

BOOK REVIEW: “CHALLENGES AND OPPORTUNITIES IN ITALIAN CORPORATE GOVERNANCE”

by

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Udo C. Braendle^{*}, Alexander Kostyuk^{**}

^{*} American University in Dubai, United Arab Emirates

^{**} Virtus Interpress, Ukraine



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When Andrea Melis published his influential “Corporate Governance in Italy” paper at the very beginning of the 21st century (Melis, 2000), he explained that developed economies are predominated by two main basic corporate governance systems: the relationship-based corporate system predominant in the widest parts of Europe (including Italy) as well as Japan and the market-oriented corporate system as we know it in the US, UK, etc. (Franks & Mayer, 1992).

The market-oriented outsider system is characterized by dispersed ownership and well-functioning capital markets. According to Rigamonti (2008), Colarossi, Giorgino, Steri, and Viviani (2008), Fernández and Gómez-Ansón (2006), the insider system, however, is characterized by highly concentrated ownership by families (Italy, Sweden), banks or insurance companies (Germany) or other internal networks (Japan). Capital markets are weak in those systems. The concepts derive from the fact that outside systems focus on external control mechanisms such as capital markets and independent directors in the proper board or committee (Meier & Meier, 2013; Guerra, Fischmann, & Machado Filho, 2008; Mintz, 2006). Insider systems, in contrast, rely on internal mechanisms such as majority shareholders, house banks and other inter-corporate integrations. The solid empirical background has been put in the papers by Almutairi and Quttainah (2019), Dela Rama and Kostyuk (2019), Chidiac El Hajj (2018), Boubaker and Nguyen (2014).

Italian experience in corporate governance related to the practices of board of directors comes from quite strong cultural and evolutionary context facing the need for implement certain internationally recognized standards related to board of directors through introducing the codes of best practices nationally and by the stock exchanges. Ownership structure played a critical role in outlining the composition of the board of directors in Italy for many years and the role of minority, and female directors on the board of directors is still emerging. In this context the authors of the chapters of this book contributed successfully to the previous research by Pastore (2018), Magnanelli, Raoli and Tiscini (2017), Marchini, Medioli, Tibiletti, and Triani, (2017).

The seminal empirical papers of La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998, 1999, and 2000) are worth being mentioned in this context referred to in the book. They wanted to illustrate that insider systems with large and majority shareholders are always connected with less minority shareholder protection (Scafarto, Ricci, Della Corte, & De Luca, 2017; Giani, 2008). The

Italian corporate governance system is often criticized for that. The context that is under critics by La Porta et al. (1998, 1999, and 2000) has been described in details in the research by Napoli (2019), Kostyuk, Mozghoyi, and Govorun (2018).

As much as the book properly discusses the challenges of Italian Corporate governance system contributing remarkably to the papers by Capizzi, Giovannini, and Pesic (2011), Caselli and Giovannini (2008), it highlights the opportunities of the system very well. Or, to put it differently, the surge of chronic economic, social, and environmental problems that are beyond the ability of governments to be addressed have created a clarion call for efficient and effective solutions on the side of the business community and civil society. The Italian society has definitely picked that up, especially since the turbulences around Parmalat and Mediobanca (Economist, 2014), where the neoliberal capitalism was criticized.

McIntosh (2015), in his book "Thinking the 21st Century: Ideas for a New Political Economy", for example, supported capitalism but castigated the current institutions, structures, and interpretations of neoliberal capitalism. He proposed five system changes necessary for the emergence of a new political economy in the 21st century. One of the fundamental changes is about the transformation and reorganization of the current model of capitalism and its constituting institutions into more balanced and harmonious ones that take into account connectivity, accountability, transparency, networks, values, relationships, enablement, entrepreneurship and rethinking the meaning of capital (economic, social, environmental, cultural, etc.).

This change is based on one fundamental question: "how can we make the enterprise a spur to ingenuity serving all humanity and not simply a conduit for individual greed?". This question is not only relevant for Italy but widely discussed there.

Such transformative ideas are questioning the rationale for the theories of the firm, the place of business within society, and the reasons behind the existence of these institutions (Piketty, 2014).

Moreover, they call for a new approach towards corporate governance, as described in the book. Given the relevancy, this book is highly recommended for students, practitioners and scholars interested in corporate governance and Italy.

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