THE CORPORATE GOVERNANCE OF FINANCIAL-STOCK MANAGEMENT: UTILITY FUNCTION, MOTIVATION AND MANAGEMENT CULTURE*

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Abstract

With the rise of managerial capitalism, the utility function of managers has undergone some changes compared to that theorized by the economic doctrine and detectable in profit maximization. Later theories, such as those of Marris, Baumol, Williamson, linked to the development of managerial capitalism have emphasized that the management function is polymorphous and multi-oriented and the goals of top management are not always aligned with those of the owners. In recent years, the claim of the equity-management has allowed not only the return of shareholders in corporate governance, but also the affirmation of maximizing the market value of company shares as a new target of managers. In this view, the interests of managers are converging with those of the owner-investors; the capital and the maximization of profit are the centre of attention and value of company shares in a short period. This gives rise to a degenerative phenomenon of the entrepreneurial paradigm represented by irresponsible operations in finance exclusively linked to short-term and not to the values and expectations of corporate stakeholders. The action of the managers, according to the principal-agent theory generates a strong conflict in relationships with stakeholder groups that are rarely considered in spite of the maximization of the interests of shareholders. This contribution, in light of the above considerations, aims to analyze the utility function of managers in the modern capitalist system, in order to identify a theoretical reference model based on alternative motivations with respect to the source of the social phenomenon of irresponsibility or forms of insincere social responsibility that mask the real objective of maximizing profit. The analysis within large corporations, starting with the conceptualization of the principal-agent theory can be used to analyze not only the theoretical model of reference for the corporate governance, but also to understand which factors have led to inefficiency and which are the ones that represent the indispensable basis. We conclude by saying that the managerial utility function should not disregard from the strategy of sincere social responsibility, from the perspective of evaluating business strategies of medium- long term, from the achievement of a congruous profit and from the satisfaction of corporate stakeholders needs in different levels.

Keywords: managers, utility function, profit, managerial capitalism, stakeholders, homo economicus, homo empaticus

**Even the paper is the result of many Authors, the first paragraph is a Raffaele Trequattrini's work, the 2th, 5th, and 6th are Rosa Lombardi's and the 3th and 4th are Fabio Nappo's.*

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1. Premise

Many studies (Ackoff 1961; Amaduzzi 1965; Bertini 1990; Ceccherelli 1964; Eminente 1972; Ferrero 1980; Giannessi 1960; Masini 1970; Sciarelli 1985) qualify the company system like an "*institute economically sustainable, long lasting, and that produces goods and services"* (Zanda 2006), locating inside some key elements: goods, people, operations (Zanda 2006).

In this view, the company operates, first, as a system of elements and relationships between elements and secondly, as an organizational system open probability, self-regulated[i] (Zanda 1974) and straining forward to meet the needs of its partners, known as *"stakeholders"* [ii] (Donaldson, Preston 1995, Freeman 1984, Freeman, Rusconi, Dorigatti 2007, Mitchell, Agle, Wood 1997).

Over time, was paid great attention to the causal variable system consisting of the business process *management* (Likert 1988).

The management function is static for the government (Lacchini 2002) and for business success since its range, within the enterprise, is due to the programming, control, organization and *leadership.*

The scientific advances of corporate directive (Fayol 1973, Hamel 2008) has helped to define the figure of owner *managers* and that of the official *manager,* as well as to define a modern management model not representative of *stakeholders* expectations in spite of some endemic principles, among which we can find the maximizing profit.

The dynamic environment (Alberti, Moro 1991; Azzone 1993; Baratta 1995; Cafferata 1995; Cavalieri 1990; Cervellini1990, De Chiara 1996; Donna, Zamprogna 1983, Ferrara 1992, Gatti 2000; Giudici 1997; Masini 1964; Troina 2001), technological progress (Rostow 1962, Saraceno 1967), increased competition and the emergence of increasingly complex organizations (Zanda 1974), have imposed also the statement of equity and financial management model (Zanda 2009).

In those circumstances, motivations, culture and the utility function of owner manager or officer, converge towards to the phenomenon of company social irresponsibility aimed at maximizing profit.

The historical origins of the modern management paradigm are found in the shape of modern man, defined by neoclassical theory under an exasperated maximizing interest.

We must also refer to the *principal-agent* theory[iii] (Jensen, Meckling 1976) to understand the issues related to *property-managers* relationship established with the rise of managerial capitalism.

The natural evolution of this model lies in equity and financial managerial capitalism characterized by the return direct/indirect shareholders to drive business, by maximizing the market value of shares through financial operations, management and monitoring of *managers* in the short term.

With the reorganization of the capitalist economic systems more industrialized came to configure the phenomenon of the irresponsible management financialization leaning towards the same in the short term.

This article aims at foreshadowing of a new management model to frame under the new socio-economic context defined as "knowledge society"[iv] (Trequattrini 2008).

Hereunder, in terms of corporate culture, the its main characteristic features (Cavalieri 2010):

- crystallized knowledge is transformed into fluid knowledge implying the domain of creative human resources in relation to materials held by the firm;
- the production system, which is become flexible, is an exogenous loop guided in which the consumer, the distributor/retailer, the manufacturer and suppliers are connected;
- production of goods is, increasingly, replaced by services industries of all kinds;
- the corporate system is configured as an organizational system open to the market and the environment;
- team collaboration is facilitated by business networks aimed at creating and sharing knowledge;
- companies hold economic power, social and cultural, that influences employees, management, environment, etc.;
- the objective of creating value is pursued by all productive organizations, including businesses;
- the entry of firms in the global market, can break down the barriers that limit transferring people and the free exchange of goods and services.

For this purpose, the analysis will focus initially on the interpretation of the historical origins of management paradigm, from the neoclassical theory. In this view, we come to relate the modern man figure with that of *manager.*

The utility function will be then analyzed under the *principal-agent* theory. Thus, in the context of the *managerial revolution*, we will define the shapes of the owner manager and the officer.

This distinction will be the basis for understanding the evolution of managerial capitalism in managerial capitalism shares with its financial phenomenon of large irresponsible *corporations*.

Next, you can try to draw a picture of a capitalist model, based on principles of participation, becoming a new management paradigm, typical of knowledge society, in which the figure of *homo oeconomicus* is destined to give way to that of *homo empaticus.*

The sixth paragraph is concluding with some remarks of this contribution.

2. The neoclassical theory and the *homo oeconomicus*

The origins of the current management model dates back to the neoclassical theory, late nineteenth century, (Bruni, Zamagni 2004) developed as a result of some well-known cultural experiences.

It is clear that economic and business scenario, since the fifteenth century was dominated by the vision of man as being individualistic, isolated from other humans and guided solely by self-choices[v].

Not all historical periods, however, have been identified by that ideology. Later, with the flowering of Humanism, it makes extensive experience of civil life. From here, the civilian economy, away from neoclassical theory, represents an economic and cultural movement aimed at humanizing the economy through three regulative principles:

- efficiency: the contract is the functional equivalent of the exchange value of transactions between individuals;
- equity: redistribution of wealth among the individuals;

- reciprocity agreement as a gift, which is an expression of confidence and freedom of individuals.

The assertion of civic Humanism can reassess the size and relationship of human beings on earth, which is the center of economic activity involved in a given market[vi]. The pursuit of personal interest, according to this tradition, it becomes the common good or in well- social life in the *civitas* [vii].

Though there isn't encounter between modernity and civic life, this suggests that the sociality of human beings is as transitory and accidental phenomenon.

The subsequent periods civil Humanism corroborate the idea of a man as an individual, driven by pride in the choices, sometimes hampered by the encounter-clash with the interests of other individuals. This feature allows you to define one of the elements which, albeit in other terms, the utility function of modern management later then investigated: the individual interest in spite of the collective.

Moving further towards a more profound individualism, you discover the failure of the man-man connaturally; in fact, the human being, analyzed then individually, is, according to some authors (Machiavelli, 1987), evil, scary, rude and shrewd. The thought Hobbes[viii] (Mandeville 1995) manifests its self alone the only one of elements that human beings have in common: to be killed. The philosopher attacking the civilian economy and affirms the principle according to which any human being can be killed by anyone else. The conflict, competition, the struggle for domination and conquest of the power are the ordinariness for individuals in society[ix] (Hobbes 1987).

So clearly, thought Hobbes appears to understanding the functional decline of the civilian economy. The author identifies with the religious wars and violence of nation-states that were to form the modern man's inability to create a society that is anything but peaceful and happy. In this perspective, the renunciation of the interpersonal relationship is the ideal solution to save at least the political sphere. It sacrifices the civil[x], communal living is considered a burden and reciprocity gives way to the unsociable sociability[xi] (Kant 1965), embraced by a reciprocating and widespread fear among people.

Even the modern economy recognizes the existence of self-interest of each individual in civil life[xii] (Palmieri 1997; Putnam 2000).

Since the mid-nineteenth century, the vision of civil economy is again less. And so, the neoclassical theory comes from here.

The neoclassical mind is built upon philosophical utilitarianism of Bentham[xiii] (Bentham 1998) which is an expression of utility maximization of individuals[xiv]. This philosophical doctrine defines the institutional arrangements and legislation, not only in terms of mutability, but also in relation to the motivations that drive human actions. According to the author this mutability is oriented toward the pursuit of personal pleasure and to escape from pain.

The motivations of human beings are only linked to the desire to maximize the utility of each individual and therefore social happiness is a direct expression of the sum of individual pleasures of many people[xv] (Bruni 2009).

Those characteristics are found, in large tracts, in the figure of the modern corporate and business *manager*, albeit with some features and aspects related to the historical moment, the context of reference and the individual motivations.

In fact, it identifies, even before, the figure of *homo oeconomicus* (Zanda 2006): a rational man interested only in the care of his personal interests that he seeks to maximize.

On account of this, the principle of utility explained as "*... property of any object whereby it tends to produce benefit, advantage, pleasure, good or happiness"* (Bruni, Zamagni, 2004), it is an essential analysis of *homo oeconomicus* function that was defined in terms cardinals and ordinals.

Maximization of utility function of *homo oeconomicus*, like that modern management, has its foundation in the theory of cardinal and ordinal (Pareto 1906) whereby all needs relate to the need for utility.

From here the cardinal utility function giving the value, measured in time, and the advantage from the possession of certain property over another. This function, at the base of decision-making behavior of *homo oeconomicus*, keep good explanatory power even when you can compare the usefulness of what is being analyzed. On the contrary, the ordinal utility function allows to outline the economic preferences of man through a scale, that is when you can order preferences.

The two theories, moving from individualism and the principle of rationality, attribute to the nature of *homo oeconomicus* the principle of non-satiation: needs are the engine of human which is insatiable. In this view, the human desire has no limits.

No coincidence that the figure of the entrepreneur or the *manager* derives from these assumptions.

Although, according to neoclassical theory, the firm represents a simple production function[xvi] (Marshall 1917) of secondary importance compared to the market[xvii] (Williamson, Winter 1993), the entrepreneur identifies an agent in decisions guided by rationality comprehensive, objective and strong[xviii] (Simon 1958), driven largely to profit maximization intended as payment for work business.

Later, with the introduction of transaction cost theory, the figure of intrepreneur is inherent to the birth of the Company, intended as a tool of relationship between several parties and alternative to the market.

However, around the thirties, the theory of separation of ownership and control, introduced by

Berle and Means, is overcoming the conception of the entrepreneur as a single company agent.

3. The *principal-agent* theory and the utility function of *managers*

As noted by Berle and Means "*power over the means of production was separated from the property right on them or more simply, the right to enjoy its fruits. Physical checking of goods increased from single owner to those who administer these semi-public entities, notwithstanding that the owner has been equally interested in what is achieved by their use, as well as any increase in value"* (Berle, Means, 1932).

As just said, makes it clear what happened since the 30s of the twentieth century, when the *boom* of scientific and technological developments gave rise to the phenomenon of the depersonalization of the owner. The *trend* continued until 1960 - 1970 and the maturity of the technology companies gave rise to new needs, expanding the range of motivations of *managers.*

The new period was essentially characterized by financial priorities, as well as information related to expertise and skills almost exclusively.

The external environment, especially the demand market, were particularly dynamic and unpredictable and therefore, the mere presence of the above considerations, does not automatically guarantee the achievement of objectives. It was also necessary to organize, coordinate and harmonically address the specific skills in order to prevent the interests of individual could prevail over the general[xix].

In particular, from a financial standpoint, companies were favored by the emergence of two important phenomena, such as the birth of limited companies and sputtering stock. In terms of knowledge, however, the business behavior was determined by that of several individuals specialized and coordinated, variously classified in the organization. The conduct of large *mature corporation* was merely the result of a system of resolutions passed by a multitude of specialists located in different parts of the organizational framework in which the top management, or economic entity, represented the primary source of address pulse and coordination of all activities (Paoloni, 1990).

Based on what has already argued, some special skills were required in organization, planning, supervision, and leadership in order to fulfill efficiently and effectively these tasks (Simon 1958).

The professionalization of the function of management concerned especially the top positions during the period in which it affirmed the *mature corporation*.

In particular, the government's largest organization implied that the management function was more qualified through a scientific approach, the adoption of expertise and the abandonment of decisions based on common sense, experience and capacity forecasts.

The old world of the entrepreneur based on instinct, tenacity and courage was gradually ousted from the process of professionalization of the role of the manager. Entrepreneurs-owners began to delegate to *managers* the real power of government and abandoned gradually the company management.

As just said gave particular importance to the delegates, so they began to talk of lead *stakeholders* such as owners and not as mere subjects positioned at the center of the business system[xx].

From this viewpoint, the relationship between investor and enterprise resolved in a simple injection of capital and payment of dividends[xxi].

This approach leads to the known theory of agency (Jensen, Meckling 1976), or to a relationship between ownership and governance.

On the one hand, this theory identifies the manager, *agent,* and on the other hand property, defined *primarily*, by the fiduciary, whereby the delegate administers on behalf of delegator. It is, thus, to create a unique relationship which tends to reduce or even cancel, the residual nature of the remuneration of the property. The latter will encourage the agent to maximize the reward for the property in the form of share dividends *(stock options).*

The relationship between the two entities, *principal and agent,* is based on trust, as the means of production belonging as a result of shareholder rights arising from the possession of shares, are handled by *managers*[xxii].

Confidence comes in two categories:

- type of weak confidence, if the possibilities of opportunistic behavior by management are few[xxiii];
- semi-strong trust between *agent* and *principal* when conflicting interests arise (eg the first contributes to the growth in size while the second tends to maximize the dividend)[xxiv].

The corporate system and the directing were subsequently investigated by introducing several theories of marginal mold.

Among these, Baumol (Baumol 1959) argues that the maximization of revenue from sales as an alternative to that of profit maximization is the main objective of managers (Trequattrini 1999). However, Marris doesn't confirm the hypothesis of maximization of sales target as a function of *managers*; he argues that maximizing the rate of balanced growth thereof is a company objective. Jointly maximizing the growth rates of demand for capital, leaders realize both the maximization of their utility and that of shareholders-owners. So, salaries, social position attained by the power and security of workplace represent the utility function of *managers*; indeed, profits of owners, the size of *output*, the size of capital, the market share controlled by the company and its public image, represent the utility function of owners. The hypothesis that a continued growth of the company is possible by creating new markets[xxv] is the limit of the model under discussion (Galbraith 1968).

Moreover, according to Williamson (Williamson 1963, Williamson 1964, Williamson 1970) *managers* have a considerable degree of freedom in pursuing certain policies that maximize their utility at the expense of profit maximization.

With the emergence of large *corporations,* scholars have always sought, analyzed and improved the system of decision holding in order to identify the phenomena that have made it difficult to adapt the behavior of individuals to the needs and corporate objectives and have introduced appropriate measures to adapt the size personalizing[xxvi] to the size socializing[xxvii].

Scholars and *managers* have discovered that the main factors that make difficult the functioning of the system are generated by specific contingencies identified as:

- the average person who works within the organization has personal motivations and goals that are not necessarily coincident with those of the company and as he may decide freely, can be put into pipelines unpredictable and may take a divergent behavior by the general interest of the *corporation;*
- information received or sent by individuals at any level and any kind of relationship, be it hierarchical or subordination, is often distorted and the decision-making processes are thus rendered ineffective;
- who operates within the organization tends to interpret his role individually causing a power vacuum, duplication, uncoordinated business, frictions and tensions (Zanda 2009);
- people who occupy positions in business and make important decisions end up in a personal way to assess the[xxviii] status and trends of the environment, creating often resolutions inconsistent with the premises of decision.

These phenomena were countered with effective executive measures such as:

- the systematic definition of organizational roles- or the *ex ante* definition of lines of authority, influence and tasks that everyone plays;
- determining the objectives to be achieved over time;
- implementing an appropriate information system;
- research, selection and the recruitment of staff whose skills are in line with business needs;
- the introduction of directional and leadership models that lead employees to internalize corporate values.

The assertion of the management model has provided a great boost to the rationalization of management and introduction of latest management theories and techniques[xxix].

The human element in management, also known as *"The Human Side of Enterprise"*, in the late twenties, enjoyed greater consideration by the importance assumed by the element of organizational management (McGregor 1960).

Thus the *humanistic school* was born which analyzed the man no longer in the practical aspects but in physiological – sociological terms (Sexton 1979).

The studies were based on the premise that the company is a social system, a complex web of human relationships, a convergence of personal motivations and goals that do not integrate automatically, but must be harmonized.

On this basis, it is attributed to the government of a big company the important role to coordinating and balancing the general objectives of the institution in line with those of the individuals[xxx] (Roethlisberg 1939).

Business management, according to the model of Fayol, is characterized by features as operational and management *leadership* to play a strategic role in business operation as suggested by the type of programming, control and organization that will be used and determining how to motivate employees, how to develop and implement work in their intelligence, creativity and energy and how to integrate corporate goals with individual ones. Leadership becomes then a causal variable affecting the health organization[xxxi].

Based on what has already argued, it is plausible to say that the motivations of *managers* determine business objectives; their primary motivation is security, achieved through the implementation of a minimum income/adjusted so as to allow normal dividends paid to shareholders and funding the investments necessary to maintain both *valuation ratio* and *leverage ratio* to high security levels (Maslow 1943). Moreover, as regards the objectives of superior character[xxxii], these are realized through the development of profitability, growth in size, social accountability[xxxiii].

In the case of firms mature, the economic-corporate doctrine pointed out that an official *manager* doesn't necessarily maximize profits, rather, "such action could expose it to risks that could jeopardize its position in the enterprise" (Zanda 1984). This doctrine considers mostly the ruling class is more geared towards maximizing the growth rate of size, even at the expense of profitability. This would allow *managers* to increase their influence on the environment and be more autonomous and flexible.

So, it is interesting to note that if the *manager*s' motivation is tied to maximize the growth rate at the expense of profitability, then they could also be motivated to pursue social responsibility, so as to create favorable reports with *stakeholders* and to make easier their development strategies and environmental control.

4. Rise and decline of capitalism financial-equity

Since world war and until the mid "60s of the twentieth century, the world economy has experienced a period of strong growth, which in many cases, has been called" *economic miracle*". Economic growth has been accompanied by social peace, generating a virtuous cycle that can produce the desired results than ever before.

Later, around the '70s, the Western economy began to slow its pace and final results were below expectations (Bureau of Economic Analysis 2004).

The causes of this reversal can be summarized as follows:

- slowdown in demand for consumer goods and contextual rigidity of enterprise systems (Zanda 2006);
- unexpected protest movement of workers, such as to tear the social peace, making it unwieldy production units;
- problems of coordination of prices in international trade[xxxiv];
- progressive crisis of the system of international payments[xxxv].

As just said undermined the foundations of the economic system, causing increasing speculation. In those years, politicians and scholars believed that the system, if left free, would be able to recover its stability, but that did not happen. Indeed the continuing financial speculation generated huge profits that gave rise to the phenomenon of "financialization" of management[xxxvi] (Gallino 2005).

Thus, since the mid-sixties, has returned the "investor capitalism": essentially, the holders of capital, driven by profit maximization, have directly or indirectly been involved in company management, not trusting more *top managers-officials*[xxxvii].

The return of owners to the management has given birth to three phenomena:

- implementation of a system of corporate policies aimed at increasing operational efficiency;
- coincidence of the objectives of *managers* with those of property, by direct or indirect management, and in consideration of the appointing authority exercised by the owners[xxxviii].
- adopting a model of firm behavior based on two important principles: the maximization of market value of shares and the maximization of corporate value; in the latter case not always through the operational management but rather creating a system of financial transactions.

The biggest problem isn't certainly related to the superiority of transactions in financial transactions with respect to production or trade goods and services, but rather, the nature of such transactions that have been taken most often as speculative and no-business (Fortuna 2009).

Such behavior is partly backed by instruments such as *stock options*[xxxix] (Gallino 2009) or *stock grants*[xl] which are the monetary rewards from the growth of market value of companies.

Ultimately, based on what has already argued, you can make some reflections on the model of managerial capitalism and stock, and in particular on the utility function of *managers* oriented to the maximization of profit and shareholders value.

It further notes that these behaviors pose in the background objectives such as development size, technological innovation and social responsibility[xli] (Friedman 1970).

In this context, we talked about irresponsible company[xlii], or an undertaking without soul, without a human language, whose behavior is often based on the calculated difference between the cost of penalties for violations of environmental laws or social benefits, that however, could portray without complying with rules (Zanda 2009).

The phenomenon affects in particular the large *corporations* listed, which have a remarkable ability to influence the external environment.

The logic behind these companies is linked to a system of values that is the result of a particular ideology of corporate governance. An irresponsible *corporation* is based on the following assumptions:

- pursue the maximization of income and value of shares;
- exclude any purpose connected with the satisfaction of other interests[xliii] other than maximizing the value of company shares;
- consider that *stakeholders* other than shareholders are protected by laws imposing conditions and thresholds to be met;
- pass on *stakeholders* other than shareholders the greatest possible amount of costs that affect profit or loss[xliv];
- adopt an opportunistic behavior in politics, so you can turn in their favor.

It seems clear, at this point, that company model is not inspired by higher principles of ethics and, in fact, prevents identify themselves in the needs, values and aspirations of stakeholders other than shareholders (Mitchell 2002).

In conclusion, we can say that the role of *managers* in large *corporations* should be redrawn, because they have taken major powers in the great enterprise and society; therefore, should be counted as guardians of the survival and development of company, whose objective is to ensure a fair return to venture capital and harmonizing, in the long term, the interests of various social groups that revolve around (Stampacchia 2007).

5. An alternative economic model in view of the civil economy

The analysis of modern capitalist system highlights the need to change the *governance* of large *corporations* (Drucker 1964) in terms of more democratic principles. The role assumed by *managers* within irresponsible companies appeared inconsistent with the objective of meeting the expectations of *stakeholders group.*

In this sense, we may bring a review of management utility function aimed at awakening the consciousness of *managers* (Trequattrini 1999; Zanda 2009). Creating a cultural environment conducive the objectives of stakeholders, and adopting a social responsibility sincere (Alford, Compagnoni 2008, Lacchini, Trequattrini 2004; Murru 2009; Rusconi, Dorigatti 2004), or not the exclusive purpose improving the corporate image, set up a new democratic capitalist model (Reich 2008).

The activities of business government, before exclusively oriented towards profit interests of the owners of control within company, in this new framework is based on the principles of common good and development of the human person[xlv] (Bruni, Zamagni 2004). Therefore, ethics, social and enhancement of environmental resources, including external relations firm, represent some of the critical success factors for large *corporations.*

In this view, a model of efficient management creates the conditions of the organizational structure and operating company, seeks to meet the needs of employees and to pursue the objectives of the company, responds to needs expressed by business partners.

Thus, the figure of *homo oeconomicus,* with the idealized *manager* intent on maximizing profit, is replaced by the figure of *homo empaticus* (Rifkin 2010) guided in his choices by feelings and reasoned utility function. This results, in fact, from empathic human consciousness, resulting multi-oriented and poli-formed.

The human nature has a special predisposition to affection, communion, sociality (Kahler 1967), before being selfish and utilitarian[xlvi].

Some studies (Rifkin 2010), in fact, show the genetic predisposition of human beings to relate to other individuals in order to forge lasting and sincere. This discovery emphasizes the effective involvement of Man, who empathically feels needs and emotions perceived by individuals with whom he relates. Over time, research in neurology has found that, in the human brain, there are mirror neurons (Rizzolatti, Sinigaglia 2006; Rizzolatti, Vozza 2008): when an individual performs certain actions in person, you can discover these neurons excited when the same notes the actions of another individual.

The biological exploration (Rizzolatti, Sinigaglia 2006; Wilson 1985) revealed that the human neural structures, affected by feelings and emotions, are the same, not only referring to the human needs and / or experiences, but also when we see directly and indirectly the actions of other individuals.

Feedback neural mirror system, in spite of canon law, allows the human being to understand immediately what the intentions of other individuals are, analyzing also the opportunities for interaction defined in the long term.

The mirror neuron system defines human sociality: individuals are united in social exchange, sharing of emotions, imitation, learning and sharing.

These aspects are configured, in a more or less extended way, depending on the socio-economic progress occurred during the time (Inglehart, Welzel 2005; Rifkin 2010). In pre-industrial society, empathic consciousness was developed solely for religious and family relationships, governed respectively by the male figure and faith in God; common good, direct expression of the need for survival, was undermined by economic instability. Since the industrial revolution until today, human empathy has accompanied the globalization process, as a result of increasing economic development, and has been ruled by *industrial management.* The spread of empathic consciousness characterizes, currently, knowledge-based society (Trequattrini 2008). In this view, the search of material values has been accompanied by research of intangible assets. The human figure has become, because of the increased economic security[xlvii] (Rifkin 2010). On the one hand, the increase of wealth reveals, in the humans, greater confidence in himself and trust in other individuals (Covey 2008, Gambetta 1989; Fukuyama 1995, Luhmann 1979; Luhmann 2002; Mutti 1998; Pelligra 2007), so as to allow the identification and recognition of collective needs. Second, in this society, the income growth exacerbates the comparison with the variable entropic (Rifkin 2000), at the expense of the environmental context of reference (Rifkin 1989). *Homo empaticus* (Hoffman 2008) expresses his sociality in the recognition of his figure and being aware of cultural differences, even before the introduction of a number of reports conscientious; he tries to solve the entropy become through the establishment of *ad hoc* intervention programs endorsed by his group.

From here, *manager,* owner or officer, pursues his personal interest[xlviii] (Smith 2008) to meet their needs, sharing the same needs and values of all corporate *stakeholders.*

The *manager empaticus* guides the company through long-term strategies (Canziani 1984; Lacchini 1988), ethically sustainable, focusing not only on survival and fair return on risk capital; in fact, as result of increased economic stability, he develops a conscious awareness to certain links with business partners, who find satisfaction to their expectations.

Therefore, *manager,* in this new sense, through the values of loyalty and social responsibility, directs his utility function, not only towards profitable targets, but also towards the establishment of shared relations. In this way, a new utility function arises, moved both by increasing individual security and collective interpretation of feelings that are congruent with those of *managers.* The empathic reply, the empathic feedback, of the latter is configured as ambivalent: emotional and cognitive (Rizzolatti, Sinigaglia 2006).

In this view, *corporate social responsibility* (Zanda 2009), within large companies, involves the affirmation of human language, promoted by the company, through the use of specific regulatory mechanisms including the ethical codes of conduct, intercompany agreements based on a reliable reputation, the integration of environmental organizations.

6. Final Remarks

The advent of modern managerial capitalism has profoundly changed the concept of corporate culture.

In particular, the emphasis on managerial utility function allows you to highlight the vicissitudes of a renewed *governance system.*

In this sense, historical analysis can detect not only the origins of this model, but also to highlight its limitations, in light of concerns represented by the various stakeholders.

Hence, the figure of the *homo oeconomicus*, maximizing his utility, must be related with the figure of the *manager.*

With this light, it is necessary to distinguish between *owner* and *official managers*. With the emergence of *mature corporations,* in fact, the management function is assigned to *agents*, with expertise, in accordance with the mandate given by the *principals.*

Although the advent of large *corporations* property is returned to the helm of company, often the targets of official *managers* are identical to those of owners: they are related to the economic aspects.

It follows that it is the renewed motivation to guide the management company to specific objectives of social responsibility. Where, in fact, the motivation of *managers* is tied to maximize the growth rate of the company, rather than profitability, you configure a management model based on *corporate social responsibility:* in this way you can create favorable relationships with business *stakeholders*.

Manager, supervisor of the survival and development firm, tends to ensure a fair return on risk capital and to harmonize the interests of various social groups that are involved in the company.

This implies an awakening of consciousness of *managers* working in large *corporations* found under the principle of the common good. Hence, *homo oeconomicus* is replaced by *homo empaticus* choices guided by a perceived multi-oriented and poli-formed utility function.

In this light, the *manager* configures *empaticus* acting interpreting immediately both his needs and the ones of business partners with whom he establishes stable relationships.

The reason for this is due to an important neurological discovery: mirror neurons. Those activated in the human brain, allow the *managers* to be proactive in trade and social exchanges, in the perception of emotions and needs of others. From here it appears the genetic predisposition of human beings to relate to other individuals.

In conclusion we can say that managers consciousness is empathic, depending on the approach outlined, striving towards a sustainable management and developing new collaborative strategies.

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[i] Zanda defines the firm as *an organizational system open, objective, overly complex, probabilistic, with specific regulatory processes* (Zanda 1974).

[ii] This is done directly through the production of goods and services and indirectly, eg through the distribution of dividends to shareholders (Donaldson, Preston 1995, Freeman 1984; Freeman, Rusconi, Dorigatti 2007, Mitchell, Agle, Wood 1997).

[iii] The emergence of agency theory is due to Jensen and Meckling (Jensen, Meckling 1976).

[iv] On this subject, is permitted to refer to R. Trequattrini, *Conoscenza ed economia aziendale. Elementi di teoria*, Edizioni Scientifiche Italiane, Napoli, 2008.

[v] This vision can define individualism, hedonism and sensationalism reflected in eighteenth-century neoclassical economics.

[vi] The civil economy also introduces the concept of market as a place of civil relations and reciprocity.

[vii] In particular, the civilian economy differs from the Greek *polis* Roman *civitas.*

[viii] Hobbes is one of the greatest exponents of individualism. Mandeville also favories individualism in the fable of the bees (Mandeville 1995).

[ix] Society is represented as a company-state by a social contract and kept alive by a Leviathan (Hobbes 1987).

[x] After Hobbes and Mandeville the first economists focused on the new foundation for ethical process building new reasons for civil and social relations.

[xi] This term, coined by Kant, expresses the human condition at the dawn of modernity. So, the interpersonal dynamic can be seen as the death of a living being (Kant 1965).

[xii] The Smith's thought began emphasizing the role of market and the individual interest of each human being. The public interest is represented by the individual compatibility of interests. The market, however, assumes the configuration of a providential mechanism for civil and human development. The economy becomes the means to improve good social life of individuals and people (Palmieri 1997, Putnam 2000).

[xiii] Jeremy Benthan, philosopher, lawyer and liberal politician, participated in the economic discourse claming an utilitarian morality based on four dimensions: intensity, duration, certainty and proximity (Bentham 1998).
[xiv] The public happiness is, according to this philosophy, the sum of individual pleasures of human beings. The happiness, however, is matched to the concept of utility.
[xv] This approach underlines the Bentham's Happiness theory (Bruni 2009).
[xvi] According to Marshall, the company is merely a function of production (Marshall 1917).
[xvii] Subsequently, Coase's transaction costs theory, sees the company as an alternative institution to the market (Williamson, Winter 1993).
[xviii] *Homo oeconomicus* is endowed with human rationality despite the admnistrative that, in decision making, is driven by bounded rationality. Simon's behavior theories identify the administrative's characteristics (Simon 1958).
[xix] This could only be pursued through:

- the establishment of efficient organizational structures (such as systems of roles, lines of influence, both authoritarian and not);
- the use of an effective planning process and control;
- establishing adequate information systems that feed the decisions, the enforcement activities and control;
- introduction of effective systems of motivation and encouragement of staff to develop the imagination, fantasy, creativity specialists and encouraging them to provide high contributions of time and dedication to the welfare of the company.

[xx] It's the typical case of *public company* where the entrepreneur, while representing one of the primary partners of *management*, doesn't play a central role.
[xxi] The *stakeholders* are represented by shareholders and their compensation is residual, ie only if it should remain a residual wealth, will be paid to the extent. This, practically, is little verifiable because the *manager* is responsible for ensuring an adequate return to ensure continuity of investment holding.
[xxii] In fact, as shown by research conducted on the ratio of debt of some U.S. companies, it may happen that the *management* distracts resources away from *core business.*
[xxiii] Here is a typical case of American companies where the labor market, capital, raw materials and information are highly efficient and transparent and therefore agency costs, related to the management of the fiduciary, are modest.
[xxiv] In this case the exchange is vulnerable and therefore need to govern through control mechanisms such as *management by Objectives* and *stock options.*
[xxv] It is based on the known theory of Galbraith, that a company can sell any product to consumers (Galbraith 1968).
[xxvi] The realization of individual dimension is the main objective of personalizing.
[xxvii] The fulfillment of the interests of the company is the main objective of socializing dimension.
[xxviii] These actors, considering the facts in a personal way, end up taking different decisions than the other decision makers, performers and auditors.
[xxix] Since the 30s of the twentieth century, scholars and *managers* have focused on models of management and the styles adopted to guide employees in decision-making, execution and control. On the hand, large *corporations* represented the subject of studies and experiments on leadership and on the other driving force of innovation, particularly the actions of *managers* who, at that time, were called to govern increasingly complex organizations.
[xxx] From '50s until '70s, there have been several studies and investigations related to human motivations in order to set up models of management which can increase organizational efficiency and employee morale. See Hawtherone's experiments (Roethlisberg, Dickson 1939).
[xxxi] A good *leader* must continually develop the participation of subordinates in solving problems in their activities, their professional development and career progression.
[xxxii] The higher goals are the social needs, self-esteem, esteem of others and self.
[xxxiii] The relationship between motivations and goals is very complex and it can not be described strictly and analytically; in fact, the work of *managers* is often reflecting the environmental situation, their individual personality, their personal and family history, their aspiration level, etc..
[xxxiv] In recent years the problem of *"term of trade"* between the developed nations and developing ones. Since World War I England mainly solved this problem managing to coordinate the "terms of trade" in international trade with a good political mediation and the pressures linked to its military power. Then, the U.S. has assumed the role of coordinator of the *terms of trade* worldwide.
[xxxv] The system of *gold exchange standard* based on the dollar's convertibility into gold and convertibility of major western currencies was suppressed when the amount of dollars was exorbitant compared to the U.S. gold reserves. In 1971 following the first signs of crisis, the then U.S. President R. Nixon declared the non-convertibility of the dollar.
[xxxvi] In this regard, Gallino stated that the company is no longer conceived as an institution that generates profits by producing goods and services, but rather as an entity able to increase capital, as measured by its market value through various modes which production of goods and services is only an option. In this, the growth of the market value must naturally be such as to outweigh the gains achieved with the production. Then, searching systematically the profit is not only the surplus of revenues over costs, but, preferably, the excess of market value at time t2 compared to time t1 where the difference between t1 and t2 may also be a few days (Gallino 2005).
[xxxvii] Smith expressed strong concern that owners of large corporations increasingly delegate decision-making to professional *managers,* and in particular, in his opinion these subjects couldn't carefully manage the money of others, resulting in inefficiencies and waste (Smith 2008).
[xxxviii] The "techno-structure" remains managerial, while maintaining business baggage of expertise necessary to better manage organizations.
Actually, controlling shareholders influence the strategic decisions because or take directly decisions or supervise in person that they are taken, feeling strong the appointing of *managers.*
[xxxix] Data on ratio of income from salary and *stock options* shows how high was the confidence of investors (Gallino 2009).

[xl] As noted by Gallino, *managers* of large companies have largely taken advantage of these incentives often adding fees expressly invented. It has also formulated the hypothesis that they are now the *agents* to determine the level of their fees rather than the principals.
[xli] According to Milton Friedman, scholar and Nobel Prize in economics of 1976, the only case of CSR strategies that could be considered acceptable is where the strategy is not sincere; and that is when it is closely linked with the maximization of shareholders wealth (Friedman, 1970).
[xlii] It is irresponsible the company that doesn't answer for its actions to any public authority or private (beyond the elementary requirements of the Act), nor to the public opinion on economic, social and environmental aspects of its work.
[xliii] Based on the extent covered by company law, is certainly not prohibited interesting of employees, the community, consumers, etc.., but this opening is permissible when the shareholders are benefiting. So, business executives should correlate the costs with benefits and demonstrate their behavior based on rational economic calculations.
[xliv] In practice, this is called "mechanism of externalization of costs". The logic of profit maximization requires to ensure that third parties bear the burden of corporate impact on the community, environment, etc.
[xlv] These principles emanate from economics calendar (Bruni, Zamagni 2004).
[xlvi] This concept is reflected in the shape of economic man.
[xlvii] Rifkin identifies, in relation to three historical moments, the figure of the agricultural, materialistic, postmaterialistic man (Rifkin 2010).
[xlviii] The origin of this assumption back to Smith (Smith 2008).

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