MORAL GOVERNANCE AND STAKEHOLDER MANAGEMENT: ARE POLITICIANS TOO POWERFUL?

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Abstract

We investigate upon the influences on the Board exerted by politicians concerning strategic management and corporate governance, an invasive activity which we characterize as moral governance. We present a list of actions through which politicians and other outside parties who intervene in the political arena show power in influencing corporate policies. We analyze three Italian clinical cases some of which can be considered reluctant forms of privatization. At crossroads between corporate governance and stakeholder management, our model could be used as a guideline and checklist for insiders to interact with politicians, for cross-country comparisons of business environment, and for assessing transparency of companies in developed and developing countries.

Keywords: corporate governance, ownership control, political ties and connections.

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Let me not to the marriage of true minds
Admit impediments…
W. Shakespeare, *Sonnets*, CXVI.

31. Neither we nor our bailiffs shall take, for our castles or for any other work of ours, wood which is not ours, against the will of the owner of that wood.
38. No bailiff for the future shall, upon his own unsupported complaint, put anyone to his "law", without credible witnesses brought for this purposes.
Magna carta libertatum
Runnymede 15th June 1215
(www.constitution.org/eng/magnacar.htm)

1. Introduction

The impact of politicians' behavior in corporate governance is an interesting topic at crossroads between corporate finance, strategic management, and development economics. Historically, politicians have played an important and outspoken role in directly influencing business strategies of firms, both in developed and developing countries. The wave of privatizations that has characterized past twenty years in many countries has shown a generalized retreat from direct political intervention in the business world. Recently, news has spread all over the world that hint at an upheaval in political influences in managing firms, especially in utilities and natural resources, even as a new tool in international affairs We suspect this is just another evidence that the privatization motives were not aimed at a sincere re-organization of those firms, towards efficiency and transparency, but merely caused by the need to reduce public debt. We share with others (Bortolotti and Faccio, 2004) perplexity on these forms of privatization, that now appear, "reluctant".

In non-socialist economies the lesser extent of direct political intromission has paralleled an increasing interest in the role of politicians as stakeholders belong to the business environment, not only as a source of corruption (e.g., Shleifer and Vishny 1994). Politicians have expectations on the firm and legitimate forms of interest, often their role is not transparent, yet very incisive. In Italy general public, too, has expectations on the firm, considered social institutions with responsibilities to the community, a concern that increases when we deal with privatized public utilities such as telecommunications and highways whose assets are infrastructures built using tax revenues. In these situations stakeholder engagement and involvement is already high, especially with the politicians. In passing we also show that the business environment and corporate culture is such that even in the retail industry politicians can locally influence competitive strategies.

Our specific interest is on the effects of political power in corporate governance, an area that has drawn the attention of many scholars. Roe (1994, 2003) has investigated the heritage effect of political and economic history on corporate culture and in shaping the separation of ownership and control. Shleifer and Vishny (1997: 774) close their survey on corporate governance, by asking a crucial question: "what are the political dynamics of corporate governance? Do political and economic forces move corporate governance toward greater efficiency or, alternatively, do powerful interest groups […] preserve inefficient governance systems? How effective is the political and economic marketplace in delivering efficient governance?"

Our research question moves from their remark. We wonder if political forces move corporate governance towards greater efficiency. We investigate influences by politicians (and other outside parties) on corporate governance and on other strategic management tasks belonging to the Board as part of their exclusive mandate, and if they can have effect on ownership structure of those firms.

What we notice is that we cannot consider politicians as policy-makers and independent rule-setters, but as actors in the corporate governance game, and in the end their presence contributes to delivering less transparent corporate governance. We characterize this active role on the firm as an idiosyncratic form of corporate governance and call it moral governance. We show that politicians can have such a far reaching influence as to condition ownership structure of firms, thus revealing, for the cases we analyze, ineffective rule of law.

We present an interpretative model with two dimensions of analysis: moral governance and firm independence. Moral governance is seen as a further step in understanding corporate governance, which also influences stakeholder management. The model can be useful for strategic management to outline the strategy to be applied by insiders, and its outcomes for the firm. We used three Italian cases to illustrate the model, and we considered some qualitative aspects of these variables. If measures on these dimensions were further developed, the predicitive power could be tested. We based our research on news from secondary sources, mostly, newspapers with national diffusion.

Section 2 provides a definition of moral governance as based on power, and shows how politicians influence corporate governance through moral governance. Section 3 illustrates our politicians-as-stakeholder influence model, using moral governance and firm independence as dimensions. Section 4 closes the paper with some final remarks.

2. Politicians and corporate governance: a definition of moral governance based on power

In a very broad sense, corporate governance concerns the exercise of power over corporate entities. **[1]** We introduce a specific denotation of corporate governance along these lines, moral governance, that could help in characterizing the relationship between politicians and the firm and which can be interpreted as specific form of exercise of political power in a corporate context. In a business environment expectations matter, and the perspective of having unforeseen actors in the scene is important when considering investing in a firm.

We define "moral governance" as the mixture of joint (1) verbal moral suation and decisions by politicians and associated activists, (2) legislative, judiciary and regulatory acts, (3) actions by other intermediaries in the stakeholder arena, according to which politicians directly influence firm's strategy (at corporate and divisional business level), and even cause changes in the ownership structure of the firm and its beneficial owners. Consequently, politicians exert corporate governance from outside of the company and behave as forces in the market for corporate control.**[2]**

Moral governance often arises in occasions of a major reorganization, a spin-off or break-up, merger and acquisition deals, alliance formation. It is seldom detected, because in oral form and informal way, at its best it is transmitted by networking schemes that cut through Board and other organisms and mechanisms of corporate governance.

As hinted at, a constitutive element of moral governance is power, which is a very much debated object of analysis, not only in resource dependence theory of organizations, in business economics, in stakeholder theory, but also in political studies and sociology. A definition of power is in order, and we use Bowles's (2004: 344-5). He suggests four characteristics that must be present in any plausible representation of power: it is interpersonal; its exercise involves threat and the use of sanctions; it is normatively indeterminate; it is sustainable as a Nash equilibrium.**[3]** In our case, power is exercised by politicians and contrasted by firms. For politicians to have power over firms it is sufficient that, by imposing or threatening to impose sanctions on firms, politicians are capable of affecting firm's actions in ways that advance politicians' interests, while the firm lacks a counter-balancing capacity of this sort with respect to politicians. We imagine that politicians sustain zero costs to harm, whereas the firm has positive costs when forced to comply to what politicians ask.

The power to harm flows from politicians in many ways. Mostly, they recur to political ties (for example through unions who can organize a strike) or to social networking (for example, with journalists, either informally, by casually dropping off-therecords comments or hints, or formally, by releasing interviews). They rely on a shared cultural milieu and background: by appealing to political ideology they set up a common front against a shared "political enemy". Moreover, we think politicians and activists in Italy suffer from a kind of cognitive bias, because in their minds "anything is politics". This sentence is constitutive of a cultural milieu that crosses party barriers among Italian politicians and constituencies, so much that the invasive and pervasive role by politicians is seldom considered inappropriate.

In our model, then, identity overlap between stakeholders as intermediaries has a role different from Rowley and Moldoveanu (2003), because in our case it can act as a reinforcing mechanism between actors, since the role of the organizations and individuals involved is well defined and there is no need to define boundaries. Some of these stakeholders can undergo a better definition of their role, especially if they are newcomers in the institutional scenario. This could be the case for regulatory agencies, which were introduced in Italy in the nineties in the privatization period, and for the independent non-executive member of the Board, a role which was introduced less than ten years ago. Our perspective is coherent with the life-cycle hypothesis of stakeholder development in Friedman and Miles (2002) as tied to social structures and cultural systems.

Three case studies will be our workhorses to show the pressure put forward by Italian politicians on firms: Autostrade, Telecom, Coop Italia.

In April 2006 the Italian *Autostrade s.p.a.* and the Spanish *Abertis*, both in the highways industry, have jointly announced a merger-of-equals (consolidation). Abertis is listed in Madrid and is a shareholder in Schema28. Autostrade is listed in Milan owns a company *Autostrade per l'Italia* which directly manages the business.

Another case of interest is represented by *Telecom Italia s.p.a.*, the former state monopolist for local and international calls, now a listed company in Milan and New York. It interests us because a re-organization was launched, and a quest to find new shareholders and industrial partners in the controlling coalition.

The *Coop Italia* case is derived from Caprotti (2007), a book of memories by the founder of *Esselunga s.p.a.*, in which he reports tit-for-tat strategies between harsh competitors in local retail markets.

Autostrade and Telecom have some similarities: former state-owned enterprises (SOEs), they were privatized to reduce public debt, and nowadays have a dominant, or controlling shareholder: Benetton Group is dominant in Autostrade and Pirelli Group controls Telecom Italia. Both firms supply utilities, the industry is regulated and has a social relevance to the general public, both have close ties and formal relationships with politicians and bureaucrats, mostly due to a long term public grant and a patent licence in each case. Autostrade has undergone a privatization process in two steps (Barucci and Pierobon 2007): in December 1999 a 57.6% stake was sold to the public (without a golden share) and in March 2000 a 30% stake was sold to *Schema28* (a company of the Benetton Group). Telecom privatization started in September 1992 with a *noyeau dur* composed of several Italian outstanding groups and ended in December 2002 (Barucci and Pierobon 2007). Afterwards, a successful takeover by a group of investors established controlling shareholders. This group later sold their stake to Pirelli Group.

Power by politicians can be detected in several ways: at national and at local levels; directly and indirectly through a network of intermediaries. We distinguish (1) direct political power, based on the law and exercised directly by politicians; (2) indirect political power, exercised indirectly through other institutions (judiciary, regulators); (3) informal power, when it relies on other intermediaries (media, unions, advocates). By politicians we mean (1) both the executive and the legislative branches, at the national level, because they are very often mingled in Italy; and (2) the local politician. In the end, the extent to which judiciary can be considered indirect political power hinges on the separation of constitutional powers and on how well check and balances work in the democracy.

The impact of politicians in firm's strategies is a matter of extent, since it is trivial that they can play many roles. Usually, politicians represent the interests of citizens and other traditional stakeholders such as employees, suppliers, consumers, and so on, and in this capacity they act as policymakers. We show that occasions can arise in which their role is more direct, and they become intermediaries, so that they seem to be moved to preserve vested interests of their political constituencies than general interest. We are interested in direct intervention on the strategies of a single firm, which can appear in various features (e.g., alliances, market access), and in the ownership structure, by which we mean the influencing the choice of the people belonging to the controlling coalition of shareholders.

In order to detect direct political power we have to start from Italian administrative law, a specific branch of the legislation which rules any relationship involving a public entity whatsoever (e.g., the Ministry, a Municipality) and any other private organization or individual. Interests between these parties are vested in idiosincratic contractual forms under the aegis of administrative law.

The underlying contractual forms differ in the Autostrade and Telecom cases.

Telecom Italia received a patent license, in which case the public authority has weaker power. Patent license is an authorizing discretionary act by the public authority that removes a legal constraint to an activity or business, which a private subject has a right to conduct. These limitations are imposed by the public authority in order to guarantee the public interest. Once the public authority recognizes that the private has got the requisites to exercise the activity or business, it is obliged to give a patent licence and maintain a "watchdog" power in the relationship. Politicians can threat to change its terms and conditions, to open legal disputes concerning the contractual obligations (usually along with the regulatory hearings schedule).

Autostrade is supposed to run the business according to a public grant. In the case of public grant the authority has full discretionary power, whereas the private party has only a "legitimate interest" in doing that business or activity, an interest which derives from its requisites but which can be considered an attenuated form of right. The public subject grants a right to the private organization or individual, who could not have claimed it before. In the case of public services, apart from the public grant, a contract between the parties (public and private) is signed in order to regulate the relationship (Caringella 2006). However, in the Autostrade case, whether this is really a grant has been questioned, because Autostrade has sustained in court that it runs the business under a private contract (see Scarpa 2007, for a synthetic review on the suits involving Autostrade).

Politicians also use their legal powers to signal dissatisfaction with the ongoing events in an industry. In cases of re-organization the scene opens up to the possibility of politicians to intervene with acts and comments which resemble that kind of unverifiable information which cannot be used in courts. They cast their shadows over firms by instrumentally churning on not-so-clear laws and regulations to put pressure on Board members and managers.**[4]** We suggest to scrutinize declarations by politicians, proposals for bills, laws, regulations as unverifiable information in courts when concerning on-going re-organizations by firms. An important act to signal dissatisfaction is presenting at Parliament a Proposal of Bills to change legislation in that area. The parlamentary procedure is often erratic: these proposals can remain pending in Parliament for months, or a fast-track can move them up in political agenda, or can be withdrawn and suffer a sudden death. In many cases the Proposal is blatantly in contradiction with the Constitution (or other extant national and European Union laws), yet unquestionable, because it has not been passed and no occasion has arisen yet to put its legitimacy under legal scrutiny.

Politicians also rely on other formal and special powers accorded by law, as in cases of golden shares, or other forms of direct or indirect ownership. Sometimes, in industries such as telecommunications, defence, bank, insurance, the Minister of Economy of a country can oppose to a specific shareholders who already owns at least 3% of the shares, to improve their stake. The Ministry has a motivated veto power, by appealing to "vital interests of the State" in occasions when it is the special shareholders' meetings to decide (mergers, spin-offs, liquidations, and so on). Article 22 in Telecom Italia's company charter is along these lines. Moreover, politicians might influence boards if they have appointed members to those posts, or because they have political ties with these members, or due to social network. Needless to say, the independence of the firm from politicians is reduced when politicians and board members have shared many experiences together: at school, at university, at taking part to political activities in a party and so on; friendship and acquaintance are constitutive parts of networking.

Indirect political power is exercised through judiciary and regulators. These institutions rule according the law, which can make them very independent. Their independence is also function of the charisma of the people in command, who might refuse to support politicians' efforts and actions to influence firms.

Judiciary power, at different circuits (either under civil or criminal law), intervenes by opening files to persecute. Such files might even have a generic heading such as "unknown perpetrator" and "unknown crime". During the Telecom re-organization, many top-echelon managers were investigated with accusations of espionage and conversation bugging. An interesting role for courts as a pre-emptive counterbalancing power appeared in the Autostrade-Abertis case. The Minister for Infrastructures asked the highest administrative court in Italy (*Consiglio di Stato*) to act in its advisory capacity to the Cabinet. To let the reader appraise the relevance, the Court which is asked to intervene as a mere advisor is the very ultimate court of appeal for all the contrasts between private parties and the public administration; in a sense this advice gives a glimpse on a possible sentence. On top of it, the Minister acted as a plaintiff in administrative court.

Regulators intervene in this arena in several ways. Politicians influence a SOE through ministry bureaucracy, and the privatization process should reduce this dependence. In Italy industry regulatory agencies (in telecommunication, in energy) were born along with the privatization process, also in order to counterbalance state golden shares. Cutting the ties between ex-SOE and politicians depends on the extent of regulation and the separation of ministry and regulator bureaucrats. In Italy many regulator bureaucrats are former ministry bureaucrats.

Telecom has an industry regulator, Autostrade has not. Autostrade is under a "hybrid" form of regulation: absent a regulatory agency, many capacities are still owned by the Ministry for Infrastructures and Transports. The central figure is *ANAS s.p.a.*, a corporation and a regulator at the same time. Founded in 1928, since the end of the second world war its mission has been to rebuilt Italian roads and highways, under the legal vest of "economic public entity" and starting from 2003 as a corporation. It directly manages roads (about 20000 kilometers) and highways (more than 1200 kilometers) and retains some duties typical of a regulatory agency (as delegated by laws, by the Cabinet and by the Ministry for Infrastructures and Transports).

Regulators can intervene informally, by releasing interviews on the newspapers, proposing and suggesting necessary changes in the law and regulation at auditions in Parliament, in their capacity as experts, thus fostering the politicians to act in that direction. They can put more pressure on specific firms by accusing them of not respecting the regulation (as far as tariffs or investments are concerned), by making comments on assets divestiture and the bottleneck infrastructure. More formally, they can propose to the Parliament changes in the regulatory regime (tariffs, investments, and so on). They can intervene directly, by opening investigations on the firm, infringement procedures, or by launching a consultation on proposed changes to interested parties concerning ownership of and access to the infrastructure. In the Telecom case, a consultation by the industry regulator was launched concerning the last-mile bottleneck. While talks by perspective partners in Autostrade were going on, complications arose because of changes in the regulatory regime adopted by law, a review of the whole regulation was set up to influence talks between Autostrade and Abertis. It was even established that the Ministry could sanction the firm by imposing the termination of the grant, and by transferring it to ANAS. In a controversial article in a Proposal of Bill (which has not passed), ANAS was allowed to make changes to the public grant which, if refused by Autostrade, would cause the withdrawal of the grant, and its transferral to ANAS (see Scarpa 2007: 88).

Regulation in an Europe is interesting because there is a court outside each country, represented by (1) the European Commission (e.g., Commissioners for Competition, for Internal markets), and (2) the European Court of Justice; each representing a threat for the non-compliant State. In both Telecom and Autostrade cases the risk of infringement by the European Commission can be a deterrent, since the fine the State has to pay can be very high. Unfortunately, these institutions represent a threat only when the rules are clear-cut, when politicians care about public funds, while it is not from a political point of view when citizens do not care or are unaware of the costs of political malfeasance. Moreover, reaction times by European bodies are too slow to be effective.

Political power moves informally on other fronts, with the indirect, independent help of different actors, each on its own legal capacity. By “other actors” we mean: media, unions, consumer advocates. At occasions they show apparent comovement and mobilization. The literature on stakeholder management has extensively dealt with these intermediaries, see Frooman (1999), Rowley (1997, 2000), Rowley and Moldoveanu (2003), and Friedman and Miles (2006: ch. 8) for an overview. To highlight dissatisfaction on ongoing events, politicians show concerns by making comments, declarations, and of course they can have informal conversations with involved parties. When politicians make comments, media follow suit and amplify the impact of those comments, and interview politicians. The role of (mass) media in stakeholder management has been stressed by Friedman and Miles (2006: ch. 8), especially as an intermediary. In our cases we do not consider the role of media in stakeholder mismanagement. At a cursory glance we did not detect any such activity, especially from free-to-air television channel *La7* in the Telecom group, whose news coverage seemed in line with average media coverage in their peers.

Unions add their voice along the same lines, on those very themes, mostly by blaming the incompetent entrepreneur and the management who endanger jobs and employees. Usually, unions solicit politicians to take care of the developments and call for a more active supervision by politicians, and sustain and hope for a change in ownership to keep the company alive.

Consumer advocates foresee unjustified increases in tariffs, their concerns underline lack of product quality, declines in investments. They often fall in self-contradiction, when they express a desire to increased investments and quality of the service.

Whether moral governance is high or low depends on whether the politicians have an active role at the center of the network, or instead are intermediaries themselves. The distinction parallels the relevance of the politician and whether the impact of the decision is at local or national level. At local level the politician can be “captured” by the firm and in a sense have a more limited role as intermediary, rather than the originator and main character inside the network.

We use the Coop Italia case to illustrate

Moral governance is still present even if to a lesser extent when politicians’ influence can be indirectly detected by looking at the effects on competitive strategies The case of *Coop Italia* and and *Esselunga s.p.a.* will illustrate our idea. In the Italian retail industry the most important player is a cooperative network (*società cooperativa*) organized in a pyramidal structure with nine regional sub-cooperatives (local Coops) and a central league-like organization (*Legacoop*), informally called *Coop Italia*. Esselunga is a major competitor.**[5]**

In several occasions Coop Italia demonstrated privileged relationship with local authorities and left party, which resulted in forms of competitive advantage by Coop in the race for authorizations to open new stores. Considering that in retail industry the advantage of first mover is really important because only few stores are allowed in a geographical zone, this forced Esselunga out of certain areas in several Italian regions, where, according to Caprotti (2007) local authority is historically governed by the left party, and the supremacy of Coop Italia is quite impressive in several counties in those regions (see

Alvi, 2007: 31). The privileged relationship often includes: (1) a revolving-doors system between left wing political party, local authority council and local Coop board; (2) linkages with (politicized) unions that could organize strikes at competitors' stores; (3) proposals of new legislation that favours Coop, whose content is already known by Coop, which has an advantage in organizing new services or new products; (4) blocking Esselunga to open new stores (in one case a site was deemed of archeological interest when Esselunga was opening, whereas in the same site Coop opened its own store later on, after Esselunga was blocked). Moreover, politicians comments on media about the positive role of cooperative firm. These examples are useful to show that a political party can form critical mass to coagulate actions by politicians and itself serve as an intermediary.

Moral governance is exercised informally and can be detected by looking at its consequences. Stakeholder intervention and degree of enforcement (Friedman and Miles 2006: 142-143) are in fact important indices of the level of moral governance.

The result is that strategic management is steered from the hands of the Board and from general shareholder's meetings, and corporate governance is endangered. Politicians do not have a duty of loyalty or a duty of care towards the shareholders of the firm, but have a generic political mandate from the Country. As a result, anything that is made in its highest interest – whatever that is – can be used for their purposes, as a matter of fact the definition of the boundaries concerning the highest interest of the Country is in their hands. They often appeal to that principle. The mostly often cited interest is to defend "nationality" of firms, even in metaphysical terms. Keeping a firm Italian is to maintain their "Italian essence", as a consequence they want "to protect firm's real assets as part of the Italian heritage".**[6]**

Politicians become virtual partners with a "random" appearance and reduce property rights, to the extreme consequences that they can influence ownership of firms. The effect is that politicians show up as "latent" stakeholders holding quasi-voting rights as shareholders in proxy resolutions.

In the Autostrade and Telecom cases we have witnessed a massive involvement of the Italian Cabinet (the Prime Minister and some Ministers of the Cabinet), with prominent politicians as the chorus, to condition the conduct of business by those firms, the re-organization and merger and acquisition activities they were involved in, the change in dominant shareholders and ownership structure controlling them. In the end, in the Autostrade case, Abertis and Autostrade renounced to the merger and Abertis decide to disinvest. In the case of Telecom, the controlling shareholder, Pirelli, decided to sell the share to a new coalition formed under the auspices of the politicians.

The effects on Esselunga were mainly in its competitive strategy, indirectly. As far as its ownership structure, Caprotti (2007) reports a declaration in which the Prime Minister wishes that Esselunga could be acquired by Coop, and an offer made by Unipol, an insurer company connected to Coop, to buy Esselunga. These attempts were sustained also by declarations according to which Esselunga must remain Italian.

In Panels A, B, C, D, we present a sketchy summary of powers exerted by those actors, for the three cases. It is a list of actions which attracted our interest as unusual. We also report characterizations of influence strategies that will be explained in the next section.

(Insert Panels A, B, C, D about here)

3. Politicians influence strategies: a model of moral governance and firm independence

In this section we propose a model to analyze the relationship between firm and politicians as if prominent stakeholder, from the perspective of corporate governance. We do not distinguish bureaucrats and politicians and we consider the former as acting in the interests of the latter, which are the main actors in our model. Politicians, bureaucrats and the State are considered as stakeholders in any firm, due to their influence in law and regulation. Once moral governance enters the scene, the politician, at national or local level becomes an actor in the strategic management of firms. We use concepts and tools of the stakeholder approach to analyze the relationship between the firm and what we consider a very special and influental stakeholder, whose activities, in some industries and in certain circumstances, could affect entirely the life of the company.**[7]** Consequently, our model is built upon the stakeholder approach (Freeman 1984), with specific reference to management perspective championed by Frooman (1999) and enlarged by Friedman and Miles (2006: ch. 7), to present a theory of stakeholder influence strategies in order to understand what kind of reaction strategies the firm could apply to deal with political influences and politicians' power. As an additional feature, our model is magnified through the lenses of moral governance and focuses on a specific stakeholder, the politician. In this sense it differs from Savage *et al.* (1991) who analyze the relationships with all of the stakeholders, according to two different variables: risk/menace for the firm and cooperation by the firm.
When compared with Frooman and Murrell (2005: 4-5), who distinguish a demographic and a structural approach to stakeholder analysis, our model uses both of them: from the demographic perspective, we ex-ante fix stakeholder and organization features in order to analyze their relationships, and from the structural side we measure the degree of politicians' power and possible reactions by the firm.

When moral governance bites, we define the politician an "essential stakeholder" and we think the stakeholder approach analysis could become useful also in a context of shareholder value maximization, due to the influences these stakeholders have on the firm. Sometimes the essential stakeholder is also a shareholder, or a former one, as in the case of Telecom, where the State has a minority stake. If this is the case, some special powers are still retained by politicians, especially in shareholders' meeting concerning re-organizations.

The two variables constituting our model are: moral governance, which depends on the degree of power politicians can exert on the firm to affect strategic decisions, and firm independence, which measures the degree of defensive power the firm can oppose to politicians and other intermediaries. Moral governance and firm independence can be specified according to two indices aggregating different variables in order to obtain a synthetic score for each, reported in Tables 1 and 2.**[8]** The sign in the last column indicates the relationship with the final score: "+" means a direct positive relation, "–" a negative one, "–, +" an uncertain outcome that depends on the situation.

(Table 1 about here)
(Table 2 about here)

The variables that constitute moral governance are presented in Table 1. The more board members are connected to politicians the more the firm could be considered influenceable by politicians and subject to moral governance. Faccio (2006), Faccio and Parsley (2006) offer interesting and comprehensive view on politically connected firms. Moral governance includes dimensions that show more or less open influence of politicians. For example, the presence of "golden share" and "shares possession" give politicians direct force of intervention, so both have a positive sign to show that they affect the final aggregate score in direct proportion. In Italy boards are characterized by non-executive directors, usually representatives of controlling or dominant shareholders. Listed firms have increased the presence of independent directors, elected for their expertise and also to represent minorities. The number of independent members of the board is usually considered a good remedy to corporate governance problems. On the contrary, we sustain a position against this accepted wisdom. It might be the case that board members deemed independent from the controlling shareholders are instead politically connected, so they can improve dependence from outside because not immune from political power. Managerial reputation and charisma of the Chief executive officer (CEO) and President of Board could counter-balance political attempts to influence the firm strategy. The presence of interlocking directors can open up influences from politicians through a close and restricted group of people. Similar forms of external social capital can have uncertain outcome on the degree of moral governance, even though, most of the times, we predict an increase.

The variables that constitute firm independence are listed in Table 2. In our model firm independence has a larger role that in Frooman (1999), where it is measured case by case for each stakeholder. In our environment stakeholder engagement with politicians is already at work. Correspondingly, the use of direct or indirect influencing strategies through intermediaries hits firm independence as a whole, rather than in a one-to-one relationship between the firm and each individual group of stakeholders, as in Frooman's model.

We consider several aspects to influence firm independence. If the firm is listed, the regulation to which it is submitted should improve firm independence. An highly indebted firm is less independent to political influences (especially if the financial and banking industry is influenced, too). High market share and dimension reduce political impact because the firm could be a market champion. Foreigner investor's intervention (or, if the firm is multinational) should reduce national influence. The pyramidal structure worsens firm independence because it could be open to influences at different levels along the chain of control and has to deal with a larger number of stakeholders. Other variables are part of the business environment, such as corruption, quality of legal environment, bureaucracy, government intervention in the economy, these variables are taken from Faccio (2006). A national or supranational agency can guarantee independent evaluation and act as if a court, but the impact is uncertain. Undelying philosophy and the original motive for privatization is important to distinguish privatizations with a strong motivation from reluctant privatizations in which politicians go on in their quest for influence.

Influence strategies are based upon withholding (W), usage (U), voice (V) and damage (D) strategies. Sometimes actions can be read as part of a couple of these strategies, so we mention both (see Panels A to D). As in Frooman (1999: 196-7), withholding strategies are those in which the stakeholder discontinues providing the firm with a resource, and usage strategies are those in which the stakeholder continues to provide resources with strings attached, by specifying some conditions. An example can clarify the distinction as we see it. In the Telecom case, the Prime Minister's Counsellor to Economic Affairs, Mr Rovati, prepared a plan to split Telecom's bottleneck (see Panel B). He proposed two alternatives: (1) divisionalization, according to which a division in Telecom would receive the last-mile fiber as the sole asset, to guarantee equal access; (2) spin-off, according to which the fiber would be the sole asset of a new company to be listed. From politicians' perspective, hypothesis (1) is an example of usage strategy, according to which the politicians continue to provide the asset to the firm under certain conditions, whereas hypothesis (2) is an example of withholding strategy, according to which they receive back their asset.**[9]**

We derive voice strategies from Friedman and Miles (2006: par. 7.6) as those strategies characterized by complaints, declarations, interviews, mostly through (mass) media. We also derive from Friedman and Miles (2006: par. 7.7) damage strategies, which they characterize as those activist do against the firm to procure damages, without a direct benefit for themselves, or even against the benefit for themselves. We use this category to express acts by politicians that are intended to sanction the firm for behaving against their will. In Panels A to D we report some actions with such characterizations which represent our evaluations and which – we recognize – can be subject to criticism as being individually biased.

Figure 1 can help us in understanding how management deals with politicians as essential stakeholder and if this concern has to become a strategic priority or not. We specify four different types of firms: dominated, collaborative, influenceable and inexpugnable, in order of strategic priority. In the figure we have also introduced the distinction between direct and indirect forms of influence as in Frooman (1999), according to the extent of firm independence. In the figure we introduce also the initials that define the strategies to influence organizations, in order of relevance for each cell, as an hint on how extensively are used by politicians for each type of firm.

(Figure 1 about here)

A "dominated firm" is entirely influenced by politicians as essential stakeholders. Very often this is the result of a majority stake (if not sole ownership) but we can find examples even in situation where the firm is fully conditioned by the public subject for its revenues (e.g., defence or medical suppliers in public procurement). When the firm runs a business that needs a facility that was built or is still owned by local authority (an essential facility) or when operations are considered of public interest (utilities, transportation system, defense) the role played by politicians, government and public administration (at every level: national, regional, local) is prominent. The attitude of the public entity towards the firm could become the main strategic lever the management of that firm has to manoeuvre to gain benefits. We have shown that there is a pre-emptive motive, to avoid over-influence by politicians, to activate forms of public relations and communications when the firm is in this cell. Telecom is representative of this kind of firm.

A "collaborative firm" can oppose to politicians' influence because of its specific condition: it could be the leader in the industry or have market (even monopolist) power. In this case explicit bargaining games could emerge between the firm and the politicians. Autostrade can be representative of this cell.

An "influenceable firm" operates a public facility that could not be considered essential or is in business in an industry where politicians have not got specific interests. In this case, when the business is not considered important by the public opinion or the public facility involved in is not relevant, the politicians are not interested in exerting any power on the company. It can happen that local politicians can have specific interests and in these cases they can massively influence competitive strategies locally. It is up to the politicians to decide the extent of the intervention, and this decision hinges on the business culture of the country. We show that even the retail industry can be included in this category, and Esselunga is an influenceable firm.

An "inexpugnable firm" is a market champion whose counter-attacking strategies and strategic tools against the public moral governance is so high that there is no opportunity for politicians to influence the firm. Or else, it is a marginal firm that interacts with politicians mostly at local level.

Each type of firm shows different strategic orientation to deal with politicians (see Figure 2).

(Figure 2 about here)

The "Bargain-Accommodating strategy" aims at minimizing the impact of politicians' power on the conduct of the firm, also trying to convince politicians of the hazard of an attempt to influence the firm conduct. Here external social capital by board members might have a positive effect. The "Resist-Abandon strategy" aims at resisting to every initiative of the politicians as much as possible. "Abandon" results if the owner fails to minimize the impact of politicians' power in managing the firm. The "constrained strategy" occurs when local politicians influence strategies of the firm. The "independent" strategy is pursued by a company which does not need to consider politicians' attempts to exert influence.

Our model shows close resemblances with the one in Rowley (1997: 901). He presents a structural classification of stakeholder influences and organizational responses to stakeholder pressure; in his model density of the stakeholder network (how interconnected the stakeholders are) and centrality (position in the network relative to others) are the relevant variables (see Friedman and Miles 2006: 97-98). In our model these two variables are not explicited, but could be easily included so that a comparison with Rowley's model becomes easy. Rowley's "density" variable is analogous to those variables we include in evaluating power, which in turn is at the base of moral governance, so that high "moral governance" corresponds to high "density". Rowley's high "centrality of the organization in the network" is analogous to our variable firm independence, so that high "independence" from politicians corresponds to high "centrality". The result is that our "dominated firm" corresponds to a "subordinate" organization in Rowley's model and what we name "collaborative" corresponds to his "compromiser".

In assessing our cases we have attempted at ranking the degree of impact by moral governance.

The two cases involving Telecom and Autostrade appear to be very similar, while Coop-Esselunga shows a lower level of moral governance. In Panel E we report structural classification and strategic responses in the two cases concerning Telecom and Autostrade.

(Insert Panel E about here)

However, most of the times, when in a situation of high moral governance and high firm independence, a strategy of bargain with politicians can end up in a compromise, such as in the Autostrade-Abertis case. The usual bargaining game is at work: fix threats and negotiate. Autostrade has even announced a legal action for damages to the State, on one side, but on the other front had to consider going on in discussing with the political authorities, who, on their side, kept the pressure on. Autostrade had to admit that investments were to be made, renounce to the extra-dividend distribution which was part of the deal with Abertis, and so accepted many proposals from the Cabinet. Moreover, the new regulatory regime was imposed and cannot be contrasted. In one of the final stages, Ministry for Infrastructures met Benetton and other representatives of the Group for a gentlemen's agreement to establish out-of-court settlement, according to which Benetton would drop legal disputes and the State will put more money to invest in the highways (Vitetta, 2007).

When high degree of moral governance is coupled with low firm independence, an independent strategy is inappropriate, and the result is a "resist-abandon" strategy, in which the firm tries to resist as much as possible overtime (in a dynamic sense), and in some cases is forced to abandon. Such was the case for Telecom, also due to its weak ownership structure. In this case the dominant shareholder's (Pirelli) desire to sell to *AT&T*, *América Movil* and *Telefonos de Mexico S.A.B.* was intercepted by politicians who ended up in setting a coalition of firms to buy the dominant stake under their auspices. In that coalition we can see a bank (*Intesa San Paolo*), an insurance company (*Assicurazioni Generali*), an investment bank (*Mediobanca*), one of the two exant dominant shareholder (*Sintonia* by Benetton Group), and the industrial partner (*Telefonica* from Spain). The price was equivalent in either coalition, so for the selling party (Pirelli) each alternative was equivalent and the dominant shareholder could pursue an exit strategy, which was in any case a second best alternative.

4. Limitations of the paper and areas of future research

We are confident that our model could serve as checklist and as a guideline for intercultural and cross-country comparisons at an academic level to compare corporate culture, institutional settings and the effectiveness of the rule of law. At the practitioner level, the international manager can better appraise county risk as influenced by business environment and corporate culture. Also, company transparency and strategic interaction with politicians can be better motivated.

The impact of corporate governance on stakeholder management leaves a lot of open questions, we have attempted to enter this path that seems very fruitful, because it mixes shareholder and stakeholder management, a further step in disentangling the dilemma between creating value for the shareholder and the stakeholder.

The version of the matrix we present does not consider the weighting and standardization aspect of the two variables and an empirical test should be designed in order to evaluate the impact of the variables we have chosen.

Under the title we cited a passage from Shakespeare and two paragraphs from Magna Charta Libertatum. The former transmits the idea that a merger-of-equals, so much as a marriage, should be left to the parties involved, when these are rationally deciding by their own free will and have expressed preferences. Sure, each culture treats picking partners in a marriage differently, especially in helping the choice of partners. We deal with a case in which partners have already chosen each other, and there are no problems in antitrust, but evident positive effects on the industrial side. We have realized that the two paragraphs from Magna Charta still stay as a monition against the separation of control rights from property rights on assets. In the Autostrade case it appears that the situation of a bainliff acting in the king's interest presents again. The "regulator", ANAS (say, the "bailiff") was allowed at a certain point to make a proposal to Autostrade, with the capacity that, if Autostrade did not accept it, the grant was to be withdrawn, and, with a twist of fortune, passed to ANAS itself. In both cases, especially in Telecom, politicians talked of asset divestitures, not only of the bottleneck, but also of foreign subsidiaries, so much as some bailiffs were used to take wood from the property of others.

It seems that many centuries later, in another country, those problems are still relevant.

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Endnotes

1. This is the definition endorsed for example by the journal *Corporate governance – an international review*. According to Shleifer and Vishny (1997: 737) "Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investments." Even though we analyze only firms in the stock market our approach is more in line with the broader definition in the text.
2. There is not much of a moral in there, but a lot of suation and coercion, a lot of hard-to-detect, unverifiable, rent-seeking behaviour, which can result, to some extent, to forms of limitation to free trade. In a somewhat different context, Dixit (2004) distinguishes relation-based from rule-based governance: we think moral governance contributes to characterize the former type. However, moral governance must be distinguished from illegal moral governance (say, immoral governance) which is illegally exerted by organized crime.
3. We have taken the liberty to avoid citing tons of papers on power. Bowles' definition seems comprehensive because it recollects the most important elements which are present in any other stream of literature in different disciplines and theorizations. For example, in the interpersonal dimension we can include network effects. In the threat of sanctions we can include withholding or using of resources, and mere resource damaging. By normatively indeterminate, Bowles means that when exercising power there could be Pareto improvements, but power is also susceptible to arbitrary use to the detriment of others and in violation of ethical principles. Nash equilibrium enters the scene in order for power to be relevant to economic analysis, so power is useful not only in disequilibrium, but also in equilibrium situations. Bowles and Gintis (1992) show a sufficient condition for the exercise of power that captures these four desiderata.
4. In these cases the role of politicians can be intrusively magnified and have relevant impact, yet remain undetected, unless, as sometimes happens, undisclosed material concerning lobbying activities appear in the newspapers, in the form of excepts of bugged conversations taken out of transcripts form judicial investigations.
5. Coop Italia owns 17.85% market share and Esselunga has 8.47% market share, as of December 2006 (Alvi, 2007: 30). Coop is a not-for-profit organization – well

established in the Italian economic history (Zamagni *et al*. 2004) – whose mutualistic aims call for a special fiscal regime, such as a very low taxation on income, the possibility to collect deposits from associates with tax and authorization allowances, advantages in labor legislation (see Cobianchi 2007, Lorenzetto 2007, among others). Moreover, there are corporate governance peculiarities such as one *head*-one vote and some constraints on payout ratios and assets distribution in case of liquidation of activity. Esselunga is a private competitor, owned by Caprotti.

6. This is a relevant problem for corporate governance since it might brings about continuous, recurrent bargaining problems (Shleifer and Vishny 1997: 743-4). Is there a motive for some kind of duty of loyalty by politicians towards corporations? If this were the case, how could it be set up? Are there situations in which politicians should abstene from actions, so much as there is a passivity rule by directors? We have not got answers, still, we think there is room enough to think about these questions.
7. This should not be considered an acritical adhesion to the stakeholder-society view of the firm. As a matter of fact we agree with Tirole (2006: 56) when he says that the stakeholder society champions as "the recommendation that management and directors internalize the externalities that their decision impose on various groups".
8. Each dimension is constituted of two broad categories, and in turn each one contains measurable variables, to be standardized and summed over in order to obtain the final score. Our proposal leaves aside any consideration on the weighting process, which becomes useful when considering the efficiency of the different variables in order to obtain the desired outcome in terms of influence.
9. The reader might be a little surprised, and think that politicians are mistakenly considering an asset owned by Telecom, reported in Telecom's balance sheet, as a resource in their possession. We agree with the reader, and we were so surprised that we attributed to this behavior an explanation based on politicians' distorted perspective – "politics is everything" – which we compared to a "cognitive bias". They think the rule of law is something at their disposition, which they mold, since they propose and pass the laws. Moreover, recall that they are acting in the interests of the citizen.

Panel A. Politicians as actors and intermediaries in influencing strategies

Politicians in the corporate governance arena exercise their legitimate powers – formally, according to the law – and show influencing strategies. W = withholding strategy, U=usage strategy, V = voice mechanism, D = damage strategy

Behavior	Telecom	Autostrade
Preliminary talks between politicians and firm	Prime Minister meets President of Telecom Tronchetti in various occasions (V)	
Political declarations, mostly to express concern	Harsh reactions to proposed re-organization ("we were not informed") (V) Cabinet discloses price sensitive and strategic information concerning alliances, previously unknown (V) (D) Interviews expressing the necessity to keep public control on the bottleneck, which is Italian heritage (V) Necessity to invest in the bottleneck. (V) Dividend policy is not good: payout ratio too high. (V) Denounce lack of competitive strenght (V) Cold reactions to alliances (News Corp, Telefonica, AT&T with America Movil) (V) Pyramidal structure generates concerns to protect minorities. Generic hints to financial situation. Claims and concerns that there is too much debt upstream in the chain of control (V) Comments on asset sales in Brasil, and on the international strategy of the firm. (V)	Complaint that merger presented with unappropriate timing because the new Cabinet not yet in charge (implying that, when in post-election period, firms must abstain from mergers) (V)

Political acts	Plan to split the network prepared by Counselor to Prime Minister ("Rovati" plan): (1) division with independent directors; or (2) bottleneck company to be listed (U) Prime Minister of Italy meets Prime Minister of Spain, talks (V) Risk of selling Italian heritage to USA (W) Breaking perspective alliances with: *a*) News Corp; *b*) Telefonica (1st attempt); *c*) AT&T, América Movil. (W) Agreement on *d*) Italians + Spaniards (Telefonica, 2nd attempt) to buy stake in Olimpia, dominant shareholder in Telecom (U) Minister of Treasury telephones to all of the parties in the coalition to buy Telecom (at time of final deal) to be informed of latest developments (V) (U) Exortations by politicians to Italian banks and entrepreneurs to grab the torch to keep the company Italian (later with Spaniards) *vis a vis* letting Americans become dominant shareholders (V) Minister of Justice suggests state-owned holding company *Cassa Depositi e Prestiti* to buy 33% stake in Olimpia (holding that controls Telecom) (V)(W) Positive comments when final deal is done and Telecom remains Italian (V)(W)	Ministers declare that an act by Cabinet made during privatization procedures (according to which contractors cannot be shareholders in Autostrade) is a law (it is not). Interpretation of that norm that makes it still valid, way beyond period of privatization (W) Prime Minister of Italy meets Prime Minister of Spain, talks (V) Oppositition to payment of extraordinary dividend, because investments should be made with that money (V) Minister for Infrastructures and Autostrade reach a gentlemen's agreement to settle disputes (U)
Legislative acts	Proposed Bill to break-up bottleneck, if agreement not reached with Telecom, functional spin-off of the bottleneck will be pursed (W) (D)	Change in regulatory regime (D) Proposal to renegotiate terms of grant, if agreement not reached, loss of grant (D)

Panel B. Indirect political powers as intermediaries in influencing strategies

Several actors in the corporate governance arena exercise their legitimate powers according to the law.
W = withholding strategy, U=usage strategy, V = voice mechanism, D = damage strategy

Behavior	Telecom	Autostrade
Judiciary	Files open in Rome Penal Circuit and Milan Penal Circuit by prosecutors with the heading: "unknown perpetrator" & "unknown crime"	Minister asks the highest administrative court a preliminary counsel on matters on which the same court could later decide (U) (W)
Regulators	Declarations by regulators on the network. (V) Necessity to invest in the bottleneck and in new technology for the network (U) Consultation on the reorganization of the bottleneck – Study group to spin-off bottleneck (U) Cooperation with president Rossi to find a way to separate bottleneck (Telecom hires McKinsey to study bottleneck spin-off) (U) Auditions at Parliament, two options similar to aborted "Rovati" plan (U) (V) Interviews expressing the necessity to keep public control on the bottleneck, which is Italian heritage (V)	Change in regulatory regime (U) Accusations of lack of respect of investment plans and use of that money to finance extra dividend (W) "Regulator" ANAS s.p.a. denies merger authorization (no matter it is not written in any law) (W) (D) File of suit in administrative court by "regulator" ANAS to ask respect of investments not done and/or reimbursement (D) (W) Threats to revoke grant, and pass it to ANAS (D) Impossibility to transfer grant to new entity (W) (D) If Autostrade does not accept proposals by "regulator" ANAS, grant is retired and passes to ANAS (D) Endangerment of breach of contract concerning the grant to run the asset: new entity from merger is not entitled to exant grant, hence impediments to the alliance, due to presence of contractors in Abertis's shareholders (W) (D) No contractors should be among dominant shareholders (D) (U)
Upper-level regulator	European Commissioners debate whether spin-off of telecom bottlenecks is good (V) (U)	Infringement procedures open by European Commission (Competition; Internal market)

Panel C. Informal powers as intermediaries in influencing strategies

Several actors in the corporate governance arena exercise their legitimate powers – formally, according to the law.

W = withholding strategy, U=usage strategy, V = voice mechanism, D = damage strategy

Behavior	Telecom	Autostrade
Unions	Strike to protect jobs and prevent layoffs (D) Denounce lack of entrepreneurial spirits and competitive strength (V) Express concerns and hope the Cabinet will track down the developments (V) Company belongs to the country (heritage): cannot be split up, nor sold to foreigners (V)	
Consumer advocates	Concern on high tariffs, lower quality and lack of investments (V)	Concern on high tariffs, lower quality and investments (V)
Media	Interviews. (V) Coverage on investigations concerning Telecom's top managers involvment in bugging conversations (V)	Interviews (V)

Panel D. Politicians as intermediaries in influencing strategies

Politicians show influencing strategies as intermediaries. Other actors as intermediaries.
W = withholding strategy, U=usage strategy, V = voice mechanism, D = damage strategy

Behavior	Coop Italia -Esselunga
National politicians	During election time (2006) Prime Minister candidate declares that it would be advisible that Coop Italia buys Esselunga (the owner of the latter never expressed any intention of selling his shares, also after a proposal in 2005 by Unipol, insurance company tied to Coop Italia). (V) Many politicians release comments on the positive social role played by Coop Italia. (V) Esselunga must remain Italian hence Coop should buy it. (V) (U) Law no. 248/2006, proposed by the left government, allowed retail industry firms to sell medicines with the presence of a professional chemist. The law is very similar to a draft proposed by Legacoop in 2005. A week after the law has passed Coop Italia opened three pharmacies inside its megastores. (U) Minister of Culture blocks opening Esselunga store due to discovery of archeological site. (W)
Local politicians (and a political party)	Revolving doors system. All the presidents of Legacoop and local Coop were members of the former Italian Communist party or its successors (PDS and DS). Many employees and managers of Coop were (or actually are) city, county or regional council members (even mayors or governor) in many Italian regions and cities governed by the left party. (U) In many cases when Esselunga tried to open a new store the authorization from left local authority was not given at all, despite a long time negotiation, in some cases Coop were favoured: Esselunga drops in, Coop takes in and obtain very fast all the authorization. (W) In Bologna, where the local authority is historically governed by left coalition, Esselunga found some archaeological pieces. It tried to obtain the authorization to build the store while preserving the findings at its own costs. The requests from the local authority, together with the regional authority for the arts, were so hard to comply with that Esselunga preferred to quit. After a week Legacoop bought the same site and obtained the required authorization in a month. Appaently, archaeological pieces are abandoned near Coop superstore. (W)
Unions	Strikes on Esselunga, most notably at Easter and Christmas times, despite many allowances. (D) Sabotage (in the 70's). (D) After the comments on a possible acquisition of Esselunga by Legacoop the owner of the former declared his intention not to sell to the competitor. After few weeks, in Esselunga stores sited in one region governed by left party, several strikes were organized, which had not occurred for many years. (V)

Table 1. Moral governance

Variable	Symbol
Golden share, *noyeau dur*, *action specifique*, and so on	+
MP in the board or audit committee	+
Ex-MP or politician in the board or audit committee	+
Appointment of board or audit committee members reserved by law	+
Shares possession	+
Number of independent members in the board	-,+
Managerial reputation of the CEO, President of Board	-
Informal ties and networking (external social capital)	-,+
Interlocking directors	+

Table 2. Firm independence

Variable	Symbol
Firm is listed	+
High debt/equity ratio	-
High market share	+
Share majority is owned by a foreigner entrepreneur/firm (or multinational firm)	+
Firm dimension	+
Pyramidal structure	-
National (and supra-national) antitrust agency	+,-
Industry is (highly) regulated	-
Grant or licence for the use and exploitation of facilities	-
Public-debt-reduction motive for privatization	-
Industry has been privatized in the last 5 years	-
Public administration is an important client	-
Quality of legal environment	+
Corruption	+
Tax level	-
Bureaucracy is oppressive	-
Government intervention in the economy	-

		Firm independence	
		Low	*High*
Moral governance	*High*	Dominated firm *direct* W-U-D-V	Collaborative firm *indirect* U-W-D-V
	Low	Influenceable firm *direct* W-D-V	Inexpugnable firm *indirect* V

Figure 1. A structural classification of political influences
W = withholding strategy, U=usage strategy, V = voice mechanism, D = damage strategy.
These strategies are reported in order of relevance

	Firm independence		
	Low	*High*	
Moral governance	Resist-Abandon strategy	Bargain-Accommodate Strategy	*High*
	Constrained strategy	Independent Strategy	*Low*

Figure 2. Strategic responses to politicians pressures

Panel E. Structural classification and strategic responses: two cases

Effects on:	Resist-Abandon strategy by a dominated firm: Telecom	Bargain-Accommodate strategy by a collaborative firm: Autostrade
Board	Dominant shareholder and President Tronchetti resigns, Rossi new President (9-’06, 4-’07) and changes in top echelon managers, Pistorio new President (4-’07)	CEO resigns and becomes CEO of F2i, a new state owned fund to buy infrastructures
Ownership	Many white knights prepare (e.g., one group apparently included: Deutsche Telekom, Rotschild, Unicredit), many banks deny interest, especially after declarations by politicians Pirelli group exits. Winning coalition is composed of banks (Intesa San Paolo, Mediobanca), former shareholder Benetton Group, and Telefonica. They buy stake in Olimpia which is dominant shareholder in Telecom, through a newco, *Telco s.p.a.* Talks re-open with News Corp under President Pistorio and new owners (october 2007)	Abertis exits. First, it fixes a period before which merger should be established (until January 2008). Later, Abertis sells shares it jointly owns with Benetton in the holding (*Schema28*) which controls Autostrade/*Atlantia*, receiving shares of *Atlantia*. Finally, pact with Benetton will end by June 2008.