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The influence of Corporate Governance on earnings  
and performance  
Evidence from Italy

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## **Abstract**

What sort of connection exists between corporate governance and performance? Can the improvement of Governance of a company contributing to increase profitability? I will try to answer this question by exhibiting numerical proof studying one particular sector (utilities) in the Italian stock exchange FITSEMIB in the years 2003-2015 following the introduction of a particular corporate governance code (Codice Preda). I take 28 listed companies in the FITSEMIB (The Italian stock exchange) operating in particular in the Utility and telecommunication services, with 15 year data involving on one side variables such as: Members of the Board, Ceo Duality, Number of independent directors, Number of non executive directors and on the other side performance variables as: Roe, Roa, Tobin's Q.

**Keywords:** Corporate governance, Performance, Correlation,

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## 1. Introduction

The OECD defines corporate governance "as the measures and the procedures according to which a business is directed and controlled. Henceforth the distribution of entitlements and obligations among the diverse partakers in the organization – such as the board of directors, managers, shareholders, and other stakeholders – and sets down the rules and procedures for decision-making". (Rossana Bubbico, 2012) Another definition is the one given by Bolton, Romano and Baghat as “Corporate Governance is the set of processes that provides as assurance to outside investors of a fair return of their investment” (Roberta Romano, 2008).

A fair rising interest committed to corporate governance can be described in light of famous business scandals like Tyco, Freddie Mac, Cirio and Parmalat in Italy. Everybody, from Investors to shareholders, is concerned in corporate governance, the Investors when it comes to finance by acknowledging the risks and the outcome, the shareholders in order to exploit the positive effects of good governance on the value and the reputation of the company. One of the most pertinent requirements for practitioners or he researchers has always been to measure quantitatively the quality of the firm’s corporate governance and the effects that a good “ Governum” may create on performance and on the level of risk. The issue of measuring it is still open and very delicate at the moment, in fact, there is not a unique methodology universally adopted.

Considering the growing interest, numerous institutes currently rate the good corporate governance practices of listed firms, with mainly two different tools, as part of credit rating or as stand-alone.

## 2. Theoretical framework

Many ratings agencies provide synthetic indexes of governance ratings provided by Institutional Shareholder Services (ISS), The Corporate Library, and Governance Metrics International. It also summarizes the governance issues considered by several credit ratings agencies: Moody's Investor Services, Standard and Poor's and Fitch Ratings. Besides other studies have unlocked a new thread pointing to the creation of indexes (i.e. G- index) that can concentrate the contribution of different drivers of quality.

The concept of corporate governance was forged in 1932, in the book *The Modern Corporation and Private Property*, which claimed the split-up of control and ownership. In fact the main line of the Agency theory requires a contract and so a relationship between a principal (the owners) and an agent (the manager).

Corporate governance could be very noteworthy in both finance and management studies, proving to be a determinant of various business dynamics. For example it can reconnect the performance with default risk and so the future probability of survival of the company. A riskier outlook for the firm can be determined either by internal operations, which are inefficient, or by a hostile economic environment. With the most recent economic crisis we have companies more exposed to situations of insolvency.

Focusing on the population of public utilities may be of particular interest in relation to the research objectives. In this regard, in fact, in line with international thinking (David Osborne, 1992), we can say indeed that the effective and efficient governance of the public utilities sector might be one of the utmost possible contributors to the overall competitiveness of Italy as a country system (Cafferata).

In Italy liberalization and privatization started in the nineties resulted in a series of important consequences, in particular, after more the ninety years of public monopoly of the services and the providers, I can highline: the I) gradual market opening to competition; ii) the change in ownership structure of the companies; iv) the transformation of the industrial development policy, with, for example, the listing on the Stock Exchange; v) the activation of important management development processes, for example, the replacements company's top management. Another peculiarity on the Italian economic system is definitely the major role of family businesses that represent a crucial component of the Italian economic structure. The family business is an evergreen in the research field in the country concerning its connotation and its contribution to the economic growth through the years, although many criticalities. There are groups that became larger and nowadays listed on the stock exchange or other stock markets, very active on acquisitions, even cross border and others that remained tiny but recognized for the quality of the line of products.

The framework quickly drawn makes it clear that the study of possible effects of governance changes on the performance of surveyed companies can be particularly useful about the desired goal of the overall growth of Italy's competitiveness as a country system.

The choice of the variables of corporate governance and performance comes from the hypothesis of some of the most recent national and international publications on the matter in question. In particular, my analysis of the corporate governance system of the population surveyed assumes, as a benchmark, the Italian Code of Conduct for Listed Companies (Italiana, 2015). I consider, specifically, variables such as: a) the annual incidence of Non-executive and independent Boards of Directors (BoD); b) the potential phenomenon, known as duality, of the overlap, in relation to a single subject, the positions of Chairman and Chief Executive Officer; c) number of the Board; d) the annual presence of specific Monitoring Committees and regarding the dependent variables

Standard indicators such as Return on Equity (ROE), Return on Assets (ROA) and Tobin's Q (abdelkader).

The breakthrough analysis results do not appear to produce unequivocal conclusions and what appears in line with most of the empirical evidence produced to date.

### **3. Literature review**

I develop the work as follows. I firstly investigate the theoretical framework and illustrate, then, the research methodology. I analyze the results and discuss, finally, the most relevant evidence in terms of implications for research and business practice.

Recently there have been more and more intensely, exploratory research in order to test the hypothesis that there is a positive correlation between the performance of listed company shares the accomplishment of the top practices of corporate governance contained within Corporate Governance Codes internationally known (Rafael La Porta)

However, the current empirical evidence, produced in very different national contexts with each other, do not allow interpretations completely convergent and unique. If we consider, for example, research conducted in countries with “emerging” economies, the results generally demonstrate that the corporate governance values have a positive correlation with the market value of enterprises, but the results themselves do not agree on the effect of the variables governance of accounting indicators (Bernard S. Black)

Taking as reference the OECD countries, the results seem correspondingly contradictory. In U.S. context, for example (Paul A. Gompers, 2003), showed a very solid positive correlation between specific "anti-takeover" measures and Tobin's Q of the sample of firms observed, whereas (David F. Larcker, 2007) only attested the existence of a positive relationship, which is very anemic,

between Tobin's Q and usual indicators of corporate governance. Bhagat and Bolton (2008) found a positive relationship between a series of corporate governance measures with some accounting values, while no evidence of correlation with market values as indicators of stock performance. Similarly, Brown and Caylor (2006) (Lawrence D. Brown a) found evidence of a positive effect of governance variables on Tobin's Q, while Daines (Robert M. Daines a) found no strong links between governance and performance ratings.

With reference to a sample drawn from the FITSEurofirst 300, a research from Japan (Rob Bauera) tested the absence of a significant relationship between the variables of corporate governance and performance, both in terms of accounting variables, and in terms of market variables. Some other evidence from Germany (Wolfgang Drobetz) attests, in contrast, a positive relationship between corporate governance variables and the market value of a sample of German companies.

On one hand, in summary, the literature suggests that the overall quality of a system of corporate governance, like it was quantified by the composition of specific baskets of variables, contributes, in general, to increase the economic and financial value of listed companies (Schmid). On the other hand, understanding the impact that specific variables included in this system can have on the company's performance seems to require even a substantial deepening.

With reference to the latter, for example, while certain research denote that an adequate number of independent directors on the Board increase the profitability of a listed company (Perry, 2005), certain other come to opposite conclusions (Choi, 2005). Similarly, while some evidence suggests that a smaller size in the BoD members produces better business performance than a Board of larger size, the latter, however, seem to produce more stable and less inconstant performance.



## 4.Methodology

This section briefly describes the research methodology adopted for the conduct of the analysis. I highlight, in particular: i) the steps that led to the definition of the data set; ii) the procedures for measurement of the dependent variables (performance); iii) the procedures for measurement of the independent variables (corporate governance); iv) the types of statistical analysis developed.

I took into consideration a sample of 28 firms of the industries providing public services that we can find on the FITSEMIB in the period between 1 January 2003 and 31 December 2015. The choice of this period is due to the possibility to investigate the specific adoption of special measures of corporate governance following the first introduction in 1999, of the Preda Code. The choice of this specific population requires further explanation. The interest in this type of businesses is, in fact, justified by the increasingly vivid awareness of the positive influence - on the territory competitiveness – of an effective and efficient system of public utility services, either by the evolution in management, organization and laws that is characterizing the companies included in this sector.

First of all, as I highline, public services with low fares or lower than those of other countries / areas (and / or higher quality) encourage the achievement of positive results for the business system of a country and its area, for instance the cost of electricity and natural gas and their impact on production costs, or the positive impact of an efficient and widespread telecommunications network.

I point out , secondly , as services can respond , in quantity, quality and prices , to the community needs , they can influence - and actually do - the life of a community . As,for instance, the importance for the citizens of efficiency and effectiveness of urban transport service , the waste collection service and telecommunications.

Regarding the second aspect, in the last two decades, it has been deeply altered the "philosophy " of government and management of public utility services (Head, 2001; Gilardoni, Lorenzoni, 2013; Grandinetti, Massarutto, 2013): the loss of legitimacy of work of the public company, local and national; the crisis of public finance; the new " awareness" of the users - customers - citizens; the European Union pressures; technological development, represent some of the factors that triggered a deep process of change , however, not yet come to an end , aimed to efficiency and reduction of the public deficit.

The joint effort of the factors outlined above contribute to the start of the liberalization and privatizations process

Liberalizations take place to enable the opening to competition - in and for the market - traditionally operated in monopolistic sectors. Privatizations instead give the right to other institutions to operate in a context that before was only a public prerogative.

Now, therefore ,I have chosen to consider , such providing services of public utility services , all those listed companies, in the Italian Stock Exchange ,that are included in the " utilities " , " energy" and " telecommunications " sectors.

The companies I have chosen in the determined period are in alphabetic order: **A2A,Alitalia ,Acea,Acotel,Acquepotabili,Actelios,Alerion,Ascopiave,Astaldi,Atlantia,Edisonedmin,Enel,Eni,Erg,Falckrenewables,Fastweb,GasPlus,Hera,GruppowasteItalia,PrysmianRetelit,SaliniImpregilo,Saras,Snamretegas,Telecom,Tenaris,Terna,Tiscali.**

Some companies are not uninterruptedly listed during this period due to heavy crisis as Alitalia and some other converged in other bigger groups due to M&A processes. Moreover I tried to keep out companies that are listed but are also divisions or branch of bigger firm to avoid duplications.

In the elaboration of the data set, I used corporate governance reports and other business documents, such as, balance sheet and financial statements and data from Bloomberg. Given the number of companies I carried out a total of 351 observations that are pretty consistent with some studies published in international scientific journals. The variables with the labels and the measures are shown in table 1.

**Table 1**

<b>VARIABLES</b>	<b>LABEL</b>	<b>MEASURE</b>
Tobin's Q	Q	Market value of equity/Book value of equity
Return on Equity	ROE	Net income/Equity
Return on Assets	ROA	Net income/total assets
control variable	GDP	

The literature is vast about the three indexes ROE, ROA and but the Tobin's Q might deserve a little explanation. The Tobin's Q ratio is "a ratio that the combined market value of all the companies on the stock market should be about equal to their replacement costs."

For instance, "a low Q (between 0 and 1) means that the cost to replace a firm's assets is greater than the value of its stock. This implies that the stock is undervalued. Equally, a high Q (greater than 1) implies that a firm's stock is more expensive than the replacement cost of its assets, which implies that the stock is overvalued (Investopedia)." This measure of stock valuation is the driving factor behind investment decisions in Tobin's model. As control variable I use the GDP for every year. This variable has the specific porpoise to reduce the error and enhance the sensitivity of the statistic tests and on the other side to compensate, in part, fluctuations due to

different observations, otherwise hardly manageable. Below I show the variable's description as shown in the code taking into consideration some of the most significant articles for this paper.

## 5. The Preda code

### 2) **Executive and non-executive directors**

“The Board of Directors consists of executive and non- executive directors. The Code states that non-executive directors make changes to their specific expertise to board discussions and contribute to decisions paying particular attention to areas where conflicts of interest may occur. The Code recommends that the number, competences, authority and available time of non-executive directors are such to ensure that their judgment carries significant weight in the Board decisions.”

### 2c) **Separation between chairman and Ceo.**

“The code supports the formal separation of the two responsibilities. In the event that the Chairman of the Board is primarily responsible for managing the company ( Chief Executive Officer ) , as well as in the event that the chairman is held by the same controlling person, the Board shall appoint an independent director as lead independent director , who represents a point of reference and coordinate requests and contributions of non- executive directors and, in particular , those who are independent .”

### 3) **Independent directors.**

“The Code recommends that an appropriate number of non-executive directors are independent and that the number and competences of independent directors shall be adequate in relation to the size of the board and the activity performed by the issuer”

### **5) Appointment of directors**

“The Committee recommends that for the appointment of directors to be laid down to ensure the transparency of the process and a balanced composition of the board , in particular by ensuring the presence of an adequate number of independent directors . To this end , issuers are required to determine whether it is set up within the board of directors , a nomination committee , composed of a majority of independent directors “

### **7) Internal control and risk management system**

“The Code recommends that the Board of Directors the creation, within itself, of a committee for internal Control System, composed of non-executive directors, the majority of whom are independent. If another listed company controls the issuer, the Committee for Internal Control is composed exclusively of independent directors.”

The variables shown in the table 2 below, are the starting point for building the corporate governance indicators of this analysis. In this regard, in fact, while it is true that acceptance of the Preda Code occurs, even today, on a voluntary basis, on the other hand it is strongly supported by institutions. The companies that do not prepare corporate governance reports, must, in fact, periodically motivate to the Italian Stock Exchange the reasons for this choice. On the basis of

the Preda Code, therefore, the specific corporate governance variables are shown in the table below.

**Table 2**

<b>VARIABLES</b>	<b>MEASURE</b>
members of BoD	Number of Members
Ceo Duality	Yes=1 No=0
Internal control Committee	yes=1 No=0
Nomination committee	yes=1 No=0
Non executive directors	N executive/members BoD
independent directors	Number of directors/Members BoD

On the choice of the variables listed in the last table, however, I should say that in the studies on corporate governance, the central and potentially problematic question focuses precisely on the development of an acceptable and shared definition of the concept of " good governance " In this regard, their adherence to the principles of the Preda Code - which, in line with the promulgated standards internationally, are derived from basic assumptions of agency theory - can substantiate a formal element of evaluation about the quality of the corporate system governance in Italy. Two of the most important are definitely the ownership structure and the board composition that could explain the dependent variables. There are findings (in the USA) Hermalin and Weisbach (2003) underlining a big board in negatively related with performances and others (in Japan) Kaplan and Minton (1994) that show the opposite. In Europe many codes of best practice indicate the separation of the Ceo from the chairman as sign of virtuous managing choice, creating equilibrium between power and authority, but there is no evidence of relevant impact on the firm performances. Furthermore it is believed that a higher fraction of independent directors carries an enhanced supervising and so in my model I consider this variable as a good corporate governance

measure. I would like to highlight the fact that perhaps the good governance could also go over the widely-held firms, composition of the board, type of directors and focus on reshaping case by case the company practices depending on the peculiarity of it. Some examples are the agency problem between minority shareholders and the ownership, the dual class shares or the liquidity of shares. That said, the selected variables are commonly used by the existing literature on the subject, because they are considered the most suitable to discern the structural functioning of the Board. It seems appropriate underline also that the two tier system is adopted by just one company which is A2A. At the end of 2015 indeed out of 268 listed company in Italy just a 3% had embraced the new system and the majority of them keeps the old one. Probably the reason is to be sought in the lack of regulation either in Borsa Italiana Code or the civil code, which always send back to the traditional system. This together with a poor knowledge of the one-tier and two-tier system explains the results.

## **6. Adopted models around the world**

Observing around, what are the most widespread models in the developed economies around the world? In 40 countries (OECD countries plus Argentina, Brazil, Indonesia, China, Hong Kong, Saudi Arabia and Singapore) 20 have moved to the one-tier system and 7 to the two-tier. There are 13 countries that have decided to move to a more flexible model, giving the enterprises independence regarding the model to implement, in particular only Italy, Portugal and Japan have hybrid system and specific of the countries. The difference between the Italian system and the rest of the world is far from insignificant, often the multinationals struggle to understand the big differences in Italy and this does not facilitate the attraction for them to invest in the country

considering that the weight of international investors in the FITSE MIB grew from 12% in 2010 to 17% in 2015 and the majority of them are Americans or English.

## **7. Instruments of governance**

Corporate governance can be translated like a structure of mechanisms institutional and market-based—that encourages self-interested directors (managers of the firm) to pick and make decisions that expand the value of the company to its shareholders (owners of the firm). The purpose of all the available instruments, obviously, is to diminish the agency costs out coming from the principle-agent theory, which might be coming from outside the firm or outside. In-house tools deal with the ownership organization or the degree at which ownership by administrators precludes the compromise amid association and entrenchment effects. Alternative significant inner instrument is the organization of the board, such as the difference between the chief executive officer and the chairman or president, and the fraction of independent and non-executive directors. Other instruments, on the other hand, specifically count on the M&A market in addition to the legal/regulatory set of rules, through which the takeover market turns as a threat to current controllers in that it enables outsiders to seek control of the firm if bad corporate governance results in a significant gap between the potential and the actual value of the firm (even though the take over instrument seems to be significant just in the US). So, since this explanation we can figure out that the legal system is just one method to good governance. Not only that, but existing suggestion also shows that the effective presence of the other mechanisms is positively associated with firm value. Taken together, the corporate governance system of a firm attempts to align incentives of managers with those of shareholders, and therefore stimulate managers to work tougher toward increasing company value. Moreover it is argued that countries



that follow civil law, in particular French civil law, and so Italy is included; provide investors with weaker legal rights and protection than common law does (La Porta et al., 1998). Due to the lack of legal protection for investors, internal corporate governance mechanisms can offer a *substitute* to such frail external mechanisms. More specifically, "in the lack of strong laws that protect minority shareholders, investors seek to own a significant proportion of the firm equity to protect their interests and to exercise control (Shleifer and Vishny, 1997). In other words, when the legal context does not offer adequate protection for outside investors, entrepreneurs and original owners are forced to maintain large positions in their companies, which result in a concentrated form of ownership".

## 8. Type of empirical Analysis

Using the software Stata, I run a test with panel data through a linear regression with the fixed effects method. In particular I wrote down these 3 regressions.

$$\mathbf{Roe} = \alpha + \beta_1 \mathbf{Bod} + \beta_2 \mathbf{Ceod} + \beta_3 \mathbf{intcc} + \beta_4 \mathbf{com} + \beta_5 \mathbf{Ned} + \beta_6 \mathbf{Indd} + \varepsilon$$

$$\mathbf{Roa} = \alpha + \beta_1 \mathbf{Bod} + \beta_2 \mathbf{Ceod} + \beta_3 \mathbf{intcc} + \beta_4 \mathbf{com} + \beta_5 \mathbf{Ned} + \beta_6 \mathbf{Indd} + \varepsilon$$

$$\mathbf{Tobin's\ Q} = \alpha + \beta_1 \mathbf{Bod} + \beta_2 \mathbf{Ceod} + \beta_3 \mathbf{intcc} + \beta_4 \mathbf{com} + \beta_5 \mathbf{Ned} + \beta_6 \mathbf{Indd} + \varepsilon$$

I tried to eliminate the non-significant variables through the stepwise methodology, which is useful whenever group of variables must be taken off the model in relation to their significance.

## 9. Discussions over the results

My work can help and lead to interesting thoughts everyone who, considering the performance is called to project and structure all the control and management bodies. The analysis that I carried out, entitled into question many issues that have been center of debate among corporate governance experts for many years and probably will be for a long time still. Accordingly the table shows the key statistics of the population taken into consideration during the given period. These, shown in table 3 and 4, are for each variable: Average; maximum value; minimum value; standard deviation; variance.

**Table 3**

VARIABLE	MEAN	MAX	MIN	SD	VARIANCE
<b>Bod</b>	9,724137931	16	5	2,86476815	8,206896552
<b>Ceod</b>	0,678571429	1	0	0,475594866	0,226190476
<b>IntcC</b>	0,827586207	1	0	0,384425872	0,147783251
<b>Com</b>	0,620689655	1	0	0,493803974	0,243842365
<b>Ned</b>	0,346369387	0,85714286	0	0,210372451	0,044256568
<b>Indd</b>	0,45033971	0,77777778	0	0,211303256	0,044649066

Table 4

	MEAN	MAX	MIN	SD	VARIANCE
Tobin's Q	1,239850	5,758043	0,428305	0,6820688	0,4652179
ROE	-0,3942756	1,375696	-68,935	3,944422	15,55847
ROA	0,0325672	0,401885	-0,436784	0,087258	0,007614

A brief analysis of the table will clear up some doubts. First of all looking at the corporate governance variables we can notice the committee for internal control a really high average with 0.8275 with almost the totality of the companies having it. The nominee committee has a little lower value with 0.6206 but still relevant. The board has an average of roughly 10 (9.7241), which is pretty high. Regarding the performance variables the highest value of the Tobin's Q is mainly due to the overcapitalization of Acotel Group in 2000 and the average is over 1 (1.239850).

Below I show the results of the regressions, from which, I can draw some conclusions. The relationship between Roe and the independent variables does not explicate any rapport, and this is actually consistent with other studies; so I might say that probably the Roe does not fit this kind of investigation. Secondly the presence of duality is not associated with any performance, so it likely does not affect the firm value. Noting the Tobin's Q the model does explicate ( $R^2 = 0.3955$ ). The proportion of non-executive directors is inversely correlated with the Tobin's Q and is significant due to a p-value of 0.036 as well as with the number of members of the board. In general those relationships present a good level of significance. Speaking about the Roa and the

other variables the model is fairly significant ( $R^2 = 0,3471$ ) mainly due to the weight of the independent directors on the boards and the negative correlation between Roa and committee for the nominees.

I also would highlight that the GDP control variable is very significant affecting heavily all the other variables.

Table 5

Variables	Roa		Roe		Tobin's Q	
	Coef.	p-value	Coef.	p-value	Coef.	p-value
<b>Bod</b>	0.045028	0.268	0.162394	0.184	-0,045028	0.003
<b>Ceod</b>						
<b>Com</b>	-0,003806	0.032			0.062193	0.028
<b>Ned</b>					-0,0632397	0.036
<b>Indd</b>	0.016427	0.019	0.01642	0.039	0.016428	0.039
<b>gdp</b>	0.280484	0.029	0.280484	0.001	0.280484	0.002
<b>_cons</b>	-0,079452	0.016	-0,079452	0.163	3,053800	0

It is palpable how complex is the emerging analysis, above all, considering the fact that as we can notice the same variables of corporate governance tend to have different kind of correlations with the dependent variables. One example can be considered in the role of the non-executive directors and the and in particular the rough debate around it. Some research denotes, how the presence of such figures can positively affect the company performances, while others, shows exactly the opposite. As we can see gives similar conclusions, in fact, the non-executive directors variable

has a negative correlation with the Tobin's Q but does not have any relationship with the others. Nevertheless this could suggest us that the investors tend to consider managers more involved a plus for the strategies of a firm. The size of the board got also a light positive correlation with the Tobin's Q, while the other accounting variables do not show anything in regard.

**Table 6**

Fixed-effects (within) regression	Number of obs = 351
Group variable: id	Number of groups = 27
R-sq: within = 0.0002	Obs per group: min = 13
between = 0.1076	avg = 13.0
overall = 0.0081	max = 13
roe Coef.	

Table 7

Fixed-effects (within) regression	Number of obs = 351
Group variable: id	Number of groups = 27
R-sq: within = 0.2137	Obs per group: min = 13
between = 0.4136	avg = 13.0
overall = 0.3471	max = 13
roa Coef.	

Table 8

Fixed-effects (within) regression	Number of obs = 351
Group variable: id	Number of groups = 27
R-sq: within = 0.3196	Obs per group: min = 13
between = 0.4302	avg = 13.0
overall = 0.3955	max = 13
tobinsq Coef.	

## 10. Conclusions

This investigation may be worthwhile to students and / or business managers interested in increasing their knowledge about possible relationships between structure and composition of the leading bodies and the operating performance of the business. From the results obtained, in fact, I can highlight a number of other implications for research and practice on the subject. In this research I pondered the relationship between corporate governance and performance but I did not measure the general trend of the former. So the question whether or not the corporate governance system has been improved is still on hold.

Actually that was not the question I have been trying to answer with this work, nevertheless, can result interesting and supportive, to the extent of interpreting some results.

Moreover I should take into account that the study of the relationship between governance and performance produces results that on the other hand often lead to a broader argument relating to the possible ties with related corporate strategies . This is particularly relevant if considering the nature of the dataset . Many times I pointed out, in this regard, that the Italian public utilities have been, especially in the last 20 years, the object and subject of radical changes .

Specifically several models studied in the literature can lead to the full understanding of business performance only through the analysis of internal changes within enterprise mainly thanks to the liberalization and privatization. Usually these changes affect the top management, strategy and business structure. It also seems appropriate to underline those relations amongst other external factors (i.e. changing rules, competition, markets) and internal ones (i.e. real independence of directors, corporate culture, sharing of corporate mission) play a very critical role in establishing the path for a long-term firm's success. Furthermore internal factors such as who actually sits on the boards or the intensity of the phenomena of interlocking directorate, the person chairing the various control committees, or if behind the formal role of independent directors there are qualified figures. Or as last examples how the internal processes beneath the governance organs and which kind of impact may have on the performances. Some qualitative aspects might help at understanding the theoretical and practical knowledge of these analyses. I recall here referring to the type of analysis or rather through the vital use of secondary data. This kind of analysis, very widespread, has numerous perks including that of underlining quantitatively some relevant traits in corporate governance such the members of a board or the presence or absence of specific bodies inside. Obviously I cannot leave aside the qualitative aspects that the literature covers through the analysis of the relationship between the member's socio-demographic characteristics

and corporate strategies. Indeed there are analysis theoretical model in which is demonstrated that business strategies are highly influenced by cognitive qualities and background of the members of the company (cultural background, age, remuneration, heterogeneity, other professional experience). This line of study has produced a large set of relevant empiric relations between those features and some processes like M&A, innovation, diversification and internationalization. Lately in order to comprehend the internal dynamics of ruling, this front has also suggested an in-depth analysis of personality traits of executives, above all, those traits such as narcissism, dynamism and confidence. Nevertheless this fascinating line of research seems more a question mark considering the literature and some existing publication on the topic like psychology and management or behavior and finance. It is understandable how this lack might lead to a natural bias.



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