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CORPORATE GOVERNANCE, SUSTAINABILITY AND CAPITAL MARKETS ORIENTATION

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ABSTRACT

Generally accepted principles of effective corporate governance have taken hold in the context of different models of governance, whose implementation is also linked to the share structure of the companies and to the dynamics of risk's capital markets. Global companies need a global approach in the acquisition of consensus and financial resources, first of all through a correct development of the corporate governance activities and promoting a market-driven management inspired by long-term sustainable development. In this context, the growing importance of sustainability and the concept of global responsibility in the relationships with stakeholders join together with the convergence of corporate governance rules, reducing the gap between insider and outsider systems. This paper, by means of a research on the first ten most capitalised companies listed in countries characterized by different capital market orientation and corporate governance models (Usa, UK, Germany, France and Italy), aims to underlines the relations between these two to deepen the requisites for a more effective and sustainable governance.

Keywords: Corporate governance, Sustainability, Capital markets, Insider systems, Outsider systems, Stakeholders.

JEL Classification: O16.

Contribution/ Originality: This study contributes in the existing literature to emphasize the importance of corporate governance approaches inspired on sustainability in the capital markets. A governance oriented to sustainability implies significant changes in the relationships with company's stakeholders,

shareholders in particular, promoting a trend of convergence between insider and outsiders systems.

1. INTRODUCTION

In the last decade the globalisation of markets and information has emphasised the attention for effectiveness of corporate governance models and convergence of corporate governance principles (Cohen *et al.*, 2000; Clarke and Dela Rama, 2007; Salvioni, 2008; Dignam and Galanis, 2009). At the same time, globalisation accentuates failures in corporate governance systems, showed by the clamorous corporate scandals (Oecd, 2002; Wade, 2002; Marnet, 2007; Da Silveira, 2011).

The crises that had stroked the global economy highlighted the definitive fall of space barriers and the emerging of new drivers, threats and opportunities for the corporate success. It has affirmed a new approach to the companies' role in the society, based on a wide vision of responsibility, on a modern interpretation of the links between the long-lasting company's success and the equal composition of all stakeholders' interests. In global markets the need for improving the approach to company governance has emerged according to a logic system directed to: the appropriate emphasis on the competitive orientation in all markets (market-driven management) (Brondoni, 2003; Brondoni, 2008) the enhancement of the close relationships among managing variables in the economic, competitive and social-environmental field (Esti and Winston, 2008); the development of strategies of risk prevention and control (Salvioni, 2012). Furthermore, a market-driven approach is ingrained in corporate governance, in view of the fact that in the case of separation between shareholders and managers the mandate to govern is granted by the shareholders to management and must be correctly exercised in favour of company's relevant stakeholders (Sappington, 1991; Agrawal and Knoeber, 1996; Hillman and Dalziel, 2003; Salvioni and Astori, 2013; Salvioni and Gennari, 2014; Salvioni et al., 2014). For listed companies, especially, the influence of capital shares underwriters on corporate value (as primary sources of resources and by means of shares buying and selling) emphasising the importance of a market-driven approach to the stock markets (Salvioni and Bosetti, 2006). Generally accepted principles of effective corporate governance have taken hold in the context of different models of governance, whose implementation is also linked to the share structure of the companies and to the dynamics of risk in capital markets. The increasing importance of sustainability and integration of responsibilities tends to reduce the gap between insider and outsider systems.

Based on this introduction, the paper aims to go in-depth of relations among market-driven approach to the capital markets, the degree of ownership and control and the increasing importance of corporate sustainability.

The research examines the relationships among outsider or insider systems, shareholders categories appointing the corporate governance organs, stakeholders represented in corporate governance bodies. After a short analysis on corporate governance models, the empirical analysis considers the first ten listed companies for capitalisation in Usa and UK (outsider systems with one-tier corporate governance model), in Germany (insider system with vertical two-tier corporate governance model called 'Rhenish'), in France (insider system characterized by the choice among one-tier and vertical two-tier corporate governance models), in Italy (insider system characterized by the choice among one-tier, vertical two-tier and horizontal two-tier corporate governance models). Finally, the paper remarks the promotion of convergence on insider and outsider systems related to the achievement of corporate sustainability.

2. SUSTAINABLE DEVELOPMENT, CORPORATE OWNERSHIP AND CAPITAL MARKETS ORIENTATION

Market capitalization is a measurement of business value based on share price and number of shares outstanding. It generally represents the market's view of a company's stock value (Freeman, 1984; Clarkson, 1995; Hutton, 1995; Carroll, 2004; Letza et al., 2004; Ullah et al., 2014). The link between stocks value and management choices suggests a reflection on the corporate governance role and the effectiveness of rules for its correct implementation in favour of stakeholders. The risk of strategic choices not oriented to sustainable development for the advantage of all stakeholders, as excessively focused on the short-term profitability and on specific stakeholders' interests, exists. This risk is greater when company's managers are distinct from its ultimate owners (Berle and Means, 1932, Fama and Jensen, 1983).

Corporate governance models characterizing different countries, governed by mandatory or voluntary rules, and the degree of listed companies' market-driven approach disclose some connection with features of capital markets and with the degree of stock dispersion or concentration and connected control mechanisms. The capital dispersion in the financial market incites the company towards sustainable corporate decisions which satisfy a large public of actual or potential stakeholders and towards the spread of information which reflect the long-term value the company is creating. The market perception of sustainability corporate strategies should limit opportunistic pressures on company to deliver earnings in the very short-term.

Not sustainable strategies could maximize profitability in the short-term, but imply the risk of some stakeholders’ displeasure and future happen of not budgeted costs (for example, the retirement of a product by market). These costs could be evident, but also difficult to determine when connected with the key factors for the company's success (imagine, market leadership, product’s quality, etc.). So, companies should educate stakeholders about the long-run value implications of their sustainable decisions and their market capitalization should express this value-creation perception.

In relation to the different degree of capital dispersion, we can identify outsider systems (market-oriented systems) typical of countries with a dominance of large listed companies with very fragmented, widespread ownership, and insider systems typical of countries with less developed financial markets and concentrated and stable stockholder structure.

In the outsider system a direct participation in company's governance (by means of the appointment of managers) could be discouraged (free rider syndrome) (Cornes and Sandler, 1986). Thus the control is essentially committed to capital market which, in the presence of truthful, correct and transparent communications, is able to reflect company's performance in the stock value. This situation includes: a major role for reputational intermediaries (such as external auditors, stock exchanges, credit rating agencies and stock market analysts) in providing externally visible performance information; the use of the stock price as a key indicator of the firm's prospects; an active market for corporate control and incentive-based pay (Barker, 2006).

In the following tables we show the market capitalization and the degree of capital dispersion in financial market for the most significant outsider systems (USA and UK) and insider ones (Germany, France and Italy). For each country we consider the first ten listed companies in terms of market capitalisation because we think that companies are more visible in the public domain and more likely to be scrutinized by various stakeholders.

Table 1 shows the capital structure of the first ten listed companies in the USA, underlining the percentage of capital held by different categories of shareholders. As we can see, the corporate capital is very sprinkled: no company has retail shareholders with a stock share exceeding 5%, except for these with a preponderance of company's founders (William Gates in Microsoft, Warren Buffet in Berkshire Hathaway and Walton family in Wal-Mart). Institutional investors and mutual funds have a significant percentage of equity.

Table-1. USA – January 2014, Market capitalization and corporate stockholder structure (http://finance.yahoo.com, http://ycharts.com, companies' websites)

Company	Market Cap (Billion $)		Δ	Shares held by 5% retail shareholders (*)	Equity of the first institutional investors and mutual funds	
	Jan '14	Jan '13	%	%		%
Apple	482.01	493.25	-2.28	0	Vanguard Group State Street Corporation FMR	4.95 4.28 3.18
Exxon Mobil	441.53	398.34	+10.84	0	Vanguard Gr. State Street Corporation BlackRock	5.29 4.30 2.65
Google	380.48	241.97	+57.24	0	FMR Vanguard Group State Street Corporation	6.85 4.88 4.24
Microsoft	302.20	222.33	+35.92	9	Vanguard Group State Street Corporation Capital World Investors	4.49 4.13 3.45
Berkshire Hatw	282.29	229.87	+22.80	1	N.A.	N.A.
General Electric	276.10	217.48	+26.95	0	Vanguard Group State Street Corporation BlackRock	4.93 4.16 2.63
Johnson & Johnson	259.07	196.55	+31.81	0	State Street Corporation Vanguard Group BlackRock	5.64 4.92 2.69
Wal Mart Stores	254.49	230.15	+10.58	51	Vanguard Group State Street Corporation Berkshire Hathaway	2.80 2.33 1.53
Chevron Corp.	239.15	213.98	+11.76	0	Vanguard Group State Street Corporation BlackRock	5.43 5.41 2.64
Wells Fargo & Co.	238.83	183.06	+30.47	0	Berkshire Hathaway Vanguard Group State Street Corporation	8.81 4.68 4.09

(*) Rule 13d-3 under the Exchange Act requires owners of more than 5% of a class of voting equity to report their ownership on Schedule 13D or Schedule 13G.

The important presence of large shareholders (blockholders) can influence corporate governance (Edmans, 2013) by means of: the so-called 'voice' (Hirschman, 1970; Grossman and Hart, 1980; Edmans and Manso, 2011); mechanisms of 'exit' (Admati and Pfleiderer, 2009; Khanna and Mathews, 2012; Dasgupta and Piacentino, 2013; Goldman and Strobl, 2013); extracting private benefits of control or pursuing objectives other than firm value maximization (Zwiebel, 1995; Burkart *et al.*, 1997; Bolton and Von Thadden, 1998; Pagano and Röell, 1998). So, when an effective control lacks, the presence of large shareholders may alleviate conflicts of interest between managers and minority investors, but may create conflicts of interest between blockholders and small shareholders.

Table-2. UK – January 2014, Market capitalization and corporate stockholder structure (http://finance.yahoo.com, http://ycharts.com, companies' websites)

Company	**Market Cap (Billion $)**		**Δ**	**Shares held by 5% retail shareholders**	**Equity of the first institutional investors and mutual funds**	
	Jan '14	**Jan '13**	**%**	**%**		**%**
Royal Dutch Shl	235.66	226.07	+4.24	N.A.	N.A.	N.A.
Hsbc Holdings	202.83	197.14	+2.87	0	FMR Fisher Asset Management Dodge & Cox	0.46 0.33 0.25
BP	150.82	138.42	+8.96	0	Wellington Management C. Franklin Resources State Street Corporation	1.60 1.21 1.04
Glaxosmithkline	128.17	107.81	+18.89	0	Dodge & Cox Royal Bank of Canada Fisher Asset Management	2.49 0.74 0.46
Vodafone Group	126.82	85.63	+48.10	0	Paulson & Company FMR Invesco	0.73 0.65 0.59
Brit Am Tobacco	99.28	97.34	+1.99	0	FMR Fidelity Select Portfolios Variable Insurance Fund II	1.83 0.31 0.27
Rio Tinto	97.15	105.97	-8.32	0	Franklin Resources State Automobile Insurance WHV Investment Mgmt	1.17 0.73 0.43
Lloyds Bnk Grp	94.56	56.52	+ 67.30	N.A.	N.A.	N.A.
Diageo	82.18	73.60	+11.66	0	Barrow et al. Vanguard/Windsor II Wells Fargo & Company	1.04 0.84 0.68
AstraZeneca	74.00	60.03	+23.27	0	Wellington Management C. Vanguard/Wellington Fund Allianz Asset Management	2.35 0.95 0.83

Table 2 highlights that there are not UK retail shareholders with shares exceeding 5% threshold and the percentage possessed by institutional investors and mutual fund is more scattered than in the USA market. In fact, starting from the 1960s, the institutional investors have gradually replaced the individual investors (see the analysis of the UK Office of National Statistics).

The relationship between ownership concentration and firm efficiency is a complicate issue (Okpara, 2011). The importance of shareholders' rights is a crucial aspect for controlling the behaviour and actions of the board of directors, but also the board's awareness of other stakeholders' interests is an essential condition for the company's success in the long term. So, a company's market-driven orientation should be interpreted with reference to all markets of interests basing on stakeholder's typology and on a concept of global responsibility.

Insider systems are typical of countries with less developed financial markets and concentrated and stable stockholder structure in condition to influence corporate decisions. The existence of majority equities (by banks, families, state, employees, etc.) can favour managers' long-term perspective but can create unbalanced governance systems if there aren't rules in favour of minority shareholders or other relevant stakeholders. Blockholders rather than external shareholders are fulfilling the monitoring role facing company management. A lack of rights and safeguards can discourage minority shareholders' involvement in the ownership structure (Barker, 2006).

Historic and economic events of insider systems had led partially different corporate governance models: 'Rhenish' insider systems characterised by the active involvement of employees (because of co-determination laws) and banks (that often hold long-term stakes in corporations) in corporate governance boards; 'Latin' insider systems where the mandate for corporate governance is attributed exclusively to the owners (with strong involvement of majority stockholders).

Table-3. January 2014, Germany – Market capitalization and corporate stockholder structure (http://it.finance.yahoo.com, http://ycharts.com, http://www.boerse-frankfurt.de/, companies' websites)

	Market Cap (Billion $)		**Δ**	**Shares held by 3% retail shareholders (*)**		**Equity of the first institutional investors and mutual funds**	
Company	**Jan '14**	**Jan '13**	**%**		**%**		**%**
Siemens AG	114.88	91.84	+25.09	Siemens Family Treasury	5.64 4.32	Vanguard/Welling. Fund Fisher Asset Mngmt Vanguard International	0.58 0.41 0.19
Bayer	114.09	77.82	+46.61	N.A.		Capital Research C. BlackRock	6.48 5.00
Sap	100.47	98.15	+2.36	Hasso Plattner Klaus Tschira Dietmar Hopp	9.79 7.50 5.31	Harding Loevner Fisher Asset Mngmt Goldman Sachs Group	0.55 0.52 0.30
Basf	95.34	81.84	+16.50	N.A.	N.A.	BlackRock	6.96
Daimler	90.61	59.44	+52.44	KuwaitAuthority Renault Nissan	6.80 1.54 1.54	N.A.	N.A.
Allianz	80.82	64.54	+25.22	-	0.00	BlackRock	5.00
Volkswagen	80.41	67.30	+19.48	Porsche Niedersachsen Qatar Holding	50.73 20.00 16.99	N.A.	N.A.
Deutsche Telekom	73.93	49.95	+48.00	KfW Bankengruppe Federal Republic	17.40 14.50	BlackRock	5.02
Bmw	68.30	57.65	+18.47	Stefan Quandt	17.40	N.A.	N.A.

				Johanna Quandt Susanne Klatten	16.70 12.60		
Deutsche Bank	49.12	44.05	+11.51	-	0.00	BlackRock	5.14

(*) Under the German Securities Trading Act (Wertpapierhandelsgesetz), holders of voting securities of a listed German company must notify that company of the level of their holding whenever it reaches, exceeds or falls below specified thresholds. These lower threshold is 3 percent of the company's outstanding voting securities.

Both for 'Rhenish' insider systems and for 'Latin' ones, globalisation of buying and selling stocks and integration among stock exchanges have facilitated the entrance of big institutional investors, asset management societies and retail investors. Tables 3,4 and 5, concerning insiders systems, highlight an high concentration of capital: the founders or the State have a very significant role as shareholders. The different role that the market has acquired in outsider and insider systems is also reflected in market capitalisation of listed companies, with lower values in Germany, France and Italy than in USA and the UK.

Table-4. January 2014, France – Market capitalization and corporate stockholder structure (http://it.finance.yahoo.com, http://ycharts.com, companies' websites)

Company	**Capitalisation (Billion $)**		**Δ**	**Shares held by >5% retail shareholders (*)**		**Equity of the first institutional investors and mutual funds**	
	Jan '14	**Jan '13**	**%**	**%**			**%**
Sanofi	138.64	127.95	+8.35	L'Oreal Treasury	8.93 0.27	Dodge & Cox Barrow et al. Franklin Res.	1.64 0.85 0.50
Total	135.17	122.03	+10.77	Treasury Bruxelles Lambert Compagnie Nat. Port.	4.60 4.00 1.40	Franklin Res. BlackRock Advisors Allianz Asset Mngmt	0.63 0.53 0.52
L' Oreal	104.99	84.41	+24.38	Bettercount Family Nestlé Treasury	30.55 29.30 1.72	N.A.	N.A.
Bnp Paribas	94.18	71.68	+31.39	Belgian State Grand Duché de Lux.	10.30 1.00	N.A.	N.A.
Lvmh	90.38	92.41	-2.20	Arnault Familiy Gr. Bulgari Treasury	46.40 2.50 1.60	N.A.	N.A.
Axa	64.33	43.02	+49.54	Mutuelles AXA AXA Assurances IARD Mutuelle	14.35 11.43 7.43	N.A.	N.A.
Edf	64.16	33.74	+90.16	French Government	84.44	Morgan Stanley Sunrise Partners Bank of America Corp.	N.A.
Airbus Group	59.49	32.41	+83.55	SPGEPA GZBV SEPI	12.00 10.72 4.13	N.A.	N.A.
Gdf Suez	55.08	50.14	+9.85	French State Bruxelles Lambert CDC	36.00 5.20 2.00	N.A.	N.A.
Societe Generale	43.13	26.40	+63.37	CDC Meiji Life Insur. Treasury	2.52 1.39 1.13	N.A.	N.A.

(*) The Article L. 233-7 of the French Commercial Code obligate to inform the Company and the French Financial Markets Authority when the percentage of the share capital represents the minimum of 5%.

Table-5. Italy – January 2014, Corporate stockholder structure (http://finanza-mercati.ilsole24ore.com/, http://finance.yahoo.com, http://ycharts.com, www.borsaitaliana.it, companies' websites)

Company	Capitalisation (Billion $)		Δ	Shares held by >2% retail shareholders (*)		Equity of the first institutional investors and mutual funds	
	Jan '14	Jan '13	%		%		%
Eni	37.49	39.86	-2.64	Cassa Depositi e Prestiti Ministry of Economy BNP Paribas	25.76 4.34 2.58	Wellington Mngmt C. Vanguard Energy Fund Brandes Investment	0.36 0.31 0.15
Unicredit	46.22	30.90	+49.58	International Petroleum Ve,Vi,Bl,An Foundation	6.50 3.53	Pamplona Capital Mngm	5.01
Intesa Sanpaolo	42.51	28.68	+48.22	Compagnia di San Paolo Cariplo Foundation Pd, Ro Foundation	9.71 4.95 4.51	BlackRock	5.00
Enel	41.09	38.74	+6.07	Ministry of Economy	31.30	N.A.	N.A.
Generali	36.34	26.46	+37.34	Mediobanca Spa Cassa depositi e prestiti Delfin Sarl	13.27 4.48 3.01	N.A.	N.A.
Luxottica	25.44	19.65	+29.47	Delfin Sarl Giorgio Armani	61.35 4.77	Marathon Asset Scout Investments Neuberger Berman	0.60 0.43 0.31
Telecom Italia	20.57	17.55	+17.21	Telco Findim Group Norges Bank	22.39 5.00 2.02	Brandes Investment Dimensional Fund DFA International Value	0.59 0.14 0.10
Snam	18.36	15.50	+18.45	Cassa Depositi e Prestiti Eni	30.00 20.23	N.A.	N.A.
Atlantia	15.06	12.12	+24.26	Sintonia CRT Foundation Atlantia Spa	45.56 5.06 2.01	BlackRock	5.02
CNH Industrial	15.01	16.86 (Sept. '13)	-10.97	Exor Fiat Spa Singapore Government	30.01 2.80 2.33	N.A.	N.A.

(*) The art. 117 of Consob Regulation n. 11971/99 obligates to communicate to Consob capital shareholding exceeding the threshold of 2%.

Both the insider and outsider systems possess advantages and disadvantages, and both have proved successful and failure, so it's difficult to argue relative superiority or inferiority (Solomon, 2010). The weakness of outsider systems (emerged with the famous big corporations' scandals) has highlighted the lack of transparency in communication to financial markets, which is the first prerequisite for the effectiveness of markets' control. This situation has affected insider systems too, initially with regard to the most internationalized listed companies and then to the national ones.

The convergence of corporate governance rules, codes of practice and principles, together with market-driven approach to capital markets and agreements among stock exchanges, support the thesis of some authors (Solomon, 2010) who suggest a 'global' compromise from the extreme forms of insider and outsider systems toward a similar and internationally accepted system of corporate governance. At the same time, the adoption of a concept of global responsibility in favour of sustainable development for ample categories of stakeholders, as well as shareholders, can be considered an element which assimilate global companies independently by the countries.

3. CORPORATE GOVERNANCE SYSTEMS AND CAPITAL MARKETS ORIENTATION

The size and the composition of management and supervisory boards can be interpreted as a tool for shareholders protection. The studies on corporate governance show the existence of two different models based on the relationship between shareholders, management and control bodies: the one-tier systems, where management and control activities are exercised by a single governance organ; the dual or two-tier systems with two distinct boards for the administrative and supervisory activities.

In the horizontal two-tier model both the administrative organ and the supervisory one are appointed by shareholders' assembly, while in the vertical two-tier models the stockholders, sometimes with the participation of employees, appoint only the supervisory body, which in turn appoints the administrative board.

Table- 6. USA – Board of directors (annual reports 2012)

	Total members	**Executive members**		**Non executive and non independent members**		**Independent Directors**	
		N°	**%**	**N°**	**%**	**N°**	**%**
Apple	8	1	12.50	-	-	7	87.50
Exxon Mobil	13	1	7.69	-	-	12	92.31
Google	10	3	30.00	1	10,00	6	60.00
Microsoft	9	2	22.20	-	-	7	77.80
Berkshire Hatw	12	2	16.67	2	16,67	8	66.67
General Electric	16	2	12.50	-	-	14	87.50
John & Johnson	13	2	15.38	-	-	11	84.62
Wal Mart Stores	16	6	37.50	-	-	10	62.50
Chevron Corp.	11	2	18.18	-	-	9	81.82
Wells and Fargo	14	1	7.14	-	-	13	92.86

Table-7. UK – Board of directors (annual reports 2012)

	Total members	**Executive members**		**Non executive and non independent members**		**Independent Directors**	
		N°	**%**	**N°**	**%**	**N°**	**%**
Royal Dutch Shl	13	2	15.38	-	-	11	84.62
Hsbc Holdings	18	4	22.22	-	-	14	77.78
BP	15	4	27.00	-	-	11	73.00
Glaxosmithkline	16	2	12.50	-	-	14	87.50
Vodafone Group	14	4	28.57	-	-	10	71.43
Brit Am Tobacc	11	3	27.27	-	-	8	72.73
Rio Tinto	12	3	25.00	-	-	9	75.00
Lloyds Bnk Grp	12	2	16.67	1	8.33	9	75.00
Diageo	11	3	27.27	-	-	8	72.73
AstraZeneca	12	2	16.67	1	8.33	9	75.00

With reference to the one-tier model of corporate governance in outsider systems, the analysis in the US and UK companies (Tables 6 and 7) remarks the importance of forms of control on management activities by side of the market, mainly through the yearly mandate to govern and the significant number of independent directors, who exercise the control. These last guarantee the rights of a sprinkled ownership: the percentage of independent directors is on average about 80%.

Differently by one-tier model, in vertical two-ties systems, the shareholders can control the management's activities not directly with the board of directors' appointment but by means of the election of the supervisory body. The analysis on the corporate governance systems of the German companies (on behalf of 'Rhenish' insider system) emphasises the role of employees (together with ownership) with their own delegation in the supervisory board (Table 8).

Table-8. Germany - Corporate governance organs (annual reports 2012)

	Management Board		Supervisory Board				
	N° members	Length of mandate (years)	N° members	Appointed by stock holders	Appointed by employees	N° independent members	Length of mandate (years)
Siemens AG	7	n.a.	20	10	10	At least 16	5
Bayer	4	5	20	10	10	At least 3/4	n.a.
Sap	5	5	16	8	8	At least 4	n.a.
Basf	8	n.a.	12	6	6	All members	5
Daimler	8	3	20	10	10	More than half	n.a.
Allianz	11	n.a.	12	6	6	At least 8	5
Volkswagen	8	n.a.	20	10	10	At least 4	n.a.
Deutsche Telekom	7	n.a.	20	10	10	At least 16	n.a.
Bmw	8	n.a.	20	10	10	At least 12	n.a.
Deutsche Bank	7	n.a.	20	10	10	At least 6	5

The quality of independence of supervisory board's members is very relevant for the protection of minority shareholders, considering that this organ carries out control activities on management board. The number of independent members is variable, but in the majority of societies it is more than half of the entire board. The protection of the minority shareholders is strengthened also by means of the great length of mandate, typical of insider systems.

France represents an insider system characterized by the choice between a one-tier model and a dual one. The one-tier system is clearly predominant (77% of the listed companies on the SBF120 index) and it allows to employees the representative right in the board (Institute Français des Adminitrateurs, "French Corporate Governance in listed Companies", July 2012). All societies analyzed adopt one-tier system (Table 9).

Comparing the one-tier model in insider (Table 9) and outsider systems (Tables 6 and 7), we can notice that the average of independent directors is lower in the first case and the number of non executive and non independent directors increases. This fact can be explained by the smaller control by the financial market and by the presence of the directors appointed by the employees, who are not independent but protect the interests of the employees and of the minority shareholders. France represents a situation where the one-tier model has been adapted to a different orientation to the capital market.

Table-9. France - Corporate governance organs (annual reports 2012)

	Total members	**Executive members**		**Non executive and non independent members**		**Independent Directors**		**Length of mandate (years) (*)**
		N°	**%**	**N°**	**%**	**N°**	**%**	
Sanofi	16	1	6.25	5	31.25	10	62.50	3
Total	15	1	6.67	3	20.00	11	73.33	3
L' Oreal	14	1	7.14	6	42.86	7	50.00	3
Bnp Paribas	14	1	7.14	3	21.43	10	71.43	3
Lvmh	15	1	6.67	6	40.00	8	53.33	3
Axa	15	3	20.00	1	6.67	11	73.33	3
Edf	18	1	5.56	12	66.67	5	27.77	5
Airbus Group	12	1	8.33	1	8.33	10	83.34	3
Gdf Suez	17	1	5.88	7	41.18	9	52.94	4
Soc.Gen.	15	1	6.67	4	26.67	10	66.66	3

(*) The length of mandate is three years for French Law. In the Public Sector it can be different (Law on the Democratisation of the Public Sector)

In Italy the reform of corporate law in 2003 combines an horizontal two-tier model (called 'traditional') with vertical two-tier and one-tier ones. In the traditional model the shareholders' meeting appoints both the board of directors and the board of auditors.

The dominant culture, habits and the characteristics of Italian capital market tend to determine a net preponderance of traditional model (97%), while changes in corporate governance systems appear to be linked with extraordinary event (e.g. M&A) (Consob, 2013). In the analysed companies only one (Intesa S.Paolo) has a vertical two-tier model of corporate governance (that in Italy doesn't consider the employees' representation in the general assembly).

Table-10. Italy - Corporate governance organs (corporate governance reports 2012)

	Board of directors										Board of auditors			
	N° members	N° executive members	%	Non executive non independent	%	Independent members	%	Appointed by mi-nority	%	Lenght of mandate	N° members	Appointed by mi-nority	%	Lenght of mandate
Eni	9	1	11.11	1	11.11	7	77.78	3	33.33	3	5+2*	2	28.57	3
Unicredit	19	1	5.26	1	5.26	17	89.48	1	5.26	3	5+2*	3	42.86	3
Intesa S.Paolo	9	6	66.67	1	11.11	2	22.22	-	-	3	19	9	47.37	3
Enel	9	2	22.22	1	11.11	6	66.67	3	33.33	3	3+2*	2	40.00	3
Generali	15	1	6.67	5	33.33	9	60.00	3	20.00	3	3+2*	2	40.00	3
Luxottica	13	4	30.77	2	15.38	7	53.85	0	0.00	3	3+2*	2	40.00	3
Telecom Italia	15	2	13.33	7	46.67	6	40.00	3	20.00	3	5+4*	4	44.44	3
Snam	9	1	11.11	3	33.33	5	55.56	3	33.33	3	3+2*	2	40.00	3
Atlantia	15	2	13.33	8	53.34	5	33.33	3	20.00	3	5+2*	3	42.86	3
CNH Industrial	11	1	9.09	2	18.18	8	72.73	1	9.09	3	3+2*	2	40.00	3

* Substitute members

The model characterizing Italian corporate governance (‘Latin’ insider system, where majority stockholders are very important) marks that capital market-driven approach is firstly connected with decisions of shareholders’ meeting as unique principal of management and control power to company’s boards. The role of stable ownership is reflected in the stability and duration of corporate governance boards’ mandates, but it’s adequately balanced by tools for the protection of minority stockholders (e.g. appointment of boards’ members using ‘list vote’ technique and high number of non executive directors) (Table10).

In conclusion we can affirm that corporate governance systems are connected to degree of capital market orientation and the need to identify mechanism of shareholders’ protection, with particular regard to minority shareholders.

4. CONCLUSIONS

Globalisation, the interventions of international regulatory organisms and the increasing importance of sustainability have induced to a trend towards the harmonisation of corporate governance on a global level. However this situation, the variances existing in the composition of corporate shareholder structure and in the capitalisation value reveal differences about stock markets orientation.

In outsider systems the emerging concepts of sustainable development are very important, because the heavy reliance on stocks markets may encourage managers to focus excessively on projects with short term payoffs, even when this is to the detriment of long term corporate performance. On the other hand, the long permanency as members of the board is often a shape of consent on corporate governance, related to the ability to create long term value but also to the ability to equitably distribute the value created.

Capital markets in insider systems tend to be much less well developed than those found in outsider systems, there is a much greater emphasis on banks as providers of external finance and debt/equity ratios are typically higher. So, in the insider systems the roles of internal control body and the composition of administrative organ are the prerequisites for the stakeholders protection; the stock market-driven approach is oriented toward the retention of capitalisation value at first. Concentrated ownership increases the incentives for monitoring, with presumably positive benefits for firm performance, but it also encourages more long-term relationships and commitment amongst stakeholders. In this situation, often the long permanency as members of the structure of corporate governance is related to blockholders controlling shareholders (family, holding, block alliance, or financial institution and other corporations), who exercise control over management.

The effectiveness of different corporate governance systems is influenced by the integration of responsibilities and by the increased global competition in product and capital markets.

The growing importance, given to the affirmation of governance oriented to global responsibility and stakeholder relation management, involves a greater attention to the principles and values that dominate the internal and external relations. In this sense, it has recently witnessed a proliferation of international recommendations and numerous national regulatory interventions, which have promoted an increasing focus – especially by bigger and listed companies– on the quality of the governance.

In this regard, establishing effective relationships with shareholders is of primary importance and, for listed companies, must take into account the significant variables in the stock market where they are listed, the other operators that they compete with to acquire capital, investors' expectations and the existence of possible facilitators and/or influencers of behaviour.

In the last years, corporate sustainability has become an important selection criterion for investors. It is evident, in fact, that a governance approach that aims at increasing the shareholders abilities of creating values over time serve as tools to help investors make decisions both in insider and in outsider systems.

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