0.316	0.000	0.000	1.000
<i>Firm characteristics</i>						
Family firm (0/1)	90	0.289	0.456	0.000	0.000	1.000
No. of shareholders	90	757.367	1133.975	60.000	352.500	6745.000
Board size	90	4.532	1.274	3.000	4.000	8.000
Peer on board (0/1)	90	0.267	0.445	0.000	0.000	1.000
Dual (0/1)	90	0.189	0.394	0.000	0.000	1.000
Preference Shares (0/1)	90	0.500	0.503	0.000	0.500	1.000
Firm size (£)	90	631,231	1,965,494	9,528	149,496	17,195,515
Firm age (years)	90	27.500	19.537	0.000	22.500	85.000
Leverage (%)	90	0.124	0.142	0.000	0.089	0.622

Board size was a median 4 directors, and 26.7% of Boards included a peer. These compared with 6 and 20 per cent respectively in the UK in 1911 and Board size of 8 in the US in 1935.⁴³ Only 9 per cent of our companies had Members of Parliament on their Board and just 2 per cent members of the military. Few companies had overseas operations or were subsidiaries of

⁴¹ Aldous et al, "Was Marshall Right"; Harold Demsetz and Kenneth Lehn, "The Structure of Corporate Ownership: Causes and Consequences", *Journal of Political Economy*, 93, 6 (1985): 1155-77

⁴² Aldous et al, "Was Marshall Right", p. 137.

⁴³ Aldous et al, "Was Marshall Right", p. 137; Holderness et al, "Were the Good Old Days", p. 457.

foreign multinationals that might have influenced director ownership or other corporate governance factors (such as board size or composition), in contrast to the UK share in 1911 of 32 per cent.⁴⁴ All firms (except one) were listed on the Sydney Stock Exchange, although several also traded on the Melbourne Stock Exchange. Given the similarities in listing rules between the SSX and the MSX, we do not expect the location of the stock exchange to influence ownership structure.

Directors owned a median 9.3% (average 16.9%) of ordinary shares, suggesting that ownership was separated from control. These figures are significantly higher than Wheelwright's 1957 study of the ownership of 102 of the largest companies in Australia, where directors owned a median 0.7% of ordinary shares (average 4.6%).⁴⁵ Our 1937 director ownership approximates Aldous et al., which reported median and average director ownership of 8.9% and 17.2% respectively for Britain's largest companies in 1911.⁴⁶ Foreman-Peck and Hannah's calculations for 337 large UK companies in the same year (2.8, 10.1 per cent) and Holderness et al (1999, p. 441) for large US companies in 1935 (6.5, 12.9 per cent by market value of stock) produced higher degrees of ownership/control separation.⁴⁷ One possible reason for the difference between our result and these is that our sample covers a wider distribution by company size, not being restricted to the largest companies, and in an economy where average company size was smaller than in the US or UK. We will return to the question of the role of firm size in ownership structure in the following section.

Once we introduce our new measure - total director ownership - ownership and control were less separated again. Directors controlled a median 15 per cent (average 21.5 per cent) once shares under director control held jointly with other shareholders (including family) and through holding companies are included. In other words, the directors' median share increased by about 2/3 (9.3 to 15.0 per cent) and average by about 1/4 (16.9 to 21.5) when allowance is made for 'indirect' holdings.⁴⁸ Most of these additional shares under director control were held under joint ownership with other investors, or with family members. Our figures are higher than those reported by Wheelwright (1957), when he adopted a similar approach to find that directors held a median 3.0% of ordinary shares (average 11.7%) for companies in his sample.

The important differences in measures of control yielded by the inclusion of director (total) are demonstrated in Figures 1 and 2. The box plot in Figure 1 shows the quartiles of the distribution (the box), with the line in the box the median. The 'X' on the box-plot indicates the average while the "whiskers" are set at 1.5x the inter-quartile range (thus, any points beyond the whiskers are typically considered outliers).

⁴⁴ Aldous et al, "Was Marshall Right", p. 137.

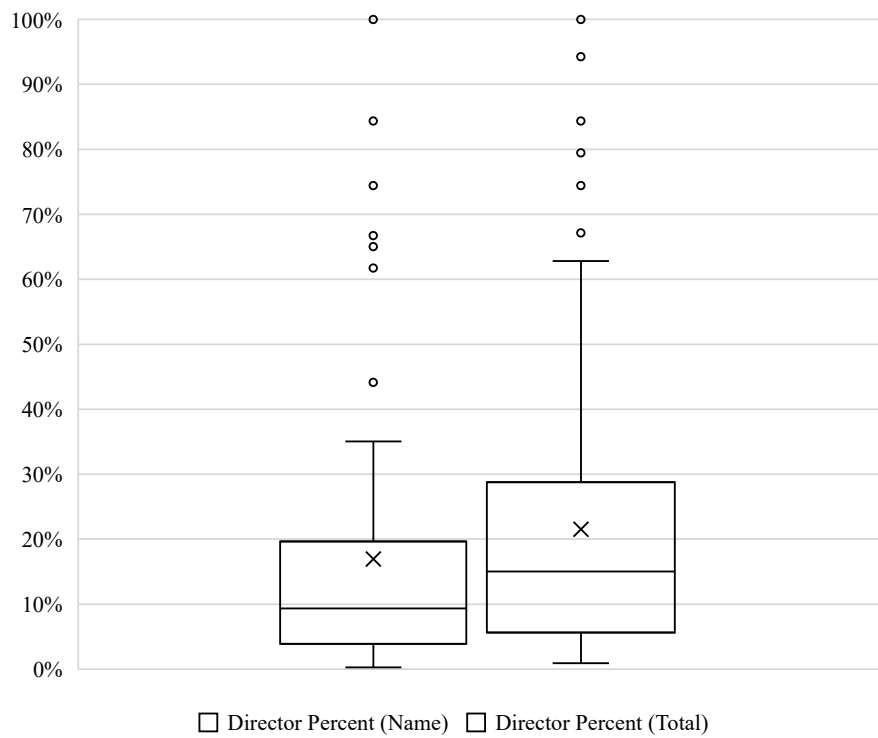
⁴⁵ Wheelwright, 'Ownership'.

⁴⁶ Aldous et al, "Was Marshall Right", p. 138.

⁴⁷ Foreman-Peck, & Hannah, "Extreme Divorce", p. 1231.

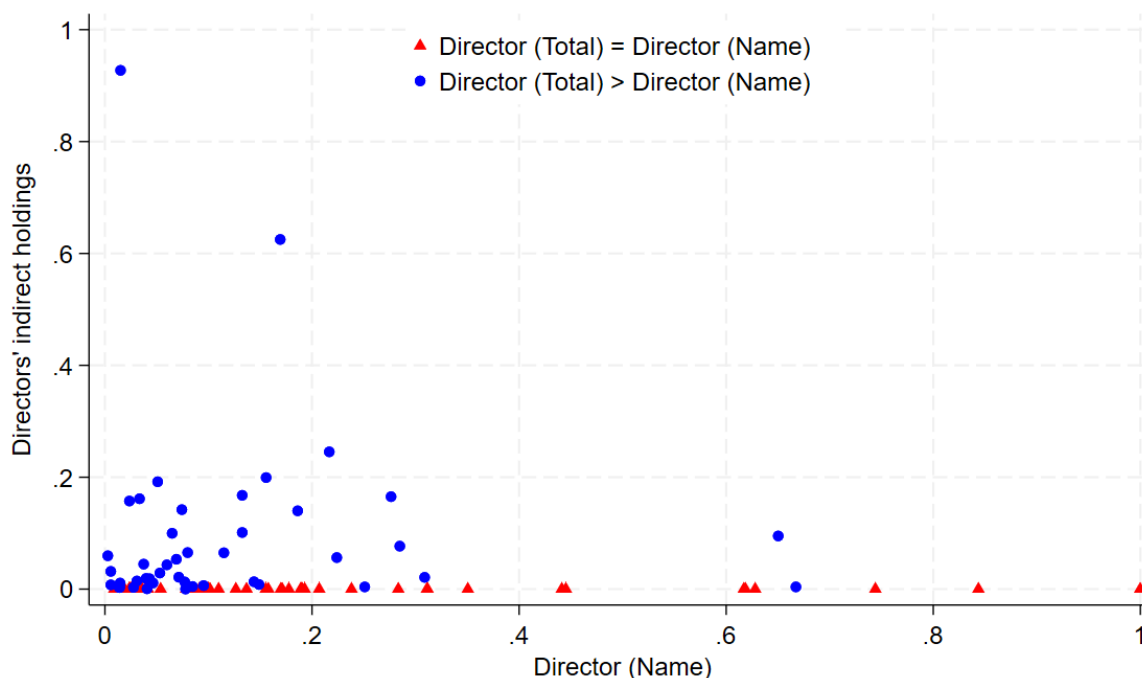
⁴⁸ In Hilt's ("When did Ownership", p. 668) nineteenth-century US study, adding indirect increased the directors' ownership share by a half.

Figure 1. Box Plot of the Distribution of Directors Shareholding



This illustrates that the top quartile of *Director (Total)* starts slightly below 30% ownership, 50% more than that showed by *Director (Name)* (the third quartile at 20% ownership). The spread of director ownership results is greater when we can measure all shares that directors own, as one can see from the larger box and extended whiskers. This illustration provides evidence that ownership and control are less likely to be separated when accounting for all holdings under directors' control.

Figure 2. Distribution of Directors Shareholding



To investigate the difference between individual and total ownership at different levels of director shareholdings, we present a scatterplot of *Director (Name)* versus *Director 'Indirect'* in Figure 2. We adopt the term *Indirect*, measured as the difference between *Director (Total)* and *Director (Name)*. While directors were not required to report the number of shares owned by them, a reasonable observer might have been excused for assuming that the directors' shareholdings were approximated by the number of shares held individually. Red triangles represent companies where no indirect ownership is observed, while blue dots indicate companies with indirect ownership.

As shown in Figure 2, most companies with no indirect ownership are clustered at or below the 20% ownership level. For companies with indirect ownership, the directors are more likely to report holdings of less than ten percent in their own name. In this range, indirect spans from one per cent to 20 per cent, with two cases exceeding 60 per cent. Conversely, for companies where directors hold more than 40 per cent of shares in their own name, there are only two instances of indirect ownership. In other words, this illustration reveals that directors who own a smaller percentage of shares in their own names are more prone to indirect ownership. This pattern may reflect strategic distribution of ownership, with directors choosing to hold shares jointly or through holding companies to reduce the proportion registered solely in their name, possibly to limit public disclosure.

Ownership and control also varied by industry (Table 3) with 'total' director ownership being highest in wholesale and retail trade (31.2 per cent) and manufacturing (21.3 per cent) and lowest in electricity, gas and water (3.7 per cent), although the latter involves only a single company. The pattern is largely explained by the higher proportion of family firms in these industries, and is generally consistent with the pattern of ownership variation by industry in the United States in 1935.⁴⁹

⁴⁹ Holderness et al, "Were the Good Old Days", p. 452.

Table 3
Total Director & Managerial Ownership by Industry
(Average)

Industry	No. Companies	Directors	Chairman	Managing Director	Sum of Directors > 1/3	Sum of Directors > 1/2	Largest Shareholder	Top 5 Shareholders
Agriculture, Forestry, Fishing & Hunting	3	18.4%	3.4%		0	0	14.6%	44.5%
Electricity, Gas, Water	1	3.7%	3.3%		0	0	4.7%	11.6%
Entertainment, Recreation, Restaurants, Hotels & Personal Services	5	13.9%	4.0%	8.2%	1	0	37.8%	63.9%
Finance, Insurance & Real Estate	17	11.6%	6.1%	1.8%	1	1	14.0%	28.9%
Manufacturing	26	21.3%	7.7%	6.9%	6	2	14.5%	36.4%
Mining	2	14.2%	1.2%	2.5%	0	0	5.6%	21.1%
Transport & Storage	5	12.2%	4.0%	0.2%	0	0	8.9%	23.9%
Wholesale & Retail Trade	31	31.2%	16.5%	17.3%	9	7	26.3%	46.4%
Grand Total	90	21.5%	9.7%	9.6%	17	10	19.1%	38.9%

Notes: NA = No data. Entertainment, Recreation etc. = Entertainment, Recreation, Restaurants, Hotels & Personal Services
Director >1/3 and Director >1/2 is calculated as the percentage of companies with director ownership greater than one-third and greater than one-half of all ordinary shares.

There are different opinions in the finance literature as to what level of ownership begets control, ranging from 5% to 20%.⁵⁰ Our sample suggests, therefore, that using the broader calculation of director’s total, ownership was not divorced from control for our overall company sample. Furthermore, 18.9% of companies had directors with total shareholding greater than one-third, and 11.1% with more than half of all shares.

MANAGERIAL OWNERSHIP: CHAIRMEN AND MANAGING DIRECTORS

There were various structures of senior management, as defined by chairman and managing director. We have information on the shareholding of managing directors for 61 companies and of chairmen for 90. Three companies had joint managing directors and in 17 the position of chairman and managing director was held by the same person reflecting a concentration of decision-making power. While our sample size is small, the proportion of “CEO duality”, in modern parlance, at 27 per cent is similar to Adams et. al.’s examination of U.K. corporate leaders, where approximately twenty percent of companies had a dual chairman and managing director.⁵¹ In 43 out of 61 companies (70.5%) the managing director was on the board of directors.

Managerial ownership, as measured by shares held by a chairman or managing director (MD) was relatively modest with a median of 2.1% and 2.8% respectively (average 9.7% and 9.6% respectively). The shareholding, however, differed significantly among the different ‘types’ of managing directors. Dual chairman/managing directors held an average 25.3%, much higher than the 5.1% of shares for other managing directors who were board members only.

The share held by Chairmen and MDs differed from other Board members in several respects (Table 4). For example, average chairman ownership was 9.7 per cent compared with the average of 11.8 per cent for the *remainder* of the Board in aggregate. However, a much greater gap existed when we focus on the dual category where the chairman/MD owned almost twice as many shares as the rest of the Board. These powerful roles are especially associated with family firms. By contrast, chairman ownership averaged 5.1% in companies where the role of chairman and MD was separated, about one half of the ownership for the remaining board members.

Table 4. A Comparison of Managerial and Board Control

	Number of Companies	Average of Chairman Ownership	Average of Rest of the Board
Chair & MD Separate	44	5.10%	11.20%
Dual	17	25.30%	13.80%
Unknown	29	7.60%	11.60%
Total	90	9.70%	11.80%

Finally, it should also be noted that the increased ownership share resulting from counting both individual and total ownership is significantly larger for Chairmen than the rest of the Board,

⁵⁰ Foreman-Peck & Hannah, “Extreme Divorce”, p. 1228.

⁵¹ Adams et al, “Aristocratic Amateurs”, p. 11. Aldous et. al. (“Was Marshall Right?” p.149) identified 889 chairmen of which 101 (11.4 per cent) were designated chairman and managing director.

which emphasises their greater exercise of control within the company when this broader measure is made (Table 5).

Table 5. Ratio of Shares of Total Ownership versus Individual Ownership

	Chairman	Other Directors	All
Average	16.75	2.70	2.95
Median	2.02	1.00	0.57
Count	23	35	43

Chairman held a median 2.02 times shares in total, as compared with shares held individually. The median for all other directors is 1.0, indicating that shares were not typically held jointly or via holding companies.

BLOCKHOLDERS AND OTHER INSIDER CONTROL INFLUENCES

While our focus has been on corporate control exercised within the company’s Board, there are other possible sources of influence within a firm.⁵² Not all large investors were Board members, which has led some scholars to estimate other measures of control or concentration by ‘insiders’, including the percentage of shares owned by the largest investors, often 10 per cent, or the share of the leading five investors.⁵³ For Australian companies, we find that the median share of capital owned by the leading five investors was 30.5 per cent, a figure well in advance of the 15 per cent for directors. Significant variation existed in the top 5 share from 6.3 to 100 per cent. There was also variation among industries with Entertainment, Recreation, Restaurants, Hotels & Personal Services (57 per cent) and Agriculture, Forestry, Fishing & Hunting (38 per cent) being the highest although both are small samples. Older firms also had lower capital concentration by this measure. Some of these top five owners were part of the original founding family or members of an existing family firm but were not serving on the Board. Thus, for example, in Morts Dock & Engineering, the Mort family included 3 of the top 5 shareholders but with no board seats; and in ETC Industries three out of four Meyer family members were blockholders but with no board seat; CB Meyer was on the board but not as chairman.

Australian Boards, as we saw above, were quite small and therefore another approach has been to focus on the largest shareholder plus any others who owned 10 per cent or more of the company’s stock, who might be considered significant ‘blockholders’ that held influence within the company. In most cases, this was a single major shareholder – 134 largest investors for 90 companies (or 1.5 large investors per company) – and on average (mean) large investors owned

⁵² We take a different approach from Aldous et al (“Was Marshall Right?”, pp. 134-5) who did not calculate other sources of influence beyond the Board, noting ‘we are interested in the separation of ownership from control and not the degree of ownership concentration’. Foreman-Peck & Hannah (“Extreme Divorce”, p. 1233) criticise the neglect of ‘the influence of all large block-holders who are not directors’.

⁵³ Acheson et al, “Corporate ownership”; Graeme G. Acheson, Gareth Campbell and John D. Turner, “Active Controllers or Wealthy Rentiers? Large Shareholders in Victorian Public Companies”, *Business History Review*, 89, 4 (2015): 661-91; Hilt, “When did Ownership”; P. Sargent, *Florence, Ownership, Control and Success of Large Corporations: an Analysis of English Industrial Structure and Policy, 1936–1951* (London, 1961); Dennis Leech John and Leahy, “Ownership Structure, Control Type Classifications and the Performance of Large British Companies”, *Economic Journal*, 101 (1991): 1418–37.

26.3 per cent of the firm’s capital which was similar to the 21.5 per cent of directors, reflecting the significant overlap between the two measures. However, there were still 61 (46 per cent) of these largest investors who were not on the Board. Thirty-three of the largest investors (24.6%) were individuals who shared a name with the company, typically a first- or second-generation founder.

Institutional blockholding was also evident. 20 (15 per cent) large shareholders were companies that owned equity in another company. In most instances, the company was a trustee company – Permanent Trustee or Perpetual Trustee – that held the shares in their name, not on behalf of any shareholder and invested in companies across a range of sectors including finance, shipping, manufacturing, utilities and retail.⁵⁴ While these institutional investors may merit further examination, their activity was not on a scale with the financial capitalism experience of many American and German firms and less commonly had institutional blockholders on their Board.⁵⁵ However, overall there appears to have been a greater propensity for large owners to be actively involved in a company’s management than was the experience of nineteenth-century British firms (using the 10 per cent or more definition) where 62 per cent were not on the board and most were viewed as ‘wealthy gentlemen capitalists rather than entrepreneurs’.⁵⁶

Table 6. Ownership Concentration: Summary Statistics

	Count	Mean	Std Dev	Min	Median	Max
Top 5 Percent	90	0.389	0.277	0.063	0.305	1.000
Largest Investor	90	0.191	0.214	0.015	0.106	0.971
Directors	90	0.215	0.228	0.009	0.150	1.000
Managing Director	61	0.096	0.194	0.000	0.028	0.971
Chairman	90	0.097	0.184	0.001	0.021	0.971
Large Investors	90	0.263	0.290	0.015	0.106	1.000

Note: We calculate ‘large investors’ as the largest investor in each firm plus any other shareholders with 10 per cent or more ownership.

Table 7. Large Shareholders in Australian Companies

Industry	Total	Large Investors	Large Investor as director	Large investor as company	Large investor same name as firm
Agriculture, Forestry, Fishing & Hunting	3	5	2	1	1
Electricity, Gas, water	1	1	0	1	0
Entertainment, Recreation, Restaurants, Hotels & Personal Services	5	11	2	3	1

⁵⁴ Perpetual Trustee (Sydney) held non-director blockholder positions in six companies, all as the largest shareholder: Anthony Hordern & Sons; Electric Light & Power; Newcastle and Hunter River Steamship; NSW Monte de Piete; North Coast Steam Navigation; Wunderlich Ltd.

⁵⁵ Carole Frydman, Eric Hilt and Lauren Mostrom, “Ownership and Control of American Public Corporations, 1880-1920” (unpublished); Sybille Lehmann-Hasemeyer and Andreas Neumayer, “The Limits of Control: Corporate Ownership and Control of German Joint-Stock Firms, 1869–1945”, *Financial History Review*, 29, 2 (2022): 152-97.

⁵⁶ Acheson et al, “Active Controllers”, p. 661.

Finance, Insurance & Real Estate	17	20	9	5	0
Manufacturing	26	38	22	3	7
Mining	2	2	2	0	0
Transport & Storage	5	5	2	2	1
Wholesale & Retail Trade	31	52	34	5	23
Total	90	134	73	20	33

Several researchers have described the Australian corporate governance system in the later part of the twentieth century as possessing characteristics of a “block-holder” system, with at least half of listed companies having a controlling (majority or substantial minority) non-institutional shareholder.⁵⁷ Our interwar sample confirms that such a description aptly describes corporate governance in Australia prior to the Second World War. That Wheelwright alternatively found greater separation of ownership and control in the 1950s, suggests Australia has long sat on the continuum between outsider and insider systems of corporate governance. How do we interpret what this meant for agency within the firm? Our results also point to the diversity of influences on control within Australian companies including by directors, founders, other individual blockholders, and other investing companies. The extent to which they cooperated with one another in a self-serving manner or, alternatively, mutually monitored opportunism is more difficult to evaluate.

CHARACTERISTICS OF OWNERSHIP AND CONTROL STRUCTURES

A range of characteristics have been associated with the ownership structure of firms. Size has been offered as a major factor as larger firms seek to cast their web widely in search of needed capital, but other possible relationships examined by historians have included: the operating environment, industry structure, voting rights, company listing and in which stock market, trust, proximity to company head office, share denomination, Board size, and company age.⁵⁸ Therefore, we examine the covariates of director and managerial ownership and ownership concentration with those company governance variables and firm demographics available to us and relevant to Australian companies. We regress the firm characteristics in Table 2 on the percentage of ordinary shares owned by directors, the chairman and the managing director.⁵⁹ Since controlling influences could also be exercised by the largest investors, irrespective of whether they served in a governance or management position, we have added measurements of this to our set of dependent variables.

Our model employs industry fixed effects in all regressions but given the possibility of endogeneity between director and managerial ownership and firm characteristics we first estimated our regressions on a univariate basis and in a version allowing for industry differences (the results were qualitatively similar and are not reported).⁶⁰ Results are presented in Table 8.

We might expect larger firms to have a greater separation of ownership from control as they seek to raise capital from a greater pool of shareholders. This relationship is not borne out by firm size (as measured by market capitalization), which shows no significant negative

⁵⁷ Dignam & Galanis, “Australia Inside-Out”, p. 628.

⁵⁸ Acheson et al, “Corporate Ownership”, pp. 927-32.

⁵⁹ We also estimated the regressions using the natural logarithm of director and managerial ownership. The results were qualitatively the same.

⁶⁰ For a similar approach see Aldous et al “Was Marshall Right?”, pp. 148-9.

coefficients and is consistent with the findings of other writers.⁶¹ Indeed, there is a positive relationship between firm size and percent held by directors (name), large investors, the top 5 shareholders and ownership concentration (modified HHI (top 5)). Older firms have more dispersed share ownership although the results are not consistent across all definitions of director ownership. There is a negative association between the number of shareholders and ownership concentration, with more shareholders related to more diverse ownership. Similar to Aldous et. al., we think that this result is likely to be a mechanical relationship.⁶²

The voting rights of ordinary and preference shares are related to director ownership, consistent with the voting rights literature.⁶³ Director and chairman total share ownership, capturing all shares under control of directors or chairmen, covaries positively with the use of preference shares. This is also the case for the percent held by large shareholders and the top 5 shareholders, and our variable for ownership concentration. It is possible that firms with block holder directors favoured the issuance of non-voting preference shares as a means of financing growth opportunities and maintaining control. Aldous et. al. find that voting preference shares were negatively associated with non-family firms, suggesting that one manner in which families maintained control was by issuing non-voting preference shares.⁶⁴

Our results are significant for family and non-family firms and are likely due to the higher concentration of board ownership and the existence of non-family block holders in Australian companies. To check this, we estimated logistic regressions with dependent variables of director ownership with at least one-third and one-half of all ordinary shares (block holders) (see Appendix Table A2), and a dummy variable for family firms. The significant positive result between preference shares and director ownership remains in both cases and the family firm dummy variable is insignificant. We additionally found no differences in director ownership between family and non-family firms (Appendix Table A3). This may be explained by the prevalence of non-family block holders in our sample, meaning that ownership concentration at the board level is not specific to families maintaining control after a firm is listed. By contrast family firm was found to be the principal explanatory factor in levels of ownership of British firms in 1911.⁶⁵

Board size and composition do not covary with director or managerial ownership. The smallness of Board sizes in Australia, noted above, may however point to the ability of directors to coordinate their behaviour, build consensus, and thus exercise closer control over the firm, although this is difficult to measure.⁶⁶ The presence of a peer on the board is not related to ownership, discounting the possibility that they provided some reassurance to small investors about the bona fide nature of the company. However, larger boards covary negatively with managing director ownership and ownership concentration.

⁶¹ Acheson et al, “Corporate Ownership”.

⁶² Aldous et al “Was Marshall Right?”, p. 139.

⁶³ Hilt, “When did Ownership”; Musacchio, “Can Civil Law Countries”; Pargendler & Hansmann, “A New View”; Bodenhorn, “Voting rights”.

⁶⁴ Aldous et al “Was Marshall Right?”, p.141.

⁶⁵ Aldous et al “Was Marshall Right?”, pp. 139-40.

⁶⁶ Aldous et al “Was Marshall Right?”, p. 138.

Table 8. Regressions for director & management share ownership

	(1) Director (Name)	(2) Director (Total)	(3) Chairman (Name)	(4) Chairman (Total)	(5) Managing Director	(6) % held by large investors	(7) % held by 5 largest investors	(8) Modified HHI (top 5)
No. shareholders (log)	-0.12*** (0.023)	-0.12*** (0.027)	-0.041* (0.019)	-0.042 (0.025)	-0.036 (0.029)	-0.18*** (0.031)	-0.18*** (0.027)	-0.053* (0.023)
Board size	0.0068 (0.016)	0.0098 (0.018)	-0.017 (0.013)	-0.025 (0.017)	-0.043* (0.021)	0.0020 (0.021)	0.0020 (0.018)	-0.032* (0.015)
Peer on board	-0.028 (0.044)	-0.0062 (0.050)	0.00012 (0.035)	0.020 (0.047)	0.019 (0.057)	-0.035 (0.057)	-0.023 (0.051)	-0.0036 (0.042)
Preference Shares	0.039 (0.038)	0.11* (0.043)	0.031 (0.031)	0.085* (0.040)	0.045 (0.049)	0.19*** (0.049)	0.21*** (0.044)	0.086* (0.036)
Firm size	0.042* (0.020)	0.035 (0.023)	0.013 (0.016)	0.010 (0.021)	0.00077 (0.027)	0.075** (0.026)	0.071** (0.023)	0.042* (0.019)
Firm age	-0.060** (0.021)	-0.043 (0.024)	-0.051** (0.017)	-0.037 (0.023)	-0.057* (0.025)	-0.046 (0.028)	-0.044 (0.025)	-0.029 (0.020)
Leverage	0.21 (0.14)	0.20 (0.16)	0.024 (0.11)	0.024 (0.15)	-0.20 (0.18)	0.15 (0.18)	0.11 (0.16)	-0.18 (0.13)
Constant	0.49** (0.17)	0.52** (0.20)	0.36* (0.14)	0.40* (0.19)	0.68** (0.23)	0.45 (0.23)	0.65** (0.20)	0.33* (0.17)
Observations	90	90	90	90	61	90	90	90
Adjusted R^2	0.391	0.378	0.194	0.152	0.262	0.491	0.561	0.164

Notes: Standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. All regressions estimated using ordinary least squares.

DISCUSSION AND CONCLUSIONS

Interwar corporate Australia initially appears to have ownership separated from control to a similar degree to the UK in 1911 and somewhat less than the US in 1935. However, once we introduce an important innovation by calculating indirect, as well as direct, share ownership, a different picture emerges of an insider corporate governance structure where Australian Boards held sizeable blocks of shares. We also found significant blockholders who were not on the Board. Whether control was diluted by graduated voting schemes we do not know. Either way, ownership was more concentrated than Wheelwright found for the 1950s, but our results resonate with the extensive blockholders, though more institutional, that have characterised more recent corporate Australia.⁶⁷ We also measured the ownership of the CEOs and managing directors of these firms as a more focussed definition of strategic management. Their shares were smaller although that of dual CEOs, possibly a growing breed in this era worthy of further research, was more notable.

Several distinctive results emerged from trying to discern the drivers of these ownership and control patterns. Increased size related positively to control, family firms did not make a significant difference, and preference shares were a device for maintaining control. Our research motivates several possible directions for future research. Australian results were initially comparable to those earlier in the century in the UK and US (where larger and more mature markets developed earlier), until indirect ownership was calculated. Undertaking similar exercises for those nations may provide grounds for reassessing their outsider governance regime moniker. Within Australia, further research is required on non-institutional blockholders – particularly on company Boards - since it is clear that they were a key feature of the governance regime.⁶⁸ Analysing the impact of ownership and control patterns on the performance of these Australian companies would also be a valuable extension of our results.

⁶⁷ Dignam & Galanis, “Australia Inside-Out”; Geof Stapledon, “The Structure of Share Ownership and Control: the Potential for Institutional Investor Activism” *University of New South Wales Law Journal* 18 (1998): 250-77.

⁶⁸ See Claire E. Wright, “Board Games: Antecedents of Australia’s Interlocking Directorates, 1910–2018”, *Enterprise & Society*, 24, 2 (2023): 589-616 on interlocking directorates among Australia’s leading companies for various benchmark years including 1930.

APPENDIX

Table A1. Variable Definitions

Variable	Definition	Source
Ownership		
Director (Name)	Percent of ordinary shares owned by all directors and registered solely in their name	SRA
Director (Total)	Percent of ordinary shares owned by all directors and registered in their name, jointly with at least one other person, and in a director holding company	SRA
Chairman	Percent of ordinary shares owned by the chairman and registered solely in their name	SRA
Chairman (Total)	Percent of ordinary shares owned by the chairman and registered in their name, jointly with at least one other person, and in a director holding company	SRA
Managing Director	Percent of ordinary shares owned by the managing director and registered in their name, jointly with at least one other person, and in a director holding company	SRA; Jobsons
Director >1/3	Binary variable which equals 1 if Director (Total) is more than one-third of ordinary shares, 0 otherwise	SRA
Director > 1/2	Binary variable which equals 1 if Director (Total) is more than one-half of ordinary shares, 0 otherwise	SRA
Top 5 investors	Percent of ordinary shares owned by the five largest shareholders and registered in their name, jointly with at least one other person, and in a holding company	SRA
Largest investor	Percent of ordinary shares owned by the largest shareholder and registered in their name, jointly with at least one other person, and in a holding company	SRA
Large investors	Percent of ordinary shares owned by the largest shareholder and all other shareholders with at least 10% ownership (shares registered in their name, jointly with at least one other person, and in a holding company)	SRA
Modified HHI (top 5)	A modified Herfindahl-Hirschmann Index for the top 5 shareholders, scaled by the percentage of shares held by the top 5 shareholders	SRA
Firm Characteristics		
Family Firm	Binary variable which equals 1 if a director's name is also in the name of the company, 0 otherwise	SRA; Jobsons
Number of Shareholders	Natural logarithm of the total number of shareholders	SRA
Board Size	The number of directors on the board	SRA; Jobsons

Peer on Board	Binary variable which equals 1 if the board member held a knighthood, 0 otherwise	SRA; Jobsons
Dual	Binary variable which equals 1 if the chairman was also the managing director, 0 otherwise	SRA; Jobsons
Preference Shares	Binary variable which equals 1 if the firm had issued preference shares, 0 otherwise	SRA
Firm Size	Natural logarithm of the market value of equity	SRA; Jobsons
Firm Age	Natural logarithm of company age, calculated as one plus the number of years between the year of establishment and 1937	SRA
Leverage	Ratio of book value of bank debt, debentures and mortgages to total assets	SRA

Notes: SRA=The Share Register of Australia; Jobsons = Jobson's Investment Digest, various years. All variables relate to 1937 financial and share price information, unless otherwise stated.

Table A2. Logit Regressions. Director Ownership & Family Firms

	Director > 1/3	Director > 1/2	Director > 1/3	Director > 1/2	Dual	Managing Director on the board = 1	Dual	Managing Director on the board = 1
Family firm	1.16 (0.90)	0.81 (1.11)	0.88 (1.00)	-0.84 (1.55)	1.75* (0.71)	2.42* (1.22)	1.95* (0.90)	0 (.)
No. shareholders (log)	-1.86** (0.60)	-1.75* (0.73)	-2.04** (0.64)	-3.41** (1.31)	-0.099 (0.40)	0.074 (0.40)	-0.14 (0.46)	-0.16 (0.65)
Board size	0.34 (0.32)	-0.17 (0.38)	0.24 (0.36)	-0.23 (0.53)	0.24 (0.27)	-0.10 (0.32)	0.30 (0.31)	-0.42 (0.51)
Peer on board	-1.12 (1.24)	-0.022 (1.29)	-0.92 (1.37)	0.70 (1.58)	-1.49 (1.14)	-1.20 (0.78)	-1.58 (1.28)	-0.88 (1.33)
Preference Shares	2.22* (0.98)	3.14* (1.53)	1.99 (1.06)	4.84 (2.67)	-0.14 (0.62)	-0.050 (0.74)	-0.61 (0.72)	-0.87 (1.15)
Firm size	0.56 (0.52)	1.08 (0.64)	0.67 (0.54)	2.41* (1.04)	-0.097 (0.37)	0.15 (0.35)	-0.35 (0.47)	0.26 (0.59)
Firm age	-0.61 (0.42)	-0.76 (0.49)	-0.67 (0.49)	-1.14 (0.63)	-0.57 (0.36)	-0.68 (0.43)	-0.91* (0.44)	-0.91 (0.55)
Leverage	3.49 (2.55)	4.30 (3.03)	5.64 (3.54)	8.21 (4.78)	0.61 (2.06)	5.20 (3.25)	-0.55 (2.63)	3.64 (4.42)
Constant	0.29 (4.37)	-5.56 (5.33)	0.96 (4.57)	-11.5 (7.68)	0.39 (3.27)	0.67 (3.39)	5.77 (4.11)	3.24 (5.01)
Industry	NO	NO	YES	YES	NO	NO	YES	YES
Observations	90	90	79	74	90	62	74	28
Pseudo R ²	0.411	0.366	0.464	0.518	0.182	0.245	0.299	0.214

Note: Standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A3. OLS Regressions. Family and Non-Family Firms

	Family			Non-Family				Family			Non-Family		
	Director (Name)	Director (Name)	Director (Name)	Director (Total)	Director (Total)	Director (Total)	Managing Director	Chairman (Name)	Chairman (Name)	Chairman (Name)	Chairman (Total)	Chairman (Total)	Chairman (Total)
Family firm	0.055 (0.044)			0.041 (0.050)			0.0062 (0.068)	0.016 (0.036)			-0.019 (0.047)		
No. shareholders (log)	-0.11*** (0.024)	-0.19*** (0.033)	-0.10** (0.032)	-0.12*** (0.027)	-0.17*** (0.028)	-0.11** (0.040)	-0.035 (0.031)	-0.039* (0.019)	-0.026 (0.032)	-0.061* (0.029)	-0.044 (0.026)	-0.015 (0.033)	-0.071 (0.039)
Board size	0.0034 (0.016)	-0.014 (0.025)	-0.0052 (0.021)	0.0073 (0.018)	0.017 (0.021)	-0.013 (0.026)	-0.043* (0.021)	-0.018 (0.013)	-0.021 (0.024)	-0.017 (0.019)	-0.024 (0.017)	-0.0096 (0.025)	-0.027 (0.026)
Peer on board	-0.013 (0.045)	-0.0057 (0.085)	-0.0044 (0.052)	0.0046 (0.051)	-0.079 (0.073)	0.038 (0.064)	0.020 (0.060)	0.0045 (0.037)	0.045 (0.083)	-0.0027 (0.046)	0.015 (0.049)	0.027 (0.085)	0.022 (0.062)
Preference Shares	0.042 (0.038)	0.10 (0.064)	0.024 (0.050)	0.11* (0.043)	0.14* (0.055)	0.10 (0.062)	0.046 (0.051)	0.031 (0.031)	0.035 (0.063)	0.020 (0.045)	0.084* (0.041)	0.047 (0.064)	0.089 (0.061)
Firm size	0.038 (0.020)	0.12* (0.050)	0.035 (0.024)	0.032 (0.023)	0.12* (0.043)	0.032 (0.030)	-0.00011 (0.029)	0.012 (0.016)	0.0071 (0.049)	0.025 (0.022)	0.011 (0.022)	0.0065 (0.050)	0.025 (0.029)
Firm age	-0.064** (0.021)	-0.013 (0.048)	-0.075** (0.024)	-0.046 (0.024)	-0.037 (0.041)	-0.050 (0.030)	-0.058* (0.026)	-0.052** (0.017)	-0.066 (0.047)	-0.048* (0.022)	-0.036 (0.023)	-0.077 (0.048)	-0.021 (0.029)
Leverage	0.18 (0.14)	0.66** (0.20)	0.030 (0.19)	0.18 (0.16)	0.63** (0.17)	0.089 (0.24)	-0.20 (0.19)	0.014 (0.11)	0.16 (0.20)	-0.037 (0.17)	0.035 (0.15)	0.19 (0.20)	0.047 (0.23)
Constant	0.52** (0.17)	-0.10 (0.47)	0.54** (0.19)	0.54** (0.20)	-0.29 (0.41)	0.61* (0.23)	0.69** (0.24)	0.37* (0.14)	0.42 (0.46)	0.33* (0.17)	0.40* (0.19)	0.35 (0.47)	0.35 (0.23)
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Observations	90	26	64	90	26	64	61	90	26	64	90	26	64
Adjusted R^2	0.395	0.659	0.308	0.375	0.703	0.298	0.247	0.185	-0.014	0.142	0.142	-0.079	0.149

Note: Standard errors in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$