

Corporate Governance Communication

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Abstract

The recognised critical importance of corporate governance, and the attention that it is paid today, can be ascribed to several factors: sensational financial scandals (and the repercussions they have had for securities and financial markets), the exponential development of stock option policies, the information asymmetry that can be noted in practically every company,

The different requests for information of the various categories of stakeholders, combine to strengthen the decision to adopt integrated corporate communication policies.

The concept of integrated communication highlights a radical rethink of the function and role of the system of corporate information flows.

Keywords: Corporate Governance; Communication; Corporate Governance Communication; Integrated Corporate Governance Communication Tools; Primary and Secondary Stakeholders; Global Communication

1. Corporate Governance and Communication

The recognised critical importance of the issue of corporate governance, and the attention that it is paid today, can be ascribed to several factors: sensational financial scandals (and the repercussions they have had for securities and financial markets), the exponential development of stock option policies, the information asymmetry that can be noted in practically every company, and more besides. To this we must add the gradual intensification of environmental dynamics, which has for some time been affecting companies operating in markets conditioned by phenomena such as globalisation, deregulation, oversupply, etc.

This critical importance, linked to different national cultures, with their own legal systems and corporate traditions, demands an analysis that can explore the entire scope of corporate governance, thus including corporate communication.

To start with, we should put corporate governance in context, to recover some of the many definitions that have been proposed over the years, and the main goal of this process will be to grasp its repercussions for corporate communication systems.

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The issue of corporate governance and its importance actually goes back a long way: as early as 1932, Bearl and Means noted an emerging problem¹, represented by the growing size of companies (the traditional form of the sole proprietorship, or individual company, was increasingly being joined by the corporation or large company)². This growth favoured the separation between ownership and management, but at the same time it also imposed a separation between ownership and control.

What is more, even if the ideas expressed do not explicitly refer to corporate governance (this only emerged as an autonomous and specific issue in the 1970s) we should also mention Zappa, who observed that ‘... in order to operate usefully in the long term, the company must perform a vast number of duties not only in relation to its employees, but also to the public in which it operates. In other words, the company must reconcile its own advantage with the interests of those who work voluntarily for the company and must yield to the demands of the common good of the public in the country where it operates’³; this view reflects the Author’s own reasoning and concerns perfectly.

In Coda’s eyes, a corporate governance system is ‘the sum of the structural and functioning characteristics of governance organs such as the Board of Directors, the Chairman of the Board of Directors, and supervisory boards and organs like the Board of Auditors and the external auditors, including relations between them, with the organs/exponents of the owners and with the management structure’⁴.

In an interpretation influenced by the stakeholder view, that evolving theory has favoured, corporate governance may therefore be summed up briefly as the sum of rules that govern relations between the owners of a company, to whom we must add all the stakeholders with an interest of whatever type in the company, and the management responsible for running it. This viewpoint includes among these relations even those that stem from the supervisory logics of governance⁵. As in figure 1 shows, stakeholders (those who have some form of interest in the company) may be divided into contractual (primary) and diffused (secondary). The former interact with the company by way of direct relations, underpinned by mutual contract agreements, while the latter may also be involved as participants in a contract but usually have an interest in the company that stems from the effects and the impact that the company’s actions may have for them⁶. This approach is therefore founded on an important aspect: the stakeholder always has an interest in the company (regardless of its nature), whereas the latter may have no interest whatsoever in the stakeholder.

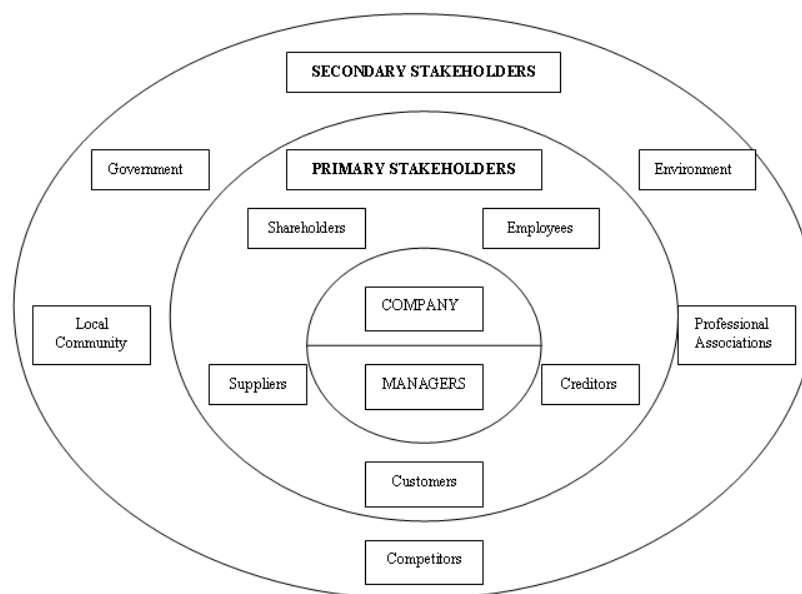
In a globalised economy, the echoes of the scandals are magnified but – unfortunately – the effects are often concentrated on only a partial audience; large multinational companies easily establish themselves in far-flung locations around the planet (on the basis of economic convenience the benefits of which are stronger than the problems of relocating), but they equally easily abandon these locations, to relocate into new premises elsewhere, with imaginable consequences on the national and regional socio-economic environments.

This process, which can also make it possible to avoid sanctions handed out by local governments, perhaps for pathological behaviour in the governance system, has been criticised on all sides. In this regard, J.E. Stiglitz states that ‘it should be possible for any country in which the company (or its proprietors) owns assets, to

be cognisant for legal proceedings, where its judgements can be enforced. The company may have its headquarters wherever it deems best, but this should not allow it to escape its responsibilities in other jurisdictions. For this to happen, it may be necessary to remove the veil of secrecy that envelops large multinationals⁷.

The result is that, particularly in modern economies profoundly conditioned by market globalisation (which has not confirmed the hoped-for trickle-down effect⁸, in spite of the enthusiasm of many of its defenders), the issue of corporate governance and the related issue of corporate governance communication acquire particular significance, to protect the need for information of the stakeholders that define each company.

Figure 1: *Primary and Secondary Stakeholders*



Source: adapted from Kim K.A., Nofsinger J.R., Corporate Governance, Pearson Education, Upper Saddle River, 2004

Stiglitz also notes that ‘the problem of corporate governance emerges both from problems of incomplete information and from the public nature of management’⁹. And as early as 1958, J.K. Galbraith warned of the risks associated to the so-called ‘conventional mentality’¹⁰ that the Author noted in large North American corporations, which are prepared to distort public perception to influence acceptability¹¹, noting that it ‘does not try to adapt to the world it intends to interpret, but rather to the conception that a specific audience has of this world’.

As a result, in view of numerous factors, corporate governance communication is of fundamental significance and must therefore take the shape of a concrete relationship with the publics (internal, external and co-makers) that every company addresses, if it intends to establish a continuous and mutually profitable relationship.

The different demands for information of the various categories of stakeholders, which consequently spill over into the relations that the company intends to

maintain with the different publics, combine to strengthen the decision to adopt integrated corporate communication policies.

Normally, and in general terms, we can see that while suppliers and credit institutes are interested in an ability to meet commitments, customers are interested in the constant updating of the products that the company proposes, and trades unions are sensitive to efforts made to improve working conditions and to train and prepare employees, whereas local communities want to know what the company has done to reduce the impact of its presence (on the environment, the landscape, etc.).

The commitment demanded of the company is rationalised by integrated corporate communication, for example (as we will see in detail below) by preparing an integrated report during the final closing stage, and this is no less significant when corporate governance is the generic object of the communication.

Integrated corporate communication has become more important in view of the growing competition and the high level of managerial (and relational) complexity that has conditioned the economy for some time, together with a systemic view that does not limit observation to a partial analysis of the contexts.

As Brondoni notes, 'the logic of integrated communication is increasingly widespread, because it meets the needs of modern managerial economics. Businesses that are most exposed to competition must adopt complex forms of communication which combine numerous goals and numerous tools, in order to develop action plans that are 'consistent and synergetic' in relation to a wide array of stakeholders that constitute the external, internal and 'co-maker' environment.

The concept of integrated communication highlights a radical rethink of the function and role of the system of corporate information flows, which in concrete terms regards acceptance of the pre-eminence of communication in competitive conduct, particularly for the development of intangible factors of supply (brand, design, pre/after-sales services, etc.) and invisible corporate resources (i.e. Brand Equity, Information system, Corporate culture)...¹².

2. Corporate Governance and the Demand for Information

The extension of the competitive space and the managerial repercussions this causes generate complex relations that the global company is obliged to build up and manage. It is no longer a question of managing relations with the market (in its commercial/commodity sense), but rather of legitimation (economic, competitive, financial, corporate, etc.) and of the control exercised by parties legitimated by precise, recognisable interests in the company.

It is not a question of purely juridical issues (the legal affairs offices and external consultants that large corporations can afford, deal with matters effectively), but rather of issues related to reconciling different cultures, both local and corporate, to the coordination of employees distributed in a number of decentralised operating units, to relations with institutional and private investors, scattered all over the world, to contacts with environmental movements and/or focus groups, and plenty more besides.

J. Solomon and A. Solomon¹³ point out that ‘international harmonization is now common in all areas of business. For example, in recent years we have been observed strong moves toward a comprehensive set of internationally acceptable standards for accounting. As a result of rising international trade and transnational business links, the development of internationally comparable business practices and standards is becoming increasingly necessary. The need for a global convergence in corporate governance derives from the existence of forces leading to international harmonization in financial markets, with increasing international investment, foreign subsidiaries and integration of the international capital markets. Companies are no longer relying on domestic sources of finance but are attempting to persuade foreign investors to lend capital. Corporate governance standardization is one way of building confidence in a country’s financial markets and of enticing investors to risk funds. We now look at several initiatives aimed at standardizing corporate governance at a global level’.

From the view point of a competitive approach to the market, globalisation makes it necessary to adopt logics based on market-based management, respecting behavioural principles that require the reconciliation of the interests of all the stakeholders (and therefore not only those providing venture capital and any financial institutes, but also geopolitical and social communities in the areas where the companies are located, striving for economic and often also logistic advantage).

In addition to which, as Brondoni notes, not infrequently ‘global networks that operate in enlarged competition spaces (enhancing and exploiting the intangible assets, i.e. brand equity, information system and corporate culture), have access to so extensive and sophisticated market information, that they are able to compete with governments in setting local development guidelines’¹⁴.

On the other hand, the global corporation accentuates a propensity to expand its own physical presence on the market when, in the context of competition that is now widespread in the planet but often played out within national borders, governments, both central and local, draft their own proposals designed to attract investments and investors, rewarding companies that decide to establish themselves in the territory by granting them a benefit or a bonus (the spillover effect, to which companies are not insensitive).

With the result that in the global economy, corporate organisations have to act in a context of complex market relations, profoundly influenced by the difficulties inherent in corporate governance, and often with open, ramified corporate cultures, that are congruous with the emerging multidimensional (managerial) environment.

We must also take into account the fact that in the most advanced countries, the changes to the various national systems advocated by theory and by the markets¹⁵, are outlining a process founded on internationally accepted criteria.

Corporate governance breaks down into a number of elements (which some authors describe as ‘categories’), most of which can be found in all national systems but can also be specific to the local context – because of different legislative set-ups (even more so than different ‘cultures’).

The main elements on which a system of corporate government is founded include the following:

1. the appointment, structure and functioning of the administrative organ and management body;

2. the rights of those contributing venture capital and the affirmation of the principle of impartiality in their treatment;
3. the communication and disclosure of information and its transparency;
4. the remuneration of management (including directors who are not shareholders and the persons appointed to fill top management positions);
5. the internal audit system.

In relation to the now prevalent stakeholder view¹⁶, which adopts a more open approach than the dated shareholder view, which now tends to be limited to less developed local contexts (both economically and legislatively), we can see that corporate social responsibility has gradually acquired a certain importance, substantiated by an interpretation based on the corporate governance system.

Considering the importance of this issue, Salvioni noted that ‘the establishment of effective relationships with the stakeholders is strongly influenced by the ability to offer concrete, understandable, true and exhaustive answers to the stakeholders’ need of information. In this sense, the corporate governance evolution and the integrated concept of responsibility (considering legal, economic, social and environmental dimensions) have produced a selected enlargement of corporate communication. In recent years, in addition to the traditional financial disclosure, many other kinds of reporting have been divulged: the social report, the environmental report, the sustainability report, the corporate governance report, the directors and top managers’ remuneration report, the integrated report, etc.’¹⁷.

It is therefore absolutely indispensable to consider that, quite apart from a partial view that may influence any observer, the issue of corporate governance goes beyond narrow legal-formal boundaries and spreads into vaster, more complex environments, which express systemic logics (of ‘integration’) that are more in tune with the global market.

Favotto recognises, as one of the four interpretations that he would apply to corporate governance, a ‘disclosure, voluntary disclosure that starts from reporting of a firm’s economic-financial results and takes it upon itself to communicate risk, sustainability and the social report’¹⁸. He also observes that ‘the link between reputation, shared strategy and voluntary disclosure appears clear and decisive. This is the key that explains the investment in the social report, the experience of a number of companies that even communicate to the outside world the risk inherent in the business situation (market and credit risks, operating risks and measurability risk), and the attention focused on reporting business sustainability, the social and environmental impact, and so on.’

So according to Favotto, the problem of governance does not lie so much in the legal aspect (respect of regulations) but translates into a ‘problem of strategy, or reputation, on the markets compared to the various external interlocutors and the quality of the information that is proposed’.

An essential aspect therefore emerges: corporate accountability, not only towards those who contribute to its venture capital (shareholder view) but also in relation to anyone who has a direct or indirect interest in the company (stakeholder view).

Detailed studies have analysed these aspects, from the viewpoint of corporate social responsibility, based on the assumption that in their operations companies have to meet a social obligation that embodies correct ethical principles. The

concept of citizenship has therefore evolved, even extending to businesses (corporate citizenship) which, as active parties in an environment, cannot shirk from respect of correct behaviour codes. What is more, corporate citizenship must represent an influential element that orients the behaviour of individual players operating within the company itself.

Therefore, still on the subject of responsibility, we have to recognise that accountability (of a socio-environmental nature) is an aspect that no analysis of corporate governance can overlook.

J. Solomon and A. Solomon¹⁹ define ‘corporate governance as the system of checks and balances, both internal and external, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way’.

The purpose and scope of the document prepared by SAI-Social Accountability International, the International Standard of Social Accountability 8000 certification in 2001, states that:

□ *‘This standard specifies requirements for social accountability to enable a company to:*

a) develop, maintain, and enforce policies and procedures in order to manage those issues which it can control or influence;

b) demonstrate to interested parties that policies, procedures and practices are in conformity with the requirements of this standard.

The requirements of this standard shall apply universally with regard to geographic location, industry sector and company size²⁰.

In any case it remains unavoidable to consider integrated corporate communication as the essential tool to construct and maintain congruous relations with the different categories of stakeholder who have a direct or indirect interest in the company.

3. Integrated Corporate Governance Communication Tools

In consideration of our earlier comments, corporate governance systems are influenced by the corporate culture, but they are also inescapably bound by national legislation. This makes the commitment demanded of a global company more burdensome because, as such, it operates on a number of growing local markets that are subject to domestic legislation.

The goals of this article do not include a comparative analysis of common law and civil law, even though the two systems have peculiar characteristics that affect the trading markets and are also influenced by them. Nonetheless we can certainly say that, in recent years, the law-makers of continental Europe have been inspired by their observation of British ‘rites’²¹.

However, in relation to the obligation to adapt to legislation, in the case of a multinational company, there is a significant option between:

1. a network based on distinct corporate entities which, as such, are subject to different company law systems; in fact, and not only for very large concerns,

a precise strategic choice can result in listing on two or more stock markets (cross-listing), which further accentuates obligations in terms of corporate governance; when, as frequently happens, only the parent company is listed on a single market, foreign stakeholders may be able to benefit from legislation that is more advanced than that of the individual countries where they reside or have their registered offices;

2. a network structure of local branches, which are without legal autonomy, and therefore subject to the company law system of the country where the multinational company is based.

Theory has accepted the need to concentrate attention and awareness on the issue of corporate governance communication, in view of the growing complexity of the markets and the resulting need to develop integrated relational systems.

On the other hand, institutions and professional associations have limited themselves to providing the relevant documentary support – inasmuch as this is valid – (see Borsa Italiana, Assonime, etc.) that reveals a propensity to draw attention to the parties contributing venture capital, overlooking the other categories of stakeholder²².

This clearly underlines the crucial importance of the chosen communication policy, and the importance – acquired gradually as the environmental dynamics and complexity increase – of consistent integrated corporate communication, a policy that must consider the unavoidable multiplicity of dimensions that must be traced back to systemic criteria.

This is confirmed by the fact that company strategies and policies are triggered by decisions taken by the economic governance organ which, like other company decisions, affect the organisation's evolution. As a result, the business is a 'vital system'²³ which evolves in the course of its existence, and simultaneously contributes to the evolution of other (external) systems with which it establishes consonant and significant relationships, and which it cannot disregard.

It is an 'open system', mutually dependent on the outside world, with which a series of relations are created, founded on interchange, phenomena and principles. In its turn, the environment acquires a structure and form that is linked directly to the operations of an individual company; basically, an observation of this environment and therefore of stakeholders with specific interests, will be directly correlated to the specific relations that it establishes with the company.

An analysis of the strategies, policies and behaviour of a company with a widespread shareholder base, which is listed on regulated financial markets, acquires particular significance when the same company is observed in relation to the *influential systems* and *important systems* with which it interacts.

These observations are substantiated if we consider that, today, companies are only limited by physical-spatial boundaries (which are no longer conditioning as they were in the past), for example, manufacturing units or supply markets. But when the observation becomes systemic, they are no longer confined by other boundaries, in other words the evolutionary dynamics of the system in which the companies interact is sustained.

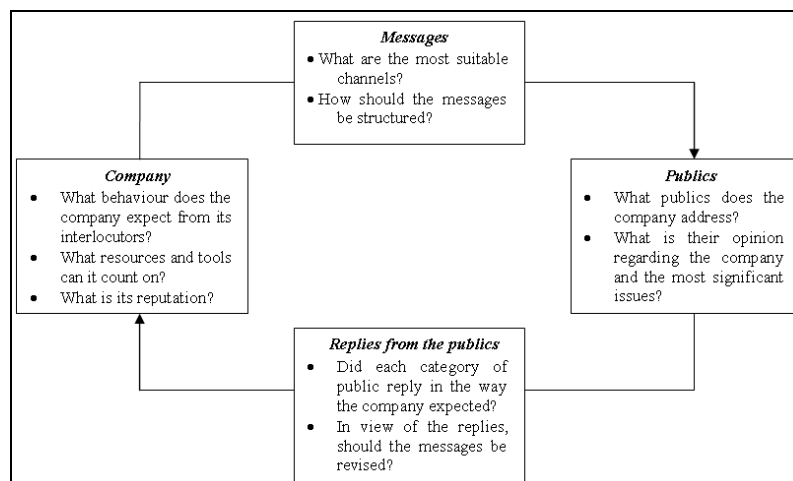
We have already explained that integrated corporate communication basically takes concrete shape when a single action makes it possible:

1. to establish the goal of reaching numerous categories of publics-targets as a priority;
2. to disclose a variety of data and information, offering it to the public in different forms in order to create/maintain a relationship;
3. to pursue different goals (persuasive/commercial, organisational, institutional), which imply that actions are ramified, but not that they have been adapted specifically to precise categories of target publics which would basically exclude some categories of stakeholders.

We can also see that communication is charged with particular significance even during the preventive evaluation of stakeholders' need for information. What is more, effective preventive communication can also make it possible to influence the system of relations that one intends to establish and maintain.

The company is offered numerous opportunities to fuel a simple flow of information or more complex communication with its publics regarding corporate governance.

Figure 2: *Development of the Corporate Communication Flow*



Source: adapted from Argenti P.A., *Corporate Communication*, McGraw-Hill/ Irwin, New York, 2005

Some documents are prepared to respect a precise legislative dictate, while others are the outcome of a specific corporate decision, consistent with the corporate culture of each organisation.

As we have just said, there are numerous opportunities to spread information or to build up a communicative relationship. The Italian legal system frequently identifies the documents precisely, even defining their contents in detail.

For example, the documentation that accompanies the annual summary of results (statutory financial statements, board of auditors' report, external auditors' report, etc.).

Other documents were recently introduced from specific legal systems, such as the 'ethics code' (where administrative accountability is concerned²⁴), while others

are created on the basis of recent developments of applications designed to analyse specific issues (i.e. reports on corporate aspects based on GRI logics).

Discretionary documents on the other hand emerge from the specific sensitivity of each company, and as such they must be linked to considerations about their culture; for example, the 'sustainability report', the 'environmental report', the 'social report' or the 'intangibles report'. Figure 3) lists the main tools of information/communication that a company is obliged to prepare and disseminate (with a certain degree of discretion).

Figure 3: *Communication Corporate Governance Tools*

Integrated Report
Corporate Governance Report
Financial Statements (annual, interim, consolidated)
Board of Auditors' Report
External Auditors' Report
Interim Reports
Ethics Code
Behaviour Code (Internal Dealing)
Chart of Values
Intangibles Report
Environmental Report
Social Report
Sustainability Report
Gender Budgeting
Information on relations between parent company and subsidiaries (e.g. joint venture agreements, purchases and sales of company branches and of significant investments, etc.)
Information about meetings with market operators
Press releases and interviews and declarations to the mass media
Report on Corporate Social Responsibility

Source: adapted from Brondoni S. M., Gneccchi F., 'Corporate Governance Communication' Seminar, Milan-Bicocca University, October 2006

We cannot overlook the fact that in 2004, the Organisation for Economic Cooperation and Development identified the fundamental principles on which a company's corporate governance systems must be constructed, developed and structured:

1. guaranteeing the bases for effective company governance;
2. shareholders' rights and fundamental functions associated to ownership of the shares;
3. impartial treatment of shareholders;
4. the role of stakeholders in corporate governance;
5. information and transparency;
6. the responsibilities of the board of directors.

The above system clearly emerges, evolves and is consolidated in numerous different contexts; of these, information and communication have become extremely crucial activities, capable of influencing the relations between companies and their stakeholders.

Section V. of the Part One of the document distributed by the OECD in 2004²⁵, which establishes the principles of corporate governance, considers the issue of information and the transparency of corporate governance. In it we read that: ‘A strong disclosure regime that promotes real transparency is a pivotal feature of market-based monitoring of companies and is central to shareholders’ ability to exercise their ownership rights on an informed basis. Experience in countries with large and active equity markets shows that disclosure can also be a powerful tool for influencing the behaviour of companies and for protecting investors. A strong disclosure regime can help to attract capital and maintain confidence in the capital markets. By contrast, weak disclosure and non-transparent practices can contribute to unethical behaviour and to a loss of market integrity at great cost, not just to the company and its shareholders but also to the economy as a whole. Shareholders and potential investors require access to regular, reliable and comparable information in sufficient detail for them to assess the stewardship of management, and make informed decisions about the valuation, ownership and voting of shares. Insufficient or unclear information may hamper the ability of the markets to function, increase the cost of capital and result in a poor allocation of resources.’

Integrated corporate governance communication may therefore be structured basically around three factors that qualify it:

1. documents that can be prepared and disseminated, which break down broadly into *compulsory documents* (those created to comply with a specific legal obligation) and *discretionary documents* (those drafted as a result of an autonomous corporate choice);
2. the *systematic* or (alternatively) *sporadic* nature of the information and/or communication flows, i.e. the chosen frequency;
3. the *corporate culture* and correlated *corporate communication culture* that qualifies each company.

In addition to the quoted report that Assonime outlined in its document of 2004, mentioned in the previous note (and which, nonetheless, pays special attention to parties contributing venture capital), the *annual integrated report* is in our opinion the most effective tool for corporate governance communication. By its very nature, this document pursues the goal of simplifying and systematising any communication about specific objects that address specific publics, developing a degree of *integration* that qualifies it as a useful tool in the development of complex relations.

What is more, from a systemic viewpoint, the decision to separate corporate governance from information about economic-equity-financial operations, personnel management, action to protect the environment, or relations with institutions, etc., might not be immediately comprehensible to people with a direct or indirect interest in the company.

So it is necessary to emphasise the role of managers, or of so-called ‘technicians’, in the context of communication undertaken from the oft-mentioned stakeholder view and therefore also as part of an integrated relationship. Similarly, these relations must be optimised, in order to achieve stakeholder satisfaction. And we can also note that not infrequently, larger companies equip their operating structures with a unit created specifically to maintain relations with stakeholders,

even if they give them different names that only refer to specific aspects of these relationships (corporate social responsibility, public affairs, corporate communication, sustainability, etc.²⁶).

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Notes

¹ Cf. A. Berle, G. Means, *The Modern Corporation and Private Property*, Macmillan, New York.

² See K.A. Kim, J.R. Nofsinger, *Corporate Governance*, Pearson Education, Upper Saddle River, 2004, pages 2/4.

³ Cf. G. Zappa, *Le produzioni nell'economia delle imprese*, Book I, Giuffrè, Milan, 1956, p. 79.

⁴ Cf. V. Coda, *Trasparenza informativa e correttezza gestionale: contenuti e condizioni di contesto*, in *Scritti di economia aziendale in memoria di Raffaele D'Oriano*, Book I, Cedam, Padova, 1997, p. 333.

⁵ Cf. F. Gnechi, *Corporate Governance nell'impresa a rete*, in Brondoni Silvio M. (ed.), *Cultura di network Performance e Dinamiche competitive*, Giappichelli, Turin, 2006.

⁶ See K.A. Kim, J.R. Nofsinger, *cit.*, p. 148.

⁷ Cf. J.E. Stiglitz, *La globalizzazione che funziona*, Giulio Einaudi Editore, Turin, 2006, pp. 233 and 234.

⁸ According to the trickle-down view, a growing economy guarantees beneficial effects for all players.

⁹ Cf. J.E. Stiglitz, *Economia e informazione*, Datanews Editrice, Rome, 2006, p. 70.

¹⁰ Cf. J.K. Galbraith, *The Affluent Society*, 1972, pp. 36 and following.

¹¹ J.K. Galbraith himself noted that 'just as the truth helps to create definitive consensus, so acceptability creates momentary consensus', *cit.*, p. 37.

¹² Cf. S.M. Brondoni, *La comunicazione integrata in eccesso di offerta*, *Il Sole 24 Ore*, October 1, 2002.

¹³ Cf. A. Solomon-J. Solomon, *Corporate Governance and Accountability*, John Wiley & Sons, Hoboken, 2003, p. 153.

¹⁴ Cf. S.M. Brondoni, *Network Culture, Performance & Corporate Responsibility*, in *Symphonya. Emerging Issues in Management*, (symphonya.unimib.it), Issue 1, 2003, Milan.

¹⁵ In this regard we refer you to the observations of M.A. Hitt-R.D. Ireland-R.E. Hoskisson, who stated that 'understanding the corporate governance structure of the United Kingdom and the United States is inadequate for a multinational firm in today's global economy. The Strategic Focus suggests that the governance systems in many countries have been affected by the realities of the global economy. While the stability associated with German and Japanese governance structures has historically been viewed as an asset, some believe that it may now be a burden. And the governance in Germany and Japan is changing, just as it is in other parts of the world. As suggested in the Strategic Focus, the corporate governance systems are becoming more similar. These changes are partly the result of multinational firms operating in many different countries and attempting to develop a more global governance system. While the similarity is increasing, differences remain evident, and firms employing an international strategy must understand these differences in order to operate effectively in different international market.', *Strategic Management. Competitiveness and Globalization Concepts*, Thomson South-Western, Mason, 2005, pp. 325-327.

¹⁶ V. F. Gnechi, *op. cit.*; in this regard we can note that the concerns at the basis of the stakeholder view overcome the agency problem, an issue that is typically correlated to the shareholder view, for which the separation of ownership and control has legitimated recourse to two coexisting but different systems: the remuneration and incentive system (based on the assumption that shareholders' well-being is correlated to that of managers) and the system that verifies managers' behaviour.

¹⁷ Cf. D. Salvioni, *Relazioni di Governance e Stakeholder View*, with L. Bosetti, in *Symphonya – Emerging Issues in Management*, symphonya.unimib.it, Issue 1, ISTEI, Milan, 2006.

¹⁸ F. Favotto, speech at the 'Corporate Governance between interests and values' Convention, Rome, Feb. 5, 2002.

¹⁹ Cf. A. Solomon-J. Solomon, A. Solomon-J. Solomon, *cit.*, p. 153.

²⁰ See the entire document <http://www.sa-intl.org/document/docWindow.cfm?Fuseaction=document.viewDocument&documentid=136&documentFormatId=244>; in the Italian version of the document, the standard maintains its number (SA 8000), but the title 'Social Accountability 8000' becomes 'Responsabilità Sociale'. With the result that the North American *accountability* becomes '*responsibility*' when applied to Italy.

²¹ For example, the British government recommends designating a non-executive director charged with attending the annual meetings between management and major shareholders, as well as appointing another non-executive director, instead of a board member, to sit on the committee that appoints company officers. However, these two recommendations have caused serious concern in British top managers.

²² We refer you to the *Guida alla compilazione della Relazione sulla Corporate Governance*, (Guide to compiling a Report on Corporate Governance) Assonime-Emittenti Titoli SpA February 2004, the introduction to which points out that 'greater disclosure increases a company's reputation on the market because it is the visible manifestation of the quality of its governance and its management. In their own interest, companies must substantially implement the Code's recommendations, avoiding recourse to formalism or cosmetic applications.

In general, this Report cannot limit itself to a mere declaration of acceptance of the Code of self-discipline as a whole and of the principles that inspire it (creation of value for shareholders, central role of BoD, etc.), nor can it just paraphrase the Code of self-discipline or divulge an internal Code of behaviour; it needs to explain how the company has applied the individual provisions of the Code.

In line with the most significant foreign experience, the Instructions of Borsa Italiana envisage the obligation of an annual communication regarding the past operating year. However, it is useful to provide timely supplementary information, above all in the event of significant changes to the company's operating rules, after the Report has been communicated to the market.

Moreover, it helps if the Report contains a paragraph that summarises events of significance to the organisation that have occurred after year-end: suitable attention must be focused on any changes to the composition of the BoD and/or committees.

As well as their submission to Borsa Italiana, companies can use a wide range of 'channels' for their communications to the market, including the publication of informative material on their own websites.

In particular:

a) financial statements, the reports that accompany financial statements, reports on corporate governance and other informative documents can be made available through the website;

b) an English version of the documentation may also be made available;

c) a special section of the website dedicated to corporate governance may be created, so that it is possible to immediately find the necessary information (it might also be useful to envisage a quick-search facility that simplifies searches). This section could contain all the documents useful to describe the company's governance system (i.e. the Report, the Articles, summary information about shareholders, corporate officers and management, a summary of any shareholder agreements, AGM regulations, Directors' CVs, Codes of Ethics, Codes of Behaviour for internal dealing and any communications that comply with the Code of Behaviour, etc.).

²³ Cf. G. M. Golinelli, *L'approccio sistemico al governo dell'impresa*, Vol. I, *L'impresa sistema vitale*, Cedam, Padova, 2000, page 55.

²⁴ Cf. the provisions contained in Leg. Decree 231 of June 8, 2001, 'Regulations for the administrative liability of legal entities, of companies and association with or without legal personality, as per article 11 of Law no. 300 of September 29, 2000'.

²⁵ See 'OECD Principles of corporate governance', a document published by OECD in 2004. The principles have been approved by the Ministers representing their countries at this organisation in 1999, and subsequently updated on the basis of the work of the *Steering Group on Corporate Governance*.

²⁶ See K.A. Kim, J.R. Nofsinger, *cit.*, p. 149.