BOOK REVIEW:
“CHALLENGES AND OPPORTUNITIES IN ITALIAN CORPORATE GOVERNANCE”
by
Salvatore Esposito De Falco, Federico Alvino, Nicola Cucari, Luigi Lepore
(Virtus Interpress, 2019)

Eric Pichet *

* KEDGE Business School, France

"Challenges and Opportunities in Italian Corporate Governance" is a picture of corporate governance mainly but not exclusively in Italy in 2019. As we all know, since the late 1990s and following the serial business scandals corporate governance has become a powerful tool to improve transparency, accountability, and integrity in companies and in recent years, the Italian corporate governance system has been living a "new era" due to different reforms in parallel with the other rich countries that modified the corporate governance framework (Draghi Law, TUF, etc.).

This book is divided into 4 sections. Section 1 links corporate governance with firm performance. The first chapter evaluates the degree of comply-or-explain disclosure regarding the composition and functioning of boards of directors provided by Italian listed companies in the last two decades and concludes that the issuance of a good governance code could be ineffective in improving disclosure, accountability, and corporate governance. This chapter provides an excellent review of recent board of directors practices in Italy and contributes to the previous papers related to international context by Caserio and Trucco (2019), Basuony and Mohamed (2014), Meier and Meier (2013), Guerra, Fischmann, and Machado Filho (2008), Kostyuk, Koverga, and Kostyuk (2006), Davidson and Rowe (2004), who altogether concluded that the evidence that board composition influences financial performance is not very strong and depends on the definitions of financial performance and board composition as well as the type of statistical model employed.

A case study about governance reform and financial performance of the public Italian port system is the topic of the second chapter which shows no real expected effects on financial performance because the bureaucratic approach continues to prevail which is coherent with the famous quote from the late Prime minister Andreotti who explained that there are 2 manners of going absolutely disorderd: thinking to be like Napoleon and launching a reform of the Italian (public) railways system.

The third chapter tries to measure the mediating and moderating effect of corporate governance on the relationship between capital structure and performance. Using variables as board size, board independence, and managerial ownership it highlights that firm’s performance is affected by a good balance between capital structure choices and corporate governance mechanisms. Authors of this chapter contributed remarkably to the previous research by Rizzato, Busso, Devalle, and Zerbetto (2018), Eklund, Palmberg, and
Chapter 4 is about the medium-sized listed company governance, one of the topics which still needs more research because of the growing importance of such companies in Italy. Chapter 5, describing the impact of women in the board room, shows that gender diversified boards are more severe in control activity. This issue of gender board practices goes in the line with the papers by Kostyuk and Barros (2018), Handa and Singh (2015), Hawarden and Marsland (2011), Torchia, Calabrò, Huse, and Brogi (2010), Zelechowski and Bilimoria (2006), Singh and Vinnicombe (2003). The findings of the previous papers were about companies with women directors, female directorships and the women holding those directorships. Those fundamental papers reviewed the backgrounds (demographic profiles including age, education, marital status and children; corporate experience, international experience, etc.) of the top women executive directors. The above-mentioned set of mechanisms of corporate governance has been recently highlighted by Esposito De Falco, Alvino, and Kostyuk (2019).

Section 2 deals with the new perspectives of corporate governance contributing to the research performed previously by Wang, Barrese, and Pooser (2019), Di Giacomo and Cenci (2018), Ho, Tower, and Barako (2008), Kostyuk (2005).

Chapter 6 questions the superiority of the one-tier board model in Italy and specifically the amendment of bylaws by certain companies, allocating power to the outgoing board to file its own list of candidates to renew the board. The issue of the board member selection and nomination is still critical both in Italy and worldwide because of the serious concern about the independence of this process (Agymen-Mintah, 2015; Bhuiyan & Habib, 2011; Bebenroth, & Donghao, 2007).

Chapter 7 studies the room for the minority on listed companies which seems more important in case of larger firms with institutional investors and Chapter 8 is another case study (ENI). Chapter 9 mentions lack of activism by pensions funds compared to the other European countries.

Section 3 works on the role of CSR and innovation in business strategy and investigates the major issues addressed previously by Velte (2019), Testarmata, Fortuna, and Ciaburri (2018); Looser and Wehrmeyer (2015).


Chapter 11 explains innovativeness of family firms in light of the Behavioural Agency Theory (Eisenhardt, 1989; Jensen, 1994), by considering the moderating role of altruism on the relation between financial slack and innovation. Chapter 12 examines the relationship between sustainability, social responsibility, and performance in the Small and Medium Entreprises (SMEs). Due to market competition and globalization, companies are crossing a wide range of changes in their business environment, adopting more ethical procedures of corporate social action to achieve long-term goals, rather than focusing on the short-term perspective of profit creation (Anser, Zhang, & Kanwal, 2018).

Section 4 analyses the risk management in the banking sector to guarantee trust in the reliability of the financial system. The authors of this chapter contributed a lot to the previous research by Ben Zeineb and Mensi (2018), Elbadry (2018), Nahar, Jubb, and Azim (2016), Mullineux (2006). From the point of view of corporate governance, we should mention that the role of all those players involved in risk management in banks has now expanded to include...
strategy corporate governance, operational risk, technology and data, stress testing, capital adequacy, and how we respond to the changing regulatory environment.

Chapter 13 investigates the Chief Risk Officer's (CRO) role through the Italian lens, using a sample of 15 Italian banks. Chapter 14 underlines the progress that Italian banks have achieved in the area of risk oversight and governance. The purpose of chapter 15 is to analyze the introduction of the European Banking Authority (EBA) Guidelines on the level of the remuneration policy for the so-called material risk takers (MRTs) and documents the convergence among European banks. The authors of the chapters above concluded that the Chief Risk Officer should be a chief collaborator in many endeavors related to risk and compliance issues, bringing best practices from risk into compliance (and vice versa), strengthening communication between the two functions and ironing out any remaining inconsistencies or redundancies.

REFERENCES


