

# Managerial compared governance: A work in progress study

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## Keywords

Governance, Board of Administrators, Administrators

## Abstract

*Purpose: The project "industrial compared governance " in the field of finance will highlight correspondences existing between large companies (we can consider the Euronext companies in Europe and the Standard & Poors' in America) and administrators of these companies.*

*Design: This research task works on a panel of 500 companies (selected on criteria to be determined in a theoretical analysis) and their administrators (selected on criteria to be determined in a theoretical analysis). The administrators are representing a panel of around 6000 people.*

*Methodology: Criteria chosen are the following: personal information, professional information, functions within the Board of Directors, career of administrators, education type of attended University, elective function, main functions.*

*Results and conclusion: to come*

Modern capitalism is organized like a gigantic limited company (Metz, Hirata, Verma, Zencey, 2017). The economic capacity is held by shareholders (several hundreds of millions) and administrators setting their expectations on profitability and principles of governance.

## 1. Introduction: definition of the project

Our project "industrial compared governance " in the field of finance seeks to highlight the correspondences existing between

- large companies (we can consider the Euronext companies in Europe and the Standard & Poors' in America)
- Administrators of these companies.

This research task will consider a panel of

- 500 companies (selected on criteria to be determined in a theoretical analysis)
- Administrators (selected on criteria to be determined in a theoretical analysis).

## 2. Literature review: constraints of the governance

According to Thaddeus 2017 the company governance is the responsibility for the Board of Directors. It gives some influence on board members. It also rests on financial information transparency, the effective management risk, the strict ethics rules, the internal audit system, the independent system of control, independent and qualified audits Shimony, Shoham (2018). We better understand the impact of administrators on company management and their influence in the governance application.

The company governance feeds a growing number of researches based on integrity, independence, management (Total, Wyeth, Lafarge, Delhaize group). The project concentrates the field of research on specific characteristics of administrators and their type of management. This work brings a new breath in a rather preserving context.

In other words, the governance implies a large effort of internal and external communication, a strong ethics, a good capacity of financial analysis and a good impartiality. We continue the theoretical analysis, under the angle of administrators.

## 3. Methodology

Four hundred students from the second semester of the Management School Leonard de Vinci (Ecole de Management Leonard de Vinci, EMLV) oversee collecting information

- *about administrators of one company.* Each company are selected in France: the 40 highest sales companies of this country.  
in America 360 of the 500 largest US companies selected in the Fortune 500 listing.

For each company they are required to obtain, from each member of the Board of Administrators, also called Board of Directors, the following information:

- *about Administrators:* company, Director's name, first name, sex, age, nationality,
- *about present functions:* company, functions (founder, chairman of the board, CEO, Board of Trustees President, vice President, managing Director, Executive Committee, Administrator),

Company's status in the Board of Directors (Chairman of the Board, Strategic Committee, Vice President, Board of Trustees, Nomination Committee, Wage Committee, Administrator, observer), number of memberships in other Board of Directors.

- *about initial activities:* Founder, Engineer, Business, Lawyer, Professor, Member of Government, elected in a town, Elected in the county, National Poll.

• *about other companies,* in which Directors are members of the Board of Directors: Chairman of the Board, Strategic Committee, Vice President, Board of Trustees, Nomination Committee, Wage Committee, Administrator, observer and in which companies.

- *about other jobs in the past:* six companies can be selected with jobs such as founder, Manager, Chairman of the board, Directory Chairman, Vice President, Managing Director.

The students have information about these items in the tableau called "Governaid". They must fill the tableau called "Governance board".

#### 4 Findings and discussion: theoretical analysis

The governance theoretical analysis points various types of organization, specific qualities of the Board of Directors, measurements of performances, duties of management members, types of relation with the company. We start the analysis by good practices.

##### 4.1. Good practices within the board of directors

Metz, Verma, Zencey - (2017) and Drake, (2005) highlight various types of organizations or institutions and stress the importance of safety requirements such as equitable distribution of resources. (Singh, Misra 2019, Alstom, 2019) The Delhaize group tends to define criteria such as limitations of Board of Directors participation number, time devoted to company (Delhaize group 2018; Lafarge Governance 2019).

Practice	Comments	References
Equitable distribution of resources	The principle of fair resources allowance interests the shareholders.	Alstom, 2019).
Limitation Directions numbers.	The administrators present in a number significant of Boards of Directors defend their positions with difficulty.	Delhaize group, 2018; Lafarge Gouvernance, 2019
Time to devote.	A good management implies an examination of accounts.	Delhaize group, 2018; Lafarge Governance, 2019

Table 1: good practices of the Board of directors.

The table n°1 of good practices underlines more justice in allowances distribution, a better expected fidelity from administrators, some time to examine accounts.

These Administrators good practices lead us to examine members of the Boards of Directors qualities.

##### 4.2. Definition of administrator personal criteria

The research of Scharding T. (2015) contributes on following criteria: honesty, competence, effectiveness, confidentiality, regulation codes respect. Whereas Issa A. (2017) and Domtar Company (2018) prefer to underline qualities such as diversity of careers, integrity, independence, leadership, good judgement, significant implication, limitation of Board participation number.

Within this framework, it is interesting to note that a pharmaceutical company (Wyeth, 2019) posts criteria of selection close enough: integrity, maturity, independence, experiment, scientific experiment, experiment of management and industry (Wyeth 2019). The points of congruence emphasize great quality personalities as shown on table n°2.

Qualities	Comment	References
Honesty, integrity	Expected natural qualities.	Metz 2015, Wyeth company 2018
Competence	Competences help better management. A performance choice is advisable.	Meghani, Tripathi, Mahajan.- 2014
Effectiveness	Id.	Kolb, Moriarty 2011
Confidentiality	Secrecy protects from competitive attacks.	Metz, Hirata, Verma, Zencey 2017
Respect of the codes of regulation	Regulation standards and shareholders respect are privileged.	Sandberg 2013
Independence	Independence supports an honest decision-making.	Wyeth Company 2019.
Maturity	Professional maturity helps to decide honestly.	Wyeth Company 2019

Table n°2: personal qualities of the administrators.

Table n°2 shows personal strong qualities of administrators. It illustrates their industrial maturity and independence which enables them to measure an activity, without influence and objectivity. It is advisable, then, to understand expectations, on their missions, as members of the Board of Directors.

#### 4.3. Definition of administrator's management criteria

Researches of Corporate Governance Guidelines (2018) measure, on a more productive level, Administrators performances on following criteria:

4.3.1. *the judgement*

4.3.2. *the initiative*

4.3.3. *the receptivity*

4.3.4 *the operational excellence*

Management criteria	Explanation	References
Judgement	Control of finances, definition of objectives.	Corporate Governance Guidelines (2018)
the initiative	proactivity, capacity to deliver opinions, implication.	Corporate Governance Guidelines (2018)
receptivity	capacity to identify management deficiencies, management answers.	Corporate Governance Guidelines (2018)
operational excellence	periodic review of information, in order to work and allow discussion.	Corporate Governance Guidelines (2018)

Table n°3: expected Administrators criteria of management.

This table highlights complementary qualities associating a culture of results, an aptitude to present opinions, a capacity to detect weaknesses and a good communication. Administrators are also managers and must be able to control their company, as follows.

#### 4.4. Expectations of board of directors

Members of the Board of directors are invited to manage administrative duties, control and safety rules (Sinnicks 2014, Capital Sequana, 2018) and absence of material relations with their company (Total, 2019). The administrators owe to be independent of their business management. We study, then, Administrators characteristics criteria.

#### 4.5. Characteristic board of directors' members

The detailed analysis of Board of Directors members from 8 companies (Mittal Steel, Crédit Agricole, Essilor, STMicroelectronics, Accor, Cape Gemini, Liquid Air, Danone), part of French financial reference CAC 40 raised criteria likely to constitute a good base of work. These selected criteria by a systematic analysis will be adjusted by Delphi method with experts (a number and quality to be determined). They present the following criteria before validation.

*Personal information, professional information, functions within the Board, career of administrators, education, type of University attended, elective function, main functions.*

These criteria are detailed and presented in the methodology part and under a table form in the Appendix 1 entitled "preparatory document" or "gouvernaid".

During the discussions with the experts, we will try to answer to following questions:

- 4.5.1. utility of administrators known as independent (of the company).
- 4.5.2. company with only one dual Board of Directors vs. Governance (directory + Board of Trustees).
- 4.5.3. representatives of the Nation in public or semi-public companies.
- 4.5.4. paid Administrators (impact on the wage policy).

#### 4.6. Companies criteria selected for analysis

The detailed analysis of company criteria selection considers several criteria such as: sales, profit, number of employees, social policy, number of administrators, % of administrators belonging to other Boards of directors, environmental policy, presence in how much country, etc... These criteria to be selected in a theoretical analysis will have to be validated by discussions with 10 administrators of Boards of directors.

#### 5. Organization

The annual project plan is the following:

- 4.1. To supplement our theoretical work highlighting variables interesting by the end of September 2019,
- 4.2. To retain the possible variables (December 2019)
- 4.3. To present the assumptions (January 2020)
- 4.4. To define and seize the data (February 2020)
- 4.5. To test elements available (May 2020)
- 4.6. Presentation of results (July 2020).

This research started from a factor analysis led by Pr Abdi of the University of Texas (Dallas) on multivariate statistical analyses (analyzes simple and multiple correspondences, regression analysis, multiple factor analysis).

#### 6. Directions for future research

Future researches will spread this analysis to most of Western and Asian Countries. We are look for partnership all over the world to develop a larger point of view. As an objective, we are trying to open researches to partnership in these countries, in order to give some hints to administrators all over the world. Then we shall be able to compare administrators between latin asian and anglo saxon type of administration.

#### Appendix 1: preparatory document.

Criteria raised for the administrators within the framework of the study on " Industrial compared governance ".

Items	Company	Column	Indicates the name of the company which was allotted to you.
	Name	C	Name
Identification	First name	D	Simplify the first name if needed.
	Nationality		Nationality: it is necessary to look for, it is not always easy... You can operate sometimes by deduction, within sight of the followed studies and of the places of residence.
	Sex	E	Attention with the first names which finishes with an "a" are not necessarily from female sex. Identify the person, their type and their name on Google and ask the corresponding image.
	Age	F	Not always obvious to find. It is necessary to look for in company's information, you may find this information if you look for seriously.
	Nationality	G	Nationality: it is necessary to look for seriously and it is not always easy to find. You can operate sometimes by deduction, within sight of the followed studies and of the places of residence.
Company	Several shares	J	Not always obvious to find. It is necessary to look for in the documents of the company.

	Since	K	Since how long the person is member of the board of directors, for how many years. Often not indicated. But by deduction, we can succeed.
	Company	O	Name of the company constituting the principal activity of the Administrator.
Functions	Creator of company	P	The biography may indicate if the individual is a creator of company. If it is not indicated, it is advisable to deduce through its activities if this one has created or not companies.
	Chairman of the board...	Q	... or "Président du Conseil d'Administration" (in French).
	Chief Executive Officer (CEO)	R	Or Président Directeur Général (in French).
	President of the Directory	S	Or President du Directoire (in French).
	Vice-president	T	Vice-president (in French).
	Managing Director	U	Or Directeur Général (in French).
	Executive committee	V	Or Membre du Comité de Direction (in French).
	Administrateurs	W	
Statute	Chairman of the Board	X	or "Président du Conseil d'Administration" (in French).
	Strategic committee	Y	Or membre du Comité Stratégique (in French).
	Audi Committee	Z	Or membre du Comité d'Audit (in French).
	Vice President	AB	Vice President
	Board of trustees	AC	Comité directeur
	Committee Nomination	AD	Comité des nominations
	Wage Committee	AE	Comité des remunerations
	Administrator	AF	Administrateur
	Independent administrator	AG	Administrateur Independant
	Observer	AH	Observateur
	Administrator other committees (several)		Number of other Boards of directors in which the member takes part.
Formation	University	HAVE	Université
	Diploma	WITH	Diplome
	Regional classification (Europe Americas Asia Peaceful)	AV	Regional classification (Europe Americas Asia Peaceful) to find in the joined list of the 2007 Shangai University ranking.
	BA	AW	Licence (3 years)
	Master	AX	Master (5 years)
	PhD	AY	Doctorat (8 years)
	MBA	BA	MBA
	Signal University	BB	University of prestige (gathers Harvard Stanford Northwestern Wharton, Polytechnique, ENA, HEC, Essec, Cambridge, Oxford).
Activity	Createurs	BC	Founders.
	Engineer	Data base	Engineers according to the type of studies
	Business	BE	Business according to activities. We can find an engineer in the classification business within sight from revious experience.
	Lawyer	BF	Lawyer (can also be in other classifications: business, professor...).
	Professor	BG	Professor.
	Former member government	BH	Former member of governments.
	HF: civil servant (Ambassador)	BI	Senior official (ex: Ambassador)
	Mayor	BN	Local councillor (Mayor)
	Departmental elected official	BC	Departmental or regional elected official (General, regional county)
	National Elected official	LP	National Elected official (Congress or Senator)
	Manager	BY	Manager
	Chairman of the board another company	BZ	Chairman of the board another company
	Chief Executive Officer (CEO) another company	CA	Chief Executive Officer (CEO) another company
	President of the	CB	President of the Directory

Statute in another company	different Directory company		
	Different vice-president company	DC	Different vice-president company
	Different Managing Director company	CD	Managing Director different company
	Different Strategic Committee company	EC	Strategic committee another company
	To that different Committee company	CF	Committee To that the other company
	Different board of trustee's company	CK	Board of trustees another company
	Different Committee nomination company	CL	Committee of the nominations other company
	Different Wage Committee company	CM	Committee of remunerations other company
	Different administrator company	CN	Different administrator company
	Independent administrator another company	DC	Independent administrator another company
	To observe	CP	Observer
	Company 1	CS	Company 1
	Company 2	CT	Company 2
	Company 3	CU	Company 3
	Company 4	CV	Company 4
	Company 5	CW	Company 5
Company 6	CX	Company 6	
Past jobs  Choose largest responsibilities or largest companies.	Company 1	DN	Company 1
	Manager	C	Manager
	Chairman of the board	DP	Chairman of the board
	CEO	DG	CEO
	President of the Directory	DR.	President of the Directory
	Vice President	DS	Vice President
	Managing Director	DT	Managing Director
	Company 2		Company 2
	Manager	FD	Manager
	Chairman of the board	DW	Chairman of the board
	CEO	DX	CEO
	President of the Directory	DY	President of the Directory
	Vice President	DZ	Vice President
	Managing Director	EA	Managing Director
	Company 3	EB	Company 3
	Manager	EC.	Manager
	Chairman of the board	ED	Chairman of the board
	CEO	EE	CEO
	President of the Directory	EF	President of the Directory
	Vice President	EG	Vice President
	Managing Director	EH	Managing Director
	Company 4	EJ	Company 3
	Manager	EK	Manager
	Chairman of the board	EL	Chairman of the board
	CEO	EM	CEO
	President of the Directory	IN	President of the Directory
	Vice President	EO	Vice President
	Managing Director	EP	Managing Director

	Administrateur autre société	CN	Administrateur autre société
	Administrateur indépendant autre société	CC	Administrateur indépendant autre société
	Observer	CP	Observateur
	Société 1	CS	Société 1
	Société 2	CT	Société 2
	Société 3	CU	Société 3
	Société 4	CV	Société 4
	Société 5	CW	Société 5
	Société 6	CX	Société 6
Resume	Société 1	DN	Société 1
	Gérant	DO	Gérant
Choose among responsibilities the most prominent and the largest companies	Chairman of the board	DP	Chairman of the board
	CEO	DG	CEO
	President du Directoire	DR	President du Directoire
	Vice Président	DS	Vice Président
	Managing Director	DT	Managing Director
	Société 2	DU	Société 2
	Gérant	DV	Gérant
	Chairman of the board	DW	Chairman of the board
	CEO	DX	CEO
	President du Directoire	DY	President du Directoire
	Vice Président	DZ	Vice Président
	Managing Director	EA	Managing Director
	Société 3	EB	Société 3
	Gérant	EC	Gérant
	Chairman of the board	ED	Chairman of the board
	CEO	EE	CEO
	President du Directoire	EF	President du Directoire
	Vice Président	EG	Vice Président
	Managing Director	EH	Managing Director
	Société 4	EJ	Société 3
	Gérant	EK	Gérant
	Chairman of the board	EL	Chairman of the board
	CEO	EM	CEO
	President du Directoire	EN	President du Directoire
	Vice Président	EO	Vice Président
	Managing Director	EP	Managing Director

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