



Member Profile

An Interview with WCD Member Marina Brogi

By Judy Macdonald



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Q1. You are a full professor of banking and capital markets at La Sapienza University in Rome and an economist. Given that background, what do you think are the next big issues on which boards of public and private companies will need to focus?

We are witnessing an era of growing uncertainty. Uncertainty undermines confidence and could ultimately negatively affect investment and growth. The geopolitical landscape changes rapidly and has become far more unpredictable. Technology and artificial intelligence offer new opportunities but also raise new risks. Though it's very difficult to generalize, as revenues may prove to be erratic and beyond management's control, public and private boards will need to focus on strategies aimed at improving resilience and flexibility. Resilience is more related to the structure of the balance sheet, avoiding overreliance on debt and flexibility requires rationalizing costs. Long-term goals, embracing innovation and encompassing sustainability must in any case be envisioned and pursued.

Q2. You serve as co-chair of WCD's Family Business Council. Can you tell me more about the goals of the council? Why should family businesses consider hiring independent directors?

WCD's Family Business Council was formed considering the importance of privately-held companies in the economies all over the world and the need to help women in family businesses to achieve their full potential, as academic research shows that even in their own families, they risk being overlooked. Truly independent directors are useful in family boards as they provide an unbiased view of the issues to be addressed (e.g. succession planning) and ideally should help in keeping family dynamics outside the boardroom.

Q3. We all know that men still comprise the majority of corporate board seats, but countries such as Italy have taken legislative steps to require more diversity on board. Can you explain the current landscape in Italy as a result of the quota mandate?

The "under-represented gender quota law" in Italy was passed in 2011 and from August 12th, 2012 it mandates that for three terms from its entry into force, the members of the under-represented gender shall account for at least one-third of the board (one-fifth for the first term) in Italian listed or state-owned companies. Following the gender law, the percentage of female directors in listed Italian companies rose from around 6% in 2012 to 31.4% at the end of 2016, which places Italy in second position in the percentage of women on boards, after France (which also has a law mandating a 40% quota). The Italian quota law is temporary and only a handful of listed companies have permanently

included a board quota in their articles of association, but a suggestion regarding diversity will be included in the corporate governance code of the Italian stock exchange.

Q4. How important should sustainability be to corporations?

Sustainability is going to be increasingly important and entwined in strategic decisions as a result of various drivers. Let me mention just three examples. Corporations that target millennials as customers will need to consider their attention for ESG. In the European Union, Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information by large companies and requires that companies set themselves targets to improve their sustainability, disclose them and report on progress. Institutional investors are also increasingly interested in long term value creation.

Last June I spoke at the Annual Meeting of the International Corporate Governance Network (ICGN) in a panel in which ICGN's paper on fiduciary duty was presented for the first time. It points to the importance of longer time horizons and highlights that "Fiduciaries should clearly understand and manage the trade-offs between short-term value enhancement and long-term economic prosperity. A focus only on short term performance may result in unintended consequences which can undermine future performance or later emerge as material liabilities to the company or to society." You may read the ICGN guidelines by [clicking here](#).

Q5. How are your companies dealing with disruption?

Disruption comes in diverse ways in different industries and reactions depend on the type of threat or opportunities that ensue. Though I'm not sure it's a reaction to disruption, the companies I serve and have served on, none of which are tech companies, have actively pursued external growth with mergers or acquisitions – often cross-border – or a redefinition of group structure.

Q6. From your personal experience, what are the most critical things boards should consider when entering emerging markets?

If planning to sell abroad, the possible evolution of the exchange rate should be a part of the assessment. If entering emerging markets means establishing a plant, the political situation and the legal context are key, as well as the expected exchange rate. A change in the governmental stance may considerably affect the investment, e.g. in Argentina at one point it had become impossible for subsidiaries to pay dividends to their parent companies overseas. The legal context is also important if a controversy should arise. And unless the type of operation in the emerging market is naturally hedged, the exchange rate can considerably change the outcome for the company and its shareholders.

Q7. What is one of the most eye-opening/important things you have learned while serving on boards?

Though it's difficult to generalize and a lot has changed since 2008 when I accepted my first board position, I'd like to mention two things which actually may seem to be at odds with each other but they are not. The first: the importance of process in board decision-making. All decisions are based on assumptions regarding the future and the future is uncertain for everyone. As such you can never be sure that you have made a good decision, only time will tell whether the decision proves to be a good one. However you must do your best to make an informed decision, mindful that it is not affected by conflicts of interest. A good process, which may be required by the law or may be in the practices of the company, often leads to a more complete, unbiased information set on which to base the decision.

The second is that corporate governance, which includes shareholders, and board decision-making are ultimately the result of people's interaction and will reflect the characteristics – professional and ethical – of the single individuals involved and their interactions, which requires soft skills and mutual trust. Soft skills improve as board members are more seasoned and confident and mutual trust is nurtured by good process.

Q8. How is WCD making a difference in Italy?

The quota law in Italy is temporary and will last for nine years. It will make a permanent change in Italy's business practices if the women who have been appointed as a result of the law, are really perceived to effectively contribute to board decisions. In my experience, professional competence is a must-have, but it is not enough, you need to have the soft skills which require years of board experience.

WCD has provided its members, who all serve on boards of listed or large companies, the context in which to share experiences and leverage on each other's insights. In line with WCD's prior mission "globally accelerating best practices in corporate governance."

Those who have attended the Global or EMEA Institutes have also found them very interesting and useful.

Q9. When not working, what is your favorite activity?

I like exchanging ideas and thoughts with my two, now grown-up, children and playing tennis with my father every Sunday. And even though it's work, I thoroughly enjoy teaching.

Q10. What are your goals for the next five years?

I don't set myself specific medium- or long-term goals, but try to define in advance what my priorities should be when accepting board positions or speaking engagements. In general I have learned that it's important to live in the present. Reminiscing about the past or being overly concerned about the future may hinder our ability to live our present to the fullest and that is a mistake in the professional, as well as in the personal domain.