

Article

Sustainability and Convergence: The Future of Corporate Governance Systems?

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Abstract: In today's world, a sustainable approach to corporate governance can be a source of competitive advantage and a long-term success factor for any firm. Sustainable governance requires that the board of directors considers economic, social and environmental expectations in an integrated way, no matter what ownership structure and formal rules of corporate governance apply to the company: this mitigates the traditional differences between insider and outsider systems of corporate governance. Previous studies failed to consider the contribution of sustainability in the process of corporate governance convergence. Therefore, the aim of this article is to fill the gap in the existing literature by means of a qualitative analysis, supporting the international debate about convergence of corporate governance systems. The article describes the evolution of outsider and insider systems in the light of the increasing importance of sustainability in the board's decision-making and firm's operation to satisfy the needs of all the company's stakeholders. According to this, a qualitative content analysis developed with a directed approach completes the theoretical discussion, demonstrating that sustainability can bring de facto convergence between outsider and insider corporate governance systems. The article aims to be a theoretical starting point for future research, the findings of which could also have practical implications: the study encourages the policy makers to translate the sustainable business best practices into laws and recommendations, strengthening the mutual influence between formal and substantial convergence.

Keywords: corporate governance; sustainability; corporate social responsibility; convergence; insider systems; outsider systems; stakeholder relationship management; qualitative content analysis

JEL Classification: M14

1. Introduction

The corporate approach to sustainable value creation is a source of global competitive advantage. Sustainability is a long-term vision that characterizes socially responsible companies [1–3] and that refers to a concept of global corporate responsibility including legal, economic, social and environmental aspects. This approach implies the balance of interests of all those who contribute to the current and future company's success, by means of sustainable value creation that satisfies both shareholders and other stakeholders in the long term [4,5].

Several studies investigated the possible links between corporate governance structures and corporate sustainability, showing the importance of the board's approach to these matters.

Fundamentally, worldwide governance models are normative belief structures determining the allocation of power within the firms [6]. The shareholding structure (i.e., dispersed or concentrated ownership) and the rules concerning corporate administration and control have determined the traditional distinction between outsider and insider systems of corporate governance. In both,

the board of directors of sustainable companies is entitled to set corporate goals and strategies in accordance with the need for balancing the interests of key stakeholders [7–10]. Furthermore, the board's commitment to sustainability is crucial for sharing the same culture throughout the entire organization, going beyond the logic of compliance, towards a real passion for sustainability [11]. Sustainability is a governance approach that molds the company's identity, values and organizational culture [12].

Therefore, the board's commitment and sustainable corporate engagement (reflected in goals, strategies, operational activities and accountability) can be a factor in overcoming the traditional differences in corporate governance structures, stimulating a gradual substantial convergence between outsider and insider systems [13].

Sustainable companies are characterized by the same governance essence or spirit, irrespective of countries' specific corporate governance rules, institutions and structures. However, the literature has rarely considered sustainability as a factor of substantial convergence. Therefore, this paper is an attempt to fill this gap, at least partially.

Firstly, the paper analyzes the current state of literature about the relation between corporate governance and sustainability, with focus on outsider and insider systems. We deduce that the board's sensibility should be decisive for the company's adoption of a sustainability approach, leading to an increasing substantial convergence between corporate governance systems. Many studies on convergence exist, but they are mainly focused on formal convergence and they do not include sustainability in their rationale.

The formal composition of corporate governance bodies, which is governed by the different frameworks operating in the outsider and insider systems, can impact on corporate strategies through the internal mechanism of corporate governance. However, the role of the board of directors as a point of reference for a sustainable corporate approach is much more important.

International laws and guidelines can stimulate companies to act sustainably and, in the future, this could even reduce the distance between corporate governance systems. However, a detached and mechanical compliance with the rules will probably be ineffective; vice versa, a shared awareness of sustainability as crucial for long-term company success is fundamental. Based on the idea that sustainability is a management point of view that can transform organizational culture [14–16], sustainability then becomes a cultural issue for the whole organization, and thanks also to the board's engagement, substantial paths of convergence can take place, despite structural differences in corporate governance.

2. Corporate Governance and Sustainability

Company ownership and control structure are two of the most striking differences between corporate governance systems [17–19]. Differences in cross-border corporate shareholding bring differences in administrative and control bodies regarding composition, independence, control mechanisms, and so on. Based on the level of ownership dispersion, corporate governance systems can be classified as outsider systems or insider systems [18,20–28].

Outsider or market-oriented systems are characterized by highly dispersed ownership: shareholders exercise control on managers' activities through their right to vote, in accordance with their shareholdings. In this sense, the judgment on serving management originates from the financial market. When the owners are not satisfied, they sell their shares, signaling a state of distrust: this opens up the possibility for a takeover, followed by a change in the board composition. Therefore, the high dispersion of share capital connects corporate success to the maximization of short-term profit, which is usually welcomed by the financial markets and generates approval for the board's decisions. In this context, corporate governance choices tend to favor profit maximization: indeed, this enables the company to satisfy shareholders' expectations for short-term remuneration and to gain their consent [29–31]. In these systems, the protection of minority shareholders is guaranteed by the market liquidity and the consequent possibility to easily sell the shares.

Vice versa, insider systems are characterized by concentrated ownership: such capital structure determines the possibility to exercise strong control on management in the long term by those who possess large shareholdings. The high concentration of capital and the frequent involvement of majority shareholders in management, often as members of the founding family and as executive directors, direct the governance towards the maximization of economic performance in the long run, with the aim of maintaining and increasing the corporate value [17,32]. In the insider systems, the internal mechanisms of corporate governance play a fundamental role in the protection of minority shareholders and in the effectiveness of corporate governance itself [33].

In both outsider and insider systems, ownership influences the corporate strategic approach due to the board composition [34]. Regardless of differences in firm ownership and related corporate structures, some degree of convergence is possible all over the world if companies adopt a sustainability approach.

The increasing awareness of sustainability has induced the diffusion of a new approach in dealing with relevant stakeholders, which stresses the idea of stakeholder relationship management as a source of competitive advantage [35–37]. Companies are no longer seen merely as instruments of the shareholders, but they exist within society, so they have responsibilities to that society: a wide variety of other stakeholders are interested in the company, are affected by and influence its activities [38,39].

Understanding a company's responsibility towards a large range of stakeholders is the basis for success and survival in a globalized and dynamic world [40–42]. Therefore, the board of directors should redefine the corporate priorities and goals according to the principles of sustainable development.

The term sustainability has many definitions, starting from the broadest one included in the Brundtland Report (1987) [43]. Corporate sustainability means that companies should consider the future (as well as the present) in their decision-making and actions, with the aim of using their resources for creating value in the long run. According to van Marrewijk and Wera [44] there is no specific definition of corporate sustainability; an abundance of definitions exists [45–48] and each organization needs to devise its own definition to suit its purpose and objectives [39]. The diversity of indicators only highlights the diversity of views about what sustainability means, and what should, therefore, be measured [49]. This approach safeguards the interests of all stakeholders thanks to the joint recognition of economic, environmental and social issues in strategic planning.

Corporate sustainability does not mean that value creation for shareholders and their adequate remuneration are less important: the interdependence between economic and socio-environmental responsibilities is the requisite to obtain consent and resources. In this way, meeting the needs of non-shareholding stakeholders also creates shareholder value and ownership satisfaction [50], guaranteeing the firm's competitive advantage in the long term. This concept is the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges [51,52]. Policies inspired by shared value enhance the competitiveness of companies, whilst advancing the economic and social conditions of the communities where they operate, in a context where economic, social and environmental dimensions nurture each other. Efforts to think in terms of shared value can potentially not just foster economic and social development, but also change the way companies and society think about each other [51]. The maximization of companies' short term financial performance is a very narrow vision of value creation that induces companies to ignore the broader influences that determine their long-term success [52].

Consequently, the adoption of a sustainability approach modifies the board's direction towards the maximization of economic performance in the long rather than short term. This approach should overtake the traditional and limited short-term focus, typical of outsider systems. Many scholars have examined the long-term aims of sustainable companies, focusing their attention on large US public companies operating in outsider systems of corporate governance [36,53–55]. However, is there any relationship between the adoption of a sustainable approach by the board and the characteristics of ownership in outsider and insider systems?

Corporate ownership structures play a significant role in the board composition, particularly in those systems where the shareholders' meeting is the single body designated to elect the

board. Nevertheless, evidence suggests that what really influences the company's approach to sustainability, is not the criteria for the board's composition, but the substantial commitment of the board to the sustainability principles [5,56–58]. Wood [59] argues that the principle of managerial discretion recognizes managers as moral actors who are obliged to exercise their actions for a socially responsible outcome.

Therefore, we can assume that the differences in the ownership structure characterizing outsider and insider systems should not be decisive for the board's engagement in corporate sustainability. In this sense, a corporate global responsibility approach encourages attention to all stakeholders' expectations and helps solving the conflicts of interests between owners and managers, and between majority and minority shareholders.

Embracing the team production theory [60,61] rather than the agency theory [31] overcomes any problems about conflicts of interests among the stakeholders. Indeed, according to the agency theory, shareholders (principals) hire directors (agents) to manage their assets on their behalf. This situation can influence directors' behavior in favor of shareholders, despite the existence of tools to avoid this excessive disequilibrium (such as the rules regarding the appointment of non-executive and independent directors). According to the team production theory, a corporation is a "nexus of firm-specific investment" made up of shareholders and stakeholders instead of a "nexus of contracts": the corporate assets belong to the corporation and not to shareholders. Shareholders relinquish their control rights over the corporation to the board, which is a mediator: this choice limits their opportunistic and short-term rent-seeking behaviors and enables other stakeholders to make firm-specific investments, which are necessary to generate a surplus from team production in the long run [55]. In this logic, the board of directors is a sort of "trustee charged with serving interests above and beyond those of shareholders" and this "can be in shareholders' long-run interests" [60].

Therefore, this approach constitutes further evidence that the traditional differences between outsider and insider systems are gradually disappearing. This serves to confirm that the sustainability approach adopted by the boards of directors is not significantly affected by shareholders' short-term rent pressures and, consequently, by shareholders' categories (i.e., majority and minority).

Furthermore, the alignment of interests as a condition generating sustainable competitive advantage in the long run [62,63] is a premise that characterizes all sustainable companies. This also contributes to a gradual convergence of different corporate governance systems.

To conclude, the board of directors has a fundamental role in embedding sustainability into business culture [11,64,65]. Moreover, the board should promote substantial convergence in governance by setting strategic sustainable goals in both outsider and insider systems.

3. Sustainability and Convergence of Corporate Governance Systems

According to several scholars, globalization of financial and product markets is encouraging a gradual path of convergence of corporate governance systems. The convergence between outsider and insider systems can be observed as convergence "in form" or "de jure" and convergence "in function" or "de facto" [66–74].

Convergence in form or de jure refers to the convergence of rules at an international level.

The growing wish of both investors and issuers to operate in global capital markets requires some degree of acceptance of high common values and standards. International bodies encourage convergence in both corporate governance principles and sustainability, considering the latter as a condition for sound governance in terms of risk management, cost reduction and access to capital markets. At the same time, good governance encourages trust in the economic system, because it is a condition for the development of the entire society and the environment. In this regard, the most significant principles and guidelines are contained in the UN Global Compact publications, the ILO *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy* (2014), the G20/OECD *Principles of Corporate Governance* (2015), the ISO 26000 (2010), the green paper on

The EU Corporate Governance Framework (2011) and many other EU recommendations, directives and papers [75–79]. Good governance is also required by a number of country-based codes and regulations.

In particular, the national regulators are expected to adopt principles and rules in accordance with those suggested and shared internationally. This explains why the rules and recommendations for effective corporate governance are similar in countries with significant differences in corporate governance structures.

Convergence in function or *de facto* refers to the practices voluntarily adopted by companies to be attractive on global markets: such companies tend to share similar strategic approaches, regardless of the characteristics of their corporate governance systems. Specifically, the search for competitive advantage in global markets leads companies to emulate successful competitors, with the aim of attracting the best financial and human resources, particularly where they are lacking. This situation gives rise to companies' hybrid responses, which are partly due to institutional pressure and partly originated from their own strategic choices on how to satisfy different categories of stakeholders. In other words, there is convergence in the governance vision, which brings about long-term competitive advantage based on the company's global stakeholder relationship management approach to fulfill all its responsibilities.

The two convergence dimensions influence each other. *De jure* convergence tends to make some companies' choices uniform, stimulating *de facto* convergence. *De facto* convergence can influence *de jure* convergence: for example, this can happen in the case of a regulatory gap, when the companies autonomously adopt the existing best practices to deal with competitive pressure [69,80].

Empirical studies on convergence in corporate governance systems have existed for years, with the main focus on *de jure* aspects [69,71,81–84]. The point in question was the admission regarding the existence of an optimal model, more or less implicitly recognized in the Anglo-American or outsider one, that other systems must inevitably converge towards [85,86]. However, they did not explicitly consider that the sustainability approach implemented by companies could either be a factor of *de facto* convergence or a potential incentive for rule convergence. Caprar and Neville [87] proposed that the existing context had a "norming" effect, which could facilitate or not the growth of institutional pressure for sustainability, but they did not specifically refer to convergence in corporate governance systems. Studies by Eccles et al. [54,55] focused on the characteristics of sustainable companies in the US, depicting how such companies had overcome the typical limits of outsider systems, but they did not investigate the consequences in terms of corporate governance convergence.

Based on previous considerations, if companies pursue the same long-term sustainable value creation goals, a gradual convergence of corporate governance structures cannot be excluded. Clearly, corporate governance systems are the result of cumulative processes, which create a regulatory substratum that can be an unavoidable tie for companies [81,88]. Therefore, it is quite improbable that one system might prevail on the other, but it is plausible that some typical differences between outsider and insider systems can prevail.

Some scholars prefer using the term "hybridization" of corporate governance systems instead of "convergence" to underline the simultaneous processes of continuity and change across national boundaries [68,89–91]. Others refer to a sort of "paradox", considering that mechanisms favoring divergence exist together with mechanisms favoring convergence [92]. Moreover, the concept of path dependence [93–95] suggests that the country's background (e.g., political, historical, and economic issues) influences the progressive convergence process. The scenario for convergence is very difficult to predict: that is, an insistent increase in diversity within an overall trend towards convergence [74,96–98].

Nevertheless, the substantial convergence of companies' strategies resulting from the sustainability approach suggests that different countries may have different ownership structures, corporate governance rules and institutions; nonetheless, the corporate boards may still be able to perform the same functions, with the emphasis on similar key performance indicators.

4. The Governance of Sustainability

The first impulse for sustainable corporate strategies stems from the board of directors. The presence of a leader who raises followers' commitment to achieve the organizational mission and objectives [99] is a prerequisite to transfer the principles of sustainability into the goals and behaviors of the whole organization. This determines a governance approach directed towards the growth of sustainable value over time [100].

Authors and international guidelines emphasize the role of the board of directors in the realization of sustainable goals. Cadbury [101] states that "[...] It is the ability of boards of directors to combine leadership with control and effectiveness with accountability that will primarily determine how well [...] companies meet society's expectations of them". According to the UN Global Compact, "Corporate sustainability is imperative for business today—essential to long-term corporate success and for ensuring that markets deliver value across society. [...] To push sustainability deep into the corporate DNA, companies must commit at the highest level" [75].

In 2013, the European Parliament adopted a resolution [102] stressing the importance of the board's commitment to corporate social responsibility (CSR). In particular, the EU Parliament reminded that corporate responsibility must not be reduced to a marketing tool, but should be embedded in the company's overall business strategy, engaging on a board level.

Research sustains the fact that companies assign their board the responsibility to oversee sustainability issues [103], considering the fact that sustainability is closely tied to corporate strategy, which is a core board responsibility [104]. Therefore, leadership should not only be considered as a hierarchical position, but as a personal engagement of the board's members too [105], overcoming the differences in corporate governance between outsider and insider systems. Several studies investigate the possible links between corporate governance structure and CSR performance: evidence suggests that simultaneous improvement of each dimension of performance does not depend on changes to the board's composition, but what really matters is that the board shares the sustainability principles in a substantial way [5,56–58]. Thus, the board's engagement in sustainability alters the variables related to the decision-making process [105], favoring the implementation of sustainable practices in the organization's activities and creating a sustainability culture that goes beyond the mandatory rules (e.g., health and safety laws, and environmental laws) and beyond the mere reaction to outside pressures.

The board of directors seems to be a potential factor of convergence from two perspectives. Firstly, the board's composition and responsibilities are intended to safeguard the stakeholders' interests, according to mandatory or self-regulatory rules: these rules derive from national and international standards of good, responsible and sustainable corporate governance and make *de jure* convergence possible. Secondly, the board's engagement in sustainability leads to the adoption of strategies based on global responsibility, stakeholder engagement and accountability, regardless of the company's industrial sectors and dimensions.

The board's systematic commitment to sustainability can be expressed through the formal establishment of devoted committees and other organizational positions.

The literature shows that the company's approach to sustainability differs [106] depending on who is involved in sustainability decisions. The path toward sustainability consists of sequential stages [107–110]. In the first stage, the focus is on compliance with external and internal regulations; moreover, sustainability is not considered as a strategy requiring central management and there is no formal Chief Sustainability Officer (CSO) position. The next stage is marked by a more strategic approach to sustainability; emphasis is put on how to achieve organizational efficiencies, by engaging internal stakeholders too. The position devoted to sustainability is defined as CSO, even if the ultimate responsibility for sustainability is attributed to the Chief Executive Officer (CEO). The last stage is the most proactive and it is characterized by sustainability-driven strategies discussed in special committees.

The board of directors can set up internal committees from among its members. Such committees perform specific tasks, analyses and preliminary work to support the board's decision-making, for which the whole body maintains full power and responsibility [111–113]. The board committees are usually composed of non-executive, possibly independent directors, who should preside over subjects where specific skills are required or who are exposed to a high risk of conflict of interest. Some committees are mandatory (for example, the audit committee in one-tier systems of corporate governance), while others are recommended by self-discipline codes or are completely voluntary.

The increasing awareness of corporate global responsibility is also reflected in committee specialization: today, some committees are specifically assigned to monitor the links between corporate decisions and social and environmental impacts. The gradual diffusion of these committees aims to improve the firm's governance, emphasizing its relationship with new critical factors for the company's competitive and socio-environmental success [114].

The presence of committees in sustainability issues helps go beyond the myopia created by the pressure of short-term objectives and issues demanding immediate attention. Creating committees to handle sustainability matters does not absolve the entire board of its obligation to oversee this aspect of the company's performance; however, the committees' focus, expertise, and sustained attention can help the board fulfill this obligation [115].

In both outsider and insider systems, the voluntary establishment of board positions devoted to sustainability emphasizes its acknowledgement as a critical success factor. Therefore, sustainability needs to be discussed and managed at a high level, irrespective of binding rules about the board composition.

This approach influences all organizational behaviors and sends a clear message to investors about the company's commitment to sustainability in the long run. Many studies support the fact that a sustainable corporate approach is valuable for shareholders [116,117]. The ownership structure of sustainable companies reflects the typical differences between outsider and insider systems, with a higher percentage of shares owned by big shareholders (often founding families) in insider systems and a more dispersed capital in outsider ones [114]. In both cases, companies should satisfactorily communicate their commitment to sustainability in support of the financial market in the perception of future value creation, despite current expenses in sustainability projects [118,119]. In fact, research confirms a growing interest in sustainability among mainstream investors [120–122]; understanding investor priorities is an important responsibility in the board of directors' focusing corporate strategy and behaviors.

Except for the founding families, the main shareholders are large and institutional investors in both outsider and insider systems, suggesting a positive relationship between institutional ownership and CSR [123–125]. From a corporate point of view, considering that the integrated environmental, social and governance issues are part of mainstream investment analyses, communication to financial markets should explain these issues as part of corporate strategy with a focus on the long-term perspective [118]. In fact, investors have grown up with the ability to connect sustainability performance with corporate performance, using the first as a key criterion for making and leaving investments [120]. From the point of view of institutional investors, investing in socially responsible businesses is the first way to signal potential clients their engagement in sustainability issues; this is also a way to diversify their services from those of the competitors [126]. At the same time, institutional investors in possession of a significant percentage of shares may be unable to easily divest themselves of them in the short term without causing a considerable reduction in the stock price.

This attention to long-term value creation by investors can be a further point of convergence between insider and outsider systems: even in the outsider systems, traditionally aimed at short-term profit maximization, a board committed to sustainability is the arbitrator of the stakeholders' expectations in the long-term. According to the team management approach, this board role also safeguards the interests of small and fragmented shareholders.

Moreover, the length of a top manager's presence in sustainable companies' corporate governance bodies, is an expression of stakeholder approval of board strategies. In insider systems, a large percentage

of executive directors were originally appointed twenty years ago or even earlier (and they are usually members of founding families). Vice versa, in outsider systems, the percentage of non-executive, often independent directors first appointed over a decade ago is higher than the percentage of the executive ones; it is also higher than the same percentage in insider systems' companies [114]. We can interpret the stable presence of executives (in insider systems) or non-executives (in outsider systems) as a guarantee of the continuity of corporate choices in a long-term vision, according to the principles of sustainable development.

The attention to sustainable development in the future, instead of profit maximization in the short run, is also expressed through the variable remuneration of executive board members linked to long-term performance [52,105,127]. Additionally, such variable remuneration can be related to non-financial targets: this encourages the balance of financial and socio-environmental objectives in safeguarding the stakeholder.

To conclude, the structure of corporate governance boards depends on many economic, historical and juridical factors, which determine each country's framework of binding legislation and self-discipline. Even if such rules are adopted in different countries, all of them aim to guarantee sound and transparent corporate governance in the stakeholders' interest. Furthermore, they are often derived from the same globally recognized principles of good governance.

This situation favors a gradual path toward better governance structures that should encourage good governance practices. Despite operating in different sectors and markets, all sustainable companies implement strategies to integrate economic, social and environmental performance in order to satisfy all the stakeholders' expectations. This supports the competitive success in global markets and stimulates emulation by other companies, as well as the improvement of corporate governance rules by the regulators.

In other words, a sustainability-oriented board can really be a change agent [11,128]: it can maintain a constant dialogue with all the stakeholders and ensure that sustainability is dynamically integrated into corporate objectives and business operations to create a shared sustainability culture. This new way of understanding the role of companies in society is the requisite for the creation of shared value in the interests of all internal and external stakeholders.

5. Sustainable Practices in Successful Stakeholder Relationship Management

Corporate governance is a combination of structures and processes [129,130]. While the structures refer to all the bodies responsible for the firm's direction and control, the processes consist in the activities developed to satisfy the stakeholders' expectations. Because of the different nature of such interests, stakeholder relationship management becomes crucial for the continuity of sustainable businesses. The stakeholder approach to corporate governance requires balanced decision-making, which takes into account the legitimate claims of all categories of stakeholders [131,132]. This approach is fundamental to sustainable value creation [133]; moreover, it stimulates the adoption of the triple bottom line concept in corporate disclosure [134–137]. In other words, the stakeholder approach encourages the board of directors to identify, implement and inform about the company's virtuous practices for making profit, improving employees' and citizens' wellbeing and preserving the environment.

As already explained, in today's world all companies looking for enduring success are expected to meet distinct stakeholders' expectations in the long term. This condition applies to both insider and outsider systems, inspiring the mission and vision of outstanding firms [138] and influencing stakeholder relationship management. The following subsections provide a few considerations on every stakeholder category.

5.1. Shareholders and Other Providers of Financial Capital

Every company has the duty to pay an equitable reward to shareholders and other providers of capital, compatibly with the financial requirements for its own ongoing survival and development.

The ownership structure of large companies tends to be more concentrated in the insider systems than in the outsider ones, as described previously. Traditionally, a family or foundation is the major shareholder of firms within the insider systems, while institutional investors supporting the fulfillment of long-term corporate strategies have become significant in the outsider systems. Additionally, listed companies raise money from many minority shareholders, whose expectations stress the firms' financial responsibility.

An effective, transparent and timely approach is essential to a proper interaction with all types of shareholders. According to international best practices, the board chairman, the CEO and other top managers should meet the company's major shareholders and institutional investors to present them the firm's strategies and periodic results: these meetings are also useful to collect feedback and gain a perception of the financial community's concerns. Moreover, large companies usually establish an investor relations (IR) department to satisfy shareholders' information needs and to deal with market operators [139,140].

All sustainable businesses acknowledge the importance of IR in order to fulfill their financial responsibility, no matter what type of corporate governance system they operate in.

5.2. *Employees*

In any advanced economic system, the respect of labor rights is not just considered a firm's legal obligation, but also part of its social responsibility. Furthermore, satisfied and engaged employees tend to genuinely support and share corporate objectives; they operate more efficiently, so they provide a constructive contribution to the company's global performance and value creation potential [141–143], especially in the long term. For this reason, companies make an effort to protect their employees' economic and social expectations, to inform them about the responsible practices adopted [144], and prevent grievances and disloyalty. Since the workers have similar expectations in outsider and insider systems, the way companies address employee relations can be a driver of de facto convergence of corporate governance.

Typically, responsible companies commit themselves to paying adequate salaries and providing health, safety and security in the workplace. They also offer equal opportunities to all employees, support career development through training programs, and respect the freedom of association and collective bargaining.

5.3. *Suppliers*

Sustainable and responsible sourcing is becoming decidedly important for companies competing in international markets. Because of globalization, companies tend to work increasingly with suppliers located all over the world, with the inherent advantages and disadvantages. Despite the opportunity of buying goods at lower prices and improving cost efficiency [145], there is a higher risk of weak control over a suppliers' behavior [146]. Such risk arises in part from geographical distances between the company and suppliers, which make local inspections difficult and expensive. Another problem is due to the poor legislation in some countries on quality of raw materials, labor rights and environmental impact: weak rules could leave room for a supplier's irregular, fraudulent and unethical practices.

Therefore, a lengthy and complex supply chain can hide threats for a company that is negligent in its selection and supervision of business partners. If a supplier's unethical or even illegal behavior is discovered, the company will probably be adversely affected: it will suffer direct and indirect consequences, from sudden interruption in supply, if the business partner is suspended or forced to shut down, to reputational damages for being associated with someone who has broken the law [12,147]. This situation could cause financial losses and the consequent dissatisfaction of shareholders, but also undermine the trust of other stakeholders.

Evidently, all companies have an interest in preventing suppliers' misconduct, and that does not change from insider to outsider systems. In this sense, sustainable and responsible sourcing has

become a common practice of supply chain risk management in large companies and a factor of de facto convergence of corporate governance systems.

Sustainable and responsible sourcing bases supplier selection on social and environmental criteria, in addition to an economic assessment [148,149]. The company evaluates potential suppliers using specific frameworks and models; then, it signs manufacturing and commercial agreements with those who have received a high score. Such agreements usually contain contractual obligations for responsible conduct: sometimes, the suppliers are even expected to adopt the company's same code of ethics or business principles of the company [150]. Consequently, the company must also verify the continuous adherence of the supplier's behavior to those rules and, in the case of irresponsible conduct, it may interrupt the relationship immediately. To avoid unpleasant situations, companies can promote and organize training initiatives at the suppliers' factories to improve the respect of human rights, improve occupational health and safety and reduce environmental impacts. This approach favors shared value creation within the supply chain and connects the company's success with social progress [51,52].

Inclusive business [151,152] is another way to implement ethical supply chain management.

5.4. Customers and Consumers

Since the ultimate goal of corporate governance is value creation for all stakeholders by balancing economic, social and environmental performance, customer relationship management (CRM) is undoubtedly important.

CRM has been defined as a comprehensive strategy and process used by a firm to acquire, retain and cooperate with selective customers, in order to create value for both them and itself [153]. The growing interest in sustainability expressed by companies and customers has determined an improvement to CRM by integrating economic, social and ecological issues [154].

Nowadays, customers place a greater importance on social and environmental matters than they did in the past. Therefore, companies must modify and improve their products and services to satisfy these evolving needs. Specifically, sustainability-oriented CRM permits a better interaction between companies and particular categories of consumers, including socially conscious consumers, generative consumers and green consumers:

- socially conscious consumers consider issues such as human and labor rights and the impact of consumption on the community [155,156];
- generative consumers care about future generations [157]; and
- green consumers are concerned about the effects of purchasing on the environment [158–160].

While sustainability-oriented CRM can be crucial for reaching and maintaining a market-leading position, it is also an opportunity for responsible companies to educate consumers: through sustainability-oriented CRM, companies can play an active role and cooperate with the government and the civil sector to achieve long-lasting changes in consumer behavior [161].

5.5. Communities

The social dimension of sustainability has a broad meaning, including the impact of the company's activities on the communities in which it operates.

The term "community" refers to the inhabitants of the immediate and surrounding regions influenced by the firm's operations [162]. Obviously, a responsible company should make efforts to generate enduring positive effects on the communities in relation to the quality of life, social justice, inclusion, job creation, social progress through innovation, ecological issues, viability, housing, and so on [163–165]. Unfortunately, some corporate activities have a negative impact on society (such as pollution, displacement and discrimination) with heavy consequences for the company, from fines to reputational damage.

Large companies have a significant social impact, which they should try to manage to improve, or at least preserve, their external relationships. Acting as a good corporate citizen [166,167] is fundamental to gaining the trust of local people and all other stakeholders. Since contributing to the community's social improvement is indispensable for any company's long-term success, this further confirms that sustainability can be a driver of convergence between insider and outsider systems.

5.6. The Environment

Today, environmental protection is a priority on the agenda of intergovernmental organizations, governments and civil society institutions all over the world [168–175]. Many firms are becoming far more aware of the environmental issues related to their processes, products and services [176,177]. An increasing number of enterprises also decide to participate in national and international projects for the preservation of the environment, sometimes in partnership or cooperation with public and non-profit organizations [178–180]. Companies that voluntarily choose to be accountable on environmental matters by disseminating dedicated information in their annual reports are increasing [181,182]. Specific thought is needed for multinationals and other large enterprises: these companies have the power to encourage other firms throughout the supply chain to respect environmental production and distribution principles, in order to satisfy society's ultimate interest.

The interest of stock exchanges and financial institutions in environmentally responsible companies underlines the importance of the topic worldwide. The most deserving firms are usually covered by independent environmental rating agencies. Moreover, such companies are included in environmental stock indexes, such as the Nasdaq Green Economy Global Benchmark Index and others of the same "Nasdaq Green" family, the NYSE Arca Environmental Services Index, FTSE4Good Environmental Leaders Europe 40 Index, and S&P BSE Greenex. The financial community's interest in environmental issues is probably a further sign that sustainability enables companies to meet the economic expectations of actual and potential shareholders: in this sense, sustainability helps reduce the distance between outsider and insider systems.

6. Research Methodology

To fill the gap in existing literature, we carried out an empirical investigation based on the following research question: is sustainability a factor of de facto convergence between outsider and insider systems of corporate governance?

According to Mayring [183], and Hsieh and Shannon [184], we developed a qualitative content analysis with a directed approach. Qualitative content analysis presents the following advantages:

- it is a pragmatic method to develop and extend knowledge of human experience [184];
- it supports systematic text analysis [183];
- it is a flexible method of analyzing text data [185], which can be verbal, printed or electronic [186] and can derive from different sources (narrative responses, interviews, focus groups, observations, articles, books, websites, etc.); and
- it allows classification of large amounts of data into fewer categories, according to their meaning [184,187].

Hsieh and Shannon [184] identify three distinct approaches to qualitative content analysis: conventional, directed, and summative. We conducted our research according to the directed approach, which aims to conceptually validate or extend a theoretical framework or theory.

The first step in directed content analysis requires identifying key concepts or variables as initial coding categories, based on theory and prior research [188–190]; in this regard, directed content analysis consists in a deductive category application [184]. Each category emphasizes a pattern or theme expressed in the text. Using a coding scheme, text data should be organized into predetermined categories [191]. However, new categories can be created as the analysis proceeds, in order to modify the initial coding scheme according to relevant research findings.

Our qualitative research considered a purposive sample [192]. As purposive sampling relies on the researchers' judgment and knowledge in selecting the units to be studied, it enabled us to focus on particular characteristics of the units to best answer the research question.

The sample comprised five companies, selected as an illustration of long-term sustainability. Despite the small number of firms, the sample had a significant composition: it included the only companies that had continuously belonged to the Global 100 Index since its launch in 2005. The Global 100 Index is relevant for this research, because it covers the 100 most sustainable corporations in the world, from all regions and industries, scored through a methodology that combines economic, social and environmental key performance indicators (KPIs) [193].

The constant presence of a company in the Global 100 Index was important in our research framework: since sustainability is a long-term process, we needed to analyze firms with a long track record in the triple bottom line. Considering the Global 100 Index constituents over time, we discovered that only five firms had always been part of it: such firms were Adidas, Centrica, Kesko, Novo Nordisk, and Unilever, all listed companies with a large percentage of floating capital. Details on the five companies are shown in Table 1.

Table 1. Company sample.

Company Name	Country of Headquarters ¹	GICS Industry Group ²	Floating Capital ³
Adidas AG	Germany	Consumer Durables and Apparel	84.7%
Centrica PLC	United Kingdom	Utilities	99.0%
Kesko OYJ	Finland	Food and Staples Retailing	80.6%
Novo Nordisk A/S	Denmark	Pharmaceuticals and Biotechnology	67.8%
Unilever PLC	United Kingdom	Food Beverage and Tobacco	88.7%

^{1,2} Source: www.corporateknights.com, accessed on 1 August 2016 [193]; ³ Source: www.4-traders.com; data extracted on 12 October 2016 [194]. The table shows the composition of the sample. All companies are headquartered in Europe, but their countries are characterized by different corporate governance systems. The five companies operate in different sectors. Finally, the percentage of floating capital is high for all the firms.

Our investigation consisted in directed content analysis of external corporate disclosures disseminated on the five companies' websites in August 2016; we also repeated the investigation in October 2016 to obtain confirmation (or integration) of findings.

More exactly, we developed our content analysis on the data divulged through the websites' sections and pdf files specifically regarding corporate governance and sustainability matters; therefore, we excluded generalized online information and documents. We also conveniently omitted out-of-date information (older than three years). Briefly, we personally had a full and exhaustive reading of all relevant texts on the selected topics disseminated by the sample companies.

To draw up the initial coding scheme, we referred to corporate governance components and sustainable practices of stakeholder relationship management, as highlighted in the literature review and in other studies [195–197], codes of best practices [75–77] and reporting guidelines [198]. The findings that emerged enabled us to improve the coding scheme while the analysis was ongoing.

Specifically, we classified text data into the following categories:

- corporate governance and board's orientation to sustainability;
- relationships with shareholders and other providers of financial capital;
- relationships with employees;
- relationships with suppliers;
- relationships with customers and consumers;
- relationships with communities; and
- environmental management.

For each category, we further specified the significant aspects that are listed and discussed in the next section.

7. Findings and Discussion

7.1. Corporate Governance and Board's Orientation to Sustainability

For each company, corporate governance was analyzed according to the following aspects:

- the corporate governance model implemented by the company;
- corporate structures whose existence demonstrates the board's engagement in sustainability matters;
- long-term business orientation and triple bottom line; and
- managerial incentives linked to non-financial KPIs.

According to Lellapalli [92], companies belonging to insider and outsider systems are characterized through structural differences in the internal mechanisms of corporate governance, which are mainly due to the ownership structure, the board of directors, and managerial incentives. In outsider systems companies have dispersed ownership structures, while in insider systems there is a more concentrated ownership. The corporate governance model (one-tier or two-tier) adopted by each company depends on its national legislation; however, while the outsider systems tend to have the one-tier model, the insider systems are often characterized by different structures.

The results of the qualitative content analysis suggest that sustainability is not an exclusive prerogative of certain industries or large firms. The five corporations investigated have very different businesses and, on 12 October 2016, their market capitalization varied between 4.4 and 141.4 billion dollars.

On the contrary, sustainability is a cultural approach shared by all the companies investigated and it does not depend on corporate governance systems. Suffice it to recall that Centrica and Unilever have their headquarters in outsider systems, while Adidas, Kesko and Novo Nordisk belong to insider systems. Moreover, Centrica, Unilever and Kesko adopt a one-tier model of corporate governance, while Adidas and Novo Nordisk have a two-tier model.

Within the corporate governance model implemented by each company, the qualitative content analysis highlighted the existence of bodies devoted to sustainability issues. Adidas created a Social and Environmental Affairs Department; Centrica established a Safety, Health, Environment, Security and Ethics Committee; Kesko has a Corporate Responsibility Advisory Board; Novo Nordisk introduced a Social and Environmental Committee; and Unilever set up a Corporate Responsibility Committee. All these bodies ensure a permanent discussion of CSR matters at board-level; by doing so, they promote the inclusion of CSR issues in corporate objectives and daily operations.

All five companies also declared their long-term orientation in expressing their commitment to sustainability and durable value creation for all stakeholders. This adds to the failure of short-termism and emphasis on financial results, which are typical of market-oriented systems. As the sole satisfaction of shareholders is no longer enough to survive and compete successfully, the five companies have adopted a stakeholder-oriented approach, based on a balanced integration of financial, social and environmental performance. This approach also involves quality relationships with all stakeholders, a better understanding of their needs, full commitment to respecting human and labor rights, and research of innovative ways to make business without hurting people, communities and the environment.

The analysis also showed that directors' and managers' sustainable-oriented compensation schemes can accelerate the convergence of corporate governance systems. Managerial remuneration is the principal tool for aligning managers' objectives and shareholders' expectations, in order to avoid conflicts of interest and strengthen the company's success in the long run. Traditionally, executive pay tends to be lower in the insider systems than in the outsider ones [17], even if the latter are progressively improving the variable part of executives' salaries [199].

For four companies, the qualitative content analysis revealed that the attribution of variable remuneration to executive directors and managers was linked to the achievement of individual, unit or corporate targets and non-financial performance. In this regard, a structural mechanism of internal control can be an incentive for more sustainable strategies.

7.2. Relationships with Shareholders and Other Providers of Financial Capital

In order to determine whether investor relationship management is a convergence factor between corporate governance systems, the content analysis considered:

- the existence of a corporate structure responsible for investor relations (IR unit or department);
- the dissemination of up-to-date information; and
- investor events.

An effective dialogue with all shareholders is essential to complement the fulfillment of corporate financial responsibility. Indeed, companies should keep shareholders and financial backers informed about how economic growth, social wellbeing and environmental care finds a proper balance in corporate strategies and operations.

The empirical findings prove that IR management is typical of both outsider and insider systems. In the five corporations analyzed, an IR unit or department was in charge of disseminating up-to-date, reliable information, especially through the corporate website. Moreover, we verified that all the sample companies published their annual reports timely and regularly and divulged them through the Internet.

For all five companies, the investigation also revealed the responsibility of the IR structure in organizing press conferences for financial analysts, direct meetings with shareholders and conference calls, as well as its involvement in investor roadshows and capital market days.

7.3. Relationships with Employees

Regarding the personnel, the content analysis focused on:

- diversity and inclusion;
- work-life balance;
- health, safety and wellbeing;
- training;
- reward schemes;
- collective bargaining and relationships with trade unions;
- employee engagement;
- existence of a code of conduct or other internal policies for employees; and
- volunteering programs.

For every firm analyzed, we discovered attention to diversity, equal opportunities and inclusion, in order to prevent discrimination on the grounds of race, religion, gender, pregnancy, age, disability, sexual orientation, etc.

The five companies also pursued a work-life balance in the primary interest of women. Flexible working policies for employees with caring responsibilities, remote working, and conversion of part of the salary into paid vacation, sabbaticals and early retirement offer some examples of work-life integration practices promoted by the companies investigated.

Moreover, the corporations included in the sample appeared to care for occupational health and safety and employees' wellbeing. Even if the law establishes the minimum mandatory levels on this matter, the qualitative content analysis permitted us to recognize further efforts to provide a higher degree of health, safety and wellbeing in the workplace. The establishment of dedicated positions and departments within the organizational structure proved the sample company's attention to such issues.

Empirical evidence also confirmed that responsible companies encourage professional growth and career progression of their employees. All the firms investigated stated their commitment to enhancing each individual's skills and capabilities and to helping them fulfill their potential, also through significant corporate investment in training.

Market-linked and performance-based reward schemes to align employees' interests and company's goals were in place in all five corporations, which also provided social benefits. By way of example, Adidas adopted a variable compensation plan comprising short-term and long-term incentives and a profit participation program: such compensation mechanisms can also strengthen the employees' sense of belonging to the company, producing positive effects on the relationships within the organization. Novo Nordisk provided "total rewards" packages, including money (i.e., fixed base salary, incentives and benefits) and non-financial compensation (such as continuing education and career progression). Kesko offered a performance bonus scheme to the personnel, who also received additional benefits, such as vouchers for sports and cultural activities, and financial support in particular stages of life (e.g., after the birth of a child).

The investigation also showed that all the companies recognized the employees' right to collective bargaining and entering into dialogue with trade union representatives.

Regarding employee engagement, all the firms involved the personnel in decision-making, by also including them in corporate governance boards in those countries where this is required or permitted by the law. In addition to that, employee engagement was carried out by means of questionnaires and other initiatives to understand workers' perceptions.

We also verified the mechanisms used by the five companies for sharing the board's sustainability culture and encouraging their employees to act responsibly. In this regard, all the firms adopted a code of ethical conduct or other policies to direct employees' behavior inside and outside the organization.

Moreover, three companies—two operating in insider systems and one in an outsider system—had launched or supported social and environmental causes; to increase the personnel's awareness of sustainability, such companies also stimulated their employees to actively participate in those initiatives as volunteers.

Overall, the results of the content analysis demonstrate that the ability to manage employee relations in a responsible way has a crucial role in both insider and outsider systems; therefore, it contributes to de facto convergence of corporate governance systems.

7.4. Relationships with Suppliers

With reference to the supply chain, the content analysis aimed at collecting information on:

- responsible and sustainable sourcing;
- supplier audit;
- training initiatives for suppliers and their employees; and
- inclusive business.

All five companies used ethical criteria to select suppliers, also considering their social and environmental certifications. All firms declared they assessed potential suppliers according to their respect of human rights, compliance with health and safety standards, and adoption of procedures and tools to limit and monitor the environmental impact of activities. Such conditions were added into the supply agreements too, entitling the company to interrupt the relationship in the case of violation by the supplier.

Furthermore, the five corporations had rules to carry out periodical auditing of suppliers, based on social and environmental requirements. The companies also provided training for their suppliers, to achieve more effective and sustainable practices throughout the supply chain.

Regarding inclusive business, Unilever described its projects for involving smallholder farmers and young entrepreneurs profusely, while the other companies did not specifically deal with this matter in their communications to the stakeholders.

The results of the content analysis proved that all five companies had put in place responsible and sustainable sourcing, although they presented the topic with different levels of detail.

7.5. Relationships with Customers and Consumers

To understand the relationships of the five corporations with customers and consumers, the content analysis focused on the company's commitment to:

- supporting responsible buying decisions by disseminating accurate information on products and services;
- offering healthy, safe and high performance products and services;
- investing in sustainable innovation; and
- adopting differential pricing policies in poor countries and cooperating with governments to meet the needs of vulnerable people.

The investigation showed that all five companies provided adequate information and advice for responsible purchasing.

Health, safety and the high quality of products and services were an imperative for the entire sample, which were implemented in different ways according to the sector. For example, Unilever enriched its foods with vitamins and minerals and reduced salt, saturated fat, sugar and calories, while Adidas adopted strict rules on children's clothing to prevent accidents due to drawstrings, cords and hoods.

Moreover, all companies invested in sustainable innovation of processes, products and services.

Finally, two companies operating in different contexts demonstrated their care for vulnerable consumers. Specifically, Novo Nordisk established a policy for selling medicines at low prices in poor countries, and Centrica helped 1.9 million vulnerable customer households in cooperation with the government.

To conclude, the investigation confirmed that companies headquartered in outsider or insider systems implemented similar practices of sustainability-oriented customer relationship management.

7.6. Relationships with Communities

Analyzing the relationships with communities required the examination of:

- the company's commitment to fair corporate citizenship;
- what each firm in the sample did to encourage people to act in more sustainable ways;
- the cooperation with public and non-governmental organizations to bring social and environmental issues to the attention of policy makers; and
- donations to ethical initiatives and programs.

The content analysis highlighted that all five corporations recognized their own role in the social and economic development of the communities they were part of: trust, respect, the understanding of society's needs, social inclusion and the firm's contribution for improving education and employability were basic conditions for fair corporate citizenship.

The companies analyzed also encouraged people to adapt their everyday life according to sustainability principles. Moreover, they cooperated with social and environmental organizations to influence the public debate on sustainable development, placing this issue also on the policy agenda.

Finally, the five corporations intervened through their own foundations, dealing with social and environmental issues, or by financing the projects of external non-profit organizations.

Overall, the content analysis proved that all five companies were committed to playing a constructive role for the sustainable growth of local communities. In this regard, there is no difference in operating in a relationship-based or a market-oriented system.

7.7. Environmental Management

The content analysis revealed the principles and practices implemented by the five corporations to face the following aspects:

- climate change;
- greenhouse gases (GHG);
- water use;
- waste and packaging;
- renewable and clean energy; and
- design of eco-friendly processes, products and services.

All five companies were involved in combating climate change. They were also making efforts to replace fossil fuels with clean and renewable energy sources (such as wind, solar power, biomass and biogas) for the reduction of GHG emissions. Moreover, they aimed at driving down water consumption in factories as well as by end users. To achieve such goals, the five companies were designing new eco-friendly, energy-efficient, water-saving processes, products and services, and they were innovating the existing ones to lessen their environmental footprint. The five companies were also committed to reusing, recycling and recovering the packaging to reduce waste materials.

Furthermore, three firms operating in different corporate governance systems were trying to educate the consumers on environmental preservation, encouraging them to save water and energy and to recycle more.

To conclude, all the companies included in the sample appeared committed to understanding, managing and minimizing the environmental impact of their businesses; they also strove to make suppliers and consumers aware of the importance of environmental management. The content analysis revealed similar attitudes and conduct for companies belonging to outsider and insider systems. Therefore, a shared view of environmental sustainability seems to be a factor of convergence between different corporate governance systems.

8. Conclusions

The existing literature investigates the convergence between corporate governance systems focusing on formal or de jure convergence: emphasis is put on the similarity of principles and rules on an international level, with the aim of improving the effectiveness of corporate governance worldwide, despite the peculiarities of each country. There are also studies about substantial or de facto convergence, which refers to voluntary management practices adopted by companies to be attractive to global markets; however, such studies do not examine sustainability as a factor of substantial convergence and potential stimulus to formal convergence.

The issue of convergence arises from the awareness that companies belonging to insider and outsider systems of corporate governance have a different ownership structure and consequent board composition, but similar conduct. Despite their structural differences, global companies have to deal with increasing competition. In such a dynamic world, the most critical success factor for a company is the capacity to create lasting and trust-based relations with its stakeholders, according to a long-term business orientation and value creation approach. This is the true spirit of any sustainable company, which affects its goals, strategies and actions regardless of its formal structure. Therefore, the convergence between insider and outsider systems is evolving along a path where formal rules issued by international and national bodies, on the one hand, and substantial approaches implemented by companies, on the other hand, influence each other.

Based on a qualitative content analysis developed with a directed approach, this article aims to fill a gap in the existing literature and to feed the debate about substantial convergence, which is currently the least discussed and the most difficult type of convergence to assess. By taking a purposive sample comprising five of the most sustainable companies in the world, the research sought evidence about the contribution of sustainability to de facto convergence of insider and outsider systems. Empirical findings show that all five companies strive to balance the legitimate claims of different stakeholders in their decision-making processes; in this regard, no significant difference emerged between insider and outsider systems.

We recognized that the article has some limitations, which are inherent to the research method. The first one regards directed content analysis, as underlined by Hsieh and Shannon [184]: existing theory can be a strong bias to researchers when they determine the initial coding scheme; therefore, researchers who analyze texts might be inclined to find supportive rather than non-supportive evidence of a theory. Another inherent limitation of the content analysis method is that findings depend on what companies choose to communicate. The lack of information about an aspect of sustainability does not necessarily mean that the company has not acted in a sustainable way. In this sense, empirical findings might even underestimate the reality: sustainability might be a stronger factor of convergence than it resulted from the research.

Based on these considerations, we think that our study can have broader future implications, providing important insights into substantial convergence of corporate governance systems and supporting the advancement of the international debate on this issue.

In our opinion, the corporate approach depends on the vision shared by the board of directors; consequently, the board has a fundamental role in embedding sustainability into the business culture, with effects on the firm's strategies and employees' behavior. In other words, the board of directors is the real promoter of both corporate sustainability and substantial convergence between insider and outsider systems.

Therefore, our qualitative research could encourage future investigations in which a dataset could be used to analyze the relationship between board engagement in sustainability and corporate performance in the long run. The investigation could still compare insider and outsider systems, but the study should adopt a different methodology in order to overcome the abovementioned limitations.

However, the research findings of this article could already have practical implications, encouraging the policy makers to translate the best practices for managing corporate sustainability into laws and recommendations. In this way, the substantial convergence may induce a formal convergence that, in turn, would tend to reduce the differences between insider and outsider systems; in our opinion, this would also guarantee an efficient, transparent and trust-based global competition.

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