PAOLO D'ANSELMI,
ATHANASIOS CHYMIS AND
MASSIMILIANO DI BITETTO

UNKNOWN VALUES AND STAKEHOLDERS

The Pro-Business Outcome and the Role of Competition

2ND EDITION

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Paolo D'Anselmi • Athanasios Chymis • Massimiliano Di Bitetto

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List of Abbreviations

ACS	American Cancer Society
BASIC	British American Security Information Council
BP	British Petroleum
CESR	Committee of European Securities Regulators
CNR	Consiglio Nazionale delle Ricerche (Italy)
CNRS	Centre National pour la Recherche Scientifique (France)
CPA	Certified Public Accountant
CSIC	Consejo Superior de Investigación Científica (Spain)
CSR	Corporate Social Responsibility
ECB	European Central Bank
GRI	Global Reporting Initiative
HIV/AIDS	Human Immunodeficiency Virus infection/Acquired Immune Deficiency Syndrome
ICT	Information and Communications Technology
IIRC	International Integrated Reporting Council
JRS	Jesuit Refugee Service
KPI	Key Performance Indicator
MECE	Mutually Exclusive, Collectively Exhaustive
MPG	Max-Planck Gesellschaft (Germany)
NGO	Non-Governmental Organization
ODA	Overseas Development Aid
OECD	Organisation for Economic Co-operation and Development
PSPN	Public Sector Pioneer Network

RCI	Relative Citation Index
SME	Small and Medium Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
UDISME	Unknown Stakeholder, Disclosure, Implementation and Micro-Ethics
UNGC	United Nations Global Compact
UNGC B4P	United Nations Global Compact Business for Peace initiative
UNGC PRME	United Nations Global Compact Principles of Responsible Management Education initiative
WAP	Working-Age Population
WICI	World Intellectual Capital Initiative

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Introduction

Unknown Values and Stakeholders is a further step of our ongoing project concerning competition and accountability in the economy. This book follows the previous works of Chymis, D'Anselmi and Di Bitetto about the theme of Corporate Social Responsibility (CSR), namely *Reconciling Friedman with Corporate Social Responsibility* (Chymis, 2008), *SMEs as the Unknown Stakeholder: Entrepreneurship in the Political Arena* (Di Bitetto et al. eds., 2013); and *Public management as Corporate Social Responsibility* (Di Bitetto et al. eds., 2015a). Specifically, this work represents an updated, three-authored, second edition of *Values and Stakeholders in an Era of Social Responsibility: Cut-Throat Competition?* (D'Anselmi, 2011), in which new content has been introduced to take into account the five years that have elapsed since the publication of the first edition. Moreover, this second edition benefits from hindsight. It follows up statements and findings presented in the first edition and brings to full bloom a total perspective on work, Corporate Social Responsibility and the employed population. It analyzes horizontal ties across economic sectors. This edition also benefits from literature that had not been taken into consideration at the time of writing the first edition, such as *Reconciling Friedman*

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with Corporate Social Responsibility (Chymis, 2008) and *Giving Voice to Values* (Gentile, 2010).

Though we aim, as always, to address the community interested in accountability and economic responsibility, with this second edition we would like also to engage adjacent communities since we feel this is an interdisciplinary effort in the areas of comparative public administration and government, labor economics, the sociology of labor, public management, government-business relations and public-private partnerships. We would like our readership to encompass both practitioners and students; companies may also want to read this book, as well as specific professional figures such as management consultants, social responsibility managers, professionals in public relations and communication, lobbyists, accountants and Certified Public Accountants (CPAs) working in the certification of social responsibility, public affairs specialists, investor relations specialists, public managers, public management analysts, public policy analysts, civil society activists, advocacy groups, NGOs and non-profit organizations.

This book is addressed to businesses adhering to the Global Reporting Initiative (GRI) and to the United Nations Global Compact and their Business for Peace (B4P) initiative. It is also targeted at schools of business compliant with the UN Global Compact–Principles of Responsible Management Education (PRME) initiative, to firms participating in the International Integrated Reporting Council (IIRC) and the World Bank's "Public Sector Pioneer Network" initiative. The book might also be of interest, moreover, to listed firms, business associations and trade unions, as well as to countries with poor standards of public administration.

A "crisis of capitalism" has been looming in the years after the publication of the first edition and in this book we discuss the possible stakeholders of competition as a positive economic value across the economy, providing data to support the contention that capitalists and their employees should disseminate a culture of competition vis-à-vis organizations and their employees that are sheltered from competition. In this context our view is synergic with "Capitalism at Risk" *Harvard Business Review* (Bower et al., 2011) giving a general role (that of the unknown stakeholder) and resources (such as the unknown values presented in this book) to business. In this sense ours is a pro-business outcome. We also discuss Piketty's *Capital in the Twenty-First Century* (2014) and Acemoglu and Robinson's *Why Nations Fail* (2012).

With regard to SMEs being a possible stakeholder of the value of competition, we provide an account of a European project undertaken on this subject, which was introduced in the first edition as an area of further research and led to our Palgrave Macmillan book, *SMEs as the Unknown Stakeholder: Entrepreneurship in the Political Arena* (Di Bitetto et al. eds., 2013).

We also examine the second largest group of the employed who are subject to competition: large enterprises. Large enterprises enjoy several advantages over SMEs. For instance, Peter Klein's research (2008, 2013) shows that large enterprises can substitute public administration tasks through diverse organizational arrangements. Our development of this argument is based on a chapter from Di Bitetto et al. eds. (2015b) "Dear Brands of the World", in Adi, Grigore and Crowther (eds.), while our work in Di Bitetto et al. eds. (2015a) *Public Management as CSR* and on the importance of public administration towards the effectiveness of specific action programs (e.g. poverty relief) is based on Chymis et al. (2016).

The flow of our argument and the structure of this second edition can be summarized as follows. Part 1 contains observations of accountability across various sectors of the economy. The five chapters present short case histories whereby the idea of responsibility is extended to the possibility of a lack of responsibility; positive acts of responsibility are considered alongside possible situations of non-responsibility and non-accountability, which bolster the argument that all organizations should be accountable for their economic responsibility.

In Part 2, Chapter 6, we present the role of competition as a driver of accountability, delineating the competitive divide that separates organizations that are subject to competition from those that are not, and identifying a new inequality among citizens. In Chapter 7, we investigate the possible economic dynamics across this competitive divide. Change will not come about without demand for accountability and business organizations–most likely to be subject to competition–would be a key stakeholder of accountability in all organizations.

Part 3 considers the micro level of individual organizations, reformulating what is specific about economic responsibility that makes it different from philanthropy, welfare capitalism and shared value. In order to detect responsibility at the micro level, we develop a process framework to articulate reformulated economic responsibility (Chapters 8 and 9). Then Chapters 10, 11, 12 and 13 illustrate the four values of the process framework: the unknown stakeholder, disclosure, implementation and microethics.

In Part 4 we show what it means for individual organizations to account for their economic responsibility and how they would implement accountability. Chapters 14 and 15 present case studies on the application of the process framework and instances of management analysis in non-profit organizations not subject to competition (most likely public administration), while Chapter 16 discusses the possible role of professionals as mediator communities to bring about change. Finally, Chapter 17 summarizes the main points and suggests possible areas for further research.

1.1 Responsibility and Accountability

Accountability is a word that is known in the world of accountants and financial statements. In this book, we try to expand its meaning and also to bring it closer to the general public. We use accountability in the sense of giving account, being transparent, explaining what you do in your work, and, as we move from individuals to organizations, explaining what organizations do and what their purpose is, as well as how organizations are pursuing their missions and whether this is being done in an effective manner.

This is a book about work and organizations within the economy. Work takes place within organizations, whether small or large. Organizations are, in general, of two basic kinds: public administration and businesses (similar distinctions are: public sector and private sector, or, not-for-profit and for-profit). All organizations have an impact on the economy; and they are responsible for that impact, so they are also accountable for that impact. If organizational activities have an adverse impact on the economy, the organization is held accountable and it has to remedy the adverse impact. The general view is that organizational impact on the economy is captured by the economic transactions the organization has with other organizations or with citizens and consumers. It is maintained in this book, however, that there is more to the impact of organizations on the economy than is accounted for and reported in financial statements and tax returns. This point can best be illustrated by using an example.

In order concretely to illustrate responsibility and accountability, imagine you own a coffee shop. If you own a coffee shop, you have a book-keeper.

Your book-keeper sends in your tax returns but is often also capable of giving you advice on how your business is doing and could, if he wanted to, write a booklet concerning your coffee shop. We could call this a small responsibility report and it would give an account of your responsibility with regard to the activities of your coffee shop. Since your shop is a small business, not much time needs to be spent on your report; but you can imagine that a large company or a large public organization might need to spend a lot of time doing this and have a lot of things to report. However, despite the fact that your coffee shop is a small business, your responsibility report would still contain a lot more information than your tax returns. In fact, the objective of your tax returns is only to ascertain how much you should be paying in taxes while the responsibility report has a very different objective: understanding the viability of your business.

The responsibility report might want to address the issue of whether your coffee shop's business is threatened or will last well into the future. Doing this would mean addressing the long-term sustainability of your business, which is called simply "sustainability". To answer this kind of question, such a responsibility report must also take into account and understand the impact– or the relationship– of your business on the rest of the economy. In terms of the information that would be contained in your responsibility report, imagine that you want to sell your coffee shop. The person interested in buying it wants to see your tax returns, that is your official financial statements, which will show your minimum earnings. A regular company would call this their "turnover" while a government organization would call it their "budget". But the person interested in buying your coffee shop would not stop with reading your tax returns. He or she would also come over to your premises and stand with you behind the counter, by the cash register, to check whether the earnings you've declared are real. You might have even mentioned that you've declared less than you actually earned. There are places in the world where this is the norm and is called the "informal economy". Working next to you would be the way for your prospective buyer to check diligently the information your book-keeper gave him. In jargon, this is called "due diligence", and there are people who specialize in going around and trying to find out whether what is reported in an organization's financial statements is true or false.

Later, when closing, your prospective buyer would go with you to check the cash register and count the sales slips from the pastry and coffee sales. This is what is called "cost accounting", and it is not shown in your tax returns. It is how your prospective buyer would find out that you make much more money from selling pastries than coffee, so that $1 taken from the sale of pastries is worth more than $1 from the sale of coffee. Coffee vs. pastries. This is a typical assessment of what companies call "direct product profitability". At this point, your prospective buyer would probably begin to take note of other things he needed to know. He wonders whether your staff is polite to the customers; whether your staff works quickly enough and whether they cheat on the coffee or use too much of it to make one cup; whether your staff is diligent in the consumption of other supplies. In other words, your prospective buyer checks the "customer care" and the "loyalty" of your staff to your business. Your prospective buyer will also want to know whether the customers are passers-by or regulars. Regulars are a sign of "customer satisfaction"; if they come back, it means they are getting exactly what they want.

Your buyer might have some questions, too, about the shop's surroundings, such as whether the vacant lot next door will be used for new office blocks or a massive multi-story car park, or whether or not the bus stop right in front might be moved a few yards further down. He will talk to the local police to find out what they are like; whether there will be hassles should he decide to upgrade the coffee shop to a kebab restaurant or make the shop sign bigger. He may want to assess the likelihood that local government will grant him a license to put a few tables outside on the sidewalk. He will probably go to a nearby coffee shop and order something to check how good they are. He will ask himself whether he can put up with the traffic noise at this intersection, since he'd have to spend most of his waking days there. He will check the prices of the suppliers compared with those he works with already. This comparison price is called a "benchmark". He will check whether health and hygiene regulations are being observed, he will examine the toilets and the extractor fan, which seems to be on its last legs, and also what will be done about any unpaid fines. In other words, your buyer will weigh the opportunities and the risks to see whether he will be able to pay the bills of exchange he will be signing. This is what is called the "creditworthiness" of your prospective buyer and it is a useful concept for you, too, because it is no joke to obtain a high selling price for your shop only to find that your buyer cannot afford to pay it.

These different people – the local police, the customers and the suppliers – never figure in your tax returns but do affect the performance of your shop. In organizational jargon, they are called “stakeholders”, they have a stake in your business – besides you, of course, who are also a stakeholder. Only when your potential buyer has all this information can he decide whether to buy your place or not and, if he does want to buy it, what price he would be willing to pay for it. This is an example of the wider impact of the activities of a coffee shop on the economy and on economic actors: customers, other businesses, public administration. We have seen there is a lot more going on between the lines than what actually ends up in a tax return. The hypothetical and complex new financial statement that we have been ideally drawing up is called a responsibility report. Responsibility reporting is about activities, not only about money. For the sake of illustration we have been talking about a responsibility report meant to show the accountability of a small organization, a small business, in this case, a coffee shop, but this same operation could have been done for a public-administration organization.

There are actually various names for reports such as this: citizenship report, social responsibility report, integrated report, or sustainability report are only a few examples of the most-used names. The idea, however, is always the same: to put together a document that “tells all”, and tries not to leave anything out or hide anything from the reader, a document that tells the whole story about an organization and illustrates the overall impact of the organization on society, especially in the main area of the organization’s mission. There is, however, a logical distinction between the words that are used to identify reports: responsibility, accountability, sustainability or durability. There is a logical chain linking these abstract substantives: one is accountable for the actions one is responsible for; if the process of accountability then has success, i.e. it does not meet with contradictions, it is likely that an organization will be sustainable in the long run. Therefore, the logical flow goes from responsibility to accountability to sustainability.

The kind of accountability and responsibility reporting we have been considering is undertaken in corporations, i.e. privately owned businesses providing goods or services that are generally available also from other privately held businesses. This strand of responsibility has taken the name of Corporate Social Responsibility because at present, many major companies publish an annual CSR report. Such dissemination provides an opportunity for business at large: CSR reporting should be leveraged to provide a tool of internal and external accountability for all organizations, not only private businesses.

We need to make a distinction here: a large part of the accountability movement has revolved around special programs for social and environmental issues. This is what we call here "mainstream CSR", which, more than revolving around the basic idea of accountability that tells you all that is important about the organization, revolves around ad hoc activities called CSR programs. Instead of revealing the organization, CSR has concentrated on doing something to be socially worthy. The social responsibility of the impact of the organization's activities has been interpreted to some extent as liberal activities, or "doing good", whereas the word "social" could have been interpreted as looking at the impact of the organization's activities beyond the narrow boundaries of the organization. We say that mainstream CSR does not deal with the core activities of the organization but is concentrated on doing something special and specific in terms of the organization's relationship with its employees, the community and the environment.

We see economic responsibility as accounting for the core business of all organizations. Our view of responsibility diverges from the mainstream view that sees CSR as a special program for private business corporations to cater to society and the environment. Mainstream CSR sees social responsibility as basically at odds with profit-making while we see economic responsibility in tune with profit-making, and accountability as the effort on the part of organizations to account for all the difficulties that hamper the realization of suitable conditions for such an accord. The responsibility reports of organizations are the empirical basis of this study. Many studies are available on CSR, but there are very few on responsibility reporting. Responsibility reports are often written in a heuristic fashion and, while there are standards to follow with regard to writing a responsibility report, their application leaves much to be desired. One of the aims of this book is to ascertain what the optimal content of these reports would be, and what information they should provide to account for the impact of an organization on the economy. This is worth pursuing because these reports are an opportunity for awareness on the part of all organizations, as well as for the public to find out what is going on in the economy in a more structured fashion. Our search will lead to the revealing of economic values that are currently neglected, and the revealing of stakeholders that are currently unaware of their potential: we will be talking about "unknown values and stakeholders".

So far the general standing of responsibility reporting within organizations has not been very high. Colleagues within business organizations do not think highly of CSR; stakeholder representatives go with the flow, journalists do not read the reports and top managers tolerate CSR as a good-manners habit. Our aim is to envisage CSR that is not shunned by corporate executives. While Corporate Social Responsibility sounds like something liberals would love and corporate executives would hate, we wish to make clear from the outset that our work is not anti-business. We may speak interchangeably about economic responsibility, sustainability or accountability, but we always mean the same thing: tracing organizational activities to their consequences and impacts.

1.2 Addressing Business Concerns

Business management is skeptical about accountability, especially the CSR version of it as outlined above (what we call "mainstream CSR"). *The Economist* (2005) published a survey arguing that all monies spent on social activities of "mainstream CSR" were not only a drain on money from shareholders' pockets, but also a distraction of management time, attention and energy. Not only *The Economist*, but also liberal intellectuals favorable to social issues, feed a culture of strict economic accounting which takes into account only the financial bottom line of an organization, irrespective of how that bottom line is obtained. This section is meant to address business skepticism about the wider responsibilities of corporations by arguing that corporations–and also public administrations–may not play by the very rules they are proud to share: open market competition and profit-making. This argument is developed in the course of the first two parts of this book.

To counter the view that corporations have no responsibilities other than their financial bottom line, we show how this bottom line contains a variety of impacts that are not usually accounted for in standard corporate documents. For instance, if a study of a corporation's economic performance was based only on profits and stock valuation, many utilities would be praised as profitable. This is relevant to CSR, accountability and sustainability analysis because accountability analysis is the operation whereby – like in the coffee shop example – the question is whether a utility that is making profits above the market average is taking advantage of its monopolistic position at the expense of its customers. The sustainability report is not necessarily a window into the good deeds of an organization. In a responsibility report, a company gives an account of the competitive context in which profits are earned. There are differences between a company that is subject to international competition, one that has a dominant market position, and a utility that is, in most cases, a monopoly.

Skepticism towards CSR is widespread not only in privately held businesses but also in organizations that have some involvement with the public sector, as would be the case for a foundation working on a language dictionary with government subsidies. For these kinds of organizations it would be even more appropriate than for private companies to draw up a responsibility report since they should give an account of their use of public funds, which are appropriated through a more complex process than the purchase of goods from a business. A responsibility report raises its gaze from the internal operations of a government organization– or of a corporation– towards the wider impact of that same organization on the economy and society. The report is about the disclosure of information and the taking of responsibility. Seen this way, the report appears less liberal than mainstream CSR has it.

In a competent sustainability report, a company can extend its sights beyond shareholders to consumers and society at large. In fact, it is not uncommon that anti-trust and energy regulators find that prices of energy products are high while the quality of service is poor. In its sustainability report, a manufacturing corporation might provide information about voluntary trade agreements that keep competitors out of the country. Or the same company might give an account of possible government subsidies received for some special purpose, like the development of a depressed area of the country. Or the same manufacturer might provide data about quality checks vis-à-vis a competitor's products. In an accountability report, a bank might indicate the share of its deposits from government agencies, which would be a key fact about the bank were it to be acquired by a market-oriented giant. It is possible that, at some point in the social and economic context of specific organizations, this kind of information is considered confidential; but it does not need to stay that way forever. Financial statements have evolved over time. The very idea of accountability is one that voluntarily moves the boundaries of confidentiality, and competition is also moved to other–more substantial–areas of activity, benefiting all parties involved.

Another criticism of accountability reporting contends that the information provided in the reports is somehow "sweetened".This is often the case. It is clear, however, that what is interesting in a responsibility report is the content that could have been included but was not. It appears that there are opportunities for accountability and sustainability reporting that are not currently being taken up. It is a general finding of communication theory that what is communicated reveals something of the communicator about which the communicator himself may not be aware. Even if an organization is not truthful about itself, the very act of communicating, of writing a report, reveals something more about the organization than the organization itself meant to communicate. In other words, we contend that by analyzing responsibility reports we can discover something the organization did not mean to reveal in the first place.

"The reluctance to open up and relay what is really happening here is a common experience" (Kakabadse and Kakabadse, 2007). The reluctance of organizations and individuals to open themselves is no secret (Niskanen, 1968), nor does it carry any particular stigma. The thesis about revealing relationships found normative explication in the two-way model of communication (Grunig et al., 1995), which established a symmetrical relationship between the parties involved. Finally, and waxing a little poetic, theater was the first form of communication explicitly meant to elicit sentiments and truths out of unaware parties. Shakespeare expressed this circularity and synthesized it in one line, spoken by Hamlet: "…the play's the thing. Wherein

I'll catch the conscience of the king…". Hamlet presents his purpose to have a play represented whereby a person is killed in the same way his uncle killed his father; this way–should his uncle be shocked by the performance–Hamlet will find out the truth about the death of his father. This literary example says that through the representation that organizations give of themselves in accountability reports, we can understand their social responsibility.

1.3 Propositions: The Value of Competition

Competition is a driver of accountability and responsibility. A latent energy lies at the heart of the economies of the world: that energy is the positive value of competition by which about three billion people pursue their daily occupations. Being subject to competition, they are accountable for their work. Around half a billion of those employed in the same economies are less accountable to positive social and economic forces: those who are employed in regulated industries, monopolies and public administration. However, tapping that energy of competition is a difficult task as competition is a tricky force, feared by the very people who live by it. In public and private discourse, "competition" is quite often preceded by a scary adjective: "cut-throat". Hence cut-throat competition; thus, organizations subject to competition–and all those working for them (employers as well as employees)–fail to bring the positive value of competition to bear in the economic and political arena, thereby failing to turn their weaknesses–being subject to competition–into an opportunity: the possibility to ask that all the employed be subject to a form of competition or accountability. This predicament delivers a deficit of meritocracy in the economy, a deficit of effectiveness in the action of public administrations, and lack of efficiency in protected and regulated industries. This phenomenon points to a new inequality in the world: inequality in working conditions. The end result is an overall weakness in the economies affected by such deficits, a competitive disadvantage. This new inequality is no less pervasive and deeper than other inequalities; as much as discrimination by race, gender or other, this new inequality violates the basic human right of equality. Broadening the concept of competition to all sectors of the economy, this book also shows in practice how to do analyses that allow virtual competition between organizations that are unique in their current organizational arrangement. Such virtual competition can be ensured by comparison or benchmarking, as this type of economic process is often called.

The logic of collective action (i.e. organized self-interest) makes SMEs and large enterprises the stakeholders that should embrace the value of competition and have it observed (in one form or another) by all those sectors of the economy–such as public administration–that do not observe it today. However, SMEs are too small to be studied, too many to be ignored and too fragmented to be helped. The value of SMEs lies only in their efficiency as a shock absorber in the employment provided by the economy. Through the force of competition, the representative bodies of SMEs could have an opportunity to become full-fledged stakeholders in the economic arena, and make public administrations effective and regulated industries efficient. Large enterprises appear to be in a better position to perform as a collective actor. They have the resources, the funds and the knowledge. They are also the real competitors of public administration because they could take up many of the latter's functions. In fact, large enterprises lobby public administration (including legislatures) for privatization. Privatization is indeed one way to make public administration more accountable; however, privatization carries a lot of ideology. We suggest that the issue of accountability be framed in a wider context, involving not only private entrepreneurs but also their employees, who are– with the entrepreneurs–also subject to competition, by involving and leading other sectors of the economy: SMEs, non-profit organizations and also those employees of organizations that are not subject to competition but are nonetheless aware of the benefits of meritocracy and wish to have those rules applied.

Starting, then, from accountability and CSR, analyzing what CSR is, what it is not and what we would like it to be, we extend CSR to all organizations in the economy (private businesses as well as public administrations). We thus develop the concept of "accounting for work" as a duty for everybody within the economy. Such a duty brings to the economic foreground the struggle between organizations (and their employees) subject to competition and organizations (and their employees) whose work is performed under monopoly privilege. Once the economic arena is redefined along these lines, those who are employed subject to competition become protagonists in the debate for the advancement of the economy. All of them–employees and employers–have a potential benefit to reap, and all they have to do is become aware of the value of the competition and accountability by which they already abide.

1.4 Propositions: A Reformulation of CSR

Mainstream CSR is present when businesses respond positively to society's problems. The invitation to assume such responsibility derives from the United Nations Global Compact following the turn of the millennium. This compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ethical principles. The idea of companies adhering to CSR has spurred the reporting of such behavior, and such reporting has given rise to guidelines for doing so.

Because it involves activities done outside the core business of firms, CSR as defined in the preceding paragraphs has encountered much skepticism on the part of the managers of corporations. We analyzed, therefore, the responsibility reports of numerous corporations and developed a solution that could be considered more relevant to business. The solution that we propose is a process framework that is also compatible with issue frameworks such as the GRI guidelines. An issue framework consists of guidelines that tell what data to provide in order to report on CSR. The proposed process framework is formed instead by four values that illustrate how to think about the accountability of an organization: the unknown stakeholder, disclosure, implementation and microethics. Our process framework is not about "what" to say, but "how" to look at the core business of firms in order to identify instances of CSR and "how" to report on them. Through the process framework we propose a constructive reformulation of CSR. At the same time we say what CSR could be and how that reformulated CSR could be attained.

A key element of the proposed process framework is that responsibility analysis ought to look at the instances where "irresponsibility" can be identified within organizational behavior. This is also expressed through the concept of "think negative", commonly expressed as "negative testing"; this is testing aimed at showing that something does not work ("test to fail"). In fact, we believe that the "positive" reporting of the issue frameworks is subject to the risk of "anesthetizing" oneself with all the good things that organizations do, thereby missing the point of possible irresponsibility. This point of view makes CSR germane to risk management.

1.5 Propositions: Responsibility Is for All Organizations

Our proposal, then, is to extend the concept of CSR and accountability to all organizations, beyond private businesses, corporations listed on the stock market and state-owned enterprises, to whom CSR is limited today. The main reason for doing this is that current non-market mechanisms of accountability of public administrations–mostly based on legal control–appear to be inefficient, and need to be complemented by other mechanisms and concepts. Also, the boundaries between private and public organizations are far from clear-cut, especially after the economic and financial crisis of 2008.

Having identified in the notion of work the common denominator of all organizations, since work is present in all of them, the general notion of CSR can be reformulated as "accounting for work": all work must be accounted for. This is linked with the idea of negative work and to the provision of public "bads" (Klein, 2008).

1.6 Propositions: Competition Is at Work Within Industries and Across Sectors

One driver of accountability is vertical competition: this is the struggle experienced by companies engaged within each industry and within the same economic sector. This is the competition we are usually accustomed to talking about in economic debate. This kind of competition makes producers undercut each other through price-cutting, results in producers relocating their production facilities to countries where costs are lower, and motivates them to strive for product innovation. On the other hand, this kind of competition brings consumers the benefits of lower prices as well as new products of better quality. Vertical competition is central to the process of accounting for work because, in and of itself, it makes work accountable, if not instantly valuable from an economic point of view, and at least subject to economic scrutiny. Vertical competition, in fact, facilitates accountability. It does not guarantee that the firm or the organization subject to competition will behave correctly, but it does ensure that economic actors, having the opportunity to adopt competing goods and services, can do without a company they do not like. Competition does not rule out the need for awareness, management and reporting of CSR. However, economic units that decide not to be accountable bear the cost of doing so and cannot share this cost with the rest of the economy.

It is not only vertical competition, however, that is at work here: horizontal competition is also present. Horizontal competition is the struggle between different industries and sectors of society to appropriate shares of national income. The objective of vertical competition among individual companies is to prevail over competitors and win shares of vertical markets, but competition also takes place–less obviously, but with no less impact on income–on an aggregate level, between entire sectors of society: for instance, public administration vs. private companies. This competition on an aggregate level need not be a conscious process, but it is the result of the internal dynamics of competition within industries, which, in fact, leads to a process of growth or contraction of those industries vis-à-vis other industries as a function of their relative strengths. Industries that are part of industrial or service sectors that are sheltered from competition will end up winning larger shares of income versus sectors that are subject to competition. Originally, as we said, CSR came into being because of the desire of public organizations to force private corporations to abide by human rights. This pressure could be seen as one instance of the horizontal competition between different economic sectors (public administrations forcing private businesses to make some extra effort on behalf of the economy and, therefore, also for the employees of the public administration).

In our view, once the duty of accountability is extended to all economic sectors (public administrations and private businesses, for-profit and non-profit organizations), horizontal competition between economic sectors becomes the crucial driver of accountability, and a reverse process of growth or decrease can take place: sectors subject to competition (i.e. in general these would be private companies; but public administrations could also be organized in such a way as to introduce competition) can ask for accountability from those sectors that are not subject to vertical competition (i.e. in most cases, public administration), with the objective of reaping economic benefits from better and more economically profitable work by public administration. The total number of those who are employed in the economy can therefore be partitioned horizontally between that part of it which is subject to vertical competition and that part of it which is not. The notion of a "competitive divide" is thus derived: the competitive divide is the notional line separating industries subject to competition from those industries (or sets of organizations) which are not. The work of employers, employees and executives who are not subject to vertical competition enjoys a shelter vis-à-vis the work of those who are. This is a predicament of the economy of no small import, not only from the point of view of equality between human beings, but also from the point of view of economic growth and efficiency. The solution we propose is that those who are not subject to competition must give account of their work through the introduction of vertical competition or through pseudo-market mechanisms, such as accountability and CSR reporting and benchmarking. Somehow, the work and the jobs that are not subject to competition must account for the validity of their economic contribution – basically through virtual vertical competition (benchmarking) and transparency reporting.

From an empirical point of view, large enterprises, SMEs and the majority of the employed are on the competitive side of the competitive divide, while monopolistic sectors (such as public administration) are on the non-competitive side. The CSR picture is reversed at this point. Mainstream CSR appeared to be a duty for large corporations who could afford CSR executives and CSR budgets; who struggled to figure out ways to "do" CSR. Under the auspices of this reformulated responsibility, companies become key actors of economic responsibility and ask for accountability from organizations that are not subject to competition.

1.7 Propositions: Organizations Subject to Competition as Actors for Change

What is the force that will move the economy towards accountability? Awareness and leverage of the latent energy in the economy: the positive value of competition. Horizontal competition is the answer. This force will be the self-interest and the collective action of those who are subject to vertical competition vis-à-vis those who are not. Horizontal competition is a force potentially more relevant to the economy than the owner–employee, public–private, left–right, labor–capital conflict. We could also call it a "power struggle". Vertical competition exists because many want to sell to few; horizontal competition exists because economic groups–differing by their position vis-à-vis competition–still compete with each other to appropriate shares of national income. For instance, the salaries of public administration employees are driven by different mechanisms from those regulating the salaries of private sector employees. Nonetheless, there is a struggle between private sector workers and public sector workers to increase their own salaries, one at the expense of the other. This is horizontal competition, and one instance of those internal dynamics of industries that lead to competition between sectors.

It is certainly not the individual shopkeeper who will be interested in promoting the economic value of competition. The shopkeeper is an economic unit that is subject to competition, but he will not start an economic conflict about it. He does not have the resources or the incentives to do this by himself. It is the representatives of those economic units that are subject to competition, the leaders of the business associations, who could tap the reservoir of economic value (being subject to competition)–already embodied in their own fabric–to negotiate with public administration representatives and governments.

We did research (Di Bitetto et al. eds., 2013) on the potential of SMEs to absorb a message like the following: "You are the embodiment of the positive economic value of competition. You should make that weigh in your local and national interaction with public administrations and large businesses." One preliminary finding is that local SME associations are immersed in vertical competition and, though attracted by it, are not ready to act upon the value of horizontal competition. They have practical needs that need to be met in order to serve their members, the small entrepreneurs; these needs are of greater relevance to them than listening to general statements of economic intent. We also did research to assess the potential of large corporations to leverage the value of competition (Di Bitetto et al. eds., 2015b) "Dear Brands of the World", in Adi, Grigore and Crowther (eds., 2015). The large corporations prefer to lobby public administrations rather than confronting them. However, they could have the resources to develop a wider strategy of accreditation of the positive value of competition in the economy.

1.8 Propositions: A Perspective for Economic Development

The emphasis here is the global value of our argument that competition is a positive value at the supranational and transnational levels. The notion of a competitive divide is, in fact, applicable to all economies, if not to the entirety of each specific economy. Also, the notion of large corporations is a global one; therefore, a move by large corporations towards removing the competitive divide appears to be one that all economies can entertain and profit from. Indeed public administration that is more accountable and effective is a key perspective for the economic development of many countries in the world.

1.9 Specifics of the Second Edition

Coming to the specifics of this Second edition of "Values and Stakeholders", the reason we add the word "unknown" to the title is to signify that we mean values and stakeholders different from the mainstream notion of these figures. Ours is an entirely new formulation of CSR and the adjective "unknown" in the title is to make sure our book is not perceived as a "do-good" book. For some readers, the word "values" may recall conservative politics (anti-abortion, anti-gay) or liberal politics (do-good); "stakeholders" may make one think of stockholders. We put the word “unknown” upfront in our title to present the idea that we are considering other values and other stakeholders that are prevalent and pervasive in the economy that are not the usual values and stakeholders one thinks of in the current culture. The outcome of our research into the forces at work in the economy brings us far from the known lists of values and stakeholders and gives us an entirely reformulated view of social responsibility, whereby business should aspire to the leadership of what is accountable and socially responsible. That is why we subtitle this book: “The Pro-Business Outcome and the Role of Competition”. The subtitle communicates that our book contains a view of CSR that is different from the standard (anti-business) approach.

The following are **our propositions**:

- competition is a positive value in the economy;
- business companies are a positive stakeholder in the economy when they are subject to competition;
- public administration is not per se socially responsible because it is not subject to competition; and
- large sections of the economy are not aware of the positive value of the competition they live by: they are the unknown stakeholders.

We all speak and hear a lot about the “right” values in the discipline of social responsibility but we seldom specify what those values actually are. The values to be integrated in this book are those from mainstream Corporate Social Responsibility: human rights, organizational welfare, the environment and the absence of corruption. Our view goes beyond this view of social responsibility, which we call “mainstream” social (or better: economic) responsibility, and identifies values (beacons of economic conduct) that are pervasive in the economy and yet are ignored when it comes to economic responsibility and accountability. Not only the “right” values are values, but competition, multiplicity and implementation are values as well.

Our view is so different from the view of mainstream CSR that we propose that the most important value for social responsibility and accountability is competition, whereas in mainstream social responsibility, competition is actually thought of as having a negative impact on social responsibility.

We come to this conclusion by broadening our perspective on economic responsibility to the economy as a whole, within and across industries and sectors, and argue that the "best way forward is to use the knife of competition to hone the social performance of all organizations" (endorsement to the first edition by Herman B. "Dutch" Leonard, 2011).

This book explains why there is more damage done where there is less competition in society. Cut-throat competition actually happens when there is no competition. This book illustrates that what we call capitalism is only a blueprint of capitalism, because the conditions of a competitive market (free and open for all participating actors) are yet to be attained in most societies.

Mainstream CSR mostly concerns large organizations. When we acknowledge the unknown value of competition, we see that a large share of the economy abides by that value: most of those who are employed in the economy work in organizations that are subject to competition. However, there are many among the employed who are sheltered from competition. Thus we get the notion of the unknown stakeholders: employers and employees of organizations subject to competition unaware of the value of their work. Work subject to competition is per se an ethical act. Employers and employees of organizations subject to competition are unknown stakeholders of competition across sectors of the economy.

The stakeholders we identify and bring to the foreground in this book are not within the domain of stakeholders identified in mainstream CSR: shareholders, employees, customers, suppliers, community, environment and state. These classical, seven stakeholder groups of mainstream CSR do not include competitors. In practice, most CSR is focused on employees and the environment. On the other hand, mainstream CSR is completely focused on business organizations while a large part of the economy, i.e. public administration, is non-business; it has monopolistic economic organizational arrangements and a pervasive impact on the whole economy. Also, in mainstream CSR stakeholders are assumed to be synergistic among themselves and their individual view is assumed to be good for the economy as a whole. We propose a more conflictive view, thinking, for instance, of the potential customer-employee conflict observed especially in public organizations.

Such values and stakeholders as we have described here are unknown, like the "unknown warrior" who once had an actual name and identity but no longer does, and needs protection and stewardship. The unknown stakeholder is not marginal, a snob or a revolutionary. The unknown stakeholder is the forgotten (Olson, 1965) part of many economic actors in the economy. The unknown stakeholder is also that part of economic actors that is not listening to Karl Marx's historical materialism and, therefore, is not behaving according to its own material self-interest. It is "unknown" in the sense that it is ignored in the field of accountability and social responsibility. What is not new, however, is the value of competition; the identity of those subject to competition is known and studied in other fields, but not in accountability and social responsibility.

In the following chapters of this book we take a detailed look at the current state of the accountability of organizations and at what sustainability reports look like at present by considering cases in six sectors of the economy that we have identified as large corporations subject to international competition; monopolistic companies, like utilities; non-profit, private companies; public administration; the polity, like legislatures and political executive bodies; and the micro, small and medium enterprises plus the informal economy. This provides a cross-sector illustration of work and accountability throughout the whole spectrum of employment, and illustrates that organizations belonging to industries subject to competition perform better vis-à-vis accountability and responsibility.

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Part 1

Observing Accountability Across All Sectors of the Economy

We present here short case histories across all sectors of the economy, illustrating examples of accountability. Our proposition is that organizations in all sectors of the economy can be accountable or not, responsible or irresponsible. We also contend that competition is a key driver of accountability, so we have organized the presentation of our observations by economic sectors as a function of being subject to competition, proposing that responsibility is for all sectors albeit each has its own characteristics.

Sectors are groups of industries. We propose that the profit orientation of a sector is not as relevant vis-à-vis accountability; rather, what is important is being subject to competition.

We have identified the sectors of the economy as follows: large corporations subject to international competition; monopolistic companies, like utilities; non-profit private companies; public administration; the polity, like legislatures and political executive bodies; and, finally, the micro, small and medium enterprise plus the informal economy.

Chapter 2 considers large organizations subject to competition. However, it is not only international companies subject to international competition that are prone to irresponsibility. Even more so are monopolies, regulated industries, government bodies and other non-profit institutions, including political bodies. In Chap. 3 attention turns to monopolistic companies, like utilities. Chapter 4 discusses micro, small and medium-sized enterprises along with the informal economy and non-profit private companies. Chapter 5 deals with large non-profit organizations not subject to competition; these are, more often than not, organizations of public administration. Chapter 6 is devoted to organizations of the polity, such as legislatures and political executive bodies.

If corporate social responsibility (CSR) is in the core of the business for companies that are subject to competition, then CSR is even more important for companies that are not subject to it, and should be extended to the private nonprofit sector, to the public non-profit sector (public administration) and to the public arena *par excellence*: politics. We examine the fluid boundaries between the private and the public sectors precisely because mainstream CSR would have it applicable only to the private sector.

Our samples of organizations in each sector serve to illustrate our proposition about accountability–or lack thereof–as revealed through organizational responsibility reports, grey literature and chronicle information. Our samples are not presented as statistically significant, and our propositions about competition being a driver of accountability will be elaborated upon through the literature.

2

Large International Organizations Subject to Competition

Let us now study the social responsibility reports published by those companies subject to greater competition: international business organizations or large corporations.

In analyzing these companies, some “*bon ton*” is revealed, as one might expect where organizations are metaphorically referred to as families, such as statements by Bill Gates or the Egyptian magnate who addressed his employees as “Dear Family”. Good responsibility reports are identified as those implying disclosure of data beyond lawful requirements, such as the case of Nike, which revealed the list of its suppliers and provided an analysis of working conditions.

This chapter concentrates on companies selected as representative of different industries and prominent on a global scale. It illustrates our proposition about accountability as revealed through organizational responsibility reports.

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2.1 A Software Manufacturer: Microsoft

We begin with a company that might be the archetype of a global business: Microsoft. Microsoft is the producer of the software that makes personal computers tick. It is the creator of quotidian aspects in our lives, such as *Word*, when we write a letter, and *Excel* when we make a table of numbers.

Here is how one of their responsibility reports ended: “Together we can change the world”. While we would consider it preferable for the language of a responsibility report to be a bit more subdued, this report becomes informative immediately, with its table of contents. For each section, it includes references to the Global Reporting Initiative (GRI) guidelines. The GRI is the global, non-profit organization that elaborates standards for the triple bottom line report, which is one definition of a CSR report owing to the fact that it aims to account for three domains of organizational activity: economic, social and environmental (Elkington, 1997).

Referencing the global standard is a sign of openness on the part of the reporting organization because it allows an evaluation of the text’s adherence to the standard. Comparability is a key objective of a standard and should be pursued both within the reports of the same company over time and between reports of different companies. However, cross-referencing to the standard could be improved significantly by inserting references into the body of the text across the whole report and using the graphic style of the GRI.

The issue of comparability appears to be crucial in cases of online communication and reporting (Muzi Falconi et al., 2014), where the risk of dispersion of information increases. Such risk may create an asymmetry of information between the organization and its stakeholders; the upshot might be market failure.

A diligent reader could aim right for Microsoft’s weak spots to see whether the report talked about the anti-trust cases being filed against the company at the time of its writing. Yes, the report talked about them, and even indicated an Internet site for further details, but more information was lacking in terms of the results of the lawsuits, whether or not Microsoft negotiated a settlement – as in, admitted fault – or whether it had won.

And Linux? Not a word. The open source software system that represented the greatest threat to Microsoft's global supremacy was ignored entirely. Casual reference was made to a computer program capable of doing the same things as the Microsoft programs, with the added advantage of being available free on the Internet. Linux was the result of a collaboration on the part of many programmers and software architects who wanted to contrast Microsoft's pervasive presence on the market, and it would have been correct to mention the existence of similar initiatives in the company's strategic framework. In subsequent years, Microsoft would have done a great job if it had confronted this situation – and even published in its reports large sections of the books that analyzed the competitive context in which software is produced, and the economics of cooperative commons.

2.2 A Food Company: McDonald's

At McDonald's, we find ourselves in the upper echelons of global enterprise but it is a good example of the effects of a business on its own surroundings and could constitute a textbook case of responsibility reporting, because the smell of fried food that permeates any place a McDonald's is located is an example of the undesirable external effects of economic activity. The classical textbook example used to be the smoke from Italian pizzerias that blackened the clothes at the Chinese laundries. We wanted to check whether the company was aware of the possible external effects of their activities, and whether it took responsibility for them, so we examined a McDonald's Corporate Responsibility Report. The quick answer is that McDonald's did not show awareness of being the cause of the possible negative external effects we just described; however, they appeared to be doing a good job at responsibility reporting.

In fact, the McDonald's responsibility report was convincing because it did not seek a third position – that is, alternative routes to normal business in addressing responsibility. McDonald's see their responsibilities right in the core of their business, and the report was laid out as a business plan for making money according to the four Ps of marketing:

the product (what is sold to customers), the place (where the product is distributed – the restaurant), the price and the promotion. To these initial four Ps was added a fifth – people – that is, the employees, their career opportunities and treatment.

The report began with an evaluation of responsibility for their product through dietary analysis, from which the company conceded that it was not healthy to eat at McDonald's every day and at all hours. In considering place, the network of McDonald's restaurants was bared in every aspect, from a study of the waste generated – solid and otherwise – to a study of their economic impact on the local community. A study commissioned by the company revealed that over 40% of the proceeds of a single restaurant were absorbed by the territory in which it was located in terms of supplies, employee salaries and profits for the restaurant owners. Mention was also made of the GRI but the report did not provide the recommended information.

In conclusion, the McDonald's report had both practical and cultural implications. It revealed the modest import and commonplace aspects of capitalism while at the same time, thoroughly analyzing each specific activity, attributing to each one the dignity of honest work.

2.3 A Weapons Manufacturer: BAe Systems

BAe is a British industrial concern. Ninety thousand employees throughout the world, and sales equal to €20 billion – a company of the same size as Chrysler – a producer of contemporary instruments of war: radar systems, airplanes, avionics, ships, military submarines and smaller submarines for civil use.

BAe Systems knew it was operating in the stigmatized business of the arms' exporter and recognized the particular responsibility this entailed. It faced the issue by dealing with state subsidies. In fact, orders from the Royal Air Force could be considered as government support to British domestic industry. Indeed, that orders to BAe from the British Government were subsidies in disguise was the point of view of the British American Security Information Council (BASIC), an independent think-tank with which BAe had initiated a debate on the company's impact on the national British economy. BAe maintained that it was very competitive and that it sold its products at a fair price (otherwise they would not have had clients in 130 countries throughout the world). Also, one should appreciate the gentlemanly way that BASIC's views on the subject were given greater prominence on the page than BAe's own rebuttals by using a slightly larger print.

After dealing with the economic impact and potential government subsidies, the report went on to illustrate how the company interacted with clients–a delicate way to approach a second critical issue: corruption. In fact, it is never sufficiently clear how weapons are sold. The BAe responsibility report attempted to show how committed the company was to applying anti-corruption laws, while pointing out the difficulties it faces in a world where compliance with the law is often questionable. There was an original element in their approach. BAe undertook an interesting attempt to introduce a compliance indicator in its corruption policy. To come up with it, BAe established a support hotline for its employees throughout the world. The indicator was made up of the number of telephone calls to the hotline and the type of problems reported. This is an example of an effort to measure an instance of organizational behavior that is very difficult to capture.

2.4 An Oil Company: Total

Total has over 100,000 employees and a turnover of more than €100 billion. This corporation is so huge that it looks more like a large electoral constituency. It is the fourth company in the competitive context of the oil industry. Notwithstanding Total's large size, the structure of their responsibility report reflects the classic triple bottom line (Elkington, 1997). Total acknowledged its awareness of all the key issues regarding accountability:

1. dissent regarding globalization, "a social and economic order that is perceived as unfair, a source of instability and untenable in the longer term";
2. the distribution of wealth in the producer countries; and
3. the need to "combat corruption and enhance transparency".

Total also recognized that there is an "unflattering opinion" about its business: "Image is the Achilles' heel of many large companies and Total is no exception". While it is debatable whether worries about image should be considered a primary issue, here was justification for explicitly mentioning its importance, considering the frankness with which Total previously addressed the most urgent and substantive issues. It relegated image to the role of a mere effect – a background element.

Total exhibited a sense of responsibility for the future, even though the previous year's report had revealed that its oil deposits had a 45% greater potential than the amounts extracted; this meant that it had not reduced but actually increased known available resources. With no ace up its sleeve–a solution that would solve, once and for all, the issue of long-term energy supplies–the corporation was committed to researching alternative energy sources, such as the hydrogen fuel cell on which trials were being conducted in their Berlin research center.

Finally, Total did not lock itself inside its corporate perimeter and reported that, including suppliers, 11 people lost their lives in industrial accidents in one year. It is important that an organization account for the responsibility of its suppliers in these times of widespread outsourcing, thus reporting about the wider impact of its activities.

2.5 The Nike Case

Nike's gesture to reveal the list of its Asian suppliers and publish the results of research carried out on their labor conditions was exemplary, though it made this decision after pressure from the international community and many years after the initial rumors had started circulating. In fact, in previous decades, the company had been the target of a campaign denouncing the exploitation of child labor on the part of its primary suppliers–those in Asia. Photographs were circulated of children sewing shoes with the company logo in clear view. Once the responsibility report was published, the media diffused this news and, in a short period of time, a great deal was said, good and bad, concerning Nike's operations.

Disclosure, the revealing of inside company information, is the central idea of the concept of social responsibility. It must be clear that the more an organization opens up, the more it reveals, the more it can be criticized. This is a general principle of reporting. A well-made report offers occasions for the reader to ask for even more information. Nike's responsibility report got to the heart of the issue in a table that went far beyond the list of suppliers being focused on by the media, describing the working conditions in each of its 569 factories. A group of inspectors had been sent to evaluate each place and had meticulously compiled its results. Conditions in the factories were deplorable, but hardly amounted to slavery.

2.6 A Cement Company: Holcim

Cement is a typical "glocal" business, tied both to local conditions of supply and demand, and to global technologies. Supply comprises the availability of materials–basically soil–too poor to be worth transporting. Demand is the presence of a construction industry engaged in the development of real estate and infrastructure.

Holcim's responsibility report embraced a triennium. Considering its long-term perspective, it started off on the right footing because a view longer than a single solar year, as is the case with financial statements, is one of the interesting attributes of a responsibility report.

Holcim is present in 170 countries, and reaches sales of over €300 million in Italy. It has a healthy cash flow, about 40% of turnover. A good several million tons of cement were produced; slightly less than one million cubic meters of concrete–enough to build a city. The chapter on anti-trust talked about an agreement made between competing companies to the detriment of their customers. A penalty had been inflicted by anti-trust authorities, which was then overturned by the court. This is an interesting example of accounting for the competitive context of the reporting organization.

The report talked about the core business of the company and demonstrated with a diagram that the lacerations visible on the hillsides from strip mining supplied raw materials for construction and could be subsequently recuperated. In its initial summary, the report drew a tree with many branches to articulate environmental performance. This was a diagram of the various aspects of the company's impact on the environment: the use of raw materials, energy consumption, water use, emissions, waste, noise pollution, site recuperation, transportation and investment.

Such an exercise was instructive per se because it attempted to identify and explain realities that are often difficult to perceive and define. That attempt symbolized the implications of responsibility reporting, the challenge that every operational evaluation poses to those who undertake it, the report writer, and those who read it. The report was educational because it dealt with a very technical business. For example, clinker is what makes cement strong, like nickel in stainless steel, but its use is energy-intensive because, to undergo fusion, it requires fuel, and it damages the environment because it comes from strip mines. Holcim demonstrated that, despite the fact that the production of cement had increased, the use of clinker had increased less than proportionally thanks to the company's efforts to substitute it with less costly materials. It was thus an example of synergy between economic activity and respect for the environment.

Missing from the report was a table of the total number of facilities, and a map of their location. This would have helped readers to correctly interpret the importance of sites located in the small towns of Lombardy. It is necessary to provide complete references (in engineering jargon, the "denominators") in order to make the reader understand the importance of the measures described.

2.7 An Apparel Company: Monnalisa

Monnalisa is a brand name of children's apparel. The highlight of Monnalisa's responsibility report was a graph showing that foreign (Chinese) suppliers were growing and domestic (Italian) suppliers were decreasing.

At the time, the commercial balance of the company was still in Italy's favor, in the sense that the difference between Italy and abroad in terms of purchases was still lower compared with the difference between Italy and abroad in terms of sales, but the small increases compared with previous years symbolized what was perceived as a growing "Asian threat". Procurement from China was partial, marginal–yet, in this seemingly unimportant aspect lay the crux of a competitive battle.

The domestic clothing manufacturers that were the main suppliers of Monnalisa requested defensive action, worried about that negative trend. The manufacturers were those who cut, sewed and prepared the clothes, while Monnalisa orchestrated the whole thing as a systems integrator – a small house of no more than 60 employees.

Monnalisa appeased its domestic manufacturers by running a focus group, a practice designed by marketing consultants aimed at considering issues in a systematic fashion and, perhaps, coming up with some good ideas to face them. Its conclusion–hardly original–was that it was the fault of others (the Chinese), and Monnalisa pledged to "make consumers appreciate" the value of products made in Italy so that people would no longer want to buy goods from China. The manufacturers also wanted to end the practice of piecework, so Monnalisa pledged that it would "train" them to become real entrepreneurs themselves. This was the dynamic, and Monnalisa's report told the story about it.

What was absent but could have been included was an evaluation of the working conditions at the various suppliers' sites, as Nike had done. However, the table of Monnalisa stakeholders–weighted by their added value on a double page of the responsibility report–represented a "galaxy of added value", which alone compensated the reader for the effort of analyzing it.

2.8 Conclusions

In this chapter, we have reviewed some indicative large organizations subject to international competition. They are in all cases corporations. In several studies, corporations are also called "multinationals" abbreviated as MNCs. Multinationals are the focus of most empirical studies of mainstream Corporate Social Responsibility as they are often criticized as anti-social.

Our review of their work shows that large organizations subject to international competition obtain interesting results when they supply information that nobody asked for, at least not directly. We have demonstrated that accounting for responsibility provides a pervasive picture of a company and that through the analysis of economic responsibility, we can open companies' black boxes and illustrate their activities, dedicating particular care and attention to the work they carry out.

We now move to a second sector of the economy: large organizations subject to limited competition: monopolies, state-owned enterprises and heavily regulated industries.

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3

Large Organizations Not Subject to Competition

In this chapter we analyze large organizations not subject to competition. In most cases, these are companies subject to regulation; they tend to operate in less competitive environments than we considered in Chapter 2. They represent the core of a modern economy: utilities, banks and large service providers (e.g. transport), and our conclusion is that the less competitive an environment, the less responsibility is generated.

Companies have been chosen to provide a nearly complete sample from the utilities and regulated industries sector, ranging from a telephone company to a water supply company, from railways to power production.

We also included the financial services sector here. While banks and insurance companies are subject to competition, in some countries they rarely suffer from layoffs or unemployment compensation programs, which are part of the ordinary business of organizations subject to competition. The organizations considered in this chapter are overseen by specific government bodies. Central banks, for instance, perform a role of oversight vis-à-vis commercial banks; so we refer here also to governmental supervisory bodies.

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One might be tempted to think that regulated organizations are a domestic issue, hardly interesting for an international audience. However, thanks to monopolies, every day we can count on having electricity, water, gas, public transport and a series of other services of which we are barely aware. Since these services are essential to all economies, we specifically argue that international comparison is essential for their efficiency and effectiveness.

3.1 A Telephone Company

It sometimes happens that telephone companies cover our cities with advertisements leveraging their image as global corporations, ready to do whatever is necessary to help you make a call. However, once the consumer becomes a customer, he or she is subject to local service quality and does not enjoy the same global leverage when attempting to get a response to queries. For example, the telephone lines of a small company–a micro-client of a large telephone company–might be cut for three months because of an unpaid bill, and only after labored investigation is one able to discover that this was the last installment payment for the lease on the office network switchboard.

When dealing with a monopoly, one interacts by telephone through a call center, where you never talk to the same person. Moreover, many call centers do not keep copies and do not have access to pertinent documents. Basically, communication from the company to the consumer is very strong, whereas communication from the consumer to the company is very weak.

The issue appeared to be the continuing lack of competition within the industry. Notwithstanding the new entrants after liberalization, and the introduction of mobile networks, a customer still needs to go through the monopolist's yoke because the monopolist still runs the landline network. Nonetheless, the monopolist does not acknowledge in its own responsibility report the non-competitive elements of the market it operates in.

On the other hand, the government agency in charge of supervising the communications market is–in its turn–not carrying out its job to obtain a positive outcome. The supervising agency should make sure the landline network is administered fairly among the competitors of the mobile networks. The agency could also object that the company owning and managing the landline network also owns a mobile network, and note that this circumstance does not appear to be conducive to fair market conditions.

This is an example of the attention we must pay to public administration even when we are dealing with market issues and private companies. We need to ask ourselves where the regulator is and what public administration is doing about the issue. Regulators are part of public administration and public administration, too, should report about its own economic responsibility.

3.2 The Freeway Company

Numbers are a friend of corporate responsibility. Let us take the example of traffic communication on freeways. Arithmetic is more efficient than a bland message like “drive carefully!”, so the freeway company tried to leverage numbers in their traffic communication, and the digital billboards along the roads kept a tally:

> 2 deaths out of 5 due to distracted drivers;
> 1 death out of 5 due to drivers asleep at the wheel;
> 1 death out of 2 caused by speeding.
> These numbers add up to more than 100%. The reason may be that speeding may include some distracted drivers.

Another example of the power of numbers resulted in a positive effect. The introduction of a driver’s license penalty-point system led to a reduction of accidents on the freeways. This system works as follows: your driving license is initially endowed with 20 points. Each ticketed infraction results in a few points being subtracted, proportionate to the infringement. When you run out of points, your driving license is withdrawn and you have to go through a very long procedure before you can sit behind the wheel of a car again.

The points system is an example of an organizational arrangement that makes the power of law enforcement incremental and not monopolistic: each ticket wields power, but no ticket bears absolute power over the driver. Such a system could be leveraged in other areas of law enforcement; for instance, in tax investigations or hygiene inspections in the food retail industry.

3.3 A Bank

It is interesting to note that all banks look alike: spacious, elegant, endowed with a wealth of goods. While higher and lower ranges are represented in other businesses, all banks appear to be wealthy. Customers are paying for this luxury. Comparing the cost of doing business is one element of economic responsibility. There is a reason to be suspicious about the level of competition in this sector.

For instance, a bank recently changed hands. The company emblem of a Dutch group had been substituted with that of an Italian bank. The Dutch group was weak in Italy but maintained a strong position in Poland; so the Dutch and the Italians divided Europe into areas of influence, with the Dutch ceding Italy to its current owner and obtaining in exchange a reinforcement of their network in Poland. This damaged the principle of competition in force in the European Union but there is hardly a trace of this transaction in the bank reports.

As supervising authorities do not fail to notice such situations they should, in turn, report about their own economic responsibility, which is not only to notice facts but to enforce the law, to act, to do something about the situation. We have already pointed out that regulators and supervising authorities are part of public administration, and that public administration, too, should report about its own economic responsibility and the final impact of its activities. Making a law is not enough, saying something is not enough, an impact is an actual state of reality. An impact is about money changing hands, services being provided that were not provided before.

3.4 A Power Company

A power company responsibility report we examined was stingy with numbers–90 pages of words against 12 with numbers–but this was the result of a communications effort to meet the reader halfway. In fact, in a chapter entitled "How the power company communicates", the manner in which the company presented itself was considered from an ethics point of view, exemplifying the principle whereby communication, too, must be done responsibly. In that same chapter, the report presented both the company's advertising campaigns and its global media content visibility index in print and on television. The visibility index turned out to be triple the average but in order to make the data concerning media content visibility more significant it would have been useful to compare those data with the money spent by the power company on advertising in order to obtain what scientists call the Relative Citation Index (RCI). The RCI would put the media content visibility in relation to the amount of money spent on advertising in magazines and on television.

On another front, the responsibility report was honest because it revealed that a few company executives were undergoing investigation by the judiciary. It also didn't avoid issues such as the president of the antitrust authority talking about the scarce competitiveness of the national energy sector. The president had defined as incredible the cost of the electricity and gas bills that the consumers were forced to pay the power companies–far higher than was paid by consumers in other countries on the European continent.

3.5 A Water Company

The water company we considered is listed on the stock exchange; however, a large portion of its stock is owned by the municipality that is served by the company. The company has a service agreement with the municipality, giving it a 30-year monopoly guarantee of service. Therefore, we consider this company to be part of public administration.

The water company is an example of an in-house company, which are share companies owned by the public administration, be it the central government or its regional or local entities. In-house companies are present not only in the traditional monopolistic sectors, such as the utilities, but also in strictly competitive industries, such as the ICT (information and communication technology) industry and management consultancy. Through the introduction of in-house companies, public administration avoids being subject to competition.

This water company had been running water conservation advertisements on city buses and signposts, saying: "Water is your wealth. Don't waste it!". The picture they chose to go with that text was effective: it showed a diamond choker lying at the bottom of a sink, about to go down the drain. Those advertisements represented a heroic enterprise because they were trying to change the public perception of the value of water solely through the persuasive capacity of a publicity campaign at a time when people were numb to sky-high prices, and were used to paying over €1.5 for a liter of gasoline.

Nonetheless, the public relations professionals who work out company strategy by suggesting advertisements and actions could have carried the project through to the end and inserted into the work plans of the publicity campaign a means with which to measure the effectiveness of the commercials. Measuring the effectiveness of communication is a key element on the frontier of the public relations managerial function. This is especially the case when considering online communication where one-on-one communication is possible (Muzi Falconi et al., 2014). There was, therefore, room to introduce analytical instruments to support public administration decisions.

3.6 A Railway Company

A railway company is a good example of the value of organizational plans vis-à-vis organizational summaries of action. While it is common for new management to propose new plans for an organization, it would be appropriate that they also account at some point for past plans. The railway company we examined laid out their usual plan for the future but did not make note of the plans made in previous years or ascertain whether they reached any of their stated goals. A possible function, then, of a responsibility report is to give an account of things people tend to forget.

3.7 A Central Bank

The case of a central bank clarifies a basic issue about responsibility: responsibility requires an inward look by the organization. A responsibility report bespeaks the organization that has drafted it, and it should report about the organization's impact on reality. As we noted in some of the previous cases, one can also talk about an "emblematic" case in this sense when a regulatory organization, such as a central bank, is involved. Regulatory organizations tend to give yearly accounts of their activities, focused, however, on the world outside themselves instead of giving an account of their own performance and the economy within them. In this sense, central banks and other regulatory organizations are good examples of what organizations in public administration and public utilities could do for the economy that they currently do not.

An example is that a regulatory organization should account for its own impact on the economic reality it is supposed to supervise. The ultimate evaluation criterion for its effectiveness would be the economic development of the industry which is the object of its activities. Therefore, a regulator should report about such developments and measure their success or failure in this context. It is clear that many other factors contribute to development; however, the regulators should consider themselves an inherent part of the industry and report about their own costs, i.e. total employee salaries and other costs, as well as their own cost-containment efforts, just as the companies supervised are required to do. Finally, the costs and benefits of the regulator should be compared to the costs and benefits of homologous regulators in nearby countries.

3.8 Conclusions

In this chapter, we analyzed the economic responsibility of monopolies and companies subject to limited competition.

So-called natural monopolies–electricity, water, gas, transportation, and so on–were subject to periods of liberalization and privatization in various parts of the world, which may justify their no longer being considered monopolies. However, the reality of employment contracts can result in monopolistic behavior on the part of the employees. Accounting for work is the task we have set for ourselves in this study and, in general, the employees of the companies dealt with in this chapter enjoy work contracts that are advantageous compared with those employed in competitive sectors and in industries subject to domestic or international competition. Those same work contracts, and their organizations not being subject to competition, guarantee employees lifelong tenure in their jobs. Thus they enjoy real power with respect to their managers. Their managers, in turn, prefer to dedicate themselves to projects concerning technological development and investment expenditure rather than improving the motivation and productivity of their personnel. The outcome is high investment expenditure, leading to a high cost of service, which stays poor, nonetheless, due to low employee productivity: the worst of all possible worlds.

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4

Small Organizations Subject to Competition

4.1 Small- and Medium-Sized Enterprises: SMEs

In describing the responsibility of SMEs we will not refer to a specific company but rather describe a typology of firms based on data and entrepreneurial experience.

A 2003 Commission Recommendation of the European Union recognized microenterprises as an economic reality. These are the self-employed and the microentrepreneurs with fewer than 10 full-time employees. Small enterprises have 10–49 employees; medium-sized enterprises, from 50 to 249 employees and large enterprises have over 250 employees. "Micro-, small- and medium-sized enterprises are socially and economically important, they represent 99% of an estimated 23 million enterprises in the EU and provide around 75 million jobs representing two-thirds of all employment. SMEs contribute up to 80% of employment in some industrial sectors, such as textiles, construction or furniture"(Commetrics.com).

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In this chapter, we identify SMEs and their employees, presenting how a small entrepreneur and his or her employees operate in the economy. We also provide a profile of the small enterprise, including microenterprise, which is the basic building block of many economies around the world, quite often bordering the informal economy. Microenterprise may be described as a paradigm of this whole sector of the economy, so our attention to micro or small enterprises comprises the whole sector. While medium enterprises are rather bigger, they do not compare with large enterprises and are assimilated into the smaller organizations.

A main driver of microenterprise is unemployment: one becomes a microentrepreneur–or a self-employed person–most probably because he or she cannot get another job. Another factor is a person's inability to operate within a large company–pushed out, as it were, rather than driven by the mirage of making money or attracted by the economic and human adventure that microenterprise represents (the pull-in effect). This is–for instance–the reality of many one-person companies and owner-operators. The order of magnitude of this sector is well in the double-digit percentages of the employed population. This is also the reality of those who become self-employed after receiving a bonus exit payment from a downsizing corporation, and of professionals who want to establish their own practice (e.g. lawyers and accountants). There can be, however, a cultural and ideological positive effect in some regions whereby being an entrepreneur, no matter how self-exploiting, constitutes a positive social value and an element of pride.

Self-exploitation by the entrepreneur is, in fact, a key factor in microenterprise: a factor of flexibility, when income is not enough and, conversely, a factor of productivity, since long working hours are a typical lifestyle of the microentrepreneur.

In microenterprises, the owner, the principal and the employee have similar roles and power vis-à-vis each other. They may work in very close contact, sharing the same room–often the only room or store–which constitutes the "headquarters" of the company. Micro entrepreneurs are personally indebted to finance their company. The epitome is Jeff Bezos mortgaging his house to start up Amazon.com, but this is the standard economic and financing practice in many countries. Microentrepreneurs guarantee the bank debt of their companies with their own personal wealth.

In everyday practice, the microentrepreneur deals with his or her own bank debt through different short-term financial instruments to leverage credit towards customers and by obtaining cash advances from the bank to pay their suppliers. When they are in a strong position vis-à-vis the banks with which they do business, they "auction" their short-term debt (30–120 days), borrowing the amount of a collateral invoice from the bank charging the lowest debt rate.

Microenterprise is tainted with the stigma of tax evasion, ranging from false invoicing to faking costs to charging private dinners on company expense accounts. This is often part of a small company's accumulation process (i.e. the formation of its own capital) and one way by which the entrepreneur enjoys a standard of living equivalent to that of a corporate employee, whom he perceives has the same professional skills.

Microentrepreneurs are subject to domestic competition, often from organizations operating in the non-profit sector or belonging to the public administration sector, such as the "in-house" companies of public administration mentioned previously, which are run like a private business and work on special contracts from public administration but are not subject to public tenders or competition.

Small enterprises and small entrepreneurs are not necessarily more prone to behaving more responsibly from an economic point of view; however, economic actors dealing with small enterprises can easily defend themselves from irresponsible behavior by simply refusing to do business with a specific enterprise. The large number of small enterprises makes them responsible, and their small size enables economic actors to change suppliers at low cost and risk. Small entrepreneurs are also subject to evaluation by their employees, thus exerting some degree of power. In short, being subject to competition, small enterprise is made responsible by the market. Using the title of Ernst Schumacher's successful 1973 book, we may assert that "small is beautiful" also from an economic responsibility point of view.

4.2 The Nature of Non-Profit

We can analyze the nature of the non-profit sector by examining a small, unintentional mistake in language usage. Non-profit organizations are sometimes called "no-profit". The mistaken assumption that these organizations make no profit is, in a sense, a lapse of an associative kind, as though people dedicated to non-profit work eschew making a profit. That there must be an ideal sort of profit is understood by all; less understood is that there must also be real profit, in the purely economic sense. An organization must earn money–this is true for all organizations, including orphanages, hospitals and churches.

Economists have a saying: "There is no such thing as a free lunch", which seems to have come from the practice of certain restaurants offering a free lunch with paid drinks, or to the third party in a group (buy two get three). Obviously, unless the restaurant is to go bankrupt, the third man's lunch is being paid by the first two. Money is important, even for the altruistic: to achieve good, there must somewhere be a surplus of resources that is then devoted to the recipients.

The main difference between non-profit and for-profit organizations is that, in the case of for-profit organizations, the person paying is the one receiving the benefits while, in the case of non-profit organizations, the person paying is not receiving benefits. A no-profit organization simply cannot exist–however noble its intent –because it cannot work. It cannot deliver on its noble intent. Doing good is making a profit.

This point bears significant consequences because it shows that –as far as economic consequences to the public, and money for the general fund, are concerned–there is no difference between services that public administration renders with its own personnel and public contracts, which can be outsourced to private firms who make money by controlling prices through competition. A case in point is reflected in privately run prisons or government-guaranteed services to the public, which public administration does not itself provide.

4.3 Philanthropy and Responsibility

The Economist at some point ran a cover photograph of Bill Gates with the title: "Billanthropy". In the relevant article, the magazine maintained its position about mainstream corporate social responsibility: the good deeds of Bill Gates are not his philanthropy; the good deeds of Bill Gates are Microsoft. By this, *The Economist* meant that philanthropic donations made by Bill Gates were not relevant to actual organizational economic responsibility. *The Economist* criticizes the idea of mainstream CSR, whereby making money is not an economically responsible activity, and that such activity can be offset by running special CSR programs, of which philanthropy is an example. Our view of economic responsibility is in accord with *The Economist*'s position. Philanthropy is spending money in such a way that it is not connected to company business, which does not imply economic responsibility on the part of the organization. We would also like to point out a misconception when it is argued that everything that is useful for the corporation is economic responsibility. Many things might be useful, but not everything is economic responsibility.

If *The Economist* decided to take on mainstream CSR, this means that the issue is global, so it is worthwhile to take up the challenge and parry the thrust. Our approach to economic responsibility accepts the criticism and delineates a point of view that is compatible with the position of *The Economist*. To summarize:

1. The economic responsibility of for-profit companies is defined within the context of competition among them, whereby this competition also includes transparently accounting for the impact of a company's activities through information to the public. Economic responsibility also requires research and disclosure.
2. Economic responsibility is not connected to philanthropy or patronage.

4.4 The Jesuit Refugee Service

Responsibility reports are an excellent tool for non-profit organizations, both public and private, because the variables cannot be summarized with simple accounting. In a non-profit organization, if you did not measure it, you did not do it. A good example is the Jesuit Refugee Service (JRS), a refugee assistance agency run by the Jesuits, a religious organization that has been in existence for about 500 years. The JRS is a global network in support of people who have been forced to leave their countries of origin. It also lobbies for legislation concerning political asylum and human rights.

Among the documents produced by the JRS, the annual report best relates the social outcomes of its work, containing organizational charts detailing the various activities undertaken: food kitchens, health services, legal representation, employment assistance, schools and lodgings. The report considers each activity in detail, quantifying the benefits. A website provides this same report in part, adding some statistics regarding the various services. This is an example of online reporting.

4.5 The American Cancer Society

With some technological savvy, one can access the corporate report of the American Cancer Society (ACS) online. Founded in 1913, the American Cancer Society not only funds scientific research, but also underwrites education, information, prevention, lobbying and assistance to cancer patients and their families–including the logistics for those patients who must be hospitalized far from home. The entire operation earns about US$800 million.

The percentage of funds going to scientists is 15% of the total, with similar percentages accounting for the other services, adding up to 71% of the total budget. Only 7% goes to administration, while 22% represents fundraising. Consider that in order to take home the equivalent of €800 million, one needs to spend €150 million to organize events and campaigns. In other words, to earn you have to spend. The American

Cancer Society is in 10th place in terms of earnings among American non-profit organizations (McKinsey Quarterly, 2002), and published on its site are the organization's tax returns.

In terms of scientific research, the ACS site provides a list of the projects that have been funded; it is possible to examine those projects either by the geographical provenance of the researchers being funded or by the scientific area of specialization.

4.6 An Industrialists' Association

A detailed reading of the responsibility report of an industrialists' association uncovers some missing content that would be good to know. In fact, in the light of research, disclosure and diffusion of information that are meant to characterize a responsibility report, the industrialists' association could report on the amount of money spent on lobbying the government, or the fact that industry receives more money from the government for research and development than it invests on its own. It would be good to know what the association does do that the individual entrepreneur is incapable of doing on his or her own: some issues of corruption or organized crime would be key areas for collective action and a key justification for the very existence of the association itself.

4.7 Conclusion

In this chapter, we considered small organizations–for-profit and not-for-profit–subject to competition. Regardless of their legal nature, small and micro organizations are, in their substance, all not-for-profit. The capital endowment of a small organization is very low vis-à-vis labor. It is estimated that small enterprise creates one job with US$20,000 whereas large enterprise–in the manufacturing industries–needs US$1 million per job. People that own a share in a for-profit small firm cannot just sit back, relax, clip their coupon at the end of the year and cash their dividends. Share ownership in a small organization is only a token of your involvement in the organization and the level of your salary within it. You need to work anyway.

People working in small firms are not any better than people working in public administration, neither are people working in not-for-profit organizations better than people working in for-profit, small organizations. However, those working for small organizations–for- or not-for-profit–are more accountable to the economy because they are subject to competition. Being small they cannot cause too much damage to the economy and since there are many of them, customers and suppliers can afford to do without them if they underperform. "Too big to fail" is a phrase we heard during the economic crisis of 2008, and speaks to this very point. Small organizations are easier to control by the public administration, and they are actually often the scapegoat for bigger organizations that are too big to be bothered by the regulators, the legislators and the law enforcement agencies.

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5

Non-Profit Organizations Not Subject to Competition

When we come to public administration, politics and political systems there is no unifying concept–notwithstanding the primary impact of government on economic development (Perkins in Perkins et al., 2006; Draghi, 2010; Tabellini, 2010; Acemoglu and Robinson, 2012). Thus, individual bodies of millions of employees live in isolation, carrying out most of their activities unsupervised–with little benchmarking or comparison or cross-country learning. Marginal attempts are made in the technical fields, like information technology, where–once again–international corporations, driven by the need to sell their products, play the non-indifferent role of inseminating diverse public administration bodies with the same ideas (Di Bitetto et al., 2015b). Public administrations appear to be tied to the history of their countries and their legal systems. Several times we have heard the theme: "They have Roman Law and we have Common Law so we cannot compare". Public administration is also bound by national languages. To some it might be heresy to have their official government documents translated into English, as done in Sweden and the Netherlands. Comparative public administration is the realm of lawyers and constitutionalists with their normative approach.

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This outlook appears not to take into account that "a jail is a jail is a jail"; many government services are identical all over the world. Reality is the same everywhere and human beings are the same. There are universal rights recognized and, in spite of this universality in "demand", little universality in answers to those rights is pursued. Thus, it is not difficult to understand and adhere to the libertarian concept that the peoples of different countries are held hostage by their public administrations.

Complaint about public administration is a basic staple of anti-politics, which we will deal with in a subsequent chapter. Suffice it here to report one academic point of view on the deficiencies of public administrations. "Bureaucratic practices rely heavily on symbols and language of the moral boundaries between insiders and outsiders, a ready means of expressing prejudice and justifying neglect. Thus, societies with proud traditions of generous hospitality may paradoxically produce at the official level some of the most calculated indifference one can find anywhere." (Herzfeld, 1992).

We are now going to review some examples of responsibility in public administration.

5.1 Talent Policy

Many a public administration and politician worry about the so-called "brain drain". Often, the brain drain is dealt with using a policy we could call "brain come back". When it comes to the attempt to turn back the brain drain and lure talented scholars and scientists back to their home countries, various projects are under way–tax breaks, among other things, for those that come back home to work. The underlying idea is implicitly that a country can benefit better from those people who were born and initially educated in the same country rather than from any man or woman of hope and goodwill.

However, this is not the only reason. From a financial viewpoint, higher education that is subsidized by the government, as is the case in a number of countries, means that the government has spent money educating people who then, for lack of work, take that education–and the money spent on them–to some other country, meaning that the government's investment is for naught. A similar example is a country's air force spending money to train good pilots and then having them leave and work for commercial airlines instead–again, no return on their investment. On the other hand, in countries with private universities, the students pay for their education and there is no effect on the government's budget if they then go to work in a foreign country. The government has not spent a dollar.

The financial argument has merit but the idea we express is that countries should agree that attracting men and women on whom somebody else will have spent money for their education is as good as keeping those graduates educated at home. The general aim should be to avoid the brain drain; but we maintain that if the incoming brains are as good as those that went away, the situation should not be viewed as tragic. For example, one of the things scientists appreciate most about research organizations is their international atmosphere. A sound scientific system is a cohort of public and private research organizations, companies that use their results, and financial institutions supporting the whole system. The first step, then, in opening the scientific system appears to be to attract talented employees. Such an open system would engender other properties of a vital system: competition, multiplicity, an abundance of ideas; that "chaos and cacophony of unfettered speech which is the strength of our liberty", as noted in a famous Philadelphia Court ruling of 1996. In such an open system, nationals and graduates from all over the world would be equally welcome.

We would like to add here one more argument that counters the financial one, and posits that there is a benefit in educating someone in one's own culture, even if that person then leaves and goes to work abroad. This argument is "soft power" (Josef Nye, 2004). The idea of soft power–or Antonio Gramsci's cultural hegemony (Forgacs and Hobsbawm, eds., 2000)is that a person educated within a specific culture will always play by the rules of that culture even if he or she does not work where educated. Education defines the context of the debate. Debates are about pros and cons, with home teams and guest teams, but debates also have their own playing fields, and defining the playing field of a debate defines who will win in the very long run.

5.2 The Judiciary

The centrality of justice in the economic system is demonstrated by the fact that, around the globe, judges are invited to speak at economic symposia. For one light that shines, however, there are also big swathes of shadow.

International statistics and comparisons can be made about things that are easy to count: the number of rulings by a judge or the number of new lawsuits. Thus, one of the conclusions about a congested judicial system could be that people are too litigious. That the system is congested, however, does not appear in the statistics concerning input and output because those data show a system that is in equilibrium: so many rulings per year (output), the same number of new lawsuits per year (input). There is no congestion. Congestion comes into play when you do the numbers on the length of the trials. Congestion comes into play when you do the numbers about their final outcome: what happened when the final ruling was implemented? Was the final ruling implemented at all? Here, no statistics are available, thus it is impossible to make an international comparison.

Also, the Minister of Justice, or the Attorney General, should be the expression of the citizens' demand for justice and act as the citizens' advocate vis-à-vis the judges, who represent the supply of the service. The minister should act as the employer of the judges, not their advocate, but it so happens that ministers represent the supply of government services even though they are appointed to represent demand for these services.

Another hard item to monitor would be the qualitative performance of judges. Evaluating the quality of their rulings is useful and necessary, since evaluating the workforce is a central element in career development and the overall health of any organization; merit must be the guiding factor and not, as is so often the case, seniority. So, too, in justice, an evaluation of performance would appear to improve the quality of the system as a whole.

The judicial system, with its trials and appeals, is already a sort of peer review, with each judge's sentence being reviewed by other judges; however, it needs to be better articulated. One could create a report card for a judge trying a case for the first time based on the confirmation of his or her sentence in subsequent trials. If, on appeal, the original sentence is modified, then the grade is not good; if it is confirmed, then it is positive. But if the third and final appeal overturns a previous one and confirms the original sentence, the grade would be good again. Each judge could be evaluated according to running statistics concerning sentences that are confirmed or modified, and the plentiful transfers seen in this sector practically guarantee unbiased appraisals. Judges could boast about their percentage of confirmed sentences the same way a baseball player boasts about his batting average. All you would need is a Microsoft Access database, and a group of analysts.

5.3 Price Control

Let us examine a case whereby price control is enacted. Let us see what the dynamic is that may lead to such an economic measure. Let us also think that such price control is enacted on baby formula. When the price of baby formula reaches a high level, the government of a hypothetical country convenes all parties in the industry–pharmaceutical industrialists, distributors, pharmacists, supermarkets and consumers–and talks tough until someone agrees to give up a certain portion of their earnings. The pharmaceutical companies, for instance, agree to spend less on advertising and save consumers' money in terms of prices. This is an example of a government response to a market failure which required a very strong correction measure from the top.

Instead of enacting price control, however, the government could have sought other possibilities to generate increased market competition so that the price of baby formula could decrease in a less artificial fashion. For instance, after receiving protests from consumers' associations, the government could engage the public organizations that control the market, anti-trust in the lead. On the supply side, the government could look for producers willing to market a "no logo" brand that would cost less in terms of advertising. On the side of possible misleading advertising, the government could check that mothers were not being lured into buying something they did not need. Milk is sold both in pharmacies and in supermarkets, and the government could check that the producers were not putting a price cap on retailers, where a seller might risk losing his supplies. On the demand side, the government could ascertain that the information provided by those who had the power to influence milk consumption–the pediatricians–was correct and mothers were free and able to evaluate the price and the quality of what they were buying.

In truth our hypothetical government would probably have found, through adequate research, that the problem was a certain rigidity of demand. Mothers bought the most expensive brands because they were convinced they were the best – though complaining about it upon leaving the store.

This is an example of conspicuous consumption à la Thorstein Veblen. He was an American economist, who developed an economic theory based on the story of a woman appreciating and buying a piece of cloth by the very fact that it was expensive.

This example confirms once again how difficult it is to create a market that operates properly. It might be preferable for some actors to frame the marketplace as a Wild West in order to justify their own role as saviors of the public interest. On the other hand, one mght think the market is actually a delicate and complex thing. This is why so many public organizations and institutions worry about its proper functioning.

5.4 Health Services

There is a small department within one of the local health units that works particularly with HIV/AIDS patients. Its mission is to serve people by providing them with medical and psychological assistance, particularly aimed at those at risk of contracting HIV/AIDS. Along with routine patient assistance, the department also tests for HIV and provides counseling in an attempt to modify hazardous behavior.

The qualitative efficiency of the work being done can be summarized by saying that a large number of people did modify their behavior. The quantitative demonstration of this was the subject of scientific papers written by professionals within the department. In the space of the 11 years under observation, the prevalence of HIV-positive people dropped by 32%. In only 15 cases was there a shift from HIV negative to HIV positive, confirming the positive impact of the department. Sex workers were within the observed population; among them, there was a decrease in the number of HIV positive, from 57% to 12% in the period of time under examination.

This is an example of research data that are useful for an evaluation of the department and managerial control on the part of the supervising health-care unit. Such data could be leveraged for fund allocation and benchmarking of comparable units, both within the region (composed of several local health-care units) and at a country level, where several regional performances can be compared.

5.5 Managerial Control in Public Administration

The economic responsibility report of public administration comprises certain specificities that the Global Reporting Initiative itself considers in the Public Sector Supplement to its general guidelines. The primary consideration appears to be that the economic bottom line of a public administration organization ought to be reported in more rigorous detail than that of a private company. This is because public administrations only want to certify their legitimacy rather than explain their activities. Following the Public Sector Supplement would make the responsibility report of a public administration a complementary document to current financial statements because it would consider the quantity and quality of the work undertaken–which is, in essence, its economic bottom line.

Currently, public administrations provide budget expense estimates and financial statements that are strictly controlled on the part of internal comptrollers, and yet the only thing they are reporting is an account of the correct administration of receipts and expenses. They do not go into the substance of what the specific public organization is supposed to be doing nor do they worry about the organization's mission. For this reason, the first task of a public responsibility report would be to define the (economic) product of the public organization and attempt an evaluation of the organization's efficiency and impact in producing it. The final impact would be the outcome of organizational activities.

Examining the origin of the receipts of a public administration, it is clear that much of its funding is either obtained from the government budget or is received in the form of taxes or local tariffs. Therefore, contrary to a company that operates in the free market, registering the receipts of a public administration is only a partial indication of a favorable public attitude towards the organization's product. These receipts do not result from free choice on the part of the public; they accrue from a combination of factors that may have little to do with any perceived value of the organization's economic impact, such as political opportunism or administrative inertia.

A responsibility report must explain what the outcomes are of supplying an organization with funds to operate. Thus, the responsibility report of a public administration would become a central component of the overall economic value resulting over time from a political election. Only a responsibility report provides an assessment of the quantity and quality of the production of public services. It is an instrument to ensure the transparency of the main activities of public administration. The economic bottom line thus assumes a broader meaning than its use in the private sector and could, therefore, be called the "organizational bottom line".

5.6 Management and Policy

The perspective of our analysis here is public management as opposed to public policy. It is, however, important to recognize that excellent public management and sound public policy go together. Public management and public policy are two distinct areas and it is important to try to define explicitly the differences between them. Issues of public management are somewhat more pervasive and identical across the world, whereas policies are more arguable and difficult to perceive as general issues across different countries and cultures. In the end, both public management and public policy may overlap and converge, but it is important here to outline why and where they are distinct.

When we speak in general of public administration action, we tend to speak of policies: how much migration or immigration should be allowed? How much should students pay for their higher education? How is it possible to have a more accountable electric power state-owned industry? The general discourse is focused on policies. It also speaks of management, but we are unaware of that: we always complain about lines at the post office, to mention one instance of management, but we do not believe that this could really be fixed. We behave as if we do not believe public administration can be changed and improved. We believe public administration ineffectiveness (where the post office is a government bureau) is genetic, inevitable and cultural–natural, like rain and snow.

Policy is more about politics while management is about the implementation of policies. Policy is about law and regulation; management is about day-by-day work in the organizations that are supposed to implement the law and the regulations. Policy is macro: “Should we raise the discount rate? Should we raise taxes”? Management is micro: it is about work in the tax bureaus of public administration. Policy is about legislatures; management is about organizations in the executive and the judiciary branches of government. There is certainly an overlap; nonetheless, the distinction is there.

Management, therefore, is less arbitrary than policy. It is easier to argue about policy, whereas ineffective management is more clearly pinpointed. In the end, good management ends up being about policy as well but it is important to make explicit the difference between the two areas because public management appears to be the more neglected domain. Management appears to be squashed between law and politics.

It is the very nature of management that allows us to compare instances in the most varied substantive areas: from natural hazard recovery systems to management information systems, from technology management to research evaluation, from macro-policy to psychotherapy and counseling. Also a variety of disciplines are encompassed by public management: not only economic responsibility but issues of ethics and governance are also there, as well as government–business relations, sociology of labor and social anthropology (Di Bitetto et al., 2015a).

5.7 Conclusions

In this chapter we illustrated that public management is very difficult to grasp. Responsibility and accountability are very hard to come by. This is not because of the ill will of some people but because it is inherent in the specific organizational arrangements of public administration, which hardly pays attention to small things. Politics–and political science perhaps –would qualify these issues as “know-nothing” or anti-politics, whereas the chronicles are full of simple horror stories that show basic failures in the organizational conception of the delivery of public services (*The Economist,* 2014, 2015, 2016). We need to pay attention to public management, which is about operations–tactics more than strategy. We need to propose an overarching and consistent theory that explains organizational behavior in all the sectors of the economy.

In the end, it is more a question of changing the focus of attention: in a police station, observe the policeman, not the criminal; in a first-aid station, the stretcher-bearer, not the wounded; in Parliament, not the chattering of politicians but the sloth of their assistants. If the focus were changed, the contents would be different and it would be possible to read a railway company's responsibility report that supplied disaggregated data on the quantity and quality of service–not simply repeating: "We have 16,000 km of railway"–as has been the case for the last 30 years.

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6

Organizations of the Political System Not Subject to Competition

The specific polity of each individual country may affect the reality it wants to govern by varying degrees and capabilities; some political systems are very effective in having an impact on effectual reality, others are not, when we look at the 193 countries that are members of the United Nations.

Politics, however, is important in and of itself, even when it might be irrelevant with respect to its own economic reality. That is exactly the reason why it is crucial that the political sector (i.e. organizations of the political system) is not left out of the circle of accountability. Organizations of the political system are the most exposed to public opinion, and they often govern and set the standard for accountability in all other sectors.

Examples of organizations of the political system are elected or non-elected bodies, parliaments, top posts in the executive branches, cabinets, ministers and secretaries. Their behavior constitutes an example for people in all areas of employment. Moreover, people generally consider their own political system to be one of a kind; therefore, we will consider two very general issues in the hope of dispelling this idea of uniqueness: the budgeting system and the electoral system. All countries of the world have a budget, democracies as well as dictatorships. Electoral systems are less disseminated than budgeting systems, as they are confined to the

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democratic countries of the world; still, it is not an insignificant fraction worldwide as we believe well over half of humankind today lives in relatively democratic countries.

6.1 Supranational Bodies

Economic responsibility in the domain of political bodies is also about defining the perimeter of both. Speaking of Europe, for instance, we often hear that we need to "create a European public sphere, a framework by which a populace may be formed that is also European and not tied only to a nationstate, as is the case today". A public sphere, as conceptualized by Jurgen Habermas (Calhoun, 1993), means a polity, a space for pan-European consensus and dissent, since freedom is participation.

We ought to be interested in creating a European public sphere because its lack means ignorance about European legislative and executive processes and, thus, no incentive for the new European managing classes to promote coherence and efficiency in their policies. This results in two negative outcomes: scarce accountability and little efficiency in carrying out the decisions made.

Scarce accountability means, for example, that European citizens from some European countries hardly know who their European representatives are, so they also know little about what they are doing for the populace. On the other hand, little efficiency in the implementation of European policies implies, for instance, that, quantitatively, the European contribution to Overseas Development Aid (ODA) is higher than that of the United States, and lower in terms of efficiency. The United States spends 0.19% of their gross domestic product on development aid, while EU countries spend 0.50%. U.S. aid, however, appears to be more at the center of international debate, implying that U.S. governmental activity is more efficient because it gets more of the public's attention. It also probably results in greater impact, thus being not only more efficient but also more effective.

A possible European framework could materialize in a simple European license plate, or a unifying electoral law for the election of European deputies, perhaps even a single European language in which to write public documents–responsibility reports, for instance.

6.2 Political Elections and Competition

We wish to account now for the specifics of electoral systems, since we argue that they have an impact on the accountability of the political system, and play a significant role in implementing competition within it.

It is not only businesses or public administration that can be subject to competition or the lack thereof, but political institutions, too, can incorporate competition and transparency for the citizen or, quite the opposite, build a collusive cartel against the citizenry and the economy.

In fact, the mechanics of electoral systems generate more or less competition among the candidates for political office: more competition implying the selection of individual candidates on the basis of their attractiveness to the citizens; less competition implying the selection of individual candidates on the basis of their prominence in the inner circles of their political parties. Such inner prominence could be based on criteria other than the candidates' attractiveness to the citizens.

We often see that, in political campaigns, candidates propose short messages like "Be Safe!" or "Help for Families" or "Rise Up!".

Exasperation with this kind of *erga omnes* communication is due to the mechanics of the electoral systems, whereby one is voting not for individual people but for entire political parties. Such kinds of electoral systems are rather diffused within democracies. In effect, political parties end up acting as an insulating wall between the people and those the people elect. Voting for specific people is hardly being practiced around the world. What is mostly done is that people vote for parties and it is the parties who decide who goes to Parliament.

Voting in small districts would enable some responsibility and accountability towards the voters. Voting for party lists appears to be a sort of "closed-shop" recruitment carried out by political parties with regard to society and the economy as a whole. It makes an oligarchy of the whole political class. Individuals within the oligarchy are indeed subject to rivalry among themselves, but such rivalry does not lead to accountability to the citizens. Accountability to the citizens would be the result of (fair) competition.

A corollary of competition is the quantification of public administration activity. It is not often that you read a newspaper editorial like the following, where competition is acknowledged as a positive economic force, both in the private and in the public sector:

> A public sector that incorporates "germs" of competition may be necessary to increase the productivity of the economic system and is a recipe that does not require a great expenditure of public funds.

The first thing that needs to be done to inoculate such germs would be to diffuse economic responsibility reports in public administration. The job of a responsibility report is, in fact, to define the product or service of a public administration organization. A public administration responsibility report would then propose measures of organizational efficiency and impact. We speak of "product", but it is clear in this case we mean product in a very general sense: it could be a court sentence or an administrative process.

It might be paradoxical, but a responsibility report would make more sense for public administration than for a private company. In fact, budget accounts of public administrations serve to certify the legitimacy of their management, but do not evaluate the work of the organization; thus, responsibility reporting could step in to measure the quantity and quality of the work being performed. It is true that budget reports, estimates and final financial statements are legally recognized and subject to controls on the part of internal auditors and on the part of the Court of Accounts or comparable organizations, such as the General Accounting Office. However, those legal statements only account for the administrative correctness of the spending process and say nothing about the product of the public organization. On the other hand, accountability requires a comparison between the product provided by the organization and the resources spent. It is only by comparing the responsibility reports of two prisons or health-care units that we can see which is working well and which is not.

The use of public funds to undertake this kind of exercise would be small compared with the potential benefits, though care would need to be taken not to bristle at the use of outside consultants, since the know-how to apply responsibility reporting is lacking in public administration Thinking about the role of the professions will be resumed towards the end of this book, in Chapter17.

6.3 Primary Elections

Electoral systems affect the accountability of the political system and its individual members. There is no golden rule, however, and everybody is dissatisfied with their own system. Take the United Kingdom, for instance. In the year 2010, they were discussing some sort of mitigation of their single-member district system, under which each electoral district elects only one member of Parliament. That member is elected by a simple majority. The candidate that obtains the greatest number of votes, relatively speaking in comparison with other candidates, is elected ("first-past-the-post"). This system generates local accountability of the elected members of Parliament, as it makes it easy for citizens to know who their elected member is and, therefore, it is less complicated for them to ascertain what he or she stands for, and what he or she is doing in Parliament.

The single-member district system also favors alliances within the district, as it is sufficient to gain the plurality of votes to be elected. However, this does not guarantee consistency at the national level, as elected members–very strong in their districts–may have no cohesion across districts, and it may become difficult for Parliament to make decisions at the national level, which is–after all–what elected members are meant to be doing. To deal with this problem, the introduction of some sort of proportional rule was being considered to mitigate the dispersive local effect and generate a premium for candidates of the same political orientation.

At the other end of the spectrum are systems based on large multimember districts. Here, candidates of the same political orientation are organized in lists, and members are elected on the basis of the total votes obtained by those lists. Accountability becomes very blurred.

Single- or multimember though the districts might be, a corollary to these systems is the system that is used to decide who the candidates are in each district–an important step in the electoral process and in the accountability it engenders.

There are two basic ways to decide who the candidates are: centralized decision-making by some political party secretariat and primary elections. In centralized decision-making, the nomination of candidates is usually the responsibility of the political party organizations themselves and does not involve the general public. A primary election is an election in which voters select candidates for a subsequent general election.

The way candidates are selected is a key step in generating the loyalty of future members of Parliament. It is clear that, under a centralized decision-making system, the elected members will first have to be grateful to the party hierarchy and then to their people and their constituencies, since their re-election will depend on the party hierarchy first, and only subsequently on the voters. And it is fair to assume that re-election is the first objective of anybody running for office.

For the sake of accountability, then, the way candidates are selected for a general election becomes more important than the electoral system itself since, in principle, one could run primary elections also within a system of proportional general elections. The basic idea here is that primary elections are key in order to generate accountability of elected members of Parliament to their constituencies.

6.4 Budget

We all know that politicians rarely supply a comprehensible, detailed accounting of the work they do and the results they obtain, but politics is not just a question of results; it is also delineated by decision-making processes. So, an accounting of one's work does not consist solely of numbers but also of a correct process of collective decision-making–something called "due process". As an example of due process in the private sector, consider the importance of the relationship between a corporation and its stakeholders: customers, shareholders, employees, suppliers, government, environment and local community.

In public administration, the most important decision-making process is the drawing up of the government budget. Traditionally, this yearly ritual begins with the quantification of increases in expenses, and proceeds with budget cuts in certain areas. Which areas are to be cut is decided on the basis of least resistance. Such a methodology does not appear very rational; therefore, in an attempt to rationalize this practice, a government could institute a "spending review" whereby each ministry is presented with its budget of the preceding year (baseline) and asked to choose and justify any increases within 2% of the given baseline budget.

Both methods, however, appear to be rather feudal: the individual spending organizations (the ministries, the departments) are seen as a private hunting reserve of their chiefs (ministers or secretaries), and there is no evaluation of their achievements, or of their priorities and effectiveness. There is no basis on which to create a responsibility report of public administration that could delineate the quantity and quality of the work being done. With no verification or dialectic, with no attempt to quantify, even arbitrarily, the terms of a debate, everything becomes *politique politicienne* and politicking: a mere power struggle.

It is true that the many public administration organizations may account for millions of employees (a two-digit percentage of the employed population), making a detailed analysis of the work of each ministry an almost heroic task. Perhaps a starting point could be to apply a reasonable benchmark for personnel in any given area of public administration: an X number of police or judges per inhabitant; a certain number of teachers per pupil. The difficulty would then lie in the details, in analyzing whether the Coast Guard really needs those extra ships they asked for; whether more teachers in a school will produce something extra in social terms, or what exactly the social result of a school is. The risk is that arbitrary measures are instituted; but doing nothing is worse still.

The basic idea we want to convey here is that an attempt must be made at evaluating the government departments' jobs. The task of accountability is to expose the purposes of government action and attempt to make explicit the expected results. This might be a difficult task, even conceptually; it might be problematic to do but the tone of the debate, and public administration accountability, would, in any case, be enhanced.

6.5 Conclusion

In this chapter we examined aspects of politics. It is crucial to point out that these aspects are very much intertwined with public administration and public management. There is hardly any distinction between public administration and the political sphere when it comes to responsibility and accountability. This is illustrated in the literature by the triangle of governance (Lapiccirella, in Di Bitetto et al., 2015a), which shows the political sphere interfering with the administrative sphere on a peer basis. There is no hierarchical status of politics vis-à-vis public administration. On the contrary, scholars have argued that public administration, being closer to operations, is actually a stronger player than the political sphere when it comes to public management, budgeting and operations.

In Part 2, composed of Chapters 7 and 8, we deal with the opportunities that accountability opens up for society and the values that it helps us discover. A perspective could thus be derived on the future, and what can be done to bring about accountability and social responsibility.

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Part 2

Work Across All Sectors of the Economy

In Part 1 we presented examples of accountability throughout the sectors of the economy, taking the view that all organizations should be accountable for their economic responsibility. We now proceed in Part 2 to elaborate on the concept of "competition". We put the word competition in quotes because we work on diverse interpretations of it. We argue that economic responsibility can be assessed by checking whether organizations are subject to competition.

Responsibility is driven by competition and the cost of non-accountability is very high within economies. There is a latent disequilibrium within economies of the world and we develop a view of the possible economic dynamics that such disequilibrium might generate once it is revealed.

7

The Consequences of Non-accountability

7.1 Introduction

In previous chapters we have gained an overview of contemporary employment, ranging from large corporations subject to international competition, to local and nationwide monopolies, to private non-profit organizations and, finally, to public administration and the political arena itself. Using the concept of accountability we have opened the black box of organizational activities and gained a thorough view of employment in different economic sectors in all its aspects. In Chapter 2–on large international firms – and then in Chapters 3 through 6, we gained a complete view of the economy. Large corporations are often subject to criticism; yet they are subject to each other's competition and, if one does not like Windows, one can always, with some extra effort, turn to Linux. Monopolies are harder to control through competition; they are also hard to control through the institutions of public administration because it is even more difficult for public administration to lend itself to accountability. The political arena appears to be very competitive; but political competition is often set up with specific organizational arrangements that do not favor accountability.

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Private non-profit organizations, for their part, appear to be subject to competition. Four observations result from our illustration:

1. where competition is absent we can speak of the "evasion of work";
2. the evasion of work includes large proportions of employment;
3. a competitive divide cuts across all employment; and
4. the competitive divide explains contemporary economic crisis and social unrest.

7.2 Absence of Accountability and the Evasion of Work

The evasion of work is pandemic, it involves all whose work is not subject to competition. The evasion of work includes corruption as a limiting case but it is much wider than corruption; the evasion of work is administrative behavior.

Nor are we talking about sloth. "There is also a lot common place that needs being made right. Everywhere in the world we hear that people who are drawn to public administration work are sometimes slothful, unimaginative, untalented, uninspired, and in no way operate on a wavelength anywhere close to economic responsibility–but those types are well represented in the private sector as well. Perhaps the distinction is that those types don't make their way into significant leadership roles in the private sector, but may indeed do so in public organizations. Public managers do have a pretty nuanced understanding of how difficult it is to get anything important done in government in a sustained manner, of leading and executing important initiatives uninterrupted by the tensions between politics and law, on the one hand, and good intentions and sound business practices on the other." (p, 92, Di Bitetto et al. eds., 2015a).

Accounting for work is essential in modern society. Our initial hypothesis was that, in accountability and CSR, there was some "do-good" and some philanthropy. Once we extended the notion of accountability to all economic sectors of activity, however, a deeper picture emerges: difficulties of CSR are not the result of some misunderstanding about the notion of accountability;

they are the result of an inability to work. Observation of all employment, in fact, reveals that in the absence of competition the very idea of work comes out blurred, not to mention the measure of work.

We have difficulties assessing the value of a good director of correctional facilities; we do not know how to evaluate the chief of a police precinct. Sometimes reports of economic responsibility are of doubtful quality due to the absence of substance. We would like to call this phenomenon the "evasion" of work.

The evasion of work does not exclude the fact that there are a lot of people who do a lot of activities, and there are bureaus where a great deal of action takes place. Evasion of work is a technical issue and is due to the absence of comparison and choice on the part of customers. The evasion of work is work that is unaccounted for, not measured and thus potentially not geared to the needs of the economy.

Why "work" and not "labor"? Because we are speaking of all work: labor has a connotation of blue-collar work and employee work. We are speaking of all work: self-employed work, entrepreneurial work, executive work. We are addressing all forms of employment.

The evasion of work is generated by the absence of competition and it formulates in economic terms what is in current discourse blamed on the "system" and on "complicated laws", as Herzfeld (1992) reports: "Buck-passing, which clients recognize as a symptom of some alleged bureaucratic mentality, is in fact part of the same discourse of accountability, personhood, and superior force. While disgruntled clients blame bureaucrats, the latter blame "the system" and "excessively complicated laws".

7.3 Literature Analysis

The preceding conclusion is very much in accord with the studies of William A. Niskanen (1968, 1971): bureaucracies tend to overproduce and to over-remunerate their production factors, i.e. their own employees and their suppliers. This view is the outcome of the influence of many authors. Niskanen (1968) says bureaucracy theory is both for private business and public administration. The administrative distinction between the private and public sectors makes no sense, as can be demonstrated by the bailout of private firms by public administration after the economic crisis of 2008. Besides, much of the economy is non-competition-driven, so accountability reporting is needed.

Oskar Morgenstern, in his "Thirteen Critical Points" (1972), says that "the theory of the firm is now solely concerned with physical production and physical output". Yet, about 80% of the gross national product in the United States arises from non-physical (i.e. service) activities, which are also being organized in firms. How is the productivity of an orchestra (Baumol, 1986), a school or a law firm measured? What does the "productivity of a nation" mean under these circumstances? Even within the firms producing physical goods, there are many activities having nothing directly to do with output–conveniently labeled "overheads"–still further restricting the domain of physical output notions.

We would like to recall here, specifically, the view of Niskanen (1968), as expressed in his paper "Non-market decision-making –the peculiar economics of bureaucracy". In this work, and in the numerous subsequent revisions of it, Niskanen devises the economics of the budget-maximizing administrative manager. This hypothesis leads Niskanen to many conclusions that are observed in reality and that, indeed, we have pointed out in our cases. Niskanen also identifies possible corrections. Administrative organizations tend to overproduce and to cost more than is warranted by their services. Administrative organizations are "irresponsible", to put it in the language we are adopting here.

Several symptoms of the illnesses of administrative organizations are identified by Niskanen:

- The "passion of reformers for bureau consolidation": there is an intrinsic motion towards the abolition of competition among administrative organizations, even by those who are well-meaning in their actions.
- The administrative manager will not reveal the cost of his or her own operations: when shown the personnel costs of police forces under his own supervision, a minister responsible for security services said he had tried to obtain the same information himself, but kept getting different answers all the time.
- Politicians have a very weak interest in controlling administrative organizations.

- The administrative manager has an interest in enhancing demand for his or her own services: this is–for instance–what gives us the "police day" and other parades.
- Production factors tend to be over-remunerated in administrative organizations: this is what leads to salaries in public administration being higher–besides being less risky–than in the private sector; also, this is what leads to some government procurement that is costlier than it should be.

The remedies that Niskanen devises are also outlined in his cited work:

- Multiplicity of administrative organizations: an attempt should be made to implement competition among different administrative organizations that provide the same product or service–this could be the case of schools or of local health units, whereby the free option of "clients" would be a surrogate for a market mechanism. The budget of the units should then be proportional, or somehow take into account, the preferences of the clients; certainly, quality must be controlled and the clients must be informed of the quality of the services they are purchasing, or that they are adopting (in the case of government health programs, for instance)–but, again, these are other tasks of other administrative organizations.
- Mixed budget regime: ensure that some of the funding is derived from the government and some from the market; in other words, make sure that some of the budget of administrative organizations is earned in the marketplace, so that the value of the part provided by the government can be better assessed.
- A corollary of such organizational arrangements would be that products and services should be measured, assessed and benchmarked. This kind of work would be essential if our propositions were accepted, and examples of this kind of work are provided in Part IV.

It is interesting to note that, when speaking of administrative organizations, we tend to identify them with government organizations. However, Niskanen had in mind not only government organizations (public administration) but also all those segments of a business or non-profit organization that are somehow remote from the market. The public relations department is one instance of such organizational units and it is quite understandable why public relations scholars and managers strive to measure the impact of their work (Muzi Falconi et al., 2014). So, Niskanen's theory is valid for all economic sectors, public and private, monopolistic and competitive. That is why all sectors strive to identify metrics to measure their performance, to obtain guidance in their work and instruments to demonstrate the value of their activity. They "account for their work".

We would also like to address Max Weber's thinking here. Weber's view of the organizational mechanism as a rational and hierarchical pyramid appears no longer a useful tool with which to predict organizational behavior, in the light of Niskanen's work and the view of other thinkers as well. Though Weber and his works are quoted as though they were right, and administrative and legal cultures around the world are based on Weber's assumptions, scholarship (Allison, 1971) and observation show otherwise.

7.4 Analysis of Evasion of Work

The evasion of work includes large proportions of the economy and of the employed population. Following the case examples presented in the previous chapters, we can develop a classification according to the economic environment whereby work is performed. We can, therefore, proceed to an example where we run the numbers of the evasion of work, calculating who is and who is not subject to competition in a large Western economy.

A first cut of the classification of organizational sectors vis-à-vis their exposure to competition is an instrument with which to identify potential irresponsibility on the part of an organization, according to the competitive environment where it operates:

- public administration sector (public non-profit sector);
- regulated for-profit private sector (monopoly or subject to moderate competition);
- non-profit associative private sector (not subject to competition: entrepreneurial associations and trade unions);
- non-profit private sector (subject to competition);

– for-profit private sector (subject to competition); and
– SMEs–small- and medium-sized enterprises (subject to competition).

It is interesting here to quantify the number of jobs in the different sectors. Therefore, we present the following case study, where we provide a method to assess how much competition there is in an economy by quantifying how many of the employed are subject to competition.

7.5 Assessing Competition in the Economy

In this case, a detailed example is provided of who is and who is not subject to competition in a relatively large national economy: we provide a list of jobs by category, indicating for each who is subject to competition and who is not. The idea here is to name all employment categories and assign them to one or the other side of the competitive divide: subject/not subject to competition. It is clear that there will be grey areas. Also, identification of individual numbers is a bottom-up process; however, we reconcile the numbers with top-down statistics from the census bureau (Table 7.1).

From Table 7.1 we get our basic proportions about the head count of jobs:

– more than 25% non-competitive;
– less than 75% competitive.

The sum total of this exercise is that, in an economy with 23 million workers, 17 million are subject to competition and 6 million are not. In public debate, journalists commented on these numbers as being "optimistic"; that is, they thought the employed not subject to competition totaled more than our estimate, which means that our estimate might be conservative. It may also show–as Niskanen would predict–that the employed not subject to competition are hegemonic in the economy: they spend time developing public demand for their own services. Current discourse is focused on them so the public may develop the perception that there are more employees not subject to competition than there actually are. An expression of the general sentiment about specific numbers in the

Table 7.1 The prevalence of competition in society: running the numbers in an economy of 23 million workers

Synthesis:							
1	Agriculture	1,018,000					
2	Industry	6,942,000					
3	Services	15,040,000					
	Total economy	**23,000,000**					
		Activity	**Detail on services**	**Detail on services**	**Subject to competition**	**Not subject to competition**	**Total**
1		**Agriculture**			1,018,000		**1,018,000**
2		**Industry**					**6,942,000**
		Industry			5,000,000		
		Defense and electronic systems conglomerate				90,000	
		Construction			1,852,000		
3		**Services**			8,900,453	6,139,547	**15,040,000**
		Not subject to competition		**6,139,547**			
	3.1.1	Banking		340,865			
		Insurance (excluding agents and their employees)		170,433			
		Telecom company		85,000			
		Highway company		10,000			
		State television		20,000			
		Air traffic control company		5,000			
		Air traffic oversight agency		5,000			

State air company		20,000
Other companies within state-owned industrial conglomerate		20,000
State railway company		95,000
State postal service		90,000
State-owned electric power conglomerate		90,000
State-owned oil and power conglomerate		50,000
Muni's–local utility companies, of which		490,181
Electric power	8,994	
Gas	8,415	
Water	23,649	
Sanitation/ garbage collection and environmental services	38,376	
Transportation	71,197	
Pharmacies	3,550	
Culture and tourism	6,000	

(*continued*)

Table 7.1 (Continued)

	Housing	7,000	
	Health care	323,000	
	Other transportation		50,000
	Automobile club		10,000
	Road vehicle registration agency		5,000
	Port authorities, inter-ports, airports		50,000
	Pharmacy stores		14,000
	Others:		700,000
	In-house companies of local government		
	Public–private consortia		
	State ICT procurement corporation		
	State ICT corporation		
	Notary publics		
	Journalists		
	Lawyers		
3.1.2	Politicians		179,485
	Labor union representatives		20,000

3.1.3	Central and local government employees:	3,619,583			
	Subject to competition	**8,900,453**			
3.2	Coffee-shop owners	150,000			
	Other small businesses	451,041			
	Shops	2,000,000			
	Street vendors	500,000			
	Insurance (agents and their collaborators)	170,000			
	Microenterprises	5,000,000			
3.3	Non-profit sector	629,412			
	TOTAL		**16,770,453**	**6,229,547**	**23,000,000**

categories of the employed is to be found in the French bestselling novel *The Elegance of the Hedgehog*–in which the protagonist exclaims: “Too many railway men, too few plumbers!”.

7.6 Competitive Divide Among the Employed

Those who are subject to competition do account for their work; those who are not must account for their work in other ways; all economies can be characterized by their “competitive divide”. We contend that what really makes a difference in work–and in the economy as a whole–is the presence and the vivaciousness of a dialectic between the employed subject to competition and the employed that are not.

Acting directly on the effectiveness of the economy, the competitive divide appears more relevant to the economic crisis because it answers issues about the lack of development that have been identified in recent literature (Bower et al., 2011; Acemoglu and Robinson, 2012). Thus the competitive divide appears more relevant to the welfare of economies than other current divides capturing much of the public’s attention: left and right, agent or principal, public or private, or the widespread master-slave class struggle. The competitive divide would restructure the nature of public debate, as it puts employers and employees on the same side of the divide.

The “competitive divide” is inspired by the concept of the dual labor market developed in the 1970s by the MIT economists and philosophers Michael Piore and Charles Sabel (1986). The theory of a dual labor market divides the economy into primary and secondary sectors. Distinction may also be made between the formal and informal sectors, or between sectors with high/low value added. The secondary sector is characterized by short-term employment relationships where there is little or no prospect of promotion within the organization, and where wages are primarily determined by market forces. This sector consists primarily of low-skill or unskilled jobs characterized by low earnings, easy entry, impermanent positions and low returns to education or experience. Labor in the informal economy is often recompensed with equal informality–i.e. “under-the-table”–tending to attract the poor and a disproportionate number of minority group members.

Indeed, the competitive divide leads to an "accountability divide". This is a new frontier in the domain of privilege, defining new groups of haves and have-nots: those who do not account for their work and those who do. An issue of equality is at stake here. Equality vis-à-vis the basic constitutional tenets (De Ros, 2010).

7.7 A New Inequality

Before continuing with the "accountability of work", we would like to elaborate briefly on the issue of equality we have just identified. Authors think of equality–and of inequality–mostly in terms of income and wealth (Atkinson, 2015; Stiglitz, 2012, 2015; Drèze and Sen, 2013). However, we are trying to show that in the economy of value, fruition and use, rather than ownership–a significant amount of value or hidden income–can be perceived from a person's working conditions.

Measures of inequality focus on income, wealth and other conditions (e.g. the digital divide). We identify a new inequality, embodied by those who are employed not subject to competition vis-à-vis the employed in organizations subject to competition. Such inequality takes place–for instance –in the working conditions of public administration in many countries. The following is a first list of conditions, rules and items of the working environment that are present in public administration and are not present in organizations subject to competition:

– tenure (rules of hiring and firing) independent of economic cycle;
– right to strike against an agent;
– lack of evaluation of work; and
– salaries higher than in the sectors subject to competition.

More than other inequalities, inequality in working conditions acts as a brake to economic development, creates the "evasion of work" and the possible production of public "bads" (Klein, 2008).

The importance of working conditions has also been underlined by Richard Sennett in his *The Corrosion of Character* (2000).

Following Niskanen, cited above, such inequality applies not only to public administration but also to the monopolistic sector because the monopolistic nature of government leads to organizational arrangements which allow such inequality to grow.

We wish to elaborate now on the concept of the "accountability of work". "Accounting for work" happens when one's own work is involved in an evaluation process, be it a market mechanism or a pseudomarket mechanism (i.e. meritocracy), an evaluation process of its economic utility, preferably an international one; when public administration jobs are implied, local standards may be entirely out of scale even at a national level.

Accountability is transparency, and being able to respond and justify work actions (Mays, 2010).

We work with rough variables. Accounting for work–when not subject to competition –is a proxy for the economic utility of work that is not subject to competition. The reverse may not be true; i.e. work not subject to competition may not be useful in the economy. It might even be "negative work", work subtracting value from the economy. We will treat the notion of negative work later in this study.

One way to look at the accountability of work is to think of its opposite: non-accountability. To understand the impact of non-accountability we can look at the World Bank Governance Indicators. The test of our reasoning about the accountability of work would be in its effectiveness in amending situations stigmatized by those Governance Indicators.

It is important to notice that a person's or an organization's positive economic contribution to the economy need not be a conscious effort. Indeed, it is often made unawares. Adam Smith, the Scottish social philosopher and a pioneer of political economy, came up with the classic case of a brewer who only cares for his profit–but, in so doing, benefits society with a good product, one that people are willing to pay for. The brewer performs a positive economic function because he is subject to competition.

7.8 Competitive Divide and Contemporary Malaise

The problem of the accountability of work may have something to do with the claimed unsatisfactory nature of contemporary life. In the words of Zygmunt Bauman's *Does Ethics Have a Chance in a World of Consumers?*

(2008), human beings despair of a "final victory" in their quest for making sense of human existence.

We would like to use for this phenomenon the term "malaise", a French word for melancholy and uneasiness, which U.S. President Jimmy Carter used at the end of the 1970s to describe a general sense of loss in society.

People seem to long for a "steady state" in their life and in society. Paradoxically, this longing for a steady state appears to be stronger in the wishes of those who are not subject to competition. For example, "stable work" is often invoked by those who aspire to public administration tenured jobs. In fact, the longing for a steady state is presented by Ludwig Von Mises, the Austrian economist and philosopher, as a characteristic of administrative behavior. Thus, we find the link between this malaise and the competitive divide. Social and economic malaise can be a result of the non-accountability of work. On the other hand, the employed who are subject to competition are not immune from such a moral predicament: they also feel this malaise; but they are distracted from it because they are busy working.

It is interesting to recall that such an argument about social–not only economic–unrest has been the subject of recent research by the World Bank and other scholars (*The Economist,* 2015; Brixi et al., 2015). The World Bank report is about social and economic unrest in North African and Middle Eastern countries and it appears to be mostly about the inefficiency and ineffectiveness of public administration. The report specifically underlines the nature of the non-accountability of public administration jobs at all levels.

7.9 Interdisciplinary Work and Anti-Politics

Our focus can extend to the entire political establishment but this does not make our view anti-political. Anti-politics is when the political class are liquidated with statements such as: "They are all corrupt; they only seek their own personal power". Being anti-political is a mistake, and the suspicion of being considered anti-political is a very bad one.

Context-specific definitions of anti-politics are *Poujadisme* (a conservative reactionary movement to protect the interests of small traders) and the Know-Nothings.

However, there has to be a way to infer generalities based on facts–to be meaningful, rather than anti-political.

Sometimes, the accusation of being anti-political is leveled by the vague to those who are specific, and Ferrara (2008b) acknowledges this could happen in our case. Suspicion of anti-politics often springs out at the interface between disciplines. Interdisciplinary work calls for that suspicion.

Ours is also a legitimate approach to a political view of society that derives from considerations generated by disciplines other than political science and other human sciences.

Uneasiness with the not-so-smooth workings of democracy has been effectively researched and described by Andrea Lapiccirella in the framework of the interrupted triangle of democratic governance. Administrative organizations operate within the framework of the so-called "broken triangle of governance" (Figure 7.1).

In the diagram, the two-way arrow between the citizens and politics represents a dialectic relationship between the two parties involved. The one-way arrow between citizens and administrative organizations means that citizens have no way to influence bureaucracies. The one-way arrow between politics and administrative organizations means that politicians do not have sufficient incentives to control these organizations effectively. While there is at least a formal dialectic between citizens and politicians–which takes place at election time, with the vote of the former approving the political program of the latter–there is no control of politicians over administrative organizations (this key variation to Niskanen's ideas was suggested by the American economist Gordon Tullock). Morover, there is no control by citizens on administrative orga-

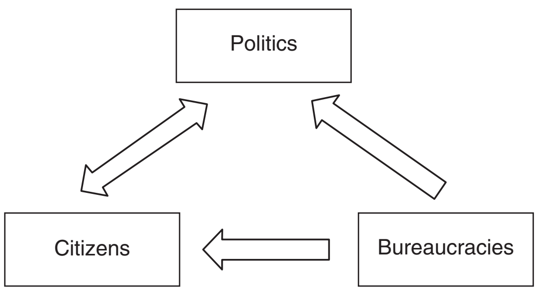

Figure 7.1 The "broken triangle of governance"

nizations. Therefore, administrative organizations behave as a monopolist vis-à-vis politics and citizens.

Administrative organizations are virtually independent of both citizens and politicians, who ideally should exert control over them. As we said, this model overrides the Weber model of the civil servant, which assumed government public administration to be an optimal and rational provider of goods and services.

Reality, however, is still very much "Weberian". We observe that administrative law is based on the Weber model of a rational public administration: when it comes to defining the tasks of public administration, law in general–and administrative law specifically–implicitly assume that public administration organizations will implement law literally and exert optimal effort; optimal from the point of view of efficient use of resources and effective impact on society and the economy as desired by the law itself. A usual consequence of this can be observed when additional tasks are asked of administrative organizations and new resources are needed, revealing that the relevant organizations are assumed to be operating on the feasibility frontier.

Solutions to overcome the problems of administrative organizations often resort to more rational–i.e. Weberian–mechanisms. Such solutions, then, appear to be willing "to kill Weber with Weber". In fact, when approaching inequality in our economies and societies there is still the expectation that organizations should work rationally, mechanically and perfectly. Reality is seen as a deviation from the norm, more than having a foundation of its own. There is wonder when Weber patently does not work any longer (Bauman, 2008). Likewise, emphasis on the rules (rather than on work) to ameliorate the quality of the economic environment appears to be a post-Weberian approach (Abravanel, 2008).

7.10 Rent-Seeking in Public Administration

The subject we have decided to treat in this study is important because it involves sizeable shares of GPD. In fact, the correct measure to evaluate the absence of competition within the economy is the value of GDP which is lost to such absence. Such value has been estimated as a two-digit percentage of GDP (Lapiccirella, 2015). The percentage of GDP which is lost due to the absence of competition in the economy is a measure of outcomes. When we evaluate the salary gap across the competitive divide, we are only evaluating a measure of input, which is an estimate of the lowest possible damage due to that absence of competition.

We have already seen the headcount and the prevalence of potential social conflict. What, however, are the quantities at stake? Let us measure the quantitative potential of this conflict.

This section presents the macro numbers of an economy that are relevant to our argument: the salaries of workers not subject to competition are more relevant than the profits of corporations. Work and productivity is a more relevant issue than the labor-capital dialectic.

Table 7.2 and Figure 7.2 present the percentile share of income between labor and capital; then the share of labor is divided into competitive and non-competitive labor, showing that the extra profit of non-competitive work is quantitatively higher, or at least comparable to, the actual profits from capital. Therefore, the battle is better fought against non-competitive work than against over-remunerated capital–which can always be taken abroad, whereas labor is going to be much less mobile, especially non-competitive labor. We see that non-competitive work appropriates a share of income higher than its headcount, 35% vs. 25%, when pension plans are also taken into account (Parks, 2010). If it were to appropriate its "fair share"–corresponding to the headcount of 25%–it would appropriate about €100 billion less than it does today.

This €100 billion is the extra revenue of non-competitive jobs: this is what Niskanen calls the extra cost of production factors in non-competitive environments.

For those who are subject to competition, then, it appears therefore more fruitful to fight over-remunerated labor than to fight capital. Capital can fly away. Labor cannot.

The idea here is not so much for those who are subject to competition to appropriate the extra revenue of those who are not subject to competition but to bring to fruition for society the full productivity of work from those who are not subject to competition. Thus, the calculation is a minimum estimate of the social value that is redeemable when competition–or better, accountability–is established within society.

Table 7.2 Quantitative example

	Subject to competition (€/billion)	Not subject to competition (€/billion)	Total (€/billion)
GDP			1,300
Capital	100		
Government debt	100		
Government salaries		200	
Monopoly salaries		200	
Salaries earned in the competitive sectors	700		
Proportions of income			
Capital vs. labor:	(100 + 100) = 200 vs. 1,100 = less than 20%		
Non-competitive salaries vs. competitive salaries:	400 vs. 700 = circa 35% vs. 65%		
Proportion of jobs			
Non-competitive: 25%			
Competitive: 75%			

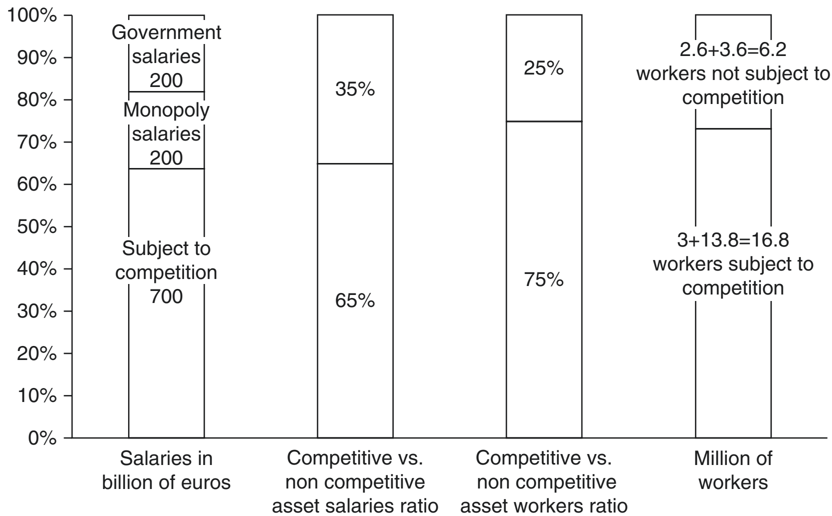

Figure 7.2 Quantitative example, €billion

The calculations in the explication of Table 7.2 were income-based. On the other hand, impact-based calculations lead to much larger numbers. It has been estimated that one third of gross domestic product is lost for lack of infrastructure, lack of purpose in government, modest schooling systems, and lack of competition in services (Nardozzi, 2010).

7.11 Hidden Costs, Rights and Liberty

It has been argued that "Liberty depends on taxes" because rights have their own cost (Holmes and Sunstein, 2012). We argue that liberty not only depends on taxes but also on the effectiveness of organizations not subject to competition, viz. public administration. Our theory is that there is no inherent limit to the divergence of the costs of public administration from their effectiveness within the economy. This divergence is what we have called the evasion of work, which is a function of the non-accountability of public administrations, not of their direct cost. As work can also be negative, the cost of a non-accountable public administration represents only a lower measure of its burden on its own country's economy. Due to negative work, the burden of a non-accountable public administration on its own economy can be virtually infinite.

7.12 Overcoming the Competitive Divide

This idea was perfectly stated by Eugenio Scalfari, the founder of *La Repubblica*, a leftist newspaper in Italy. You do not necessarily have to call it "competition" to arrive at the point of accounting for work. In July 2010, this influential journalist wrote:

> Is there a way to compensate for the loss of welfare of the weak class in the affluent countries? Yes there is and it is the following: make the communicating vessels' system work not only at the international level, for international competition, among countries, but also at the national level, within individual countries. Take Italy, an affluent country where there are still enclaves of evident poverty (not only in the South of the country) and intolerable differences in the echelon of incomes and of individual wealth. Between the Italy of the affluent strata of the population and the Italy of

> the poor, the communicating vessels' system is stuck. It does not work. Wealth that is produced is not redistributed. It reflows on itself and feeds the regressive system of making the rich richer and the poor poorer. A policy of common wealth would dismantle this perverse circle spiral and start a virtuous circle through a fiscal reform that redistributes welfare.

The case in point is precisely a case of international competition. Justice is seen by Scalfari in the "equalization" among national workers. He uses the image of "communicating vessels", which is another way to speak about the equalizing effect of competition. Where he sees the poor, we see those who are subject to competition. He sees the (undefined) rich; we see those who are not subject to competition. He sees fiscal reform; we see more competition; we see accounting for work.

The basic idea is the same: one section of the country riding on the shoulders of another section. The other basic idea is key: this is the only way to manage international competition. This is the only response that is adequate.

In the next chapter we elaborate on the nature of competition and investigate the possible dynamics that lack of competition in the economy could release.

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8

Competition and Stakeholder Analysis

8.1 Introduction

In this chapter we discuss the nature of competition and investigate the dynamics that result from the current disequilibrium in the competitive conditions within economies: the presence of the competitive divide.

In the previous chapter we have seen that, by and large, in each specific economy, over 25% of the employed enjoy working conditions not subject to competition, and are only subject to very few accountability measures on their employment. On the other hand, nearly 75% of the employed experience working conditions that are subject to competition and neglect the aggregate consequences of this important fact. This appears to be such a pervasive phenomenon that it is worthwhile to investigate its possible causes; after which a perspective must be given of possible change, and a reason for collective action must be found to effect such change.

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8.2 The Root Causes of the Competitive Divide

We report a possible set of causes of the competitive divide. In our example, out of an employed population of 23 million, seventeen million experience working conditions subject to competition but do not utilize this force as a cohesive reason for economic action. This is hardly news; we are simply revealing a contemporary aspect and latency of this potential. Ferrara, in “Weaknesses of democratic political culture in Italy” (1999), identifies a set of four general causes of elite-prevalence in society:

- the charisma of the one who is invested with power;
- the elitist “*basso continuo*”: the general acceptance by a vast and disorganized majority of a small, active and well-organized minority;
- the idea that history will be the judge: the elite consider themselves accountable only to history, not to the people; and
- the desire to avoid tough political confrontation for fear of a civil war.

These four causes refer to the general problem of the prevalence of an elite within democracies. We link these four causes to the notion of the competitive divide we have identified in the previous chapter, arguing that the competitive divide is a consequence of those four causes. In practice, the economic groups enjoying the four causes of elitist behavior organize themselves within the economy in order to be sheltered from competition. Our argument is compatible with the political science argument, and it proposes its structural consequence.

In the following sections we analyze the nature of competition in more depth.

8.3 Competition as a Driver of Responsibility Within Industries

In our perspective of possible change, then, the force that will move society towards accountability is horizontal competition. Having introduced the concept of competition within and across industries and sectors, we call competition across sectors horizontal competition while competition within industries is called vertical competition. Horizontal competition is the competition between those who are, in their work, subject to vertical competition and those who are not subject to it. Vertical competition exists because many want to sell to few; horizontal competition exists because economic groups–differing by their position vis-à-vis competition–still compete with each other to appropriate shares of national income. For instance, the salaries of those who are employed in public administration are driven by different mechanisms from those regulating the salaries of people employed in the sectors subject to competition; nonetheless, there is an indirect struggle between those who are subject to competition and those who are not to increase their own salaries.

We stated our proposition that "vertical competition" is a driver of accountability. Vertical competition is the struggle among companies engaged within each industry and within the same economic sector. This is the competition we are usually accustomed to thinking about; the competition that brings producers (but not consumers) unwelcome phenomena such as price-cutting, international relocation and imports. Vertical competition is central to the process of accounting for work because vertical competition in and of itself makes work accountable; if not instantly valuable from a social point of view, at least subject to economic scrutiny (Lapiccirella, 2015). Vertical competition ensures accountability. It does not guarantee that the firm or the organization will behave correctly, but it does guarantee consumers the opportunity to adopt competing goods and services since they have the choice.

There is a lack of awareness concerning competition: those who are subject to competition are not aware of it and do not "use" this important value. Competition is, however, prevalent in our economies; as we have seen in one of the largest world economies (in terms of gross domestic product) nearly 75% of the employed and their jobs are subject to competition. Competition is a sort of ghost: it is there, it is prevalent, but nobody sees it; and competition is only evoked for special purposes. The key purpose for evoking competition is "vertical" competition, when a specific firm has problems competing in its industry, or when an industry in one country has problems keeping up with international competition. In both cases, competition is dubbed "cut-throat".

8.4 Analysis of the Literature

Cut-throat competition. Unfair competition. The idea of competition evokes Darwinian images of jungles and "the survival of the fittest" according to the theory of evolution, and Hobbesian fighting (the philosopher Thomas Hobbes described the state of nature as one where man is a wolf to his fellow man–"*homo homini lupus*", in Latin). However, a twenty-first century view of society and the economy is that the fittest need the less fit; in a world of over seven billion, people are interacting far more with one another than they are with nature.

Competition is a social order; it is not simply made of rules but concerns work and all that lies within the framework of the rules. Rules tell us mostly what must not be done. Work is what has to be done. "Competition" is a difficult term. In fact, students over time have used other terms to mean the same set of economic and social circumstances. Let us study a few examples in order to clarify our interpretation of this word.

Alfred Marshall (the founder of neoclassical microeconomics) was shy about using the word competition. In the introduction to his *Principles of Economics* (abridged edition, 2010), he proposes Freedom of Industry and Enterprise or, more briefly, Economic Freedom. Competition seemed somewhat cannibalistic to him, and he wanted to underline the fact that, when and where there is competition, there is a great deal of room for cooperation. One hundred and twenty years after his sound doubts, we argue that "Economic Freedom" appears to be a vague term and that we can profitably use an amended notion of competition: only when there is competition is there room for voluntary–and, therefore, effective–cooperation.

Still considering the virtues that competition is supposed to bring about, it has been proposed that, instead of competition, there is a need for its opposite: respect from civil servants for their fellow citizens as well as social cohesion and social capital (Ruggeri, 2010; Micelli, 2010). In a word, the virtues outlined can be summarized in the term "civicness", proposed by Robert Putnam (1993).

We fully agree with this interpretation; that this is what is needed–irrespective of what we call it. Our proposal to bring about competition where civicness is missing is based on Niskanen's (1968, 1971) observation that it is difficult to build civicness where an economic norm is absent. Competition is one way to establish an economic norm where it is wanting. Competition is meant to bring about from the civil service the same consideration we receive when we enter a coffee shop. Civicness (Putnam, 1993) is built over centuries: "Behind a typical free market are centuries of patient development of property rights and other legal arrangements" (Schelling, 1978); competition is one way to bring about the accountability of work, which is a specific, non-marginal element of civicness that can be developed within an economy in a reasonable amount of time that is compatible with the life span of those advocating it.

Competition is a herald of economic justice, as is also proposed in the concept of "communicating vessels", cited at the end of Chapter 7. Referring to society as "communicating vessels" means to look at different classes and social groups as part of a whole: nobody should be left behind; no group should prosper while others are suffering; affluent groups should share their fortune with less well-to-do groups. The image of communicating vessels comes from physics. The level of water in communicating vessels is the same and must stay that way for equilibrium to be present; when we pour water into one vessel, water spontaneously flows into the other until the level is the same everywhere and equilibrium is restored. The idea is clear, and it reminds us of another ancient image: the parts and the whole of the human body, as expressed in the legendary speech that Menenius Lanatus Agrippa made to the plebeians on the Aventine Hill in 494 BC: "Society is like a human body, all sections of society are like the limbs of the human body: they all contribute in the same way to the welfare of society".

Competition is also meant to be a herald of meritocracy–another synonym. Competition stands for scrutiny, obtained through rules and an economic norm.

"Benchmark" is yet one more synonym for competition. Comparison is the basic method of benchmarking, and comparison is the first step of competition. It might not lead to choosing one supplier instead of another;

it might not have immediate economic consequences but we may affirm that benchmarking is also a very close approximation of competition.

So far, we have seen alternative terms for competition that are meant to signify exactly what competition is about. There are also instances of pejorative terms used to mean phenomena that might not be seen as negative at all but, rather, fair. Take, for instance, "international financial speculation". This is meant to be pejorative behavior, but one could interpret it as "an international economic norm that detects collective irresponsible behavior" where public administrations fail to cater to the needs of their citizens. There is no inherent mechanism preventing the harm that a non-accountable public administration can impose on its own economy.

In fact, an alternative view of competition can also be obtained by considering the absence of competition, embodied by those who are excluded from competing, who never entered a fair race: the unemployed who are excluded from work by those who are employed and not subject to evaluation, mass transit passengers who suffer unfair competition from people who commute by car and do not bear the full cost of pollution and congestion, and are victims of disservice caused by strikes of guaranteed transit drivers; gifted potential immigrants who suffer measures against illegal immigration, and the absence of a fair immigration policy and its implementation; gifted candidates in some pseudo-competitive civil service contest; young professionals without access to closed-shop professions; the citizens themselves of many countries in the world who are excluded from the opportunity to propose candidates for general elections. Corruption is the absence of competition; crime is also non-competitive. We may thus conclude that competition is cut-throat when it is absent. Naturally, we are talking about "fair" competition; competition that has positive economic outcomes for all actors involved.

However, along with vertical competition, horizontal competition is also at work in the economy. Horizontal competition takes place implicitly between different industries and sectors of society to appropriate shares of the national income but competition also takes place (in a less evident way, but with no less impact on income) on an aggregate level, between entire sectors of society. This is most evident between sectors sheltered from competition and sectors subject to it. In many instances around the world, this is what happens between public administration and private companies.

Originally, social responsibility came into being through the pressure of public institutions on private corporations: this pressure itself could be seen as one instance of horizontal competition between different economic sectors (public institutions forcing private businesses to do something for the economy, therefore also for public-administration workers). Once the duty of accountability is extended to all economic sectors (public and private, for-profit and non-profit), horizontal competition between economic sectors becomes the crucial driver of accountability. A reverse process can take place: sectors subject to competition (e.g. private companies) could demand accountability from those sectors that are not subject to vertical competition (e.g. public administration) with the objective of reaping benefits from better and more profitable work by public administration for the whole economy.

We expanded on the notion of vertical competition in order to clarify the notion of horizontal competition, which is the case in point here. We hypothesize that there is little awareness of horizontal competition in society because this kind of competition has not been formulated in a positive way or assigned a positive value, such as we propose here: the positive value of competition. Horizontal competition in society has often been framed in a negative way, as class hatred or social envy, or as class struggle and class conflict.

However, many of the positive definitions of competition given above–civicness, meritocracy, communicating vessels–embody within themselves a horizontal view of competition (i.e. a view of competition "across" industries and economic sectors, just as we have evoked at the beginning of this chapter: a large section of the employed free riding on the shoulders of others).

So, the competition we want to evoke here is horizontal competition that takes place among different economic sectors of the economy, just as we have shown in the previous chapters: jobs not subject to competition are subsidized by jobs subject to competition. Competition is meritocracy: it is not cheating; it is observing the rules; it is transparency; it is not corruption; it is not favoritism. Competition in the economy is like competition in sports; those who lose are poorer, but do not perish: the winners still need someone to compete against the next time around. In the economy, you always need consumers.

Put like this, it looks like a dream, but it is a dream come true: nearly three-quarters of the economy is represented by jobs subject to competition. Think of coffee shops, department stores; think of car makers where there are no barriers, or "voluntary restrictions" to imports; think of the infinite number of service jobs where, as consumers, we have the opportunity of changing our supplier. Complaints occur, cheating happens–but we can change. Once we are not satisfied with a product or service, we can change. This is the infinite reality of small- and medium-sized companies, and of large, international companies subject to international competition.

Marshall introduced a vivid notion of "vertical" and "horizontal" competition:

> This competition is primarily "vertical": it is a struggle for the field of employment between groups of labour belonging to different grades, but engaged in the same branch of production, and enclosed, as it were, between the same vertical walls. But meanwhile "horizontal" competition is always at work, and by simpler methods: for, firstly, there is great freedom of movement of adults from one business to another within each trade; and secondly, parents can generally introduce their children into almost any other trade of the same grade with their own in their neighbourhood. (Marshall, abridged edition, 2010).

Marshall here takes the view of the individual vis-à-vis competition, which is the elemental building block of the economy. His interpretations of "vertical" and "horizontal" competition are in complete agreement with our view of competition within industries (vertical) and across sectors (horizontal). Marshall does include in his definitions significant restrictions when he writes "within each trade" and "of the same grade with their own in their neighbourhood". However, in economies that are perhaps–or to some extent–more open than the economies Marshall witnessed in his day, people are relatively free to move from those sectors subject to competition to those sheltered from it. However, in contemporary economies, we also witness some movement going the other way around: we see people voluntarily moving from being sheltered from competition to being subject to it–taking risks, starting companies, moving from one country to another. We deal with this subject in the chapter about Small and Medium Enterprise.

Our view is significantly different from what Marx called "class struggle". Marx viewed a struggle between different strata of the economy: labor vs. capital. These strata belong to the same industries. So in Marshall's terms, Marx saw competition only as vertical competition. While his ideas aimed to embrace the whole economy, he did not see competition across sectors of the economy. In fact, Marx left outside of his own analysis the sectors not subject to competition. He did not grant those sectors their own autonomous behavior and saw them as mere appendices of capital ("superstructure"). Our view is quite the opposite: administrative organizations not subject to competition enjoy total freedom within the economy vis-à-vis organizations subject to competition.

Finally, we need to recall Milton Friedman's distinction (in *Capitalism and Freedom*, 1962) between competition and rivalry.

"Competition has two very different meanings. In ordinary discourse, competition means rivalry, with one individual seeking to outdo his known competitor. In the economic world, competition means almost the opposite. There is no personal rivalry in the competitive market place. There is no personal haggling. …the essence of a competitive market is its impersonal character."

"In some ways, monopoly comes closer to the ordinary concept of competition since it does involve personal rivalry."

"Monopoly raises two classes of problems for a free society. First, the existence of monopoly means a limitation on voluntary exchange through a reduction in the alternatives available to individuals. Second, the existence of monopoly raises the issue of 'social responsibility', as it has come to be called, of the monopolist.… It is hard to argue that he has any 'social responsibility' except that which is shared by all citizens: to obey the law of the land and to live according to his lights. The monopolist is visible and has power.… It is easy to argue that he should discharge his power not solely to further his own interests but to further socially desirable ends. Yet the widespread application of such a doctrine would destroy a free society."

"Of course competition is an ideal type, like a Euclidean line or point.… There is no such thing as 'pure' competition."

8.5 Empirical Evidence

A very relevant view of competition within and across industries has been provided by Chymis (2008). In his econometric study of corporate social performance vs. the degree of competition within different industries, Chymis found a, generally, positive relationship between the degree of competition in one industry and its social performance. This curvilinear relationship became negative only at the extreme of very competitive industries. The notion of corporate social performance that Chymis adopted was the mainstream notion, requiring special programs and budgets for a company's social performance; therefore, the degree of competition in one industry may limit–in extreme cases –the available resources for special programs.

In this sense, Chymis reconciles Friedman with Corporate Social Responsibility; in fact, in his work Friedman says corporations must make profits, "provided they abide by law and custom, and operate under open and free competition". Chymis proves that competition is a driver of accountability; therefore, Friedman "is a friend, not a foe" of responsibility. Chymis et al. (2015) use a different definition of competition. Instead of the usual competition within industries they study competition among countries using data from the World Economic Forum (WEF). Their findings show a linear positive relation between the level of competition and the ethical behavior of firms. Specifically they find that firms are more ethical in countries with more effective competition.

In this book we generalize the notion of competition as a driver of accountability, extending that notion from competitive organizations–which experience competition within industries –to all organizations across all sectors of the economy We derive the notion that the more organizations are subject to competition the more they tend to be accountable for their economic responsibility. Organizations not subject to competition ought to account for their economic responsibility by changing their organizational arrangements so that that they are more subject to competition or by accounting for their economic responsibility in ways that implement virtual competition, e.g. benchmarking or yardstick competition (Breton et al., 1991; Demsetz, 1982).

With regard to mainstream social responsibility, our view goes one step further–or better: one step "back"–into the neoclassical paradigm since we propose that economic responsibility means accounting for the many market failures that are present in the real economy. Economic responsibility is the bridge between the neoclassical and reality. In this way we bring responsibility into line with Friedman's view, thereby countering the low opinion that responsibility engenders in the circles of business managers. We have shown that being competitive is equivalent to being responsible, that accounting for economic responsibility is the bridge between the model and the reality, not only for private business firms and corporations subject to competition, but a bridge for all organizations, including public administration, often not subject to competition.

8.6 Competitive Divide and Stakeholders

So far we have illustrated the picture of the whole employed population vis-à-vis competition and accountability. We have identified the competitive divide and its costs and benefits. Now we ask ourselves what economic groups could be interested in generating economic dynamics in order to reap some benefits, and proceed to analyze the possible stakeholders of the value of competition and accountability of all organizations, and the possible economic dynamics such stakeholders may set into motion.

Change will not come about spontaneously without a specific demand based on self-interest. Change will not come from the good will of individuals or organizations. Change will happen if someone consciously acts in his own self-interest to make change come about. The specific change we wish to talk about is economic accountability in the sectors that are today less accountable. We will look at the possible stakeholders of economic responsibility in all organizations (reformulated CSR).

The employed population in the economy can, therefore, be partitioned across economic sectors between that part of it which is subject to competition within industries and that part of it which is not. The work of the employed and employers not subject to competition enjoys a shelter vis-à-vis the work of those who are subject to competition; thus the notion of a "competitive divide" is derived. Therefore, those who are not subject to competition must give account of their work through the introduction of some form of competition within their industries or through pseudomarket mechanisms such as responsibility reporting or benchmarking. Somehow, the jobs that are not subject to competition must account for the validity of their economic contribution, basically through virtual competition (benchmarking) and transparency reporting.

Accountability is responsiveness to demand; it is work effort, transparency, customer sovereignty, reciprocal trust, multiplicity of alternatives and the economic utility of work. Competition is a driver of accountability.

From an empirical point of view, SMEs and the majority of the employed are on the competitive side of the "competitive divide"; whereas monopolistic sectors, such as public administration, are on the non-competitive side.

In order to generate a view of the possible intersectoral dynamics, it is useful to gain an overall view of the employed. Figure 8.1 illustrates the basic concept of our proposal: competition drives accountability. Therefore, different "employed groups" are presented on the competition-accountability plane. The groups most subject to competition (top right)should demand accountability from the groups located near the origin of the plane out of self-interest.

So the yet-to-be-identified stakeholders of this economy-wide game are the economic groups that are not aware that they are not getting their fair share.

Running the actual numbers of such groups is a fertile operation: you obtain an almost "tactile" understanding of the potential stakeholders. We go from generic figures to specific, realistic sectors, companies and business associations.

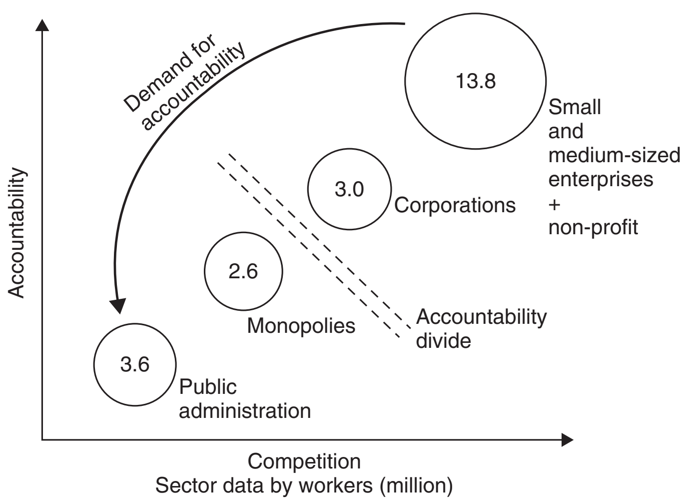

Figure 8.1 Competition drives accountability

We will examine two groups of stakeholders: SMEs, including microenterprises and the informal economy, and large, international corporations.

SMEs are important because this group represents the largest number of the employed; however they do not appear to have the necessary characteristics to embrace competition as a positive economic value. Our previous analysis relied on the force of the numbers of employed represented by SMEs and in the first edition of this book we proposed that SMEs be the driving force of change towards accountability in all organizations. Undertaking further research, we analyzed the potential of SMEs as stakeholders of economic dynamics. In *SMEs as the Unknown Stakeholder: Entrepreneurship in the Political Arena*, Di Bitetto et al. eds. (2013), we analyzed cases of SME collective behavior from eight different European countries and our study concluded that SMEs do not have the long-term view and the technical resources needed to leverage competition as a positive value in the economy.

Our hopes now rely on large corporations. Large corporations represent smaller numbers of the employed vis-à-vis SMEs; however, they have a global status; their names represent a global language, therefore they can leverage all the benefits of online communication. Large corporations have the financial and intellectual resources to start some dynamics. They also might have specific and individual interest in changing the organizational arrangement of public administration and of those sectors that are not subject to competition. Large corporations can individually perform tasks and functions that are currently performed by public administration, as Klein shows in his research about mission creep (Klein, 2008). Large enterprises can start collective action better than SMEs, as they can organize better in small groups (Olson, 1965), or even undertake action alone. The sole proviso for effective action is that large corporations enjoy aggregate consensus from larger strata of the economy and the public. This consensus can be obtained by proposing competition as a positive economic value within the economy. This way, large corporations may obtain support from greater numbers of the employed for their action in demanding accountability from organizations that are not subject to competition (Di Bitetto et al., 2015b). Mere privatization may not be the end result of such an action but rather a vaster infusion of multiplicity within the economy, diverse organizational arrangements, more accountability and virtual competition or forms of pseudo competition.

A preliminary conclusion is that small groups of stakeholders, segments of industries, groups of entrepreneurs or individual companies would act to ask for accountability on the part of public administration. However, their self-interest for privatization will only be fulfilled when competition is perceived as a positive economic value.

All large corporations have an institutional relations or a public relations department dealing–among other things–with regulatory and government relations. However, there are corporations that are specifically involved in issues of economic responsibility. A few thousand corporations declare that they abide by the Global Reporting Initiative (GRI) guidelines. The GRI is an issue framework, which, in its fourth edition, appears to be veering towards a process framework. Corporations adhering to the GRI would benefit from investigating what economic responsibility implies for them, and what it means for other organizations in the economy, particularly those not subject to competition. On a more general level, the United Nations Global Compact (UNGC) has also enlisted a few thousand corporations who vowed to implement its ten principles. It is likely that many of these corporations are the same ones adhering to the GRI, which is one more reason for them to consider whether such initiatives could be complemented with actions by other actors in the economic arena.

The UN Global Compact Business for Peace (UNGC B4P) initiative is specific to the extractive industry, while schools of business adhere to the UN Global Compact Principles of Responsible Management Education (UNGC PRME) initiative. The International Integrated Reporting Council (IIRC) is an initiative parallel to the Global Reporting Initiative, promoting with the World Bank a Public Sector Pioneer Network (PSPN) initiative. Both these initiatives enlist specific corporations. There are also listed corporations and, finally, associations of corporations and associations of employed people (trade unions), which should be included because they are actors of collective action, which is what defines our argument.

8.7 The Role of Capitalism

Conclusions from the previous section show a wider role in the economy for large corporations. We could call this “a role for capitalism” since large corporations are the only instance in the economy that may represent a blueprint of what is meant by capitalism in current discourse. Our vision about large enterprise connects very well with the literature on the "crisis of capitalism". Large enterprise in the economic crisis ensuing from the bank failures of 2008 has gained an awareness of its potential, larger role in the economy. Hearing McKinsey management consultants speak of the "crisis of capitalism" sounded like fish questioning water. We would like to bring our argument to bear with authors who have dealt with the role of capitalism and the economic crisis.

Bower et al. (2011) invite business to take the lead in economic renewal by developing a set of domains of action that capitalism needs to work on and take a general stance about. We hypothesize one more area of such action: asking for the accountability of organizations that are not subject to competition. Our view is synergistic with Bower et al., giving a general role (as a key stakeholder) and resources (the value of competition) to business. In this sense, ours is a pro-business outcome–both in the sense of showing a role and an opportunity, and in the sense of showing business as more responsible than those economic sectors not subject to competition.

On the opposite side of Bower et al. appears to be Piketty (2014), expressing little faith in capitalism. He considers ideas about "The Dynamic Inefficiency of Capitalism" (Lancaster, 1973) and caters to conventional wisdom: people need to think that others are rich and the fault lies with the others; a view of "capitalisms" as complete and realized; the economy as a zero-sum game: the rich get richer by taking money away from the pockets of the poor.

Conversely, our argument appears more in line with Drèze and Sen (2013), who start by taking stock of the "1%" view of the "rich" and start seeing the responsibilities of the "relatively rich". Drèze and Sen do not specify what they mean exactly by the relatively rich; however, it appears quite interesting that they diverge from the notion of the fault of the rich *tout court*. We have been striving to be as operational as possible about the identification of non-rich groups that are, nonetheless, very important and responsible for the economic crisis. In the previous chapter about work across the sectors of the economy, we calculated the extra benefits of those economic groups as being very important. They amount to the total profits from capital in the economy. We would like to provide here an operational explanation for the stagnation of societies that is broader and more articulate than the rich 1% view.

In our view, capitalism is realized in few countries of the world. Major sections of the OECD economies are not subject to competition; many developing countries are run by "state capitalism", which appears to be far from embodying the conditions of an open and free competition.

Our approach appears to be a constructive view of Acemoglu and Robinson (2012) on how to build effective institutions through accountable and effective public administration organizations. The issue with economic development appears to be monopolies, rather than the rich 1%. We would like to raise the issue of public administration as a bottleneck to economic development. We obtain a synergistic result like Acemoglu and Robinson's, coming to institutions and public administration organizations from a different angle.

Our argument about developing demand for effective public administrations appears to be an operational guide to implement Acemoglu and Robinson.

8.8 Perspective on Economic Development

In a dialogue with the authors discussed above, we raise the issue of what future is being envisioned for the governance and public administration of the world: monopolistic public administrations, not subject to accountability or competition, vis-à-vis a possible multiplicity of organizational arrangements, trying to attain some accountability, in line with the large sections of economies which are subject to competition.

Think of the OECD world: corruption, inefficiency, economic crisis dealt with through consolidation, centralization and regulation. Monopoly appears to be the preferred path to economic development, through nationalization and a concentration of resources. Think of the globe and the issue becomes paramount. On the contrary, our argument points out the necessity of the effectiveness of public organizations and institutions as the basis of economic development.

There are over 7 billion people in the world. Of these, 3.5 billion are the WAP–working-age population–which is a proxy for the workforce, especially in the informal economies, which make up most of the world. Out of such a workforce, 1.75 billion (i.e. 50%) are in the informal economy, leaving 1.75 billion in the formal economy. We estimate that 420 million (i.e. 12% of the WAP or 6% of the world population) are employed in public administration or in industries relatively sheltered from competition. This is the key number to focus on: 6% of the world population (rather than the 1% rich). Six percent is the lower measure of the prevalence of monopolies, state-owned enterprises, political parties and monopoly utilities in the world population. The 6% logic is ruling the world, while the vast majority of the employed population is not represented in the political arena: they are the unknown stakeholders.

More locally, vis-à-vis the economic crisis in the European Union, we take an anti-Keynesian view of economies. Our view breaks open the black box of public administration. While the International Monetary Fund asks countries to stiffen their tax burden on citizens, we argue that the key burden in today's economies is the ineffectiveness of public administration and the monopolistic rent public administrations earn on the rest of the economies they impinge upon.

The implication for developing countries is that cultural specificities are relevant. We fully agree with the concept of "civicness" (Putnam) as the accumulated social capital that makes regions and countries behave more or less socially effectively as a function of their history and custom, when laws are the same. However, positive action might be more effective, in the short and medium run, when it has taken on everything else that is not cultural and that can be copied from others' experience.

People like to think of capitalism as one realized economic doctrine, something that is homogeneous all over the world. Our point of view here is that capitalism is implemented in different countries in very different ways and to very different degrees of efficiency and effectiveness. The specific measure we propose to use is the amount of the economy and of the employed population within the world economies that work in organizations that are subject to competition or not subject to competition. We also need to recognize that competition within and between organizations of an economy can be implemented in very different and effective ways. Such variety delivers to us something very different from a homogeneous view of the world economies as all implementing capitalism. Paradoxically we could speak of "capitalisms" or more simply of very different degrees of the implementation of capitalism

If institutions and institutional arrangements (organization) matter for development (Acemoglu and Robinson, 2012), then what institutional examples/models do we want to show the developing world? Especially for developing countries where there is an inherent trend towards central state initiatives since they lack an entrepreneurial population, we need to be wary of proposing monopolistic models of government and public administration because those monopolistic models will lead to a drain of resources into public administration. A model of the welfare state could still be there for developing countries to imitate, but it does not need to be monopolistic; a multiplicity of organizations and competitive institutions can be built into the development model–as outlined above in the section concerning how to infuse competition into the economy and public administration. The risk developing countries run–and poverty programs especially–is that the programs will be more for the benefit of those assisting the poor than for the poor themselves: the welfare state could actually become the welfare "of the" state.

8.9 An Accountable Economy

We would like to present what would happen in practice in an accountable economy. On several occasions, *The Economist* (2005, 2008, 2011) clarified the limits of Corporate Social Responsibility (CSR) is not philanthropy; if it were strategic philanthropy (i.e. something that gives returns in the long run), then it would only be good management. When stockholders buy shares they do not perceive CSR as a means to fix the problems in the world. If CSR is just do-good, then it is no good. However, even the *Economist's* approach to capitalism needed a fulcrum that was outside pure egotism. For instance, in the first survey about CSR the following point was made: "Managers should think much harder about business ethics".

Think, then, of economic responsibility as a new entry on the economic scene. It was not there before; now it is. It was not necessary; however, it exists now and it may stay with us for a while. Its survival–indeed, its development–will be driven by competition among firms, collective action by corporations, some government support and promotion by professionals. Think of economic responsibility as an unpretentious friend of capitalism, a modest usher to it, like its forefather, advertising: much of it is useless, but you do not know what part.

Let us imagine what would happen were economic responsibility extended beyond the boundaries of patronage, philanthropy and paternalism. Let us imagine utility companies providing comparable accounts of their quality of service. Imagine Big Pharma voluntarily disseminating data on their trials. Imagine companies and banks providing data on the share of public procurement among their customers, or on the risk aversion of their clients compared with the volatility of their portfolios, certified by signed statements instead of informal street-level surveys.

Let us imagine economic responsibility spreading to where capitalism is yet to be: public administration and political systems, for example. Accountability of public management and public administration is also about their economic responsibility. Imagine a world where data are available and compared in terms of local services across municipalities and countries. We hypothesize that it would be a more capitalistic world, in line with those who are today skeptical about the notion of a wider economic responsibility than is captured in financial statements.

Imagine enterprise fostered through advocacy for an efficient judiciary; trade unions and entrepreneurial associations as whistle-blowers against corruption within public administration and within businesses. Imagine a market for pointing out the classical foes of capitalism and welfare economics: external effects and missing competition. Imagine all of this and we would have many more responsibility reports, from all kinds of organizations.

8.10 Conclusion

So far we have dealt with an aggregate view of the economy, a “macro” view. We presented examples to illustrate the organizational behavior of entire sectors of the economy. We talked about stakeholder groups and global development. In the coming chapters we are going to ask ourselves what would happen in practice at the “micro” level of each individual organization if it were accountable for its own economic responsibility. We want to dissect the nature of economic responsibility.

Albeit at this point we can imagine economies with more responsibility, we do not know how exactly to bring this about from a "micro" point of view, i.e. from the point of view of the individual organization. We do not know what the stakeholders would do to bring about such an economy nor what organizations would be willing to do to implement such an economy within themselves. What exactly is economic responsibility about and how could it be accounted for? We research how to formulate economic responsibility so that it is an effective tool towards accountability in all organizations. In Part III we develop frameworks and examples of what could happen in order to bring accountability to the less accountable sectors of the economy.

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Part 3

Responsibility Reformulated for All Organizations

From here onwards we aim to illustrate what would or should happen if the economic stakeholders subject to competition started asking for more accountability on the part of those organizations that are not accountable. In Part 3 we go into the detail of specific organizational behavior and responsibility reporting in order to develop a template that helps managers see the larger economic picture in their daily work. The organizational examples we considered initially demonstrated that details reveal the essence of the work done: the table delineating the working conditions in Nike factories, the debts of small entrepreneurs, the supply network of Monnalisa. These cases share common traits: they are based on information provided by the organizations themselves in their responsibility reports; they show criticism of what was said by the organizations, as well as expectations on content that they did not provide; and they implicitly show some nature of responsibility.

So far we have identified the unknown value of competition. We have also identified possible stakeholders in the economic arena. In the coming pages we continue our search in order to refine what accountability and CSR are, and how to bring them about; what to ask for; how to formulate CSR so that it is an effective tool towards accountability in all organizations; how to check accountability and what to check for.

In this section we lay out the basic argument and our preliminary conclusions about our reformulation of economic responsibility, and consequent accountability. The problem is to find a sense of CSR that is not shunned by corporate executives and is useful for all organizations. The solution is a framework of values that is consistent with organizational needs and provides information that is not captured by ordinary financial statements.

In Chapter 9 we analyze the nature of responsibility and propose four generalizations about it. From observation of distinctive CSR content in the cases examined in our first chapters, we derive four generalizations about responsibility: (1) responsibility always exists, independent of the awareness of the responsible person or organization; (2) awareness can be gained of one's own responsibility; (3) an organization can manage its own responsibility; (4) a responsibility report is the vehicle for accounting for an organization's awareness and management of its own responsibility.

In Chapter 10 we analyze the literature. The most encompassing, operational and constructive approach we have studied so far is the concept of shared value by Michael Porter and Mark Kramer (2006, 2011). Thus we leverage the Porter and Kramer concept as a touchstone to check our theory by comparing the categories and content we derived from our cases against Porter's taxonomy (categories and examples). We show there is a gap in the literature: instances of responsibility–or lack of responsibility–that are not accounted for in the current literature on this subject. A new analytical framework might fill that gap.

To articulate reformulated responsibility and accountability, in Chapter 11 we propose a process framework based on the database of our case observations composed of four values that summarize the distinctive content identified in our exemplary cases: the Unknown Stakeholder, Disclosure, Implementation and Micro-Ethics (USDIME).

For each value we provide a "questionnaire tool box" that helps build a responsibility report. Conversely, the questionnaire tool boxes might help in discerning the four values in a responsibility report that has already been written.

In Chapters 11 through 14 we elaborate on the four values and illustrate them with examples.

We then proceed to Part 4 where a set of applications is presented.

9

The Nature of Responsibility

9.1 Introduction

In this chapter we draw some generalizations from the observations that we interspersed in the stories of the organizations that were illustrated in the beginning of this book.

At this point we go back to the specifics of individual organizations and ask ourselves what sort of observations we have been making about organizations, what the nature of those observations is, and whether we can draw any generalizations from them.

We start by drawing some generalizations from the criticisms we expressed in Chapters 2 through 6, in which we presented a series of examples of organizational behavior and organizational responsibility. These examples appear anecdotal: we did not examine a whole industrial sector systematically; neither did we adopt any other evident methodology. We only picked some noteworthy examples from responsibility reports, from organizational evidence and grey literature. Moreover, the criticism we expressed is apparently ad hoc. We now provide a framework for our observations.

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DOI 10.1007/978-3-319-32591-0_9

9.2 Responsibility and Philanthropy

> And if I give all my possessions to feed the poor … but do not have love, it profits me nothing … Love never fails.

We cannot help but go back to St. Paul's first letter to the Corinthians every time that economic responsibility is interpreted as philanthropy and as support for the non-profit sector. It might be a trite example to recall that Lehman Brothers were very munificent, but irresponsible businesswise; however, it still is a good example of how one can do good and show little responsibility at the same time. Lehman is just a global example that everybody knows, but many might have in their minds a domestic example of an organization adopting a code of ethics while behaving irresponsibly.

As one prominent scholar put it, "corporations that seek recognition as being socially responsible are usually seeking some regulatory favor".

Nor is responsibility identifiable with welfare capitalism. However, we do not intend to criticize philanthropy or welfare capitalism here. These are movements having their own dignity and *raison d'être*, independent of economic responsibility. This is not the place to criticize them. We are looking for a specific dimension of responsibility of organizations that is not yet captured by previous movements, frameworks or analytical concepts.

9.3 Norm and Reality of Organizational Behavior

Once more, we need to go back and differentiate between giving money and respect for an organization's core activities. Let us separate "giving" from economic responsibility. Going back to the quote from St. Paul, economic responsibility is the attempt to capture a sort of "spirit of love" within an organized environment, i.e. the authentic behavior of an organization. More for the layman, economic responsibility is a genuine intention, honesty towards the economy. This sort of operation should not appear an obvious one nor a straightforward one, since reality is such that all businesses and public organizations live on the margins of unlawfulness and bad management. All organizations struggle to survive in the short- and in the long-run. All organizations “muddle through” (Lindblom, 1959).

The financial crisis and the bank failures of 2008 showed how pervasive the organizational difficulties were in all sectors of the economy. However, we hardly needed that kind of definitive evidence, since living on the margins is in the experience of managers of many an organization. We wish to keep our international view here, thinking not only of the OECD economies of Anglo-Saxon or Western origin, mores, ethics and organizational traditions. We think also of Mediterranean countries (European and North African), of South America and of nations in the East and Far East.

If this is the agreed-upon perception of the state of the world economies, then it is not abstruse to think that it is beneficial for us to consider economic responsibility as something different from its mainstream understanding. Economic responsibility is not philanthropy; it is neither cause-related marketing nor welfare capitalism.

Responsibility means to become aware of this state of the economies and of the organizations operating within those economies, and to make an effort, at least, to tell an authentic story of what is going on, if not to make amends.

Economic responsibility, then, is to be found in the complex world of activities that are carried out while doing business that have an impact on the economy and are not revealed in the financial statements. Responsibility is always there and for everybody: businesses, public administrations, non-profit organizations. Work on responsibility must be undertaken as part of core organizational activities, not outside them.

Like the apostle Paul, who struggled to evaluate the sense of an individual’s actions according to the attitude of the same individual, likewise responsibility is something that is inherent in an organization while it goes about its own business. An organization does not “do” responsibility as something added on top of its own business. Organizational responsibility is, therefore, to be proved in the current business of the organization. We could say: “Responsibility is who you are; it is not what you do”.

Robert Eccles and Michael Krzus (2010) say it politely: in most cases there is “very little linkage between the information published” in corporate social statements and the information published in corporate financial statements. Such discrepancy in the practice of organizations is the basis for Eccles and Krzus to argue that there is a need for integrated reporting and "one report" should be produced by organizations. We propose a more theoretical reason for such integrated reporting: the need for preparing one report is a consequence of responsibility being sought in the core business of the organization.

Let us now look at one organizational example of doing things within the core and outside the core of a business.

When an oil company supports the local communities that surround the locations of its production sites, be it oil fields where oil is extracted or plants where it is refined, it ends up being very good and beneficial for the company as well. We have an example of this in the responsibility reports of Total, a large oil company. However, these kinds of actions appear as an optional activity, something additional and not intrinsic to the core business of the enterprise. No wrong would be done if they did not do it.

That core of a business is not difficult to identify, since the important variables that keep the business going are easily recognized, and one of them is the sharing of proceeds from the oil fields between the company and the country where those fields are located. Therefore, a key step in responsibility reporting is the moment the company tells us what that share of proceeds amounts to today.

When an organization provides this kind of information–something that is clearly intrinsic to the core business of an organization–then one has the feeling the house is in order. It is at this time that one knows that the financial statements (reporting about profits) are in communication with the diverse departments of the international company and there is genuine reporting to stakeholders. Economic responsibility is there and it is accounted for.

An interim conclusion we may draw is that organizations tend to live on the margins of allowed behavior and they should account for their behavior in the core of their activities.

9.4 Responsibility Is Always There

There are four observations about responsibility that we have implicitly used so far. It is useful at this stage to make those observations explicit and connect them to each other: (1) responsibility is always there, independent of the awareness of the responsible person or organization; (2) awareness can be gained of one's own responsibility; (3) an organization can manage its own responsibility; and (4) a responsibility report is the vehicle for accounting for an organization's awareness and management of its own responsibility.

We define economic responsibility as the wider impact of the organization on the economy–especially through intangibles and externalities, which are the source of the so caled market failure. As we said, economic responsibility lies in the complex world of activities that are performed while carrying out the organization's business that have an impact on the economy and are not revealed in the organization's financial statements. Responsibility is always there and for everybody.

Responsibility always exists because there are always externalities in economic activities–that is, benefits or costs for the citizens, consumers and other groups of stakeholders that are bound by the prices and regulations of goods and services.

There are also intangibles, which are effects or phenomena that are difficult to quantify and manage through the market. These effects may be actual or possible: even the omission of an action is to be included in economic responsibility. To be stagnant and not innovate should count on the negative side of a responsibility account.

An extreme example could be the following. Among the possibilities of organizational action, even the brand names of business companies might have an influence. Think of what would happen if street billboards with the Vodafone logo had encouraging exhortations like: "Tonight when you go home, kiss your children".

Everything has an impact beyond its immediate scope. Words have an influence. Take the following example from the past. There was a time in the 1980s when we used to speak of the "fall-out" of scientific research in positive terms, and that locution came directly from the World War II nuclear experience, where the word fall-out did not have a positive connotation at all. This is to signify how a negative reality (the nuclear fall-out) turned over time into a positive image about the spreading of scientific results within the economy and society.

Responsibility is like the air: it exists whether organizations know it or not. Responsibility exists because we exist; people exist and are responsible, like any homeowner is responsible for the threat that is posed by a flower box on a window sill to those who pass by on the sidewalk below.

9.5 Awareness of Organizational Responsibility

Awareness can be gained of one's own responsibility. If we want to, we can map, we can measure, we can make an inventory, compare and benchmark the externalities an organization produces towards the economy. We could also speak of the so called "internalities", i.e. the well-known secrets of the house, information about some irresponsible behavior that is taking place within the organization everybody knows about, but nobody mentions. Something like the "emperor has no clothes" syndrome. Any organization could probably report about an example of such a syndrome. If an organization strived to cope with its own well-known secrets, that would be a great contribution.

9.6 Management and Responsibility

An organization can manage its own responsibility. Once awareness is acquired of the organization's responsibilities, the organization can perform new activities or change old activities for the better. Following the example of the flower box on the window sill, once the homeowner realizes he runs that risk, he can buy insurance, he can take the box down and put it on the floor of the balcony, or he can leave it as it was.

9.7 Accounting for Responsibility

Responsibility can be accounted for in a document called a responsibility report or sustainability report, or a report with a similar name. A responsibility report is the vehicle for accounting for an organization's awareness and management of its own responsibilities.

Organizations run the risk of behaving as though the responsibility report were the only responsibility management activity an organization can perform. Being the fourth step on the path of responsibility, the report is often spoken of as responsibility per se–the responsibility report standing for the whole process.

These four observations are implicit in much of what we have provided in the case histories of all organizations, public administrations or corporations.

These observations might help an organization to be honest and to avoid disinformation. They might help an organization avoid trouble.

On the point of avoiding trouble, for instance, the first observation might be very helpful. Responsibility is always there, whether an organization recognizes it or not. This implies that wrongdoings are, sooner or later, found out. Every once in a while, we hear, in fact, stories emerging from the past: corruption or monopolistic practices. Investigators may not be very efficient, but they have a long memory.

The first observation–responsibility is always there–also provides an understanding of the difficulties the media experience about responsibility reports. The media, in fact, realize that those reports do not tell the whole story; they know there is an untold one.

9.8 Responsibility and Organizational Behavior

Responsibility is always there. On the other hand, responsibility is only a part of organizational behavior. It is, therefore, interesting to gain a better understanding of the universe that encompasses all organizational behavior. This exercise might be beneficial for the person who is called to draft a responsibility report for CEO and Board approval. Our interest here is to "isolate the germ" of responsibility, like a biologist in a laboratory isolates the virus of a new influenza. By "isolating" we mean giving responsibility a separate identity from other organizational behavior.

Let us propose that organizational behavior can be placed in three separate categories:

1. observance of the public interest (i.e. lawful behavior);
2. good management; and
3. economic responsibility.

We argue that these three domains exist, are different from one another, and are sequential and propaedeutic to each other according to the listed order. Lawful behavior is a necessary, but not sufficient, condition for good management. Good management is necessary, but not sufficient, for economic responsibility.

It does not make much sense, within the limits of this discourse, to make profits by not abiding by the law. It makes no sense to speak of responsibility for criminals. We speak about crime later in this chapter. By the same token, it does not make much sense to worry about responsibility–imagine a business organization–if the organization is not making a profit. If the organization is not making a profit, then it is not fulfilling the task of good management.

The set of lawful behavior of a public administration or a business organization is included within the set of good managerial behavior: there are activities that are performed or not performed in an organization that law has nothing to do with, whereas management does. For instance, a business organization can run or not run a given advertising campaign and no lawyer or judge will be interested in this action or lack thereof. On the other hand, management and the owners of the company will be very much interested in such an activity. If the company does not run the campaign, sales will probably fall. If they run the advertising campaign, they might be spending too much money and not getting an adequate return on their investment. From a legal point of view, nobody can criticize expenditure for a campaign, but from a managerial point of view, positive or negative criticism might very well be in order.

It happened in the public administration that a public manager was indicted for a managerial crime (such as bad use of government funds), but the politician who was the chief executive responsible for that public manager did not take a stance since no verdict had yet been provided by the judiciary. We propose this was a case where the politician was hiding behind the law and not fulfilling the task of his executive position.

Fulfilling it would require taking a managerial stance independent of the judicial verdict.

In turn, the set of good managerial behavior is contained within the set of economically responsible behavior: there are activities an organization can perform or not perform, and the organization may be criticized only from an economic responsibility point of view. If the organization hires a disabled person, it is a good thing from the responsibility perspective. It is a neutral thing from a managerial point of view. If the organization reveals data about its suppliers, as Nike did in 2003, that might have been a complex program to manage; it might have been beneficial for the future of the company, but it was introduced only because of wider economic pressures and deemed necessary only because it invested externalities of corporate activity–something that was not considered at the time in the current domain of good management. It is also clear that provision of that kind of information (data about quality of work at suppliers' premises) would in the future be considered part of good management and, in this sense, the organization (Nike) acquired awareness of its responsibility (our second observation above), found out it could do something about it and managed it (third observation).

At this point, we can look for the place of CSR vis-à-vis the rest of organizational behavior with the help of a Venn diagram (named after John Venn, the British philosopher of the nineteenth century). Figure 9.1 is composed of three sets nested one in the other.

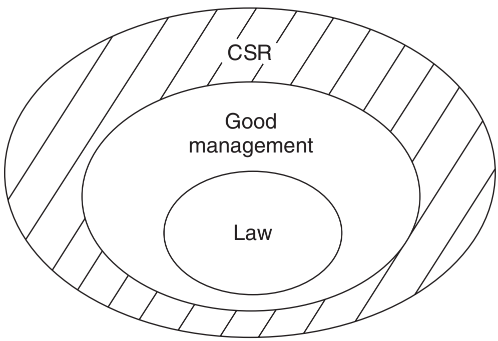

Figure 9.1 Responsibility and organizational behavior

The innermost circle represents the set of all actions undertaken by the organization to abide by the law: providing regular contracts to employees, satisfying regulations on product safety, applying generally agreed-upon accounting procedures and so on.

The second circle is the set of all good management actions: the application of manufacturing skills, customer care and so on–all actions that no law requires an organization to undertake, but that are, nevertheless, necessary for an organization's business.

The third circle represents the set of responsible actions that we have been lauding when undertaken and pointing out as missing when not undertaken by the organizations of all the sectors of the economy: large corporations subject to competition, monopolistic companies, small and non-profit companies, non-profit organizations not subject to competition (public administration) and finally non-profit organizations of the political systems (legislatures and executive political bodies). Such actions were not necessary but, nevertheless, acknowledged that there is more to organizational behavior than meets the eye. On the positive side we recall the McDonald's study on its economic impact on local communities. On the negative side we mention the lack of information about risks that we lament in the responsibility reports of many financial institutions following the financial crisis of 2008.

Our Venn diagram of Figure 9.1 is, at this point, not much different from Carroll's pyramid (1991). In fact it shows "mainstream CSR" as a set of actions that is separate from law abidance and good management. Mainstream CSR is represented as a set of actions over and above ordinary organizational behavior.

It is interesting to notice that this model has a parallel point of view when the stakeholders are considered: moving from the center of the diagram towards the outer boundary, we find the sequence of the organization's stakeholders. In abidance by the law, we find the general public interest; in good management, we find the shareholders; and in wider economic responsibility, we find the complete set of stakeholders: citizens, customers and those stakeholders who are neither protected by the law nor necessary to management.

9.9 Responsibility and Crime

Responsibility theory should not be meant to free organizations and the economy from crime. Many authors (e.g. Eccles and Krzus, 2010, 2014) base the *raison d'être* of accounting for the economic responsibility of organizations as a measure to prevent crime. Several major organizational problems of the past are mentioned as evidence of such need: the Enron case of the early 2000s, the Madoff case (2008), the Gulf of Mexico disaster of British Petroleum, and the most recent avoidance of environmental regulations by VW. Also the Lehman banking example is often mentioned. We propose that responsibility theory cannot be assumed to contrast crime. Crime is performed consciously by small sets of individuals trying to outdo the rest of the economy. We think crime should continue to be the staple of the judiciary and the police. We also presume rare and major disasters cannot be avoided through organizational responsibility.

On the other hand, we forward a theory of wider economic responsibilities that is not intended to prevent crime. We look for economic responsibilities that are not acknowledged at present, that have nonetheless a major impact on the economies because they are widespread and involve masses of employed people, but have little or no criminal relevance at the individual level. This is also why we will speak of "microethics" in the coming chapters. We have in mind a sort of "crime below the line". Our concern is about the broad area of management. Also, intentions matter in our theory: we are talking and listening to the self-interest of those who want to act according to the accepted fair rules of economies and societies and, at present, have no way to reveal or act upon such intentions. In the chapters about work across the sectors of the economy, about competition and stakeholders, we revealed major economic impacts that are not acknowledged at present. Our view is the economic counterpart of De Sousa Santos' "sociology of absences" (De Sousa Santos, 2014; Nunes Costa, 2015). Our theory of responsibility is about what could be in the economy that is not there at present. Through the identification of "unknown values and stakeholders", we point out major economic phenomena that are currently ignored.

Reality is more intricate, however, and not as sequential as we have described. Actions taken to abide by the law become integrated and are part of the same actions taken to manage a corporation. Our model of organizational behavior in Figure 9.1 is presented to illustrate some conceptual differences. Resuming our discussion about organizations muddling through and living on the margins of allowed behavior, we would like to consider one complication.

So far, we have excluded negative behavior; for instance, in the domain of law-abidance. Any accountant, however, would tell us that companies display borderline abidance by the law. If our professional experience were not enough, the financial crisis of 2008 should be proof. Borderline behavior and greed are everywhere in the economy; they are an inherent part of it. This is different from crime, but much more pervasive.

To become responsible, Nike took responsibility for its suppliers' behavior, undertaking research, providing data on their suppliers' working conditions and taking action to improve them. Such responsible behavior is also to be found with Total–the oil concern–providing data on work casualties at their suppliers' sites, and BAe Systems–the arms manufacturer–commissioning a study on the fairness of their pricing to the British Government procurement system in order to respond to arguments that would have it a monopolist at home.

This is an opportunity to refine our model of organizational behavior and our diagram of Figure 9.1. If we hypothesize that organizations muddle through and live on the margins of allowed behavior, then it appears they are being responsible even if they perform the simple act of providing information about their law-abidance. Law-abidance is so difficult and complicated that simply doing so, and showing that the organization is doing so, is a responsible action. Disclosure about organizational processes and functions is a responsible act. Any bank clerk could probably tell the story that, when it comes to sales budgets of savings products, their bosses tell them that they have to sell such and such amount by the end of the quarter and they do not care to whom they sell it.

Difficult and complicated laws and managerial inputs do not mean that laws are ill-written or ill-conceived. It is complicated because of the nature of reality: always more demanding than we can handle. Cultural limits also play a great role. Bounded rationality (Simon, 1997) and X-efficiency (Leibenstein, 1978) do the rest.

There are different ways to abide by the law, different degrees. This was true long before the financial crisis of 2008. The Sarbanes–Oxley Act–from the United States' Congress–is dated 2002 and it was enacted after the Enron case. The Act forces corporations to perform a series of tasks and to provide a series of data to certify the truthfulness of financial reports. Corporate leaders consider it a "pain in the neck" and yet, while corporations strive to implement it, some of them have taken the opportunity to make it an instrument for internal review: voluntary abidance is an example of responsibility.

Like others in this field, we feel the need to reframe economic responsibility so that we can understand what it is, analyze it, and appreciate it. So we pursue an essence of responsibility. We look for a specific realm of responsibility as a distinct and recognizable subject. Once again: responsible behavior is taking into account the wider impact of core business activities; that is, everything that does not go into the financial statements–such as intangibles and externalities. In our view, economic responsibility is about investigating and accounting for what microeconomics calls market failure. Market failure happens when there is imperfect competition (or monopoly), or when there are externalities, asymmetric information between buyer and seller, or intangibles. On the other hand, mainstream CSR is viewed as something that is done "on top of" core activities and there is no concern whether these activities take place in an environment that is fair to all economic actors, or whether the economic actors are free to exert their own will and preferences.

We can illustrate this by showing a "philanthropy point". This is not what we regard as responsibility, as demonstrated by crossing out the external circle we drew in Figure 9.1. We thus obtain Figure 9.2, which at this point shows no more CSR but, instead, economic responsibility of organizations. The mainstream CSR circle is no longer around the two inner circles but, rather, it should cut across them, though this is not yet shown in Figure 9.2. Responsibility can be within the whole set of good management and law-abidance, meaning there is a part of responsibility that is made of law-abiding that would not be there but for a special and voluntary effort on the part of management.

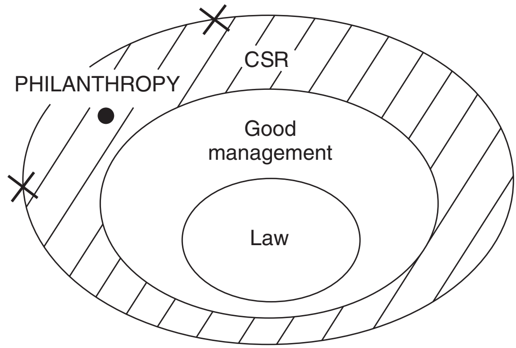

Figure 9.2 Taking out CSR from outside the core business of the enterprise

Let us illustrate this concept with the help of the Gulf of Mexico disaster generated by British Petroleum installations by considering where responsibility comes into it. As we said, this was a rare and major event, and we need to point out that other disciplines have relevance besides responsibility theory: regulation, environmental law and good or bad management practice. Also, disaster recovery, crisis management, technical expertise and microeconomics are all areas of activity that come into play before responsibility. Responsibility theory is the newcomer, so it must squeeze in between the more consolidated disciplines, or indicate a new and specific use for them.

Coming to British Petroleum (BP), let us give two examples of how responsibility can play a role in this. Let us consider Figure 9.3, i.e. point by point. Abiding by the law is not a narrow route; there is no unique way to abide by the law: one can abide by the law to the "letter" (point A in the "law" set in Figure 9.3), or by its "spirit". Abiding by the letter of the law means just doing strictly what the law says, just enough to avoid breaching the law. Abiding by the spirit of the law means to capture the intentions of the lawmaker and abide by those, even if that entails some extra activity beyond what is strictly necessary. An example of what it could mean to abide by the spirit of the law is as follows. One expert said BP's problems in the Gulf of Mexico in April 2010 would not have happened in Europe, where regulations are stricter on the blowout preventer and other technical features of the specific oil-drilling installations.

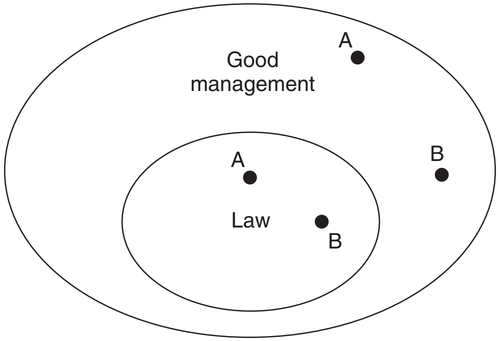

Figure 9.3 Analyzing behavior in detail

However, a well-established company would know the technical features that are not yet embodied in regulations and install those no matter what the regulations say (point B in the “law” set in Figure 9.3 represents an example of doing something that is beyond regulation but still in the core business). An example would be car manufacturers making sure that the brake dust particle emissions do not exceed a certain level of concentration per cubic centimeter of space, which is well below what the law mandates.

So we mapped two distinct ways to behave within law-abidance, A and B; A is not responsible; B is responsible.

After analyzing the law-abidance set of Figure 9.3, let us now analyze the good management set of the same figure. Let us then consider the concept that management behavior must boil down to the personal responsibility of individuals. BP executive Lamar McKay, who was questioned by a U.S. Congress committee (June 15, 2010), kept resorting to process statements such as “we did make the camera materials and videos available to the authorities” an instance of “not responsible management” hiding behind the managerial process (point A in the “management” set in Figure 9.3). McKay had to be asked three times by the committee president to apologize for what had happened. In the end, McKay made an apology and said: “we are sorry”. Ultimately, he had to recognize that responsibility boils down to a “yes” or “no” answer, not a process statement; this is in the realm of personal, individual and human responsibility (point B in the "management" set in Figure 9.3).

Responsibility is a specific way of discriminating between ordinary, core business behavior (Figure 9.4). Responsibility is like a knife that helps us dissect and analyze organizational behavior. We see responsibility as a way to distinguish between possible courses of action: a means of discovering the possibilities of the core business, of expanding the set of feasible core business actions. Once again we find here the logical link: choice, freedom, responsibility, accountability. There is an opportunity to choose in organizational behavior. Such a choice implies freedom on the part of the organization and on the part of employees and employers. Such freedom implies responsibility: one is responsible for one's own free action. Responsibility implies accountability: one must account for one's own responsibilities.

Finally, we comment on the economic and financial crisis ensuing after the bank failures of 2008. This crisis had two aspects: one of criminal activities and one of economic development. We dealt with both aspects above and in the chapter about competition and stakeholders. Responsibility for one organization's economic activities does not deal with crime, although a development of overall organizational effectiveness, especially in public administration, could also have an impact on curbing crime. More directly, our view of the economic responsibility of all organizations does have an impact on economic development, because many issues in economic development originate from the ineffectiveness of public administrations (*The Economist,* 14 November 2015;

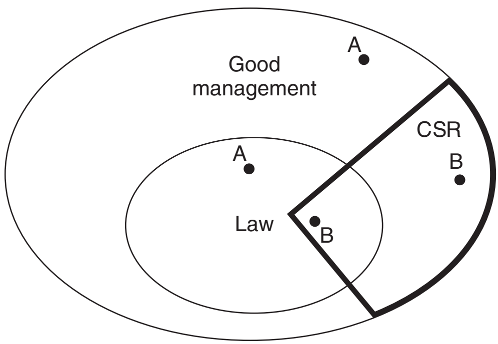

Figure 9.4 CSR cross-cuts in organizational behavior

Brixi et al., 2015, *Trust, Voice, and Incentives: Learning from Local Success Stories in Service Delivery in the Middle East and North Africa*) as we have argued in our perspective on economic development.

9.10 Simple Theory

Let us dwell briefly on the philosophical basis for our theory of responsibility. We strived to make as few hypotheses as possible. The range of application of our theory is not in the extremes; however, it appears wide enough to encompass major economic phenomena around the globe. What we developed so far is a simple theory of CSR. To be specific from a philosophical point of view, we should call our theory a "weak" theory since we are influenced by the philosophy of "weak thinking" conceptualized by Professor Gianni Vattimo (Zabala ed., 2007).

> Building on his experiences as a politician, Vattimo asks whether it is still possible to speak of moral imperatives, individual rights and political freedom. Acknowledging the force of Nietzsche's 'God is dead', Vattimo argues for a philosophy of '*pensiero debole*' (weak thinking) that shows how moral values can exist without being guaranteed by an external authority. His secularizing interpretation stresses anti-metaphysical elements and puts philosophy into a relationship with postmodern culture.

Our theory of CSR is not necessarily good everywhere and forever. It is sufficient that it works here and now, and that it helps us improve communication and organizational awareness; that it helps develop the sectors that are not subject to competition: public administration and monopolies; that it helps protect the citizen and the consumer from abuse and bad service. On the positive side, it is sufficient that it helps public organizations and companies gain awareness of themselves, and record and improve their performance. Along the lines of Bruno Bettelheim, the author of the famous book on child rearing, *A Good Enough Parent* (Bettelheim, 1987), we do not need a perfect responsibility theory; we need it to be "good enough".

This "weak theory" kind of approach to responsibility is of considerable help when one is confronted with the current debate (Karnani, 2010). According to Karnani, Professor of Strategy at the University of Michigan, the concept of CSR is delusory and potentially dangerous. Stephen Young, Global Executive Director of the Caux Round Table, replied quickly to Karnani (Young, 2010). According to Young, the case for CSR is very simple: “it makes firms more valuable”.

We do not want to bypass such discussions, but the idea we are putting forth here is one that can run parallel to the standard “extra effort” view of responsibility, i.e. mainstream CSR. It is an idea that is useful, because it is in the core business of organizations and it does not need strong demonstrations of utility, such as that advanced by Young: it makes organizations a little better. It is certainly possible to argue for CSR on the basis of value added, but such an argument will always be subject to empirical demonstration, and it frames CSR as one more strategic tool of management. However, our concept of CSR frames it as a responsibility issue, one that is always there, no matter what.

9.11 Conclusions

In this chapter we posited our key elements to broaden the concept of responsibility. We broadened the idea of mainstream CSR as special corporate programs. We reformulated responsibility: responsibility should be shown and accounted for in the core activities of all organizations.

We proceed now to a review of the literature, and to developing the concept of the lack of responsibility.

To profit from our analysis, in the later chapters of this Part 3 we develop a process framework that is useful to manage organizational responsibility, to write a responsibility report for an organization and, more generally, to evaluate organizational responsibility reports.

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10

Analysis of the Literature

10.1 Introduction

In this chapter, we get inside the individual elements of responsibility as described in the preceding chapters, and refer to possible literature. We ask whether the observations we made about organizations, and the model described in Chapter 9, can be derived from some existing model of CSR. Considering the literature on this subject, we start from the most prominent example about CSR, the Porter and Kramer model of shared value (2006, 2011).

10.2 Possible Gap in the Literature

Porter and Kramer's seminal article in the *Harvard Business Review* (2006) has been reinforced by their 2011 article. The concept of shared value has captured the imagination of specialists and managers around the world and it has become hegemonic in the field of mainstream CSR. We argue that shared value launches the mainstream idea of CSR because shared

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value–to some extent–supersedes the idea of CSR as special programs. Shared value brought CSR back into the core business of the for-profit organizational unit, the business firm, and into the self-interest, microeconomic paradigm. Shared value, in fact, is the positive externalities of corporate activities: some value is captured by the business firm, some (positive) value is captured by the rest of the economy.

However, shared value theory appears to be still the mainstream paradigm of CSR because it sees CSR as "doing" special CSR (shared value) programs. Shared value does not include mending of negative organizational behavior and activities. Porter and Kramer ideally "offset" negative effects by introducing positive effects, but the negative effects are still there. In this sense, also, mainstream CSR is ambiguous about the negative effects of competition and profit maximization, as it assumes those effects to be negative, but it does not seem to be concerned with improving them.

Likewise, mainstream CSR literature does not seem to be concerned about the possible absence of responsibility (Secchi, 2007; Jones et al., 2009; Kitzmueller and Shimshack, 2012).

We propose that shared value still leaves a gap in the literature because shared value is still limited to business organizations and it does not include all organizations taking part in the economy, such as public administration. Finally, shared value theory does not provide a reason for companies to provide shared value. Shared value theory does not appear to be linked to competition theory. Competition in Porter's works (e.g. Porter, 1990) is assumed as a given boundary condition. Porter seems to question neither the existence of competition nor its extent in the economies of the world.

We think our concept of economic responsibility goes one step further vis-à-vis the neoclassical paradigm of self-interest and market failure. As we said, taking economic responsibility is about accounting for the market failure that is present in the real world. Market failure is a technical term that defines specific occurrences whereby the market does not work to allocate the resources of individual economic actors, be they organizations (business organizations or public administration) or individual consumers or employed people. Market failure is when competition is not perfect or completely absent. The first specific instance of market failure is monopoly, when supply is provided by only one organization. This is often the case with public administration. Market failure also happens when there are externalities, which is when an economic activity has an impact that is not a cost or a revenue for the organization involved. Pollution of the environment is an example of an externality. Asymmetric information between buyer and seller is also an instance of market failure. Finally, intangibles are situations that are quantifiable only through approximation since they are not marketable. Knowledge is an example of an intangible good.

One idea we obtained from our overview of case histories in the diverse sectors of the economy is that any economy is full of market failure because competition is not always present. Since competition is a driver of accountability, market failure includes imperfect competition. Thus we also provide a role for the force of competition in our theory of economic responsibility, which is the bridge between the model and reality. This way we bring responsibility back in line with Milton Friedman's doing business "abiding law and custom, under open and free competition" (Chymis, 2008). We suggest a broader view of responsibility than that offered by the shared value of positive externalities.

10.3 Responsibility and Its Doppelgänger: Irresponsibility

Returning to our Gulf of Mexico case in the previous chapter, we observe a peculiarity: the example is about possible actions that could have been taken but were not. Our theory is as much about facts that actually happened as about facts that could have happened but did not. Responsibility appears to be as much about actions one takes as those one could have taken but did not, and would have been more responsible having done so. Responsibility appears to be mostly about "not being irresponsible". This is linked to De Sousa Santos' "sociology of absences" (De Sousa Santos, 2004; Nunes Costa, in Di Bitetto et al., 2015a).

The concept of irresponsibility also comes into play in the writings of Sanija Weber (2010). Responsibility must be tuned in with potential negative behavior: the idea is that there is more value added in preventing or mending negative behavior than in doing one more good thing. This is a utility theory truth (Keeny and Raiffa, 1976).

Cases of social irresponsibility are identified thanks to an upside-down view of Porter and Kramer's paradigm–it is not the organization that "creates an explicit and proactive social responsibility agenda" but the external observer who observes organizational behavior; the economy describes the organization. Freeman's approach is ideally reversed: it is the stakeholder who engages the organization, rather than the organization which engages stakeholders (Freeman, 2010).

Porter and Kramer's CSR is still something an organization does outside the ordinary workings of managerial duties, as was illustrated in Figure 9.1. Responsibility, or irresponsibility, is the CSR that the company undertakes during ordinary corporate life, as was illustrated in Figure 9.4.

What was not stated–and could or should have been–is the measure of organizational irresponsibility. Going back to our examples, it is important to check whether McDonald's worries about the smell from the kitchens of its restaurants. It is important to check whether BAe Systems worries about the stigma that the public places on arms manufacturing.

10.4 Lying by Default

In our ideal reversal of the stakeholder approach, it is society that reads the organizational black box. This is what appears to happen when a critical stakeholder arises. A critical stakeholder may not be represented in the bodies of consultation, but a critical stakeholder ideally does exist and puts forth his own reasoning. This is what happens when a stakeholder complains about negative company behavior and takes on the role of the self-appointed scorekeeper (to use Porter and Kramer's ironic phrase). This process transforms CSR into its doppelgänger: irresponsibility. The concept of approaching irresponsibility rather than responsibility appears in tune with Krkač's *Lying by Default* (Krkač, 2007).

There is an asymmetry here: irresponsibility is not simply the negative side of a phenomenon of which Porter and Kramer consider the positive side. As we said, irresponsibility has its own specificity from the point of view of economic utility theory: all else being equal, better economic results are obtained from reforming negative behavior than affirming positive behavior (Popper, in Galluccio, 2009). Human psychology is not linear; it is logarithmic: a euro lost is more valuable than a euro earned.

Looking for irresponsibilities towards citizens, consumers or taxpayers leads to the identification of negative economic impacts and unfair behavior on the part of organizations, be they companies or public administrations. We find not only environmental congestion or adversarial behavior towards citizens, but also cases of more subtle issues–such as the absence of a long-term economic memory. Examples of a lack of long-term memory could be the subsidies that went over the decades to farmers in the European Union or the absence of a historical account when plans are made for the future: quite often public administrations make plans for the future but fail to base those plans on a factual account of the recent past and outcomes of past plans.

To provide a balanced view, we also find cases of better responsibility, where companies voluntarily took their wider economic responsibilities and accounted for the wider impacts of their core business activities. We find examples of such behavior in the widening of the perimeter of company responsibility that was implicit in Total's account of the work safety data from its suppliers, or the freeway authorities keeping data on the deaths occurring on their roads.

Thus, we identified activities that do not verify Porter and Kramer's criterion of shared value, but are still in the domain of organizational responsibility. There is no benefit for the company in providing extra data about its own activities, but there is a benefit for the whole economy in receiving them. There would have been economic benefits from knowing how much public financing went to Alitalia over the decades, Alitalia being only one example of a state-owned enterprise, an instance recurring around the world and involving no less than 5% of the total of the employed globally. It would be useful for consumers to know the exact total to be paid to Ryanair before making their final purchase on the website.

On a macroeconomic level, the synonym of irresponsibility is vulnerability of economies. This is the useful notion put forth by census bureaus in order to connect micro and macro indicators (Giovannini, 2010). We have argued that such vulnerability on the macro-level was the result of pervasive "evasion of work" or of vast absence of competition, leading to non-accountability of many key organizations within economies. In Chapters 7 and 8, we identified such phenomena and provided data about their total cost, such being the link between the micro and the macro levels of our analysis here.

10.5 Positive Reporting

The asymmetry between reforming negative behavior and affirming positive behavior is very much evident in self-assessment and reporting: one can write many pages about the innumerable positive actions that an organization engages in during the course of its ordinary business, but one can fail to mention the one important issue–the relevant touchy piece of information. In trying to account for all the positive actions, one runs the risk of anesthetizing oneself and failing to notice a key issue when it presents itself. Therefore, it is useful to take the opposite view of responsibility; that is, to prove that the organization is "not irresponsible". Through this practical method, we draw the best elements of responsibility. These show us once again that responsibility is not something one does out of special programs but is inherent in ordinary activities. Responsibility always exists. Responsibility is a discovery; it is not an invention. The issue is finding it. In the coming chapters we try to identify a framework that helps us find irresponsibility. We are going to work on the basis of an "until proven otherwise" principle: the organization must prove it is not irresponsible. This is what makes responsibility theory germane to risk analysis, albeit with an economic emphasis.

10.6 Conclusions

In this chapter we developed a critique of mainstream CSR and of shared value concepts as "add-ons" of organizational behavior. There is also a gap in the literature on responsibility and our theory helps to fill that gap. The literature, in fact, does not seem to be concerned about the possible absence of responsibility. We link accountability to irresponsibility. At this point, we are aware that responsibility is in the core of activities and the greatest effort should be devoted to identify the absence of responsibility. We work then in the coming chapters at developing a process framework that helps us to elicit the relevant facts of an organization's economic responsibility.

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11

Process Framework: The Value of the Unknown Stakeholder

11.1 Focus on Irresponsibility

In the previous chapter, we concluded that it is good for an organization to prove itself "not irresponsible". Now we work on how to prove that operationally. An organization performs many activities. If we wanted to describe them all, we could fill libraries and still miss the objective, which is to identify problem areas and try to amend them. Focusing on good management and law-abidance, we run the risk of anesthetizing ourselves: we must take a different path. Let us turn our argument upside down and approach the organization with the opposite intent: to prove that it is indeed irresponsible.

The theme is irresponsibility and disclosure: to speak about what is not good is much more relevant because when speaking about oneself, it is safer to say what we think is not good: let others say good things about the organization. Likewise–when we speak of an individual–an examination of our conscience that does not hurt is not real.

At this point, we must find a systematic way to identify items of potential irresponsibility. These are going to be very close to what a strategist

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applying a SWOT analysis would call threats and opportunities. What we look for is also close to what a professional in public relations would list as the relevant issues of the organization at hand. If one were a city or landscape architect, one would look for the hallmarks that make that city or landscape unique, important or bleak, and in need of attention and refurbishing.

What remains to be done is to understand the method for discovering such economic issues. There is no closed formula with which to scan the corners of the economic system. Porter and Kramer follow the same checklist approach pursued by the Global Reporting Initiative (GRI)–and other proponents of issue-oriented guidelines; scholars, too, in the neighboring domain of intangibles draw up long shopping lists (Zambon and Marzo, 2007). Porter and Kramer maintain that it is the task of the mid-level, local managers to apply the shared value paradigm, to create a rough list of initiatives that can then be prioritized. The drawing up of a list is an intelligent way to make heuristic knowledge additive. A process to identify issues of economic irresponsibility is also a heuristic one for which all sources are good–research and debate within the organization, the vocal stakeholders outside the company, the press.

11.2 A Process Framework

Drawing on our discussion in the previous chapters, and on our examples from all the sectors of the economy, we propose four guiding values:

- stewarding the unknown stakeholder;
- allowing information *disclosure*;
- developing a culture of *implementation*; and
- exercising *microethics*.

This is our proposed process framework.

The *unknown stakeholder* is he who does not share a voice, who does not even know he has a stake in the activities of the organization being analyzed. It may be a newborn baby who will breathe what will be left of the air 70 years from now. It may be the reasonable solution to a problem that is proposed by wise people and local voters turn down, spurred by emotions and demagogy. Stewardship of the unknown stakeholder implies, first, identifying the competitive context surrounding the organization that we are observing. Within this framework, comparisons of performance must be made with competitors and, in the case of organizations not subject to domestic or international competition, international benchmarks must be provided. Possible government subsidies must be accounted for under this heading.

When we identify economic phenomena in the internal functioning of a company or a public organization, particularly intangibles and externalities, then we are listening to the unknown stakeholder. The unknown stakeholder is at the heart of all research. The unknown stakeholder can be a real person or group of persons, or an imaginary person, like a silent critic inside us. The unknown stakeholder is also the unintended consequence of organizational activity.

Exercising *disclosure* means to tell and explain to the public the well-known stories relating to the organization. Apologies and answers to unasked questions are also welcome. Brevity is a "sub-value" of disclosure: be brief, do not pad your report.

We suggest that disclosure is also about inserting awareness concerning an organization's operations and communicating this, internally and externally, thereby generating value for the organization itself. This way, research and dissemination of internal information (disclosure) become a key element of responsibility. Adding awareness to the list of intangible organizational values would also implement what is called corporate "spiritual capital" (Ghetti et al., 2009).

The value of *implementation* requires adherence to facts instead of opinion: a culture of implementation vs. an announcement policy. An announcement policy is an operation whereby an organization announces a plan of theirs and expects some result out of the announcement itself, having no intention to implement the announced plan. Implementation– on the contrary–means developing measures of performance and indicators of intermediate organizational processes. If an organization adopted a code of ethics, it should also have some means of measuring the organizational population's adherence to the code. Developing indicators of product quantity and quality is most important in the public and non-profit sectors, where the payer is different from the beneficiary of the service or product. In public administration, it is most important to understand the nature of the product or service being produced, rather than belaboring the measuring of funds deployed. Also, according to the value of implementation, it is better to develop summary accounts and benchmarks of actual performance rather than plans and budgets of future performance.

An example of the culture of implementation is BAe Systems' provision of the call log to their ethics hotline.

Living *microethics* does not require heroism: to avoid disinformation and not resort to revealing the faults of others are already actions of ethical behavior. We call this kind of ethics "micro" as opposed to the current ethics, which concern ethical dilemmas, such as whistle-blowing, stem cells, abortion and corruption. Microethics tries to identify the options one has in everyday life that make a small difference in the activities of an organization. Microethics is something a person or an organization lives by many times a day rather than once in a lifetime.

We will illustrate the four values and how they are present in our organizational narratives. We will also present the theory that makes these values interesting in proving whether the organization is irresponsible or not.

11.3 The Stakeholder Approach

We start the illustration of the unknown stakeholder guiding value by explaining where the centrality of stakeholders comes from with a reference to the theory of stakeholders that has so permeated mainstream CSR–indeed, has given birth to it.

We will dwell on this at some length, since the stakeholder approach appears to be prevalent and is the preferred way to go about mainstream CSR reporting in the public relations industry, which is the leading supplier retained–mostly by corporations –to run CSR special programs and write CSR reports.

The stakeholder approach to mainstream CSR action and reporting implies that the relevant stakeholders of the organization be listened to, and this listening be accounted for in the CSR report. So, we read section headings in the reports that list the generic names for the standard seven groups of stakeholders: stockholders, employees, customers, suppliers, the environment, communities and government. These groups are also called the “publics” of the organization.

We propose that the stakeholder approach might be misused and end up in collusion with sections of the “publics” (which are the different groups that make up the general public) involved. It might, in fact, be insufficient to run a focus group with opinion leaders to understand the relevant issues and to certify that the CSR behavior of an organization is okay. It might be insufficient to get a green light from in-house trade unions to demonstrate that the organization has fair employment practices: there might be collusion between management and employees on high salary practices or inefficient labor organization–such behavior might be against the best interests of consumers.

The stakeholder approach might lead an organization to try to engage with counterparts that might not be so relevant for the organization or the issue at hand. For instance, a major power utility interviewed young people as representatives of future generations. Such an operation did not appear to be correct because young people do not speak their minds as if they were their older selves 50 years from now. The interest of future generations should probably be sought through research. In another instance, representatives from the headquarters of stakeholder organizations might be very prestigious to interview, but they might not be very interested or knowledgeable about the specific interviewing organization. Headquarters functionaries may interface dozens of such organizations and not have anything specific to say. More generally, we are thinking here about possible over-rating of stakeholders’ representatives.

Sometimes, for an organization it might be easier to convene a stakeholder association in an aseptic setting than listening to an individual stakeholder when he or she is at hand and there is a hot issue to solve. Convening a stakeholder association might be more in accord with organizational standard operating procedures, whereas handling of the individual stakeholder (e.g. a customer), albeit potentially fertile grounds for information and meaning might require discretionary behavior, personal initiative and–consequently–risk.

We are trying to show here that a straightforward stakeholder approach might not cover the domain of the possible irresponsibilities of an organization. Therefore, everything that is not taken into account under the headline of the stakeholder approach, we call "stewardship of the unknown stakeholder". The theoretical bases of this value reside in the vast literature on non-maximizing, inefficient, ineffective organizational and employee behavior (Simon, 1997; Leibenstein, 1978; Lindblom, 1959; Allison, 1971).

Thus, the first task in drawing up a responsibility report is to identify the possible unknown stakeholders; that is, those who do have a stake but do not know they do; those who have a stake too small to care about, but who are nonetheless numerous, whose protection should be the public administration's task; those – the weak–who do not have a press office.

We identify a new stakeholdership: the unknown stakeholder. This is not new in the literature: Mancur Olson's (1965) forgotten groups and Mitchell, Agle and Wood's latent stakeholders (Mitchell et al., 1997) are predecessors of such a concept. The only additional information we are providing is the new stake we are identifying. We argued that a new inequality is latent in the economies of the world. Such inequality could emerge as an actual force in global economies. The specific domain of responsibility analysis is to devise the economic impacts of organizational activities. The unknown stakeholder is a construct to help elicit irresponsible behavior in the spirit of searching for possible negative impacts. Our "until proven otherwise" approach constitutes one more link to the "sociology of absences" (De Sousa Santos, 2004).

Having identified competition as a key driver of accountability and the competitive divide as a key watershed within the economy and a marker of a new inequality among economic actors, an effort must be made to elicit the groups that are affected by this divide also at a micro level. We find it natural at this point to think of the unknown stakeholder as the individual or the organization that is subject to competition and is unaware of the value this represents.

In Chapters 7 and 8 we worked on aggregate concepts of organizations subject to competition or not. We now develop the same concept at a micro level, looking at individuals and organizations and identifying them as unknown stakeholders. The value of the unknown stakeholder, then, is to be checked vis-à-vis the value of competition: the unknown stakeholder is subject to competition.

The point of view of the unknown stakeholder is the "absolute-zero" point of comparison to evaluate all economic positions, both of individuals and of organizations. The unknown stakeholder is the weakest entity in the economy, it may affect no variable in the economy and still be effective in it, being subject to perfect competition.

11.4 Economic Sectors vis-à-vis the Unknown Stakeholder

Accounting for the unknown stakeholder is one way to identify potential irresponsibilities on the part of the organization. We can profit here from the findings of our previous chapters and investigate the role of competition vis-à-vis the organization we are considering. As a first step to identifying the unknown stakeholders of an organization, the competitive arena of its economic sector could be considered. If an organization is a monopolist, for instance, we know we need to pay attention to the way it treats its customers, since the absence of recourse often results in customers being exploited. Public administration is quite often a monopolist so we need to pay attention to the service it is providing the citizens; again, there being no comeback results in the provision of lower quality.

We thus derive a classification of the general content of the responsibility report by sector of the economy. Public administrations and monopolies should provide indicators of activity; businesses subject to competition should conduct research and disclosure on their activities.

A simple classification according to the competitive environment is the following:

– public administration (public non-profit sector);
– regulated for-profit private sector (monopoly or subject to moderate competition);
– non-profit associative private sector (subject to moderate competition or to none at all: entrepreneurial associations and trade unions);
– non-profit private sector (subject to competition);

- for-profit private sector (subject to competition);
- SMEs (small- and medium-sized enterprises, microenterprises and the informal economy).

For each organization belonging to a specific competitive environment in such a classification, the relevant reporting content would be:

- public administration: indicators of product or service;
- regulated for-profit private sector: indicators of efficiency;
- non-profit associative private sector: indicators of product or service and of efficiency;
- non-profit private sector: indicators of product or service and of efficiency; sources and uses of funds;
- for-profit private sector: data on competition;
- SMEs: additional specific data on financial statements, such as the liquidity of accounts receivable.

11.5 The Role of Competition

The key driver that distinguishes the different sectors–identified in the classification above–is competition. The greater the competition, the more likely an organization respects the citizen, the customer and the taxpayer. Lower competition inevitably leads to cost inefficiencies and lower levels of service to customers and citizens.

All organizations–public and private–should provide a benchmark with competitors or comparable organizations, be it international or domestic. Organizations that do not have homologous benchmarks within the country should make comparisons with international or foreign organizations.

Some sectors–banks, for instance–may be subject to competition in theory, but preserve privileges over other sectors. Employee salaries might be one area where a whole sector might be privileged over others. Accounts of this kind might be provided in the responsibility report. Competition could be reported according to the effective competition prevailing in the economy across different sectors, not only within the industry to which the organization belongs.

Much of what we said so far on the stewardship of the unknown stakeholder may sound excessively trusting of competition; indeed, the notion of the unknown stakeholder is basically used as a synonym for competition. Opposed to such faith in competition, we often hear the phrase "cut-throat competition". We would like to point out, however, that there are instances whereby the absence of competition is merciless. We should think of the absence of competition everywhere there is corruption. We should think of the absence of competition every time a service or product could be provided in a regime of multiplicity, also within public administration, and is not. There is unfair competition in urban traffic when a mass transit vehicle stands in line behind a private car, because the mass transit vehicle bears the extra cost of congestion generated by private-car traffic. There is absence of competition in the labor market when public administration employees do not undergo performance evaluations. It appears, then, that cut-throat competition could also be unrealized competition.

11.6 Unknown Stakeholders in the Economy

Edward Freeman's "stakeholder approach" is nevertheless revolutionary. Throughout our chapters we have been giving examples of how businesses and public administrations listen to stakeholders, or could listen to them.

We also argued there might be a gap in the canonical list of stakeholders, which includes clients, employees, owners, suppliers, the community, the state and the environment. The gap could involve competitors: sometimes organizations account for their work as though they operate in a vacuum, ignoring competition.

The key element engendering respect for the stakeholders is competition. In a responsibility report, leaders of the market must be challenged. The names of the competitors should be listed in the place of current nameless averages. Performance measures should be included, and benchmarks against other organizations and over time. Benchmarks also make most sense in public administration because, in public administration benchmarking becomes a liberating tool for the citizens concerning their government and management classes. In a number of economies around the world, citizens are like hostages to their public administrations, since these organizations do not compete with other organizations and thus enjoy a monopoly not subject to control.

Edward Freeman's "stakeholder approach"–which we criticized at the beginning of this chapter–nonetheless provides us at this point with the necessary tool to imagine the possible dynamics to change and to get the unknown stakeholders to act in their own self-interest. In Chapters 7 and 8, in fact, we identified the possible collective unknown stakeholders and actors of feasible change in the world economies. SMEs and the global corporations are the owners of such a mandate.

11.7 Questionnaire Tool Box

To implement our process framework we are going to make each of the four values explicit through a questionnaire that can be applied to any responsibility report in order to check how much irresponsibility is embodied in it. This questionnaire will be a sort of "decalogue" guiding us in our search for responsibility.

Questionnaire 11.1 presents the relevant section for the unknown stakeholder value.

Questionnaire 11.1 The unknown stakeholder

1.1 The report should frame the organization's operations within its correct competitive context.

- For the government sector and for monopolies, indicators of product or service must be provided as well as benchmarks, at national or international level.
- Companies subject to competition should provide some benchmark with their competitors.

1.2 Does the report make explicit benchmarks using the market average or, better, with specific competitors?

(*continued*)

Questionnaire 11.1 (Continued)

1.3 In the case of monopoly enterprises, central government organizations and local governments, the report should make explicit price comparison (when applicable) with an analogous product or service.
1.4 When the organization is too big or unique to find a comparable domestic organization, an international comparison of performance must be provided.
1.5 Comparison must be made on quality of service.
1.6 Comparison must be made on efficiency and waste (inefficiency, not an environmental notion).
1.7 Does the report give measures of potential jeopardy to unknown stakeholders–such as, for example, profits or gross margin (earnings before interest, taxes, depreciation and amortization–EBITDA) by country?
1.8 Does the report show attention to the customer and/or to the employee?

Four lists of questions, like those in Questionnaire 11.1, will be produced, one for each value. The juxtaposition of such lists will constitute the questionnaire that we will apply to the responsibility reports of important global organizations in Chapter 15.

In Chapter 12, we proceed to illustrate the second value of our process framework: disclosure.

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12

Process Framework: The Value of Disclosure

12.1 Introduction

Let us recall the formulation of the value of disclosure as proposed in Chapter 11:

> Exercising *disclosure* means to explain to the public the stories relating to the reporting organization, be it a business or public administration. Answers to unasked questions are also welcome. Brevity is a 'sub-value' of disclosure: be brief.
>
> We propose that disclosure is also about research and dissemination of internal information. Adding awareness to the list of intangible company values would implement what Marco Ghetti has called organizational 'spiritual capital' (Ghetti et al., 2009).

12.2 Relevance

Hundreds of uncommented key performance indicators (KPIs) will not help disclosure, so pointing out the few KPIs that are critical, and explaining why, is useful. The key point of disclosure is to point out spon-

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taneously what is relevant and what is not. Candid acknowledgement of problems can be revolutionary and generate attention from the public. The issues dealt with in a responsibility report should be those that are on the agenda of top management.

One could provide information that is only apparently an industrial secret; in fact, much information is withheld from the public under the guise of industrial secrets, even though there is nothing secret about it. Often, information is also withheld from employees. The actual watershed, however, does not appear to be the confidentiality of information. Rather, it is the organization being aware of such information, and managing it.

Currently, a responsibility report is perceived as a necessary nuisance rather than a sign of organizational health; but, quite to the contrary, a responsibility report can be a precious instrument of internal communication and employees can indeed be its useful critics.

An example of healthy reporting is provided by Brembo, an international manufacturer of automotive systems, mostly brakes. Brembo has a balanced scorecard of about 60 indicators. Of these, about half are made public in their responsibility report, which they call a "Statement of Intangibles".

A distinction should also be made between secrets and classified information. Classified information is something that has a positive industrial value while a secret is basically its opposite: information that has a potential positive value for the organization but a negative value for a restricted set of its members. The organization itself would benefit if the secret were divulged. We can think of this as a modern version of "the emperor has no clothes" syndrome.

An example of this is the pricing of electric power in Europe and the inclusion within it of the price of carbon rights for the emission of CO_2. Regulators are correctly including the price of carbon rights in the price of electric power to consumers. This correct microeconomic practice, however, may deliver extra profits to the providers of energy. In some European countries, there is an open debate as to how such extra profits should be used; in others, there is not. This is an example of a secret that is well known in the industry and should be brought to public attention in responsibility reports.

From the above description of disclosure as relevance, our discussion is germane to "materiality" in accounting practice.

12.3 Brevity

Brevity is another key element of disclosure. A responsibility report should list no more than three or four key elements, with a maximum of seven, which is the number of items a person can easily retain. Material that is too wordy deadens the senses and results in little of import being understood.

12.4 Doubt and Vulnerability

Doubt and vulnerability are also elements of disclosure. It is a virtue of organizations to acknowledge their own limits in their reports. It would be very innovative to show doubts, and present the activities that went wrong. It is not necessary to undergo scathing self-criticism. A little active transparency would be a clear hint that the organization knows its problems and is dealing with them, not denying them. That would be a sign of organizational health and solidity of its top management. T.S. Eliot called the subjects we don't dare bring up "the doors we do not dare to open", and the good things we could have discovered, the good results we could have obtained, are "the rose garden" we never found. Once again we are reminded of De Sousa Santos' "sociology of absences" (Nunes Costa, in Di Bitetto et al., 2015a).

12.5 The European Central Bank

The issue of transparency can be discerned by considering the way organizations handle disclosure. In response to the negative results of securities that savers bought from banking organizations, salespeople tout the new regulations of the European Central Bank (ECB). Such new rules require individual banks to register the risk preferences of their clients and act accordingly, giving them exactly what they say they want. The ECB approach to transparency centers on the needs of the clients. However, attention must be paid to the transparency of the banking organizations themselves. For instance, the ECB grants consultant status to banking salespeople. While consultants have only a partial conflict of interest regarding their clients (doctors, pharmacists, lawyers and engineers are paid regardless of the specific recommendations they come up with for their clients' problems), a person selling securities may be compensated according to the specific securities sold, making him less a consultant and more a sales clerk in a fabric shop.

This is actually a good example of the methodology we presented in Chapter 10. We said we should be looking for negative behavior. This is actually a case of "reverse disclosure". In fact, the ECB is putting its emphasis on the wrong person. This is often the case with organizations; therefore, we need to reverse our focus when examining organizational behavior. We should be monitoring the members of the organization rather than its customers. In a prison, we should be keeping an eye on the personnel, so too in a bank–instead of monitoring the clients we should be monitoring the bankers.

Antonio Gramsci (Forgacs and Hobsbawm, 2000)–who formulated the concept of hegemonic thinking, germane to the concept of soft power–expressed these concepts effectively: "If you want to know something concrete, you have to walk into a government office–a police station, a prefecture. There, in the bureau of the officer-in-charge, or the waiting room of the prefect, you will find the state in the flesh, having ceased being an idea and become a man, an employee, if you wish, but a reality that can be observed, experienced, and studied".

12.6 Online Communication

Under the value of disclosure, we would also like to register the specific means of online communication. The restricted domain of online communication that appears to be relevant within the limits of this study is online reporting. The nature of online reporting is expressed in literature in the following terms: "reporting [is] an ongoing, integrated, multi-channel and multi-stakeholder process reporting organizational behaviors and intentions aimed at stimulating and facilitating stakeholder dialogue, [it is] another emerging 'hard' component of the infrastructure, in parallel to the more traditional and consolidated specialties of day-to-day practice (such as public affairs, media, investor, supplier, community et al. relations)". (Muzi Falconi et al., 2014).

In this study we speak of responsibility reports, which are a simple form of reporting. For the sake of discussion, we have in mind a single, yearly issue. This is no longer the case in the era of online communication; therefore, responsibility reports are going to take the form of reporting as illustrated in the quote above. The difference between the report and the reporting lies, of course, in the continuative form of the verb, denoting the complexity of the process. Only one warning or risk needs to be presented here: the complexity of the process may result in a complication of the process itself, which might in turn create an asymmetry of information vis-à-vis customers and weaker stakeholders, confounding the desire for transparency. In the case of the ECB we saw an example of a complication yielding to non-transparency.

12.7 Questionnaire

Questionnaire 12.1 presents the relevant section of our questionnaires for the disclosure value.

Questionnaire 12.1 Disclosure

2.1 Brevity: the report identifies the key issues relevant to the organization and the time period the report is written for; the report presents a short list of these issues, which are also easily found in the body of the document.
2.2 The document is easy to read, also from a graphic point of view; contains visuals that are meaningful, also in black and white, not only in full color print.
2.3 The document does not anesthetize itself with the many things done; it is written in the least number of pages; it is understandable

(*continued*)

Questionnaire 12.1 (Continued)

so that after two hours of study an expert reader can fill out a first draft of this questionnaire.

2.4 The report recalls the hot questions that were dealt with during the year (the period of time the report covers); it reports, at least, the threats according to the Strengths, Weaknesses, Opportunities and Threats (SWOT) model.

2.5 As an example, the report accounts for working conditions and suppliers in developing countries.

2.6 A second example: the report accounts for casualties in the workplace.

2.7 A third example, relevant in the aftermath of the 2008–09 global financial crisis: the report shows the parameters relevant to the risk situation–quality of accounts: receivables, payables and actual terms of payment.

2.8 Doubt and vulnerability: the report admits that not everything was done that was expected to be done, and something could have been done better than it was.

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13

Process Framework: The Value of Implementation

13.1 Introduction

Let us reformulate the value of implementation as we proposed in Chapter 11:

> The value of *implementation* requires adherence to facts instead of opinion: a culture of implementation vs. an announcement policy. For instance, if an organization adopted a code of ethics, it should also have some means of measuring the organizational population's adherence to the code. Developing indicators of product quantity and quality is most important in the public and non-profit sectors, where the payer is different from the beneficiary of the service or product. In public administration, it is most important to understand the nature of the product or service being produced, rather than belaboring the measuring of funds deployed. In times of economic crisis, it is better to develop summary accounts and benchmarks of actual performance rather than plans and budgets. By the way, this would be good practice in times of economic boom, to avoid busts.

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The value of implementation aims for concreteness as much as possible in order to measure the ability of an organization to follow suit on plans and declarations. This could be called a "culture of implementation" approach. This kind of an approach is to be compared with its opposite, such as an "announcement policy", which is rather widespread in the media: announcements of future plans receive more attention than reports of past achievements. It is not infrequent for certain public administration organizations or large monopolies to publish long-range plans every five or ten years, especially when there is a change of top management. Seldom, though, are those plans preceded by an account of what came of previous plans, despite the fact that it is difficult to make new plans without studying the history of preceding plans, or to formulate new intentions without checking the ability of the organization to perform and execute old ones – unless the whole point is simply to reap the results of the announcement itself.

This is not uncommon in the experience of many countries around the world, no matter what their cultural heritage might be. In history, there have been many cases of a series of edicts on the same plaguing topic announced every few years but never resulting in a solution; the promulgation of the edict considered satisfactory in itself.

We propose that the credibility of a plan resides in the summary account that precedes it. Such summary accounts would set standards, fix parameters for historical comparison of performance and identify pitfalls. The idea is to have final accounts instead of budgets; summaries instead of previews and plans; *ex post* checks on what was said; references to actual financial expenditures instead of announcements and declarations (Leonard et al., 1992; 2007).

With the hindsight garnered after the 2008 global financial crisis, the need for summary accounts and benchmarks is reinforced. In public administration, stable and disseminated measures of the effectiveness of programs are needed (Niskanen, 1968) as much as the ubiquitous measures of mere expense funds; in the private sector, there is a need for forward-looking measures concerning the quality of goods and services.

13.2 Key Performance Indicators

Given their competitive economic context, one of the reasons publishing responsibility reports developed within large corporations was that financial statements do not give justice to complexity. Financial statements are the profit and loss account, the balance sheet (made of assets and liabilities) and the cash flow account. So, the responsibility report developed the concept of key performance indicators (KPIs), which are the substance of implementation. KPIs are mostly non-monetary measures of organizational activities. The responsibility report relates substance and finance, correlating financial statements to substantive measures of organizational activities.

However, KPIs should be used parsimoniously: in the previous chapter we noted that confronting the reader with a few hundred uncommented KPIs is not very useful. Also, numbers should not be separate from words. The use of KPIs could be tempered by the modulation of subjects and issues resulting from this process framework: the brevity of disclosure, concern for unknown stakeholders and attention to facts.

13.3 Technicalities

The value of implementation should also transmit an enthusiasm for the technicalities of work, thus demonstrating the importance of details, which is what matters in implementation. As much as abstraction and conceptualization are necessary for strategic thinking, we find life within organizations is full of detail and specificity: tactics. From manufacturing to administration and services, we need to appreciate detail. Operations are made of detail. We cannot shun detail and operations if we want to achieve something economically viable.

13.4 Market Failure

What is to be measured, then, that is not already quantified in the financial statements, comprises the infinite world of organizational activities and events: work conditions at the suppliers' sites, casualties on the job, quality of car doors, compliance with intellectual property rights. In the technical jargon of economics, many of these activities and events go under the name of market failure, which is made of externalities, asymmetric information, monopoly and intangibles.

Externalities (external effects) take place outside the ordinary transactions that are the object of accounting registrations. As we have already said, the textbook case is smoke from the chimney of the pizzeria oven that dirties the drying linen of the adjacent laundry.

Intangibles are things that are difficult to quantify in monetary terms but, nonetheless, are an obvious – and quite often central – part of the production phenomenon. A classic illustration is the intellectual capital embodied in the minds of the employees of an organization.

13.5 Memory and Time

Memory is part of implementation. Brute and indistinct memory exists only in computers. People remember and recall what is relevant to them, what is of value, so the responsibility report is the place where things are remembered. Responsibility is nourished from things past, both good and bad.

The responsibility report is the place where present and relevant things are transformed into the wealth of memory, heritage and legacy. In operational terms, this means to recall what has been relevant in the organization and in the media in the past year and account for it with the benefit of hindsight.

Memory is fed with time: the report should provide data of the past, not only the present, in order to let the reader understand and form an independent idea on the data provided.

13.6 Strategy and Tactics

Statements about responsibility, accountability and sustainability–found in interviews and surveys–are not very helpful in understanding the actual behavior of the organization that is the subject of the discussion. For instance, statements like “leadership will be crucial” or “establishing trust is important” or “education is the top priority” mean nothing unless they precede further, more concrete considerations. It is inherent for leadership to be crucial. Trust is always helpful and education is of central importance in many circumstances. These statements are not detailed enough.

In order to take into account the complexity of responsibility, implementation re-evaluates the long forgotten antagonist of strategy: tactics. The difference between strategy and tactics is one of scale and time. Tactics include attention to small changes, to details, since these might reverse the impact of a measure (Pressman and Wildavsky, 1973). Tactics concern the short run – one year – the year that just went by and that we are accounting for in our report, and the year that has just begun. It has been said that often, when overall changes are claimed, this is in order to change nothing and preserve the *status quo*. We can reverse that statement and change as little as we can in order to be as concrete as possible (Kakabadse & Kakabadse, 2007).

13.7 The Financial Crisis of 2008

A responsibility report confirms the value of memory, which helps us understand even complex events like the financial crisis of 2008. This is an example of the value of implementation. The first thing we generate is our own understanding of the phenomenon. To this end, the following statement by Nobel laureate Vernon L. Smith in May 2009 is helpful:

> You end up with an implosion of the markets when banks lend money in the long term to house buyers, and borrow money in the short term from savers without having sufficient capital to cover the fluctuations of savings accounts in the short term. It's worse this time because in 1997 Bill Clinton rendered up to 500,000 dollars' profit from real estate earnings tax free. We all applauded the decision: banks, real estate agents and citizens. "We did not help the poor buy homes; we helped ourselves." Better regulations are now being requested, but the problem is precisely the inefficiency of the regulations. The lesson is that taxes should never be lowered on just one kind of investment; taxes on earnings from all capital accounts could have been lowered as long as the capital was reinvested instead of spent.

When a crisis comes to its climax, it is easy to forget the long-ago causes. The economic measures that spurred economic growth in the 1990s were to the benefit of the majority, though the measures themselves were thought by the public to be benefiting the poor. As a result, everyone ought to take responsibility for the consequences of the crisis. If we had all bought government bonds, none of us would have lost a penny. Taking responsibility is an exercise of memory; implementation is memory. If we ponder Smith's words a little longer, it is clear who the enemy is: "We did not help the poor buy homes; we helped ourselves". Therefore: "We have met the enemy, and he is us". This case branches off into the domain of the individual, which requires an examination of one's own conscience on the part of every employed person and consumer. This is about the value of microethics, which we will discuss in the next chapter.

13.8 Conclusion

Implementation–as we have seen in this chapter–is about checking organizational behavior vis-à-vis reality. Implementation is related to public policy and management analysis since that is the area where the normative statements of law and regulation are checked against their impact on the economy and society.

13.9 Questionnaire

Questionnaire 13.1 presents the relevant section for the Implementa-tion value.

Questionnaire 13.1 Implementation

3.1	The CSR report should identify measures of performance for the issues identified under the value of *disclosure*.
3.2	An example is: if a code of ethics is published by the organization, then there should be some means of measuring the adherence of the organization to it. Publishing a code of ethics is certainly one step, but there must be some means of checking that it is not one more announcement.

(*continued*)

Questionnaire 13.1 (Continued)

3.3 Another example is when the report acknowledges the difficulty of working in delicate contexts from a corruption point of view, and identifies means of tracking the phenomenon.
3.4 The report identifies specific measures of customer service.
3.5 Memory: the report keeps track of data and circumstances of the past because it is not uncommon that what is now perceived as an injustice can be better explained as the consequence of irresponsible past behavior.
3.6 "Denominators" are also an important element of *implementation* and the report should provide supplementary data that help readers put indicators in perspective and understand for themselves the relevance of what is being said. In other words, it is important that each piece of information be put in the correct quantitative perspective; an increment should be related to preceding percentage increments and absolute levels. This is why benchmarks are so important under the value of *unknown stakeholder*.
3.7 Adoption of international standards such as the GRI is important, in any case.
3.8 International standards should be adhered to in a complete form rather than the usual table of conversion at the end of the report, which makes comparisons impossible.
3.9 The report takes responsibility for upstream economic units (such as suppliers).
3.10 The report takes responsibility for downstream economic units (such as customers).
3.11 The report imagines the long-term consequences of the organization's development, such as upstream availability of resources or congestion downstream for its customers; it concretely delineates the meaning of sustainability in its own business.
3.12 The report adopts specific industry standards.

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14

Process Framework: The Value of Microethics

14.1 Introduction

Let us reformulate the value of microethics as we introduced it in Chapter11:

> Living microethics should not require heroism. It is enough that the organization avoid disinformation and shifting the public's attention to the faults of other organizations. These would be acts of irresponsibility and unethical; avoidance of such irresponsibility is, per se, an ethical act. We call this kind of ethics 'microethics' in order to distinguish it from the general view of ethics, which is more concerned about big issues, such as those represented by cases of whistle-blowing, stem cells, abortion or corruption. We are concerned with the kind of ethics that members of organizations experience many times a day, not once in a lifetime.

It is interesting to recall here that the Japanese novelist, Murakami Haruki, argues in *Kafka on the Shore* that responsibility depends on imagination. Lack of imagination leads to a personality that cannot take responsibility because it is incapable of imagining the consequences of

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actions or of non-actions. Murakami also quotes W.B. Yeats: “In dreams begins responsibility”. Such literary references give us a taste for a kind of ethics that is more quotidian and applies to all individuals in an organization–ethics as attitude and intention.

Microethics is easily exemplified when it is absent. An example of the absence of microethics is the frequent organizational rift in insurance companies between the sales and the claims departments, thus making it very hard for customers to obtain the same quality of service in claims processing that they enjoyed from the sales department. The absence of microethics is evident in this lack of service, characterized by there being no specific person in a position of responsibility, though every member of the organization is enjoying the financial benefits of this organizational arrangement.

Ethics cannot be overlooked in a set of values concerning the economic responsibility of organizations. When capital “e” Ethics are dealt with, we are accustomed to concerns regarding some major quandary in life, something that may require us “to take arms against a sea of troubles”, as Shakespeare’s Hamlet would have it–an issue to be faced with a great deal of energy; running a big risk out of one’s own commitment to some internal truth. Everybody faces issues concerning Ethics in his or her lifetime. They are very important, and yet we live detached from them, as if Ethics were something for specialists, for political opinion or legislative discussion–something we deal with no more than a few times in our lives. We are investigating an easier dimension of ethics, and one that is more present in the decisions of everyday organizational activities.

We define microethics as those specific instances of ethical or unethical behavior on the part of individuals within organizations, leading to the unethical behavior of the organization as a whole: every man’s decision-making.

There is an element of microethics in all the instances whereby a decision is taken in an organization to identify and disseminate information about the organization itself. There is an element of microethics in every instance of management that implies compliance with the law, adherence to one’s own professional standards, making an effort to bridge the gaps that are always there in an organization, or to pursue a new subject that has come to mind. Instances of such behavior were illustrated in Fig. 9.4 in Chapter 9.

Microethics, as we said, avoids disinformation, and a responsibility report is not an account of donations and philanthropy, cause-related marketing or welfare capitalism. While responsibility should also be embraced by an organization for publicity campaigns aimed purely at an enhancement of company image, often such campaigns run the risk of eschewing any goal except obtaining the positive disposition of the media themselves towards their advertising customers. More explicitly, it is likely that when the railways run an advertising campaign in a print newspaper, the railways will receive favorable attention in that newspaper's content. The newspaper will be less likely to criticize the railways since the railways are a good customer. Paid advertising also has the important indirect effect of influencing the newspaper's coverage of its client's service and customer care. Following an analogous argument, explicit lobbying activities should also be accounted for under the value of microethics.

14.2 Discussion of the Literature on Values

We propose a view of values that is complementary to the general view, as espoused by Mary C. Gentile, *Giving Voice to Values: How to speak your mind when you know what's right* (Yale University Press, 2010). A lot of emphasis is currently being given to "values", both in the economy as well as in society at large. "Values" are often mentioned, but seldom outlined. Let us then list some of the values that are implied when considered generically: honesty, solidarity, spirit of service, loyalty to the organization.

It is all right to advocate that members of organizations, both public and private, embody such values; it is all right to try to imbue students with them. There is room for improvement in the personal values of individuals, in their civicness (Putnam, 1993) and micromotives (Schelling, 1978). It is fine to try to improve social performance by improving the personal integrity of individuals.

The predicament of our economies is such that worrying about responsibility and accountability is not to be classified as "do-good" behavior, and we are desperately in need of collective action. However, we should not discount phenomena of free riding, and economic and social turmoil on a global scale (*The Economist*, 2015). Therefore, it might be useful to support action about values through provisions under a less cogent hypothesis than voluntary personal improvement.

Here it might be helpful to point out again that to act responsibly we do not need to be "do-gooders", we only need to be aware of the neoclassical "abide by law and custom" taught in business schools. In fact, neoclassical profit maximization does not come without catches. Simply put, Michael Porter never said "exploit children, pollute the universe". Getting away with pollution–for instance–is not only a breach of fairness or law, but is also a sign of poor public administration and lack of sound collective action, and there is no business savvy in making money that way.

We should also be aware that all this theory is grounded on the hypothesis of an open and free competitive environment, which implies an organization taking responsibility for its own wider impact. In fact, responsibility theory is also about detailing what is meant by "open and free competition". Free competition means freedom of all the participants in the economy and responsibility theory is about attaining such freedom. The poor, the unhealthy and the unlearned are not free. The uninformed are not free, nor are the unaware. Therefore, responsibility theory must take into account the conditions whereby the participants in the economy are not free. As we pointed out in Chapter 10, theory about corporate strategy and corporate management assumes open and free competition as an essential condition (Porter, 1990). Therefore, corporate behavior must take responsibility for the lack of freedom that exists in the economy.

14.3 The Role of All Individuals within Organizations

Since only individuals can be responsible, we work here on the place/role of the individual within an organization vis-à-vis responsibility.

Microethics–like ethics–is a domain of the individual. Dealing here with organizational behavior, we need to clarify the model we have in mind of the relationship between the individual and organizational responsibility. The model we propose is one whereby organizational responsibility is the outcome of the responsibilities of all the individuals that operate within a given organization.

We propose that every person within an organization is responsible for the entire result or outcome of the organization's behavior. On the other hand, it is not uncommon to hear–both in the literature (Lapiccirella, in Di Bitetto et al. eds., 2015a) and in current discourse–individuals excusing themselves from an organization's responsibilities by arguing that they were "just carrying out orders". We could call this a "hierarchical" argument, since it implies that responsibility is tied to the position of the individual in the organization's hierarchy or, even worse, that responsibility is confined to the top of the organizational pyramid.

The current view of responsibility and ethics is hierarchical: the higher a person ranks in the organization, the greater his or her responsibility. We find that this view leads to free riding because it enables each person, except the top executive, to believe that there is someone who is more responsible than he is, leading to the view that one's own ethics come after those of a higher-ranking person. Such reasoning triggers a negative spiral, leading to a focus on top executives when it comes to responsibility. And sometimes it also leads top executives to shift their responsibilities on to higher-ranking organizations, to whom they may report and depend on.

This hierarchical argument was not accepted even in extreme circumstances, such as during the Nuremberg trial, where many Nazis were sentenced even though they claimed they were just carrying out orders.

We have in mind a model whereby the product of an organization is not one of rational and purposeful action, whereby a top manager takes all the decisions and everybody else executes them in a mechanical fashion. On the contrary, we propose that the product of an organization is the outcome of many, even conflicting, individual contributions (Allison, 1971). Thus everyone is responsible for contributing his or her part in the overall result.

In our view of microethics, all individuals in an organization are equally responsible, irrespective of their hierarchical standing. Responsibility is to be measured vis-à-vis the person rather than the organization. Only practical action needs to be geared to hierarchical standing, but practical action comes after the responsibility of the individual.

If we want to stop the micromotive of hierarchical responsibility, we need to think that all individuals in an organization are equally responsible. Each one contributes to the performance of the organization commensurate with his hierarchical standing at one hundred per cent of his capabilities, so responsibility is to be measured vis-à-vis the individual's capabilities, not the organization's.

The counterpart of such a measure of responsibility vis-à-vis the individual's capabilities is the benefit the individual obtains from being part of the organization, summarized for sake of simplicity as his or her compensation.

Another aspect of this argument of individual responsibility underlines the fact that it is the conscious choice of any individual to be part of any organization; therefore, personal responsibility stems from the initial choice every individual made about joining the organization by which they are employed. Once again, from choice stems responsibility.

The individual's responsibility is limited by the level of compensation s/he receives within the economy. It is clear that individuals existing below the poverty line are not free participants in the economy and therefore are not responsible for their actions.

We may say that the individual's responsibility is in relation to the unknown stakeholder's standing in the economy. Individuals at the lower echelons of the economy are part of the unknown stakeholder figure and value. The norm is the unknown stakeholder. The unknown stakeholder is subject to competition, has no shelters from it but still retains his or her own will and responsibility. The unknown stakeholder is not starving, ignorant or ill.

In terms of responsibility reporting, when we say there is risk of infringing microethics when writing a company's economic responsibility report, we do not have in mind a CSR manager who purposefully governs systematic disinformation, writes of mere good intentions or avoids hot organizational questions. We have in mind a complex interaction of individuals spanning the ranks of the organization, each one adding his or her own reluctance to go beyond the routine dissemination of information, avoiding the challenge of uncertain terrain and the risk of being contradicted by colleagues and bosses. Therefore, a reticent responsibility report might be the outcome of individuals free riding within the organization.

The responsibility that each individual shares in organizational behavior need not be conscious and acknowledged. Often, the individual's awareness is confined by routine and, possibly, self-serving excuses, as is illustrated in the next section.

14.4 Illustration of Responsibility/The Paradox of the Barber of Stalin

The following example illustrates the theory of microethics. A widespread opinion about Josef Stalin considers him not to be a good person. Let's adhere to such an opinion in order to illustrate our point about individual responsibility. Josef Stalin was virtually the dictator of the USSR. He wielded immense power. He used his power in a rather indiscriminate fashion. Many people were killed in the process.

Think now of the job of Stalin's barber. The barber had the task of trimming Stalin's moustache and no other. The barber himself may have thought he had nothing to do with Stalin's behavior. He only trimmed the dictator's moustache.

We propose, from a microethics point of view, that the barber was as much responsible as Stalin for what was happening in the USSR under Stalin's rule. This is so because the barber was doing what he could to help Stalin's cause. The barber had no capabilities other than trimming a moustache; however, he used 100% of his capabilities to serve Stalin, making him 100% responsible for what Stalin did. Society and Stalin's enemies focused their adversarial action on Stalin–and not on his barber–only for practical reasons: if they wanted to stop the killings, they needed to stop Stalin. This is a practical matter, not an ethics issue. The hierarchical argument comes into play only for practical reasons. To balance the political view implied by our example, it was more effective to stop Adolf Hitler than Eva Braun, if one wanted to win World War II; albeit Eva was helping Adolf as much as she could.

Concluding our example, a total responsibility view of microethics is illustrated through the metaphor of Stalin's barber. The barber does not think he has any responsibility for the dictator's crimes, while trimming his famous moustache, serving him devoutly and perhaps even considering that service a social privilege. We propose that he is fully responsible for his actions and the actions of the organization he works for.

14.5 Microethics and Crime

Microethics is geared to all behavior in the organization; it is about irresponsibility and non-accountability that is "below the line" of crime. Microethics is for everybody; it concerns the behavior of the masses of the employed: employers, executives, managers and employees. Microethics is about eliciting more responsible behavior, which at present is not accounted for. Organizations–and the individuals within them –might be unaware of such unaccounted for behavior. Microethics is not about crime, as we pointed out in Chapters 8 and 9.

14.6 The Individualist and the Collectivist Approach

Our statements about microethics follow an individualist approach. This approach lays a very heavy burden on the shoulders of each individual (Berta, 2010; Ferrara, 2008b). We are aware of this; however–as we said–no heroism is required. No whistle-blowing, no self-sacrifice. It would be enough in our view for the individual to be aware of his or her own privilege of being part of an organization vis-à-vis the conditions of many others employed in the economy who are not part of privileged organizations. An example of a privileged organization would be an organization that is sheltered from competition. It would be enough on the part of the individual to compare his or her compensation not to the compensation of colleagues that are better paid but to that received by people employed elsewhere in the economy. Ethics is also a matter of attitude, as Murakami Haruki said.

Our approach so far has been an individualist standpoint, which is at odds with the collectivist approach exemplified by the diffused opinion that "the fault is the system's" (Galluccio, 2009).

In fact, we cannot deny that organizations, especially the long-established, most successful, do have their own way of doing things: their own culture. The work of their managers is to develop a culture that is conducive to a specific, and effective, way of doing things. And, indeed, predictions can be formulated on the basis of organizational culture (Allison, 1971).

We need to reconcile our normative statement about the individual's responsibility–where we follow an individualist view–recognizing that the collectivist approach is endowed with predictive power. Such a reconciliation can be done by positioning the individualist approach in the normative domain and the collectivist approach in the positive domain. We are using here microeconomic categories: positive economics is objective and fact-based, while normative economics is subjective and value-based. The collectivist approach is found in the positive analysis of organizations: we cannot reasonably deny that it helps us a lot to predict how organizations behave in reality. If we wish to predict future organizational behavior, we need to consider the positive domain, the domain of how things are, and we should use the collectivist approach. On the other hand, the individualist approach is found in the normative domain. If we wish to identify responsibilities within an organization we need to follow an individualist approach; otherwise we end up with a situation where nobody is responsible. Also, if we wish to change an organization we need to entrust individuals with taking their destiny in their hands and changing an organization. Otherwise, nothing will ever change. It is our experience that there are moments within organizations–incremental ones–when micro-decisions are made that lead to the reinforcement or change of the very culture of the organization. Those are micro decisions leading to macro consequences (Schelling, 1978) and those decisions demonstrate how the responsibility of the individual affects the system:

they represent the link between the individualist and the collectivist nature of organizations.

14.7 Embodying Ethics in the Organizational System

An example of a practical way to implement ethics through a mechanism based on self-interest is provided by the case of the Siemens' Board of Oversight. This is a positive example of how to implement the value of ethics in an organizational system.

At Siemens, slush funds were found in the books valued at €420 million, spent between 1994 and 2006 on corrupt executives in different countries around the world, such as Saudi Arabia, Greece, in Germany for the unions and in Italy for Enel and Italtel. Let us first take a look at the proportions. Siemens is noted for its size and technology: 475,000 people in 190 countries, a €87 billion turnover, which can be compared to the €1500 billion Italian GDP. Siemens' profits of €3 billion can be compared to a small government budget. The company's sectors range from electro-mechanics to medical equipment, computers and telecommunications, including such brands as Bosch, Fujitsu and Osram. The scandal forced the resignation of Heinrich Von Pierer, president of the oversight committee and former CEO of the group.

The phenomenon in Siemens had small proportions: €420 million spread over more than 10 years of corruption amounts to 40 million a year–a small amount considering the €3 billion profit, and minuscule compared with turnover.

Siemens' corruption policy appears to be very linear. When a top manager is made responsible for supervising the deeds of his successor and the company's ethics, he becomes the scapegoat for any dirty business that is revealed. This is a good way to stretch, as much as possible, the permanence of a top manager in a responsible position. Knowing that he will be there for a long time to come after he shall have left top office, the top manager is tempered in his temptation to act unlawfully. If we have to live with corruption, the Siemens' case tells us that their way to govern it may very well limit its damages.

14.8 Ethical Investment Decisions and Ratings/Example of Poor Implementation of Ethical Principles

Another sidestepping device is the "sell no arms, buy no tobacco" argument. While we agree that there ought to be a rating of ethics, we mean here to limit ourselves to the consideration of a sort of ostrich ethics: "I do not like it but there is nothing I can do about it", or a "not in my name, not in my backyard". While one would be hard put to decide which companies would appear at the top of an ethical rating, people more quickly identify those they perceive at the bottom of that ranking: arms dealers, tobacco companies, gambling outfits. However, not much has been said on the subject by moral philosophers and we can hardly pick the "good guys" if choosing between family TV broadcasters–with their series full of sexual innuendo –or the car manufacturers pushing a culture of high performance and high pollution.

Let us take a look at an example of a link between individual ethics and organizational ethics by considering arms manufacturers (once again, the specific organization can either be a business company or a public administration). Mainstream organizational ethics says: do not manufacture weapons. Ethical investors do not invest in arms manufacturing. This appears to be the organizational consequence of individual ethics that follow the fifth commandment: "Thou shalt not kill" in the Old Testament. The transition from individual ethics to organizational ethics occurs through a sort of personification of the organization, projecting one's individual ethics onto the organization. However, it is clear that more is involved in killing than a weapon. Killing takes rage and a motive, for instance, emotions that an organization cannot feel. Therefore, translating individual ethics into organizational ethics is unjustified.

More information ought to be sought before leveling criticism at certain businesses; for example, it would be nice to have a public discussion concerning the European aerospace and arms company Finmeccanica, which is reported to receive 30% of all Italian state incentives for businesses. And the states themselves have both feet planted squarely in the business of vice but, in so doing, erode the profits of organized crime in areas such as gambling. It is very difficult, then, to untangle the ramifications of responsibilities of industries from one another. While it is true that there is a dependence of supply on demand, prohibition generally engenders more rather than less illicit profits (and greater economic and social costs).

Going back to our reformulation of responsibility in the core activities of an organization, an ethical rating should take account of the core business of an organization first. For instance, a telephone company should be rated ethically on the basis of the rates it charges its own customers rather than its environmental impact. One could argue that telephone rates are the concern of standard business practice while ethical ratings are measuring ad hoc ethics behavior. We express a different point of view: ethical rating ought to be concerned with the response to a problem at the core of a business; otherwise, it remains on the periphery of the economy, and of ethics.

14.9 Conclusion

We find that focusing on the faults of the system have led to irresponsibility on the part of individuals. This was probably an "unintended consequence" of the writings of Herbert Marcuse, a philosopher and political theorist at Berkeley, who fathered the student protest of the 1960s. His key works were *Eros and Civilization* (1955) and *One-Dimensional Man: Studies in the Ideology of Advanced Industrial Society* (1964).

Ethics: you cannot learn it, you just practice it. The mental disposition of an executive or white-collar, educated employee in a large organization may very well be summarized by T.S. Eliot in *The Love Song of J. Alfred Prufrock*, in which the author reproduces the condition of the individual within an organization. The mental and emotional states of the employee may range from the humility and diligence to undertake projects to the willingness to serve in an almost a-critical, Weberian fashion. Sometimes the individual may be part of the political game himself or want to avoid the storms of organizational politicking raging all around him and hide, like a monk in the middle ages, in some metaphorical hilltop monastery, copying manuscripts and waiting for the barbarians to leave. Or one may simply feel frustrated and manipulated or, worse still, stupid.

Microethics is about stopping free riding within the organization. It is also about awareness of possible free riding of the organization within the economy, e.g. average salaries within the organization could be reported vis-à-vis average salaries in comparable industries. Microethics is about prevention of irresponsible behavior at all levels within the organization, avoiding the "not my job" syndrome, putting in place proper mechanisms of individual responsibility.

Microethics is a value that tries to link the responsibility of all individuals in the organization to the organization's responsibility. It tries to identify the organizational links between the responsibility of all individuals in the organization and the organization's end result vis-à-vis the economy and the external stakeholders of the organization.

A result of the value of microethics is the organization striving to identify within itself the responsibilities of its own behavior and trying to amend its own possible irresponsibility through means that are in its own domain of action. The organization takes responsibility for its own behavior in the economy and does not try to unload its burden on it.

One key finding of our investigation of the value of microethics is our theory that it applies indifferently to all individuals in an organization.

A second key result is that microethics is about irresponsibility and non-accountability that is "below the line" of crime. Microethics is not about crime.

14.10 Questionnaire

Questionnaire 14.1 presents some suggestions to implement or analyze the value of microethics within an organization.

Questionnaire 14.1 Microethics

3.1 The report does not look for CSR in the wrong place: philanthropy, welfare capitalism, cause-related marketing.
3.2 When the organization runs pure image campaigns–not subject to full competition–it is not a good sign of CSR.
3.3 In a bad CSR report there is disinformation in what the report says; the report points to other organizations' or people's faults.
3.4 The report accounts for lobbying and institutional relations practices.

Let us now–in Part IV–apply the process framework we have developed over these last four chapters.

In the subsequent chapters, we show what kind of analyses and content could be produced by organizations (Chapter 15), what kind of analyses and benchmarking could be performed in order to implement virtual competition in public administration (Chapter 16) and, finally, consider the professions of responsibility and economic reporting and the skills needed to perform these activities (Chapter 17). Our process framework aims to be a construct, a template that helps bridge economic theory with management. Like other templates, e.g. the value chain or SWOT analysis, this process framework identifies competition and the competitive environment in the practice of management.

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Part 4

Applying Economic Responsibility to All Organizations

Herewith we illustrate a set of applications in order to demonstrate what would happen if responsibility reporting and the value of competition for all organizations were accepted and promoted.

First, in Chapter 15, we apply our process framework to the responsibility reports of ten big companies, and find confirmation of what we prescribe should be written in a responsibility report. The relationship of the proposed framework to international standards and other frameworks for corporate analysis is also discussed here. While the domains defined by international standards are necessary, they do not appear to be sufficient to cover the ground of possible lack of responsibility and failures in accountability. Ours is a syncretic approach with the complementary use of more micro-economic frameworks: value chains and SWOT analysis. No approach appears to be conclusive, as both issue frameworks and value frameworks are not mutually exclusive or collectively exhaustive (MECE). Chapter 16 demonstrates that public management and public policy analysis have a role in generating accountability in all organizations, especially those not subject to competition. Chapter 17 examines the professional implications of the process framework. This concerns the future of professional reporting. It also addresses the issue of the relationship between the public relations and the public policy analysis professions. Economic responsibility is a historical opportunity for public relations to free itself from the fetters of hidden persuasion and for policy analysts to have their skills probed. The two professions should be allied in this venture. So the process framework extends the analysis of responsibility from communication studies to business and policy analysis.

15

Applying the Process Framework

15.1 Introduction

Business corporations–much more than public administrations–go to great lengths to show themselves responsible before the public. These efforts are summarized and presented in documents that are very similar to financial statements (which also have the same finality) to the point that they share part of the name: responsibility reports or sustainability reports vis-à-vis annual reports.

These are documents ranging from 50 to 200 pages describing the performance–economic, social and environmental–of the organization vis-à-vis the economy: customers, employees, the environment, stockholders, suppliers, communities and government.

These reports are the empirical basis for the application of our process framework, which is a bridge between microeconomics (market failure as the basic justification for responsibility reporting) and management, and helps to identify potential irresponsibility in organizational behavior as well as recognize responsibility. With the idea that the responsibility report should prove the company is "not irresponsible"–or "until proven

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otherwise"–we assume the organization might be anesthetizing itself and the reader with irrelevant accounts of how good it is.

From each value of the process framework (treated in Chapters 11 through 14), we derived both general and specific questions about models of information and data to be provided in a responsibility report, resulting in a questionnaire. This questionnaire is a guide for a systematic screening or test of a responsibility report (when we study one written by somebody else), and a handbook on how to write one ourselves.

Through this procedure, we probe areas of potential irresponsibility and see what the organization has to say about them. We propose that this method is more efficient and effective than others that have been proposed or are currently in use because it is less anecdotal and closer to a scientific method. In fact, positive reporting, i.e. reporting the good deeds, does not prove that the organization is "not irresponsible". Only an "until proven otherwise" procedure is scientific.

15.2 Testing the Process Framework vis-à-vis Responsibility Reports

In order to validate the quality of our four values process framework, we have screened a sample of responsibility reports of large, worldwide corporations, and some more local, domestic companies, highlighting those aspects we deem relevant to the process framework, and identifying information that makes us think there is some responsibility and awareness in the business of these companies.

15.2.1 British Petroleum

British Petroleum's (BP) 2008 Sustainability Report provides an overview of the world oil market by showing the market shares of the major oil companies. To do this, it has to mention the names of its competitors. This is not frequently done; often, corporations seem to operate in a vacuum, alone in the world. This piece of information incarnates the value of the *unknown stakeholder*; that is, it provides the competitive environment in which the company operates.

BP's responsibility report is short, just a few dozen pages, and it shows what it thinks are the relevant data in one table, where one of the first indicators is the number of casualties that occurred during the year. This is an important item of *disclosure*.

BP is also concerned about the sustainability of the business, and it provides data on the replacement rate of its oil reserves. These data appear to be a key item in a sustainability report, a very basic way to implement the concept of sustainability (the value of *implementation*). Other oil companies (ENI and Total, to mention two) see sustainability in their relations with local communities. That is certainly important, but the key point is, nonetheless, that there be oil.

In its responsibility report, BP also overtly states that its 2008 profits derive from the ups and downs of oil prices that year. This is an instance of *microethics*: people already know that; however, you say it, and you gain in public standing. This is also *disclosure*.

15.2.2 Toyota

Toyota provides gross margin by region of the world. This is an interesting step forward in the stewardship of *unknown stakeholders* from the usual data provided of revenues by region. Margin is much more meaningful than mere revenue, since it takes into account prices and exposes the profitability of the company by regional area.

The Toyota report (2007–08, since their fiscal year does not coincide with the solar year) is also very short and liberally illustrated with tables and visuals that make it easy to follow and fun to read. A sign of *disclosure*.

15.2.3 WalMart

After infinite polemics, WalMart provided data on employee compensation in its responsibility report. WalMart is often criticized for its poor employee policies, including low salaries and union busting. In its 2009 report–not called a CSR report–WalMart provided data on the hourly wages of its full-time employees. This is a measure of *disclosure*–though it is partial, since hourly salaries of full-time employees are probably higher than those employed part-time.

It would be beneficial if other organizations followed WalMart's example and provided such data because of the potential moral hazard (or conflict of interest) between employees and customers as far as production factor remuneration is concerned. In fact employees are a factor of production and there might be economic circumstances whereby factors of production earn a rent to the detriment of the customers of an organization. This is for instance the case when an organization is not subject to competition. This is an important item of stewardship of the *unknown stakeholder*, since there are employees in entire sectors or industries of the economy being better remunerated than others. We think it is an item of responsibility that this data become public and is considered part of the domain of economic responsibility.

It is a consequence of what has been argued by *The Economist*–in their industry-famous 2005 critical survey of CSR–that this provision of information (once considered confidential) has nothing to do with CSR and is simply a correct managerial practice and use of the media. We believe it is something more. After the media wave has washed away, a residue is left on the shore that was not there before. A new habit is started. A discontinuity has taken place that characterizes innovation. Innovation is often the daughter of ill deeds or diversity. Nike disclosed supplier information due to polemics and pressure from the public and the media. The responsibility report is also the summary of what the press said–a question of memory, in order not to forget what was said and, therefore, to build on it.

15.2.4 ING Group

In the aftermath of the 2008 financial crisis, it is logical to look for information about the ownership of Lehman securities in the responsibility reports of financial institutions. The ING Group, a Dutch giant, never mentioned Lehman in its 2008–09 CSR report, while the Italian-based banking organizations, Montepaschi and Unicredit, both provided some data on their involvement with the bankrupt organization.

15.2.5 Unicredit

The Unicredit report is probably unique in the landscape of responsibility reporting. In 2009, Unicredit reported a procedure that manages disputes between its own employees. This is of no small import: everybody knows the organizational world is full of infighting and politicking. It is proven scientifically (Lindblom, 1959; Allison, 1971; Niskanen, 1968, 2001, among others). It is human. But overtly recognizing the phenomenon and trying to work on it is a very nice piece of doubt and vulnerability: good elements of *disclosure*. This is also an instance of *microethics*.

The data provided by Unicredit were quite interesting in their details – the number of formalized files open during the year, the closed cases and their outcomes, thus providing an example of the value of *implementation*.

As far as the ubiquitous business of the Lehman bankruptcy, Unicredit gave the total number of clients that held Lehman securities in their portfolio. They did not provide the amount of these securities but Montepaschi, on the other hand, gave a less transparent account: the percentage of its customers that held Lehman securities.

15.2.6 Intesa Sanpaolo

In their 2008–09 CSR report, Intesa Sanpaolo gave a measure of customer satisfaction vis-à-vis market average and basically concluded that they were below the industry average but higher than their direct competitors. This is an example of absent *microethics* in action. Mentioning competition only generically, without data and in a negative way, is an obvious case of petty one-upmanship. Microethics is also about avoiding this kind of approach.

From an industry point of view, the statement in the Intesa Sanpaolo report is quite interesting: the big players' performance is below average. This implies that smaller banks are consistently better than big banks, which is good fodder for the reports of central banks and market supervisors.

15.3 Testing the Values of the Process Framework

In the previous section we tried to validate the quality of our four values process framework by attempting to find these values in a review of responsibility reports. Now we consider whether the values are helpful in identifying key areas of irresponsibility. In studying the reports there have been quite a few instances where we found the information we envisioned should be there–content we would have included had we been writing that report.

15.3.1 Unknown Stakeholder

According to the unknown stakeholder value, a responsibility report must present the competitive context in which the organization operates and the competitive rules the organization is supposed to obey. Specific benchmarks with the competition must be provided and, where this is not possible, an international comparison would be in order; for instance, in the case of public administrations, which are often unique to one country.

We observe that companies seldom mention their competitive context in their responsibility reporting or financial statements despite the fact that competition plays a key role and organizations subject to it can take pride in the fact that they participate in a competitive environment.

In the short case histories we presented here, British Petroleum (BP) did provide the global framework for the oil market. It was nothing fancy, just information available in specialized websites. What is important, however, is the point made: "We are not alone and we are aware of that".

We also noted that the operating gross margin by region should be provided by international organizations instead of the revenue. That would be a more telling measure of organizational behavior region by region–as was done in the Toyota report.

It is regrettable that, under the unknown stakeholder value, no company gives explicit and detailed (distribution) data of the time they take to pay their suppliers. Large companies in particular should do this since they have high market leverage (i.e. power). It is one more element of fair competition. Large organizations have SMEs and individuals working for them, and they set the standards for the overall market.

Likewise, public administrations should account for their credits and debits vis-à-vis citizens and businesses.

15.3.2 Disclosure

It is noteworthy that many financial organizations did not mention Lehman Brothers in their reports, and that Unicredit provided data on internal disputes among employees.

15.3.3 Implementation

The value of implementation is more about the creativity necessary to come up with indicators and ways to capture what cannot be discovered using standard instruments. Imagination is needed to identify responsibilities. Examples of this include BAe Systems' independent study ascertaining the fairness of BAe prices to the British Government, and McDonald's special study to determine the economic impact of its restaurants on local communities. The number of calls to the BAe ethics hotline was a simple and telling indicator of the significance of the hotline service itself, once the comparison is made with the number of BAe employees and the volume of its business worldwide.

On the irresponsibility side, many of the financial organizations examined in our study mentioned the necessity of controlling the underlying risk of securities but provided no measure of such risk. Measures and indicators are key words in the value of implementation.

15.3.4 Microethics

Ethics is always a delicate subject, hard to pin down, but when Intesa Sanpaolo noted that its performance was below the industry average but higher than that of their competitors, it is clear that this is an ethics matter. As Potter Stewart, Associate Justice of the Supreme Court of the United States, wrote in his concurring opinion for the *Jacobellis v. Ohio*, 378 U.S. 184 (1964) obscenity case: "I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description [pornography]; and perhaps I could never succeed in intelligibly doing so. But I know it when I see it".

The general view is that responsibility reports are better when they are specific, with fewer words and more data–easy to read and to capture in their essence.

15.4 Applying the Process Framework in Practice

The process framework can be used to grade a responsibility report. Each item of the questionnaire can be answered with a score ranging from 1 to 5; 1 is bad, 5 is very good, 3 is satisfactory. Each value can then be scored by averaging the scores of each question, and an overall score can be obtained for the report. Once one runs this procedure for several responsibility reports, a ranking can be obtained for each.

Numbers alone do not mean much. They help, however, to reason and probe one's own evaluations. We ran this procedure (see Table 15.1) and a few questions sprang up immediately: why did we assign a score of 5 to BP's reserve replacement data and a score of only 4 to Unicredit's internal personnel procedure? Unicredit was very creative; BP data, however, are more in the core business of the firm. Data on oil reserves strictly belong in the core business of the oil company whereas personnel data–though more creative and innovative per se–do not belong in the core business of the company.

Also, it was good to notice that the low ranking of the banks was not the result of negative economic results but of their reticence to speak

Table 15.1 The process framework applied

	Sector	Corporation	US	D	I	ME	AVG
1	Energy	British Petroleum	3.5	4.0	2.5	3.0	3.2500
2	Auto	Toyota	3.0	3.0	2.3	2.0	2.5833
3	Retail	WalMart	3.0	3.0	2.0	2.0	2.5000
4	Auto	Fiat	2.0	2.5	1.8	1.5	1.9500
5	Energy	Snam Rete Gas	1.0	2.0	1.0	3.0	1.7500
6	Energy	ENI	1.3	2.3	1.3	2.0	1.7083
7	TLC	Telecom Italia	2.0	1.8	1.0	2.0	1.6875
8	Bank	Montepaschi	1.5	2.0	1.5	1.0	1.5000
9	Bank	Unicredit	1.5	2.3	1.0	1.0	1.4583
10	Bank	ING	1.5	1.3	1.0	1.0	1.2083

about the underlying risk of their business, which was a cause–not a consequence–of the international financial crisis.

One final observation: responsibility is the same for everybody. There is no *a priori* ranking between industries: a banker is as responsible as a journalist or an automobile manufacturer.

All evaluations imply a degree of opinion, of personal knowledge and priorities. However, the process framework defines an explicit procedure, making the process falsifiable, therefore scientific.

One may certainly dissent from our evaluations; they result, however, from an open system. Each agreement that is reached concerning such valuations can be included cumulatively into the system. On the contrary, several existing responsibility rating systems are proprietary, thus hampering the development of valuation and the transparency of markets. The process framework can be the basis for an open source community of responsibility rating, contributing to a learning experience for everybody, not least for investors.

15.5 Examples of the Application of the Process Framework

In this section we provide examples of the application of our process framework:

A. Telecom and Vodafone [Table 15.2]
B. ENI [Table 15.3]
C. European banks [Table 15.4]

Case Study: Applying the Process Framework to a Sample of European Banks *Case study authored by Paolo D'Anselmi, Simone Morganti, Margherita Cappelletto, and Alessio Richichi*

Table 15.4 details the evaluation of a set of banks based on their social responsibility statements. Where appropriate we have added the kind of information it would be necessary to have and what kind of phenomena it would be desirable to control, thus providing a constructive idea of accountability.

The process framework creates a story and can be understood also by those who do not have access to the original corporate responsibility

Table 15.2 Process framework: Telecom Italia and Vodafone

Company **Document examined**	**Telecom Italia** **Sustainability report 2008**	**Vodafone** **Social responsibility report, 2007–08**
DISCLOSURE		
Identification of "emergencies": offers a brief, easily identifiable and located list of the company's hot issues.	On p. 21, the table is clear but its contents are rather general. Noteworthy is the indication of a section in which each item is given greater detail.	In Chapter 1 (Who We Are, Where We Operate), in particular. Page 23 prioritizes activities under thematic headings. Less clear than the Telecom report, but located fairly easily just the same.
Easy to read graphic layout, easy to read tables also in black and white.	Easily found and downloaded from the internet, but hard to read the very small print. Considering the length of the report, there seem to be fewer tables and diagrams in contrast to Vodafone. At times, the black and white printout renders the information inaccessible.	Easily found and downloaded from the internet; well-spaced text is easy to read. Numerous tables and diagrams. Clear also in black and white.
Does not "anesthetize" with too much information.		Number of pages fairly contained (90) and easy to read. It is easy to find what one is looking for.
Accessible length and content so that, in two hours of attentive study, the reader is able to fill out this questionnaire.	Number of pages acceptable (106), but the amount of text is a bit excessive. In two hours one can get an idea, but it is difficult later to fill out the USDIME framework with explicit references to the text. While legitimate (the reason is obvious), it is distracting to be constantly referred to the criteria, standards and institutional norms with which the company has complied (footnotes may be preferable). The overall tone is sometimes excessively self-congratulatory.	Two hours are sufficient. Never boring.

Confronts issues encountered during the year.	Does not seem to.	Does not seem to.
Writes up risks according to the SWOT analysis.		
Gives examples of hot issues: details working conditions of employees and suppliers in developing countries.	N/A	Not found but ought to be, because Vodafone is present in 25 countries (among which, for example, Ghana and India). However, this report relates to Vodafone Italy so could, as in the Telecom case, be not applicable.
Another example of a hot issue: job related deaths in Italy, 2008–09.	Page 84, under the "Accidents" heading when considering their increasing seriousness as compared with the previous year. Of the two non-professional deaths, the cause is given; cause is not given for the professional death. There is a table on accidents.	Not found (perhaps there weren't any?) but accidents (on the decline) are dealt with on pp. 67–8. There is also a table.
Another general example for 2008–09: considers the implications of the financial crisis by evaluating, for example, risk parameters (debt, credit).	No reference to the financial crisis. On p. 16, "Economic value of product", devaluations and debts connected with the management of non-financial credits are mentioned.	Not found, perhaps because the budget refers to 2007–08 (1 April 2007–31 March 2008). The 2008–09 budget is not yet available. On p. 24, mention is made of an "uptake in inflation". Not classified.

(*continued*)

Table 15.2 (Continued)

Company **Document examined**	**Telecom Italia** **Sustainability report 2008**	**Vodafone** **Social responsibility report, 2007–08**
Doubt, vulnerability: contains admissions of not having done what was supposed to be done, or of actions having been insufficient.	Sometimes deduced from the tables, but not explicitly declared. Seems unlikely that there is nothing to say here.	An interesting section is the "Opinion of the Commission of Experts" (p. 6), which contains a list of members, the conclusions concerning each variable of the AA10000SS, and a table with the main observations and suggestions for every variable. It is a good idea to put parts of these evaluations, both positive and less positive, in the text itself, "signed" by the evaluator. Valid in terms of disclosure also is the reference to the termination of a branch of the company in favor of Comdata Center SpA, which had generated some noise (pp. 11, 63) and other similar initiatives that involved employees. On p. 75 the report mentions "Churn", the subscriber tax on clients as at March 31 2008 (23%). Laudable.
Grade for Disclosure	***1.8***	***2.8***
IMPLEMENTATION		
Adopts performance indicators; offers measures of performance in relation to the "emergencies" in Disclosure.	Yes (KPI); about 200 on p. 10. On p. 37 the report talks about "the definition of over 193 performance indicators that allow for monitoring and improved services supplied to internal clients and suppliers".	Yes (KPI). The procedures are briefly described on p. 49 and the possibility of adding new ones is also foreseen (p. 71). For example, these are clearly present in the section concerning the environment and environmental sustainability; less so in the section concerning suppliers.

Is there a code of ethics (a good thing) and is its application measured?	There is a code, mentioned on p. 8; it can be consulted via the Internet (though, as at the time of writing, the site is not interactive).	A code of ethics exists and is part of the "Organizational Model". The two documents are easily accessed on the company website (also in English).
Are indicators identified to measure its implementation?	No measures to implement the indicators are listed.	Numerous self-discipline codes have been adopted along with the code of ethics, the organizational model and the Sarbanes–Oxley Act (p. 18). There is reference to a controlling agency (p. 15) and it is also stated that, as at the time of writing, "there have not emerged any particularly critical aspects related to the actuation of the organizational model nor any reports regarding violations of same or the code of ethics". It then goes on to talk about the activities of the controlling agency.
Mention of work undertaken in delicate circumstances vis-à-vis corruption and indication of specific measures.	Reference is made to anti-corruption practices (p. 7, for example, where the annual Corporate Governance report is found). There do not seem to be specific, more precise measures in place. The section entitled "Financial communications" is interesting (pp. 87–8).	"Integrity in relations with suppliers", a section on p. 71. The "Speak Up" program to allow suppliers to report corruption or non-ethical behavior in contrast to the guidelines contained in the Code of Ethics and the business principles of the company.

(*continued*)

Table 15.2 (Continued)

Company **Document examined**	**Telecom Italia** **Sustainability report 2008**	**Vodafone** **Social responsibility report, 2007–08**
Considerations of the clients (consumers and users). Does a code of service for clients exist (when it ought to)? Does the report measure its implementation?	Service cards exist (p. 8); here, too, the reader is directed to access the various company websites (though not directly, cfr. 2.2).	Reference is made to a client card for landline telephones and one for mobile phones. The report states that the company "monitored the difficult and complicated enactment of Bersani's law and contributed to its evolution, also by means of participating via the ASSTEL association in related Parliamentary hearings".
MEMORY		
Keeps track of things that happened a long time ago that may still have an impact currently or in the future.	Not relevant.	It could be better. From a "historical" point of view, the section on the evolution of the telecommunications market (pp. 24–5) is interesting.
DENOMINATORS		
Compares numbers in such a way that the reader is able to come to a conclusion regarding their relevance.	Yes, but could be better. In view of the hefty text there are too few tables and diagrams as compared to °Vodafone, often examining three-year data.	There are numerous tables and they are very clear, though often they, too, are examining three-year data.
Adopts international standards.	The Principles of the Global Compact, GRI, ISO 9000 and ISO 14000 certification for systems to manage quality and environment. Principles of the International Labour Organization Convention on the rights of workers; Social Accountability 8000 standards (SA8000) finalized to favor respect for human rights and working conditions on the part of companies and their suppliers; OHSAS 18001.	GRI (2006) G3, AA1000 (also, for example, standards inspired from international standards on human rights, p. 71). Also p. 21, "Guidelines for CR".
Correctly implements the standards adopted (GRI and others)	GRI (declared conformity A+) and also others from 2.7 (an entire section dedicated to the company's position with regard to indices, p. 14).	GRI (2006) G3 with declared conformity B+.

Takes responsibility for upstream activities (payment of suppliers, for example).	Selection, evaluation and controls are foreseen also for suppliers (some data are provided concerning controls). Each company supplier is requested to declare intent, both for itself and for eventual authorized sub-contractors, collaborators and employees, to observe the ethical-behavioral principles contained in the code of ethics and company behavior code. The reader is directed to the company website for further details. A vendor rating indicator exists (p. 38) to evaluate the overall performance of the main suppliers, as do performance indicators that allow for the monitoring and management of the services supplied to suppliers (cfr. 2.1). A second survey of satisfaction has been undertaken (early 2007) concerning Purchasing and Telecom Italia as a whole on the part of the company's main suppliers. The first e-community of the company's main suppliers has also been activated regarding work behavior, with the aim of improving communication to and between suppliers, mainly along thematics concerning company and environmental sustainability.	Emphasis on the quality of chosen suppliers and mentions the possibility of enriching the evaluation parameters for the qualification of suppliers along the lines of indicators regarding health and security, as well as adhesion on the part of suppliers to corporate responsibility (CR) principles by way of questions posed directly to suppliers and to their personnel. Insertion of an ethical code for acquisitions. Suppliers must adhere to this code of ethics or a standard equivalent, the contents of which conform to international human rights standards, in order to do business with Vodafone. However, no mention is made of on-the-job accidents by suppliers. Mention is made of the insertion of parameters concerned with CO_2 emissions in work carried out by suppliers, but no precise data are provided regarding waste recycling and disposal. Mention is made of controls but less data are supplied than by Telecom. A risk matrix is introduced to evaluate risks to suppliers, including an analysis of risk associated with CR performance.

(*continued*)

Table 15.2 (Continued)

Company **Document examined**	**Telecom Italia** **Sustainability report 2008**	**Vodafone** **Social responsibility report, 2007–08**
Takes responsibility for downstream activities (clients).	Obvious mention is made of electromagnetism (conformity with norms declared and reference to scientific studies), but it is reasonable to doubt that this is all there is. There are initiatives for customer satisfaction. A report by consumer associations is cited to note "conciliation procedures" undertaken to resolve controversies with clients (p. 35). The company pledges to reduce the territorial and socio-cultural digital divide. Mention is made of the protection of minors with "Alice Total Security" and "Alice Magic Desktop"; the former to exercise parental control, and the latter to guide young users in computer applications and allow for control on the part of parents. Activities and communication undertaken to fight pedophile pornography. An abuse desk monitoring chat lines, forums and blogs offered by service suppliers. We give the initiative a 3 but more could be done.	Here, too, mention is made of electromagnetism (declaring conformity with norms and reference to scientific studies), but it is reasonable to doubt that this is all there is. (A real sour note is the affirmation on p. 28 of an "excessive worry on the part of the population about the effects of electromagnetic emissions". As for Telecom: campaigns on the responsible use of mobile phones aimed at children and youngsters and their parents (p. 58). Parental control systems, family filters inhibiting the transmission of questionable content. Nothing on the digital divide. Much more could be done.
Considers the long-term consequences of company development (for example, the availability of suppliers/environment upstream, client congestion/environment downstream).	Not mentioned.	Not mentioned.

Adopts specific industrial standards.	Explicitly mentions Digital Living Network Alliance (DLNA) standards, Universal Plug and Play (UPnP) Forum and OPEN Internet Protocol television (IPTV) Forum with regards to technological innovation (p. 66), but we imagine others are also adopted.	Yes (for example, on p. 33, where health and product security is mentioned, and on p. 38 where CO_2 emissions are mentioned).
Grade for Implementation	***2.3***	***2.4***
MICROETHICS		
Stays on the subject: does not present philanthropy, welfare capitalism or market-related causes as social responsibility and sustainability in business.	It gives information on these subjects, but distinguishes basic business from initiatives for the community, investments in the community or free markets according to London Benchmarking Group guidelines. It advertises itself; the tone is a little triumphant.	It advertises itself, but perhaps a bit less loudly.
Company engages in socially damaging actions.	Not found.	Not found.
Company engages in disinformation: denying what is in plain view, calling tardiness a time change, makes affirmations that appear contradictory, accuses others of wrongdoing.	Not found (though nothing final has been decided concerning possible electromagnetic effects).	Doesn't appear so, but the report could have been more prudent as far as possible effects of electromagnetism. As for Telecom, references to scientific studies on the subject laudable.
Lobbying. What relationship does the company have with those agencies meant to regulate this sector or with legislators? Gives an account of company lobbying activities. Here, too, *excusatio non petitae* are interesting.	Not found, but possible? It cites a reduction in litigations as a result of effort, but only on p. 42 and only concerning the access network in the competition section dealing with external stakeholders. We will give them a 3 to be on the safe side.	Seems to be well-inserted in the Italian and European legislative context (pp. 26–9). Some reticence concerning litigation (no numbers) but they are, at least, mentioned.
Grade for Microethics	***3.0***	***3.5***

(*continued*)

Table 15.2 (Continued)

Company Document examined	Telecom Italia Sustainability report 2008	Vodafone Social responsibility report, 2007–08
UNKNOWN STAKEHOLDER		
Taxonomy of responsibility: locates the company in a competitive context; public sector and monopolies (also international indicators and comparisons); competitive sector (comparisons with competitors).	Refers in a general way on p. 100 to the competition in the "Internal control system" section, where it mentions the recent integration of the code of ethics with a reinforcement of the concepts of correct and fair competition. There is an entire chapter dedicated to competition in terms of external stakeholders, in which it talks about associative and collaborative activity on the national and international level, but it is all very general. On p. 42, however, there is a more detailed account of the access network.	On p. 53, there is mention of heavy competition among the main operators on the business market "which has resulted in a significant pressure on prices". On p. 11 there is a diagram indicating market shares of the main mobile telephone operators.
Gives benchmarks to the market average; better: with specific competitors.	Not found.	Apart from the diagram mentioned above, nothing.
In the case of a monopoly enterprise or a state or local government administration, as pertains to its clients, does it make a comparison on the prices requested by analogous services?	Not relevant.	Not relevant.
Also, on the international level, given the vast and important nature of the company in the national or local Italian panorama.	Not found.	Not found.
Comparisons of the quality of service.	Not found.	Not found.
Comparisons of efficiency/waste.	Not found.	Not found.

Provides measures for behavior in relation to the unknown stakeholder: for example, provides profits by country.	Not found.	Not found.
Demonstrates attention to clients, employees.	Yes. There is much use throughout the text of the words client/clients/clientele. There is a chapter dedicated to the client as an external stakeholder. Customer satisfaction is mentioned, distinguishing between "cold" and "hot" monitoring–table on monitoring 2008. The same occurs for employees, with investigations concerning the company climate (questionnaires, "group photos") and attention given to the health and security of employees (pp. 82–3), along with training and professional growth programs (pp. 77–80) and welfare and well-being activities (described on pp. 75–7). Some feedback should have been included.	Yes. There is much use throughout the text of the words client/clients/clientele. One section is entitled "Attention on the client" (pp. 50–4), mostly in terms of greater information on such issues as the digital divide, the relationship between minors, and the responsible use of mobile phone technology and the transmission of data. Greater clarity and transparency in terms of the materials of communication (better legibility of legal notes with fewer acronyms). The Consumer Delight Index (CDI) is interesting (too bad no examples are given). Attention for employees also declared (there is a section entitled "Attention on human resources"), especially in terms of health and security, training, and the analysis of the company climate through initiatives such as the Vodafone People Survey with subsequent definitions of specific actions made for improvement. There, too, lack of data.
Grade for the Unknown Stakeholder	**1.3**	***1.2***
TOTAL AVERAGE GRADE	***2.1***	***2.5***

Table 15.3 Process framework: ENI

Company	**ENI**
Document examined	**ENI 2008**
DISCLOSURE	
Rapidity: identifies "emergencies"; offers a list of hot issues that are easily identified and located in the document.	Identifies the company emergencies, but not enough synthesis (pp. 16–19).
Easy to read graphic layout, contains tables that are easy to read also in black and white.	Both in terms of the graphics of the tables and the text, the use of black and white renders immediate comprehension of the data difficult.
Does not "anesthetize" with too much information. Accessible length and content so that in two hours of attentive study the reader is able to fill out this questionnaire.	Heavy anesthetizing with information of everything that's been done. Two hours' study are not enough to fill in the questionnaire.
Confronts issues encountered during the year; writes up risks according to the SWOT analysis.	Yes, considers recent issues such as the financial crisis (p. 10), the role of alternative energy (p. 13) the fight against climate change (p. 16). Nonetheless, the report appears to lack synthesis.
Gives examples of hot issues: details working conditions of employees and suppliers in developing countries.	Yes, ample space given to the analysis of the frequency of on-the-job accidents (p. 34).
Another example of a hot issue: job-related deaths in Italy 2008–09.	Yes, notes that in 2008 there were 17 deaths, of which 5 were employees and 12 contracted workers (p. 34).
Another general example for 2008–09: considers the implications of the financial crisis by evaluating, for example, risk parameters (debt, credit).	Yes, guidelines for the identification, measure, management and monitoring of economic and financial risks facing the company and its subsidiaries have been defined by the Board. A diagram illustrates this (pp. 31–2).
Doubt, vulnerability: contains admissions of not having done what was supposed to be done or of actions having been insufficient.	Doubt, vulnerability: contains admissions of not having done what was supposed to be done or of actions having been insufficient.
Grade for Disclosure	***3.0***

(*continued*)

Table 15.3 (Continued)

Company	**ENI**
Document examined	**ENI 2008**
IMPLEMENTATION	
Adopts performance indicators; offers measures of performance in relation to the “emergencies” in Disclosure.	Only in terms of the fight against climate change and emergency efficiency is a performance indicator provided regarding the energy of electric plants, and an index of energyrefinement (p. 49).
Is there a code of ethics (a good thing) and is its application measured? Are indicators identified to measure its implementation?	There is a code of ethics and the role of the guarantor for the code of ethics is given to a control agency. There is no indication of the implementation of the code itself (p. 29).
Mention of work undertaken in delicate circumstances vis-à-vis corruption and indication of specific measures.	ENI only mentions that it chooses its suppliers and monitors them continuously with regard to those aspects concerning human rights and the politics of anti-corruption (pp. 78–9), but does not identify specific measures.
Considerations of the clients (consumers and users). Does a code of service for clients exist (when it ought to)? Does the report measure its implementation?	There is no code of service. The report does state that dialogue with consumers occurs through meetings with consumer associations or the public sector agencies (p. 74).
MEMORY	
Keeps track of things that happened a long time ago that may still have an impact currently or in the future.	There is no reference to things that happened in the past that could have an impact on the current situation.
DENOMINATORS	
Compares numbers in such a way that the reader is able to come to a conclusion regarding their relevance.	Lots of numbers are provided in diagrams and tables. Sometimes the reader is able to come to some conclusion regarding the subject being considered (e.g. fatality index on p. 36), but in other cases this is not possible because there are no denominators (emission of GHG from flaring, p. 16).
Adopts international standards.	Adopts GRI and IPIECA.
Correctly implements the standards adopted (GRI and others).	There is a table illustrating the correct use of the above-mentioned parameters.

(*continued*)

Table 15.3 (Continued)

Company	**ENI**
Document examined	**ENI 2008**
Separates the implementation of standards from the presentation of emergencies.	Yes, usually it presents emergencies (such as research on renewable energy resources, p. 25) and then details what is being done to implement standards to resolve them (collaboration with MIT Boston, p. 25).
Takes responsibility for upstream activities (payment of suppliers, for example).	Yes; for example, it notes initiatives undertaken to reduce gas flaring in Algeria, Republic of Congo, Libya and Tunisia for investments of €1.26 billion in 2009–12 (p. 48).
Takes responsibility for downstream activities (clients).	Yes, client satisfaction is indicated on an annual basis using a customer satisfaction index. In order to meet client needs, services besides gas offered at gas stations have been increased (p. 76).
Considers the long-term consequences of company development (for example, the availability of suppliers/environment upstream, client congestion/environment downstream).	ENI often emphasizes its dedication to fighting environmental pollution by reducing gas flaring both in Italy and in its supplier countries.
Adopts specific industrial standards.	Yes
Grade for Implementation	***3.8***
MICROETHICS	
Stays on the subject: does not present philanthropy, welfare capitalism or market-related causes as social responsibility and sustainability in business.	Yes; for example, emphasizes company activities related to the promotion and safeguarding of human rights (p. 18) and the support of diversity (p. 44).
Company engages in socially damaging actions.	Company engages in strong image work, but I do not believe any socially dangerous message is being conveyed.
Company engages in disinformation: denying what is in plain view, calling tardiness a time change, makes affirmations that appear contradictory, accuses others of wrongdoing.	It states that the decrease in the cost of crude does not correspond to a decrease in the cost of gas because of, among other reasons, taxes and the low diffusion of self-service stations (p. 75).

(*continued*)

Table 15.3 (Continued)

Company	**ENI**
Document examined	**ENI 2008**
Lobbying. What relationship does the company have with those agencies meant to regulate this sector or with legislators? Gives an account of company lobbying activities. Here, too, *excusatio non petitae* are interesting.	In a table on p. 33, there is a list of court cases regarding the environment and procedures tied to antitrust and other regulations. Nonetheless there is insufficient information concerning the cases themselves.
Grade for Microethics	***1.5***
UNKNOWN STAKEHOLDER	
Taxonomy of responsibility: locates the company in a competitive context; public sector and monopolies (also international indicators and comparisons); competitive sector (comparisons with competitors).	No reference to competition.
Gives benchmarks to the market average; better: with specific competitors.	No.
In the case of a monopoly enterprise or a state or local government administration, as pertains to its clients, does it make a comparison on the prices requested by analogous services?	No.
Also, on the international level, given the vast and important nature of the company in the national or local Italian panorama.	No.
Comparisons of the quality of service.	No.
Comparisons of efficiency/waste.	Talks often about efficiency referring only to itself. There are no comparisons.
Lobbying. What relationship does the company have with those agencies meant to regulate this sector or with legislators? Gives an account of company lobbying activities. Here, too, *excusatio non petitae* are interesting.	In a table on p. 33, there is a list of court cases regarding the environment and procedures tied to antitrust and other regulations. Nonetheless there is insufficient information concerning the cases themselves.
Provides measures for behavior in relation to the unknown stakeholder: for example, provides profits by country.	Does not appear to provide information regarding profits.

(*continued*)

Table 15.3 (Continued)

Company	**ENI**
Document examined	**ENI 2008**
Demonstrates attention to clients, employees.	ENI puts a great deal of attention on people (p. 26). Initiatives are planned, aimed at increasing the organizational welfare of its employees through, for example, the ENI nursery school.
Grade for the Unknown Stakeholder	***0.7***
TOTAL AVERAGE GRADE	***2.0***

Table 15.4 Applying the process framework to a set of European banks

Company	**ING Group**	**Intesa Sanpaolo**
DISCLOSURE		
Identification of "emergencies": offers a brief, easily identifiable and located list of the company's hot issues.	Does not identify.	Does not identify.
Easy to read graphic layout, easy to read tables also in black and white.	Very few tables, lots of text, legible in black and white.	Few tables.
Accessible length and content so that in two hours of attentive study the reader is able to fill out this questionnaire.	Too much text; too few numbers.	Too much text; too few numbers.
Doubt, vulnerability: contains admissions of not having done what was supposed to be done or of actions having been insufficient.	Everything appears to have been done well; no mention of Lehman.	Mentions Lehman without numerical references; reduces by more than 51% from one year to the next its range of stocks without indicating awareness of vulnerability.
Confronts issues encountered during the year, for example sensitive issues such as the financial crisis by evaluating risk parameters (debts, credits and effective payment terms).	Covered in above-mentioned section.	Covered in above-mentioned section
Grade for Disclosure	***1.0***	***1.4***

(*continued*)

Table 15.4 (Continued)

Company	ING Group	Intesa Sanpaolo
IMPLEMENTATION		
Adopts international standards (GRI and others) and uses them correctly; contains performance indicators in relation to the "emergencies" in Disclosure, for example data on underlying risk.	No data.	Includes a table on patrimony indicators with no explanations.
Is there a code of ethics and are indicators identified to measure its implementation?	No.	No numbers.
Mention of work undertaken in risky circumstances vis-à-vis corruption and indication of specific measures.	Absent.	Absent.
Considerations of the clients; does a code of service exist? Does the report measure its implementation; denominators? Offers comparisons such that the reader can get an idea about general relevance?	No data.	No data.
Takes responsibility for upstream (payment of suppliers) and downstream (clients) activities. Considers long-term consequences of its development (sustainability of returns in the medium and long-term).	Scarce.	Scarce.
Grade for Implementation	***1.0***	***1.4***
MICROETHICS		
Does not present philanthropy, welfare capitalism or market-related causes as social responsibility and sustainability in business.	Emphasis on donations.	Emphasis on donations.
Report does not hide important issues or muddy them, or blame others.	Appears reticent.	Muddies information concerning customer satisfaction vs. the market.

(*continued*)

Table 15.4 (Continued)

Company	**ENI**	
Document examined	**ENI 2008**	
Company undertakes (and report notifies of) campaigns purely for image.	Information absent.	Information absent.
The level of disclosure demonstrates the absence of company collusion.	The little disclosure demonstrates company collusion.	The level of disclosure is greater than the ING Group (retribution of women employees).
Report is explicit about the company relationship with regulating agencies and legislators (lobbying).	Hardly.	Hardly.
Grade for Microethics	***1.2***	***1.6***
UNKNOWN STAKEHOLDER		
Taxonomy of responsibility: locates the company in a competitive context (competitive stakeholders), for example, by presenting market quotas.	Does not do this operation.	Provides market shares.
Stakeholder clients: compares prices with market average or specific competitors.	Does not do this operation.	Does not do this operation.
International stakeholder clients: compares analogous services also at the international level, provides profits by country, which is a measure of the relationship with non-organized stakeholders.	Ignores the international dimension.	Ignores the quantification of the international dimension.
Comparisons of the quality of service.	Does not develop this point.	The reduction in options is an implicit element of client care.
Comparisons of efficiency; comparisons of remuneration and hourly wages.	No information on this subject.	Data on compensation of women employees.
Grade for the Unknown stakeholder	***1.0***	***1.8***
TOTAL AVERAGE GRADE	***1.1***	***1.6***

reports. To some extent, readers of the evaluation can assess it and do not need to put any faith in the reviewer. They are also able to build, criticize or take this research forward. Other rating systems are a dead end: readers have no instruments and insufficient information to move forward. The process framework is fertile and additive.

15.6 Conclusions

In conclusion, companies appear to make an effort to tell their own story with some honesty. A great deal of work and resources are spent in order to collect the necessary information, put it into communicable form, and then to publish and disseminate it.

There is still a great deal of room for improvement, however. We propose the process framework as a means for leveraging corporate reporting resources. It is detrimental to the organization to draft reports (whether financial or non-financial statements) that are perfunctory.

The "weak" theory of CSR that we have proposed actually packs a punch that is not to be found in other frameworks of CSR: strategic management, cause-related marketing, strategic philanthropy and shared value with the non-profit sector. CSR as defined operationally by the process framework is different. CSR is who you are, it is not what you do.

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16

Management Analysis

16.1 Introduction

We provide, in this chapter, examples (case studies) of the management analysis that is needed to implement yardstick competition or virtual competition among different public administration organizations. We demonstrate that public management and public policy analysis have a role in generating accountability in all organizations, especially those not subject to competition.

16.2 Case Study: A Comparative Analysis of Research Organizations

Case study authored by Andrea Lapiccirella, Fabrizio Tuzi, Paolo D'Anselmi and Simone Morganti

The following case study belongs to a subset of the process framework: implementation. It is meant to show in detail what can be done to make organizations that are not subject to competition more accountable than they are today. It is shown to clarify the proposed concept of organizational CSR in the non-profit sector, in government and in the political arena.

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This section provides a benchmark analysis of European research institutions deemed to be of equivalent status. The following institutions were examined: the *Max-PlanckGesellschaft*–MPG (Germany); the *Centre National pour la Recherche Scientifiq*ue–CNRS (France); the *Consejo Superior de Investigación Científica*–CSIC (Spain); and the *Consiglio Nazionale delle Ricerche*–CNR (Italy). The idea is to show some of the basic variables and comparisons that can be made in order to evaluate the productivity and the effectiveness of institutions.

Table 16.1 compares the financial and human resources available to the institutions in the two-year period 2001–02. Table 16.2 analyzes the structure of the scientific network and its development during that time. Table 16.3 compares the scientific output of the various research institutions in terms of their journal citation reports (JCR). Table 16.4 compares the market funding capacity of these institutions in 1999–2002. Table 16.5 shows the results of a survey on the publications of European generalist research institutions.

This section provides a comparative analysis of personnel in three of the four institutions examined. A comparison of the breakdown of staff reveals the differing staffing structures of the three establishments by different legislation regarding the recruitment of fixed-term and indefinite-term personnel, and by different numbers of layers in the organizational pyramid.

Figure 16.1 presents an analysis of the external staff involved by institution and a reclassification of the professional profiles in order to make a preliminary comparison (Table 16.6 section (*b*)).

The first point to be analyzed, then, is the breakdown of the direct external co-workers of the three research organizations (Table 16.6). Max-Planck has a large number of personnel on fixed-term contracts; the personnel we are referring to as "external co-workers" are mainly young researchers or guest researchers. Max-Planck employs a total of 9,108 external coworkers, equivalent to 4,489 researcher-years. CNRS employs a total number of 43,571 external co-workers. Unlike MPG, the external coworkers with CNRS are not only research personnel, but also technical and administrative staff.

The second point is the reclassification of the professional profiles. Table 16.6, section (*a*) shows the different staff posts in each instance: researchers, technicians and administrative staff. This calculation has been

Table 16.1 Financial and human resources available to research institutions, 2001–02

	CNR		CNRS		CSIC		Max-Planck	
	2001	2002	2001	2002	2001	2002	2001	2002
Budget (€ million)	793	814	2,457	2,533	404	562	1,261	1,253
Personnel	8,082	8,015	23,094	25,231	7,678	8,738	11,612	12,049
Researchers	3,693	3,610	11,643	11,643	2,259	2,713	3,116	3,509
Budget per member of personnel (€)	98,119	101,560	106,391	100,392	52,618	64,317	108,595	103,992
Budget per researcher (€)	214,672	225,485	211,028	217,556	178,840	207,151	404,685	357,082

Table 16.2 Structure of the scientific network and its development, 2001–02

	CNR		CNRS		CSIC		Max-Planck	
	2001	2002	2001	2002	2001	2002	2001	2002
Number of institutes or branches	108	107	1.640	1.256	108	123	80	80
Budget per institute (€/million)	7.343	7.607	1.498	2.017	3.741	4.569	15.763	15.663
Researchers per institute	34	34	7	9	21	22	39	44
Personnel per institute	75	75	14	20	71	71	145	151

made in terms of the so-called "ordinary staffing plan"–the staff directly employed by each research institution; and what we call the "enlarged staffing plan"–which also takes into account the human resources that gravitate as external co-workers around the entity.

A comparative analysis of these cases reveals differences between all the tables but in all cases, there are also similar proportions–most of the human resources are researchers, while the administrative staff are always proportionally fewer.

Finally, Table 16.7 shows a comparison of the effectiveness of different institutions as measured by accepted and published international standards. This is only shown here as an example of metrics available at an international level that can be used to evaluate and account for the work of each institution.

16.3 Case Study: Reverse Engineering in the Police Force Accounts

Case study authored by Paolo D'Anselmi, Romina Giannini, Simone Morganti, Riccardo Coratella and Lorena Mazzenca

This case, too, is shown to exemplify accountability by focusing on the implementation value and its specific element of benchmarking, comparing different situations and different institutions, also over time.

Table 16.3 Scientific output of the various research institutions (journal citation report publications), 2001–02

	CNR		CNRS		CSIC		Max-Planck	
	2001	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**
Publications JCR	4,941	4,916	16,492	16,229	4,362	5,140	7,554	7,699
Publications per member of personnel	0.610	0.610	0.710	0.630	0.570	0.590	0.650	0.640
Publications per researcher	1.340	1.360	1.420	1.390	1.930	1.890	2.420	2.190
Budget per publication (€)	160,494	165,582	148,981	156,079	92,618	109,338	166,931	162,748

Table 16.4 Market funding capacity of research institutions, 1999–2002 (%)

	CNR	CNRS	CSIC	Max-Planck
1999	26	8	30	4
2000	35	11	33	5
2001	31	14	32	2
2002	26	12	40	6

Table 16.5 Survey of publications of European generalist* research entities, 1996–99

Institutions/university	CNRS	CNR	CSIC	University of London
No. of publications	23,784	18,833	16,133	85,182
No. of citations	130,105	66,626	50,681	550,278
Field norm citation score	1.190	0.850	0.840	1.290
Field of activity:				
Agriculture		5	1/3	1/3
Basic sciences	1/3	1/3	1/3	1/3/4
Biological sciences	5	1/3	1/3	1/3/4
Biomedical sciences	4		3/5	1/3/4
Clinical sciences			5	1/2/3/4
Earth and environmental sciences	1/3/4	1/3	1/3	1/3
Engineering	1/3	1/3	1/3	1
Chemistry	1	1/3	1/2/3	1/3/4
Physics and astronomy	1/2	2	1/3	
Mathematics and statistics				1/3/4
Computer science	5	1/3	5	1/3

Key to performance by field of activity:
1 most actively publishing institution in field by country;
2 at least 25% of total publication output across the 11 broad field is within the marked field;
3 highest number of citations in field by country;
4 impact above world average (≥ 1.20);
5 highest impact score in country by field but below 1.20.
* The term "generalist agency" means a research institution which carries out its work in many different scientific fields.
Source: Science and Technology Indicators (2003).

Competition among police forces is common in most countries, be it at the national level or the local, state and federal levels. These are examples of implementation whereby the efficiency is in the details. The basic

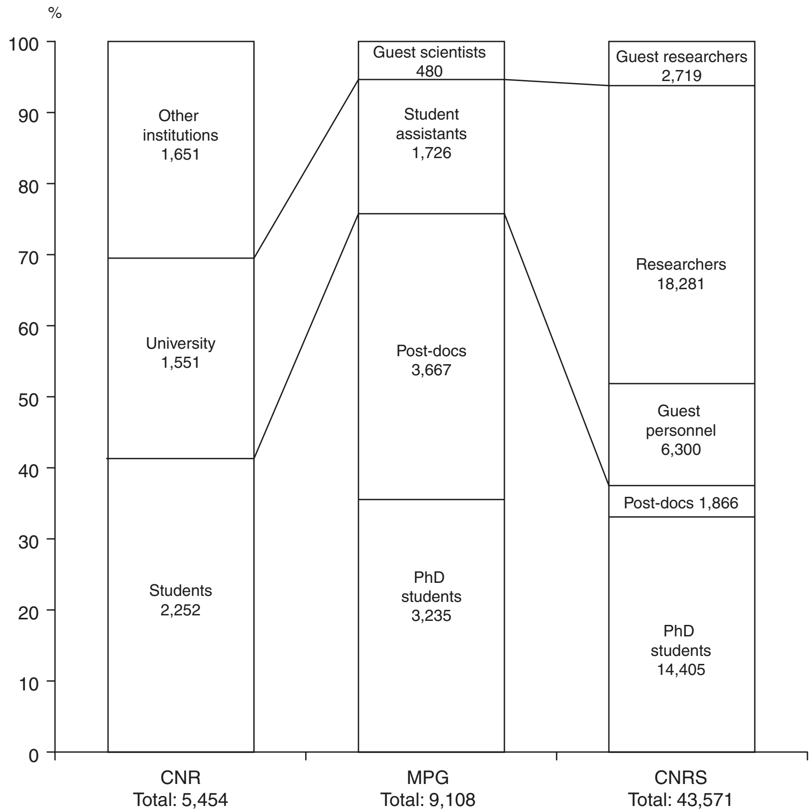

Figure 16.1 Direct external co-workers at CNR, MPG and CNRS: headcount (*Sources*: DAST; CNR editorial group elaboration)

idea is to mix physical resources with monies and activities–mix and relate these variables.

Police forces keep strict records of what they do. Conveniently, these are made public in their aggregate form (except where we have militias). An overview includes a synthesis of three force resources–three national police forces; reverse engineering of organizational structures (cost accounting/management control); zooming in on and benchmarking emergency number calls/nationwide benchmark; and a cross-facility benchmark: the example of correctional police.

Table 16.6 Research staff typology, by institution

Type of contract	CNR		MPG		CNRS	
	No. of persons	%	No. of persons	%	No. of persons	%
(*a*) *Ordinary staffing plan*						
Researchers	4,284	53	3,883	32	11,648	46
Technicians	2,632	33	5,644	47	7,569	30
Administrative	1,099	14	2,522	21	6,014	24
Total ordinary staffing plan	**8,015**	**100**	**12,049**	**100**	**25,231**	**100**
(*b*) *Enlarged staffing plan: personnel + leverage*						
1 Researchers	4,284	39	3,883	32	11,648	25
2 Guests and young scientists (person-years)	3,088	28	4,489	27	18,636	40
Total researcher personnel (1+2)	7,372	66	8,372	51	30,284	64
Technicians	2,632	24	5,644	34	9,324	20
Administrative	1,099	10	2,522	15	7,409	16
Total personnel + leverage	**11,103**	**100**	**16,538**	**100**	**47,017**	**100**

Note: Mean impact factor and compared total publication output of the most active European research institutions in 1992. Ranked by mean expected citation rate (MECR).
Source: Second European Report on Science and Technology Indicators (OECD, 1997).

We start with a simple benchmark of three forces. Two of them have very similar tasks; the third overlaps a little. These forces do not produce reports that make explicit the resources with which they are endowed, or the use they make of those resources. However, they do produce operational reports whereby they report the numbers of personnel they have and the operational activities they perform. The work, then, is to collate different public sources; therefore, the work done here is one of reverse engineering.

From the government budget, we derive the total cost of these three police forces (A, B and C), and the total cost of personnel salaries. From the operational reports, we have the total number of personnel in the forces. In 2006 the three forces had a combined budget of €15.4 billion and 286,000 people on the payroll. The ratio between the two variables provides the varying cost per person (Figure 16.2).

Table 16.7 Mean expected citation rate (MECR)

Institutions	Countries	MECR	No. of publications (Science citation index)
1 INSERM	France	6,090	3,848
2 Max-Planck Society	Germany	5,970	4,369
3 Oxford University (+ Radcliffe Hospital)	UK	5,500	2,734
4 Cambridge University (+ Addenbrokes Hospital)	UK	4,990	2,816
5 Leiden University	Netherlands	4,980	1,441
6 Karolinska Institute Stockholm	Sweden	4,880	2,150
7 Amsterdam University	Netherlands	4,750	1,287
8 Utrecht University	Netherlands	4,670	1,575
9 Heidelberg University	Germany	4,560	1,528
10 CNRS	France	4,400	11,022
11 London University (all colleges, institutes and hospitals)	UK	4,200	10,613
12 Helsinki University	Finland	4,160	1,502
13 CSIC	Spain	4,120	1,974
14 Milan University (San Raffaele Hospital)	Italy	4,110	1,721
15 CNR	Italy	4,080	2,767
16 Leuven Catholic University	Belgium	4,060	1,044
17 Uppsala University	Sweden	4,040	1,581
18 Munich University	Germany	4,030	1,866
19 Copenhagen University	Denmark	3,900	2,019
20 Rome University (La Sapienza + Umberto I Policlinico)	Italy	3,760	1,632

The main source for police force A is their operational report, in which a wealth of data is provided about police operations. No mention is made in this document, however, of money or funds, the cost of different operations or activities. Reconstructing such a link between resources and activities is exactly the task we have given ourselves.

Data about the organizational structure of police force A are publicly available, as they are about personnel. The organizational structures are presented in Table 16.8. The main areas of activity are also defined by the police themselves in their operational reports.

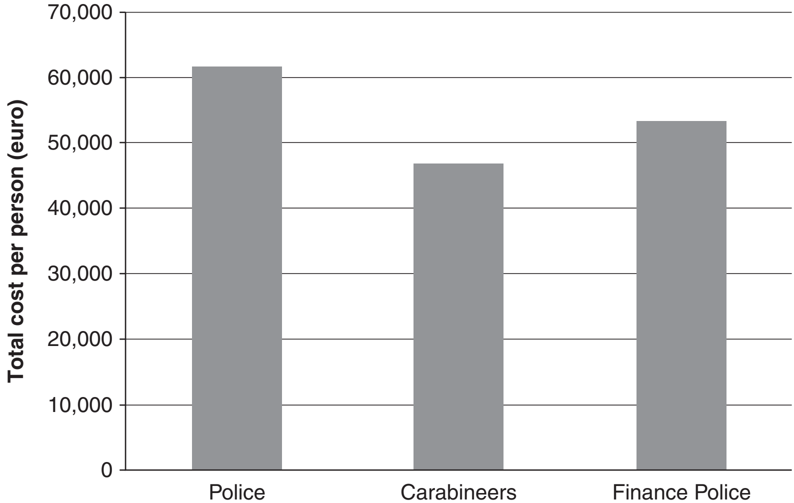

Figure 16.2 Varying cost per person, by police force

On the basis of these data we have hypothesized the personnel resources absorbed by each activity and derived Table 16.8. We assigned people from the organizational structures to operational activities. This is what we call "reverse engineering" of the police force and it is done only to exemplify what would have been a good thing for the police forces to do themselves and, perhaps, communicate–at least in part–to the public. We approximate the cost of activities by the cost of personnel since, in the macro data on the budget, we saw that personnel is a very high percentage of the total.

In Table 16.8, only the last column is actual and publicly available from sources for police corps A. The rest of the table is an educated guess. Once the resources spent on individual activities are identified, one might want to decide whether the result is in line with government priorities. Ask questions such as: Is it right that we spent X% of our total resources on crowd control and Y% on law enforcement against organized crime? That is the kind of question that would make the organization responsible to the public about its own activities.

Table 16.8 Personnel distribution on activities

Operating activities								
Organizational structures	**Emergency call centers**	**Crime prevention**	**Organized crime**	**Immigration**	**Drugs**	**Public order**	**Specialist activities**	**Total**
Headquarters	437	326	169	382	166	265	100	1,845
Schools						4,247		4,247
Precincts	15,989	10,709	13,574	13,273	12,803			66,348
Traffic/railroad police							13,660	13,660
Special forces							16,424	16,424
Anti-Mafia			6,287					6,287
Total	16,426	11,035	20,030	13,655	12,969	4,512	30,184	108,811

Source: Elaboration from"Forze dell'ordine. Dar conto del lavoro pubblico"

16.3.1 Zooming in on and Benchmarking Emergency Calls

Operational reports, however, do provide a wealth of data that at least elicit even more detailed questions. We can conduct reverse engineering and push it further to reconstruct the process ensuing from an emergency call to deduce the total cost of such an important service.

Table 16.9 shows how the number of personnel provided in the first total of the first column of Table 16.8 was derived. Once more, the translation of the data in the first column was given in the police force A report; the number of personnel involved was hypothesized.

The total number of personnel involved in this activity is not important per se, it is just interesting to know. Calculations of this kind make us realize that the "health" of a nation is a relative measure, a product of unknowable reality and of the society's organizational effort to police it. Had we given this activity more resources, we would certainly have had different results concerning the crime rate and the overall situation.

Enter police force B. Using the fact that a parallel national police force is also active in the country, we can run another pseudo-experiment. A more detailed problem of implementation emerges when we look at the data for the emergency call service of police force B. In 2004, the total number of calls was 6,168,301. This number, however, cannot be used to make a useful comparison with police force A, which was 6.7 million, because police force B only reports 275,000 on-site filed field patrols. This number compares with 2.5 million reported by police force A.

It is clear there are different policies for data collection and/or intervention in the field. These data make for very interesting work to be done in the brand new effort undertaken to build a national interface for police coordination. These examples are meant to exemplify the possibility of formalizing and quantifying the decision-making process of a police force. Once more, if you do not measure it, it is as if you did not do it.

Table 16.9 Cost analysis of emergency call service "dial 113"

1 Activity detail	2 Activity measure	3 Personnel unit involved	4 Full cost/year (€ million)
Answered calls	6,779,614	276	17
Actions after call	2,483,322	12,010	740
Acceptance complaints	519,298	4,140	255
Total		**16,426**	**1,012**

Source: "Forze dell"ordine. Dar conto del lavoro pubblico"

16.3.2 Cross-Facility Benchmark: The Example of Correctional Police

Another example of benchmarking is across homologous organizational structures of the same police force. Correctional police, for instance, operate at different correctional facilities. One way to look at their productivity is to work on the personnel-to-inmate ratio. This is both a measure of quality and of supervision, when one hypothesizes that a higher ratio allows for more care. It is also a measure of cost, since more personnel are involved. Figure 16.3 shows the ratio in the facilities located in different districts across the country. We observe very different ratios, which would warrant further investigation.

We observe the same variance, albeit with very different absolute values, before and after an amnesty was granted because of jail overcrowding (Figures. 16.4 and 16.5). The same is true for specific large correctional facilities. In conclusion, different police force structures generate a multiplicity of institutions, which is, counter-intuitively, a fertile situation. Competition among police forces may be considered negatively but, counter-intuitively, this, too, is a fertile situation. It is an opportunity.

16.4 Case Study: If You Do Not Measure It, You Did Not Do It

Case study authored by Paolo D'Anselmi, Simone Morganti, Margherita Cappelletto and Alessio Richichi

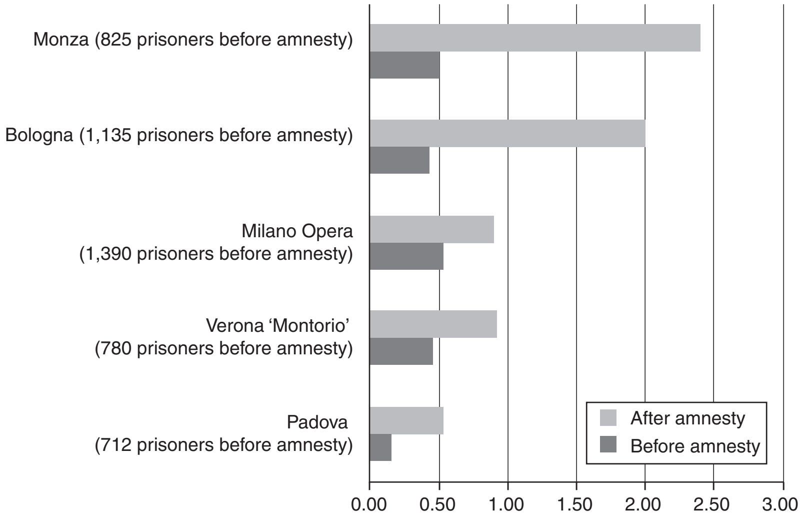

Figure 16.3 Officers/prisoners ratio before and after amnesty

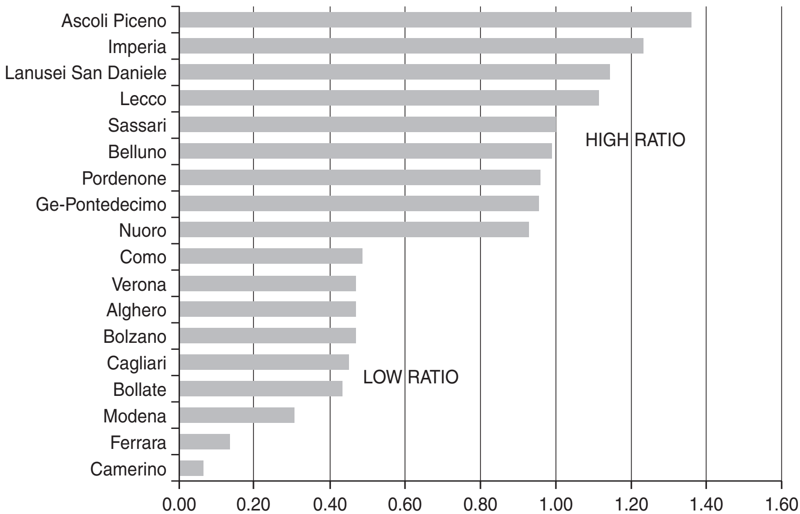

Figure 16.4 Correctional officers/prisoners ratio before amnesty, by correctional facility

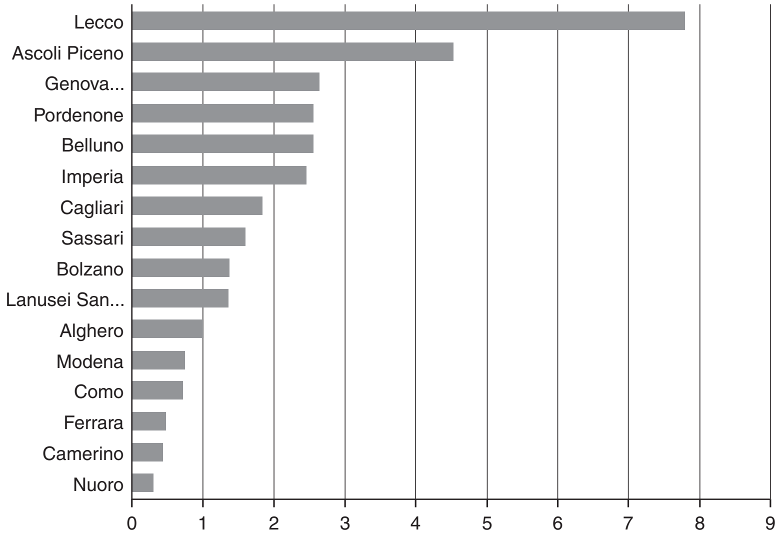

Figure 16.5 Correctional officers/prisoners ratio after amnesty, by correctional facility

Here is a further case illustrating the difficulty of implementing general strategic goals, formulated at the political level and frustrated at the implementation stage. The cases shown here imply no aspiration to originality of methodology; they are only intended to show, in practice, what can be done to make organizations that are not subject to competition more accountable than they are today. They are shown to clarify the proposed concept of organizational CSR in government and in the political arena. The case studied here is an example of weak policy implementation.

The subject matter of this case is an evaluation of the Information Society policy implemented in Southern Italy in the years 2000–06 under the aegis of the Structural Funds of the European Union. A total budget of €1 billion was spent by that program. Implementation of such policies has been taking place under seven-year Framework Programs. Here, we consider a specific case from the 2000–06 round of funding. A detailed bottom-up study was conducted that reviewed over 200 tenders and their formulation, concluding that very seldom are needs specified. Often, they are even part of what is asked of the contractor (i.e. we ask them to tell us what we need). A subjective analysis of tenders was made and two specific measures were derived that, albeit subjective, can hardly be dismissed in their conceptual foundation: clarity and credibility of tenders' formulation.

Figure 16.6 exemplifies the clarity concept in the formulation of the objective; Figure 16.7 provides further insight into the process of implementation at the regional and local levels–publication dates of tenders have been plotted over time while the amounts have been plotted in the vertical axis. Notice that tendering peaks at the end of the funding period (2006).

No measure of output or outcome is available. Despite the fact that there is a table at the European level that specifies what is meant by "information society" and lays out indicators whereby the beneficiary countries are also funded, this table is ignored throughout the "descending" phase of the programming of funds and projects. Never in the programming or the projects are the indicators of what makes an information society recalled. This means it is not possible to make the project at hand consistent with the overall policy or to measure the effect of funding by the indicators that were used in the first place. Nonetheless, an overall set of country indicators, the "i2010", was available from 2003 onwards and could profitably be used, but no reference to it whatsoever was made at any stage of the program in Italy or in Europe (Table 16.10).

No measures were developed throughout the whole chain of implementation, which involved the European, the national, the regional and the local levels. The theory of this goes back to Regina Herzlinger, the American economist and founder of the theory of non-profit organizations in the 1970s. One does not understand how improvement is expected to be achieved. The regional operational plans are vague. Development will, sooner or later, take place–market forces and general gross national product growth will do their part–but how much of the specific effort will have contributed to this development is wholly questionable.

No quantification is made throughout the line of implementation; neither are specific goals indicated. Whereas quantification should be sought beforehand through appropriate indicators, it is our view that public administrations at the national, regional and local levels should concentrate their action on improving situations aptly monitored by such indicators. Specifically, public administrations should concentrate on situations that are left out of the household and corporate markets for the information society: public administrations should concentrate on issues

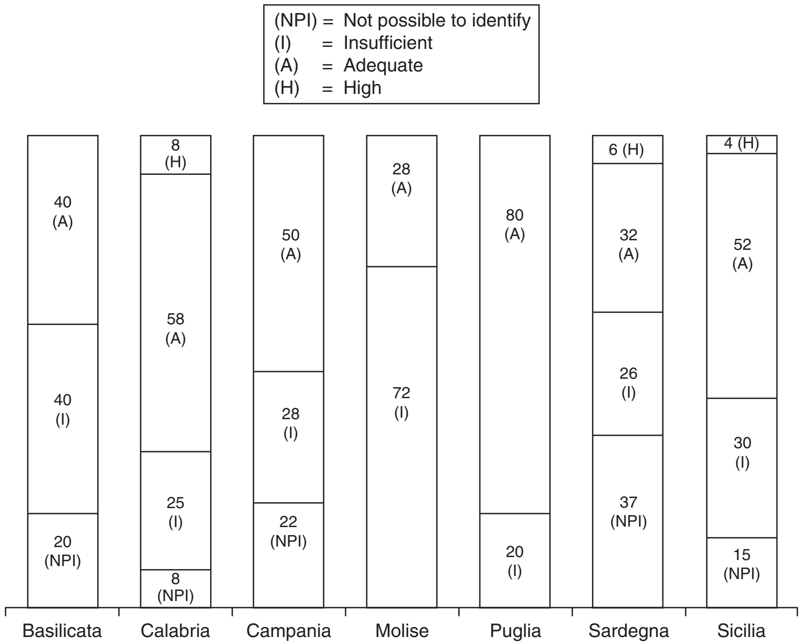

Figure 16.6 Readability of public tenders (%)

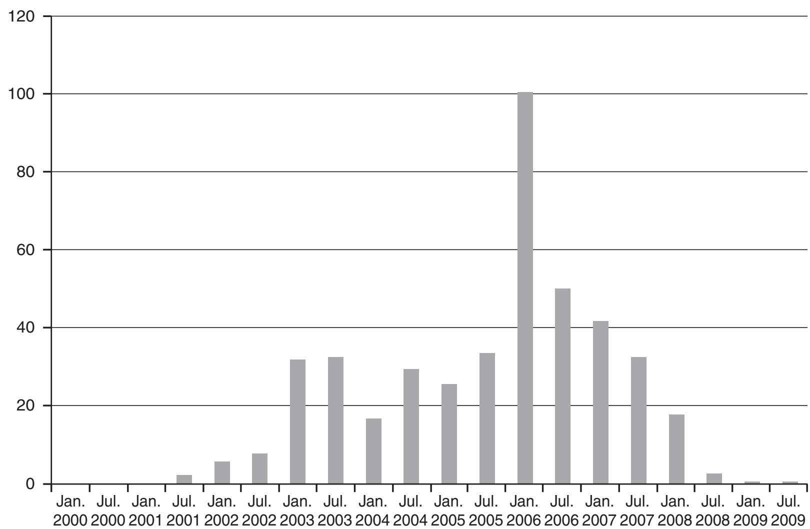

Figure 16.7 Distribution of amounts tendered over time (€ millions per semester)

Table 16.10 "i2010" indicators for the information society: Italy

	Category	2003	2004	2005	2006	EU25	Rank
1	**Broadband**						
1.1	Total digital subscriber line (DSL) coverage (as % of total population)	82.0	85.0	87.0	87.4	16	
1.2	DSL coverage in rural areas (as % of total population)		44.6		65.9	19	
1.3	Broadband penetration (as % of total population)	3.2	6.7	10.0	13.6	15.7	13
1.4	DSL penetration (as % of total population)	2.8	6.2	9.4	13.1	12.8	10
1.5	Predominant download speed		0.5–1 Mbps				
1.6	Households having broadband (as % of those having access to the internet at home)		33.6	40.5	62.1	25	
1.7	Enterprises with broadband access (%)	31.2	23.3	56.7	69.6	74.5	15
1.8	Number of 3G subscribers per 100 inhabitants		15.3		5.0	2	
1.9	Digital television in households		38.7		30.6	5	
1.10	Music: number of single downloads per 100 inhabitants		5.5		13		
2	**Internet usage**						
2.1	Population who are regular internet users (%)	24.9	25.7	28.3	30.8	46.7	25
3	**Take up of Internet services (as % of population)**						
3.1	Sending emails	–	–	26.5	29.1	43.8	23
3.2	Searching for information about goods and services	–	–	21.2	23.2	42.9	26
3.3	Internet telephoning or videoconferencing	–	–	2.2	3.3	7.1	27
3.4	Playing/downloading games and music	–	–	10.4	10.5	18.2	28
3.5	Listening to the web radio/watching web tv	–	–	4.6	5.3	11.8	27
3.6	Reading online newspaper/magazines	–	–	12.8	12.8	19.0	24
3.7	Internet banking	–	–	7.6	8.9	22.0	24
4	**Places of access**						
4.1	Home (%)	22.7	21.3	24.2	26.6	42.6	22
4.2	Work (%)	13.6	14.6	15.9	16.7	23.0	23
4.3	Place of education (%)	1.8	4.0	3.8	4.9	8.0	25
4.4	Public Internet access program (%)	0.7	6.0	3.7	4.9	6.8	16
5	**e-Government indicators**						
5.1	Basic public services for citizens fully available online (%)	25.0	27.3	–	36.4	36.8	13
5.2	Basic public services for enterprises fully available online (%)	75.0	87.5	–	87.5	67.8	3

5.3	Population using e-Government services (%)	–	–	14.1	16.1	23.8	20
5.4	of which for returning completed forms (%)	–	–	3.6	5.0	8.1	19
5.5	Enterprises using e-Government services (%)	65.0	72.6	86.5	63.7	4	
5.6	of which for returning completed forms (%)	34.5	35.4	28.9	49.4	44.8	15
6	**ICT in schools**						
6.1	Number of computers connected per 100 pupils	–	–	–	6.5	9.9	21
6.2	Schools with broadband access (%)	–	–	–	69.0	67.0	17
6.3	Teachers having used the computer in class during the last 12 months (%)	–	–	–	72.4	74.3	14
7	**e-Commerce**						
7.1	e-Commerce as % of total turnover of enterprises	–	–	–	2.0	11.7	20
7.2	Enterprises receiving Internet orders (%)	–	–	–	3.3	13.9	24
7.3	Enterprises purchasing on the Internet (%)	–	–	–	27.1	37.9	12
8	**e-Business (% enterprises)**						
8.1	With integrated internal business processes	11.6	33.1	47.7	46.5	37.3	6
8.2	With integrated external business processes	–	–	–	–	13.5	–
8.3	Security: enterprises using secure servers (%)	34.7	54.7	30.3	39.3	41.0	13
8.4	Using digital signatures for authentication (%)	4.3	10.5	8.8	11.5	14.3	12
9	**Employment and skills**						
9.1	Employees using computers connected to the Internet (%)	24.3	21.5	24.8	28.2	36.1	20
9.2	Persons employed with ICT user skills (%)	22.9	17.6	17.6	19.0	18.5	11
9.3	Persons employed with ICT specialist skills (%)	2.8	2.8	2.9	2.7	3.1	18
10	**Indicators of growth of ICT and R&D**						
10.1	ICT sector share of total GDP	4.8	–	–	–	5.5	15
10.2	ICT sector share of total employment	3.6	–	–	–	4.0	15
10.3	ICT sector growth (constant prices)	1.3	–	–	–	3.6	15
10.4	R&D expenditure in ICT by the business sector, as % of GDP	0.1	–	–	–	0.3	11
10.5	R&D expenditure in ICT by the business sector, as % of total R&D expenditure	22.9	–	–	–	25.7	8

Source: European Commission, i2010, Annual Information Society Report 2007. *A European Information Society for Growth and Employment*, Luxembourg, European Communities, 2007, p. 93.

of market failure, where actors do not have the resources, financial or cultural, to act on or benefit from the information society through their own individual transactions.

Doing so, government could generate projects–and changes–that are measurable, "monitorable" and defendable, even if they failed to obtain their objectives. What is needed are clearer and stricter frameworks, rather than stricter controls. It would be appropriate to assume a set of indicators and stick to it, deriving from it the projects that would work according to an explicit theory of change (Table 16.11).

The sense of this case is that it is very difficult to implement general and abstract policies. Diligence is required in translating principles into actions. All chains of implementation imply risks that must be considered during the planning phase.

Table 16.11 Capgemini indicators for e-government

Capgemini indicators
Citizens
1 Income taxes
2 Job search
3 Social Security benefits
4 Personal documents
5 Car registration
6 Application for building permission
7 Declaration to the Police
8 Public libraries
9 Birth and marriage certificates
10 Enrollment in higher education
11 Announcement of moving
12 Health-related service
Businesses
13 Social Contribution for employees
14 Corporate tax
15 VAT
16 Registration of a new company
17 Submission of data to the Statistical Office
18 Customs declaration
19 Environment-related permits
20 Public procurement

Source: Capgemini *et al*. (2006): 4.

16.5 Conclusion

The sole purpose of the examples in this chapter is to show that the analyses needed in order to understand the efficiency or the effectiveness of public administration programs and organizations are simple. A fortiori, public policy and public management research undertake such calculations and analyses. Public policy and public management analyses are not optional. Responsibility reporting is not optional, nor is impact analysis. Checking whether the effectual reality of an organization adheres to the mandates of law is an obligation. We could say that public policy is about the responsibility of legislatures and public management is about the responsibility of public administration. Analysis is about responsibility and accountability.

In organizations subject to competition, such a reality check is provided by the market and the free will of the parties involved in transactions. However, it is still the obligation of organizations to show that the market is there and the actors are free. Often the market is considered something that very much resembles a *laissez faire* situation where some of the parties involved are not free. For organizations not subject to competition the obligation becomes evident: only a reality check can insure that the work being performed is not negative work and that value is actually being added to the economy. When we say an “obligation” we do not mean such checks should be mandated by law; otherwise we would be tautological and more laws might lead to more unchecked work. By obligation we mean that there are theoretical and practical motivations for unknown stakeholders within the economy to develop a demand for economic responsibility and accountability of all organizations.

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17

The Role of Professional Groups

17.1 Professionals as Mediators between Economic Groups

Innovation comes about when it is mature from an intellectual point of view (Kuhn, 1970). Parallel to the stakeholder analysis we performed in Chapter 8, we also need to consider the professions that can produce the knowledge we need to become aware of the inequality of working conditions across the competitive divide. Like other inequalities–and in the responsibility and accountability of organizations not subject to competition–this analysis is not evident per se. We have introduced a process framework to detect responsibility and accountability within organizations (Chapter 15) and case histories to illustrate responsibility and accountability across organizations (Chapter 16). Now we want to consider the skills that are necessary and the professionals that work in the field of responsibility and accountability. Currently, accountants and public relations professionals are in a better position vis-à-vis organizations to perform the role of the mentor towards responsibility and accountability.

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However, our reformulation of responsibility in the core activities of organizations requires more skills as it is useful to have in mind a model of what the organization is about in order to report about it.

Responsibility must be accounted for in the core of the organization's activities. Organizational responsibility is not about special programs. In other words: CSR is who you are; it is not what you do. In this chapter we talk about the skills that are needed to work on the responsibility and the accountability of organizations. This has an impact on the relevant curriculum and the general knowledge that is required to carry out this responsibility and accountability analysis.

When confronted with a responsibility report from a public administration or from a business, and the task of criticizing it using a process framework or a public management analysis, one could argue that one does not know enough about the organization itself to carry out the task. The argument is that in order to criticize a responsibility report one must have information about the organization that is outside the document itself. The responsibility report–the argument goes on–is not a self-sufficient document. It is not sufficient to read what is in the report if one wants to find out what is not in the report that could or should have been there.

We formulate the hypothesis that one does not need more information about the specific organization at hand but does need general business analysis and public policy skills to understand and manage the process framework and the public or private management tools. It is therefore interesting to understand which professionals are better equipped to contribute to such a process. Responsibility reporting has been embraced by a variety of professions and we would like to contribute to the creation of understanding and harmony among them in the belief that harmony and open competition bring better results to the general economic tone of accountability within economies.

Without doubt, a public relations (PR) professional has an advantage thanks to his or her sensitivity to the internal dialogue of a company, the press and the vocal stakeholders. The short cases across all the sectors of the economy shed some light on the reflexive function of the public relations profession within the corporate environment, according to James E. Grunig's model (1995), which distinguishes between the relational and the reflexive function of public relations (Muzi Falconi, et al., 2014). The reflexive function of public relations is the function that puts the organization in contact with itself; whereas the relational function is the function that puts the organization in contact with groups of the public (stakeholders) external to it. The reflexive function of public relations is often neglected, and our research constitutes a documentation of its role and an illustration of what it does.

Public management and business analysts, for their part, have their own tools to identify economic phenomena in the internal functioning of a public administration or of a business company–specifically, they are equipped with the knowledge of market failure, which is made of several instances: monopoly, asymmetric information, externalities and intangibles. The policy analyst knows his SWOT analysis (strengths, weaknesses, opportunities and threats), his value chain and competitive context analysis (Porter, 1985, 1990), and is capable of identifying and listening to the unknown stakeholder, which is at the bottom of all research–the silent critic inside us.

The basic tools of the policy analyst include microeconomics, organizational sociology and politics, and statistics. Once one is aware of these domains, we do not think one needs to know more about the reporting organization to be able to criticize its responsibility report.

Let us explain this idea by providing a parallel with psychoanalysis. A psychoanalyst does not care very much whether his or her patient is being truthful or not. Since psychoanalysts have a model of the mind, they are able to discern the honesty of the patient, at least enough to be useful to them. Likewise, when an accountability professional has a model in his or her mind of what the organization could be about, he does not need more information. It is enough for him to hear what the organization is saying about itself in order to be able to diagnose what improvements could be made.

Responsibility reporting currently appears to be a domain of the public relations profession. Our research shows how responsibility reporting could also profit from the skills that are taught in public administration and business management schools. We argue that management and business analysts also have a role. This book is an example of the point of view that the management consultant and policy analyst can provide a fruitful contribution to economic responsibility awareness and reporting.

Conversely, public relations skills could be taught in business and public policy schools.

Rather than professional fences, we see windows of convergence among disciplines that often consider themselves more distinct than they are: intangibles, social capital, policy evaluation. From the disciplines to the professions, we see a great deal of convergence between public and private management analysis and public relations.

Thus, accounting for economic responsibility of organizations is an opportunity for management analysts to have their skills probed. Such convergence of professions should not leave the accounting professions out. The management professions could be allied in the venture of accountability of all organizations for their economic responsibility; there are benefits to be reaped by all professions when this is done.

17.2 The Role of the CSR Manager within Organizations

Together with the mainstream notion of CSR as ad hoc responsibility programs, we would like to discuss the concept of the "CSR manager" used to identify the executive who is "in charge" of CSR within an organization (private or public) and propose, instead, the use of the lighter concept of CSR "reportist". In fact, responsibility and accountability should stay with top management.

However, we have found that CSR reportists feel too much responsibility. They seem to oscillate between an excess of responsibility when representing their organizations in economic fora, and an internal pessimism in their dealings with top management. While they feel empowered to represent the organization and defend its behavior vis-à-vis the whole economy, they do not feel that management listens to them or gives priority to their recommendations.

A responsibility reportist should use all lobbying instruments internal to the organization in order to further the cause of accountability.

Often, CSR executives feel like the black sheep in the corporate herd. Maybe they are right; accounting for economic responsibility is not the hottest job in the organizational hierarchy and the career of a CSR manager may not look as flashy as that of a financial officer. However, the CSR manager does have instruments to promote accountability in the organization.

17.3 The Process Framework and CSR Standards in the Literature

Our process framework does not aim to substitute existing CSR and other standards. We examine here the relationship between the process framework, the Global Reporting Initiative (GRI), the Committee of European Securities Regulators' (CESR) rules, Integrated Reporting, and the possible link to the Japanese-led World Intellectual Capital Initiative (WICI).

Our process framework is in addition to other standards, not a supplantation; it should contribute to making them more relevant and effective.

The GRI is the most widely accepted CSR reporting standard. It is an issue framework, which means that it prescribes what specific information should be reported by an organization to show accountability for its own economic responsibility. The GRI framework is so basic and widespread, it should be applied more effectively. The companies' CSR reports we studied are structured according to a table of contents of their own. Such tables of contents are different from the GRI's both in terms of sequence and in terms of text and graphic images. In the year 2000, companies learned to publish a cross-reference table that mapped the GRI indicators over the actual content of their reports. This way of showing compliance to the GRI standard does provide some additional information and facilitates to some extent the comparison of responsibility reports of diverse organizations. However, it still falls short of implementing a key element of reporting: full comparability, both with the same company reports over time and with other companies' reports.

In order to obtain full comparability of reports over time and across organizations, the GRI standard should be applied in full, including the graphic design suggested in the GRI guidelines. This would make CSR reports more relevant, readable and dependable. In fact, the very scope of any standard–and the GRI is no exception–is to provide a wider context across companies and time, to create an industry or a sector norm against which the organization can be measured and thus be pushed a little bit out of its own comfort zone.

It is noteworthy that the GRI is amending its character through the GRI4, which leaves to the reporting organization the freedom–and responsibility–to identify what they think is key. In fact, the guidelines did not seem to have the "bite" to get to what is important. Organizations could write pages of answers to the GRI questionnaires and never reveal a sore point. It was hard for an issue framework to identify *a priori* what would be important to report from within an organization. This is–on the other hand–the task of the process framework: to help the organization leave the comfort zone of muffled information.

The SA8000 certification of Social Accountability has been developed in the context of the quality management community. It appears crucial to us that Eccles and Krzus (2010) include the Balanced Scorecard (Kaplan and Norton, 1996) among the responsibility reporting standards. This implies, once more, a nature of economic responsibility very much within the core business of the organization, and responsibility reporting as disclosure of the organization's critical information. In fact, the Balanced Scorecard is a major management instrument of the organization's core activities.

As we have argued, responsibility in the core activities (or business) leads to Integrated Reporting, as it demands that responsibility be influential in the economic bottom line. Responsibility in the core activities, therefore, cannot be reported other than where economic activity is basically accounted for, i.e. financial accounts. This is true in the private sector; but it is all the more true in the public and private non-profit sectors since strictly economic and financial reporting does not account for the economic value of the products and services provided by the organizations in those sectors, as has been argued in the chapter on non-profit organizations that are not subject to competition, which is often the case for public administration.

The CESR does not provide a responsibility standard; it is, however, in search of better reporting standards to prevent stock market bubbles and busts. The CESR enjoys the consideration–and embodies the hopes–of European economists, accountants and financial experts, and it is likely that in the future they will endorse a specific existing standard or produce one of their own.

WICI is also in search of a standard with the same aim as the CESR. WICI is based on the economic category of intangibles. Intangibles is an economic category to which we would grant primacy over responsibility reporting.

We have argued that responsibility reporting can partake of the benefits of intangible management and give account of intangibles, externalities and other instances of market failure. It is clear that distinctions (between responsibility reporting, intangibles, externalities and other instances of market failure) must be preserved; otherwise, everything gets entangled with everything else, leading us nowhere. However, it is also undeniable that, when we get to organizational operations, a syncretistic approach–i.e. the use of several analytical tools – takes us much closer to reality.

As Antonio Tencati points out in the responsibility reporting handbook *Corporate Reporting Frameworks* (2010), there is little room for further reporting frameworks, as he outlines a well-crowded field. However, if reporting standards have to produce a living and growing set of ideas, they must be put to the test vis-à-vis experience and criticism (Aras and Crowther, 2008).

Tencati also pointed out that reporting standards–and CSR in general–are viewed by their students as instruments of strategic management, whereas we are putting our accent on the present and past accountability, and the interpretation of responsibility, in public and monopolistic, rather than competitive, organizations.

Also, here we must recall Giovanni Moro's criticism of simple definitions, simple rules and simple declarations of acceptance of sustainability concepts by corporate executives: the phenomenon has an intrinsic complexity that is difficult to capture in standard formats. That is why our basic idea is that responsibility and responsibility reporting are quite close to management analysis, and issues must be dealt with in some depth. Such depth might lead to excessive work and material: that is why, in the disclosure value, we put forth the invitation to limit the number of issues to be dealt with. Nothing excludes overall and systematic reporting from still being in order, so that a 360-degree view of the organization is preserved and tomorrow's issues can still be identified.

We wouldn't want to take the issue too far, but we think CSR is an opportunity to help us take into account important economic and social theories that, in the decades after World War II, have been formulated but were never actually incorporated into business reporting, given the dominance of legal and accounting (and tax) professions over corporate culture: Herbert Simon's "satisficing" (1997); Harvey Leibenstein's

X-efficiency (1978); Oskar Morgenstern's *Thirteen Critical Points in Economic Theory* (1972). Part of Nobel laureate Herbert Simon's work revolves around the concept of "satisficing" in organizational behavior, whereby employees work towards an acceptable (satisfying) level of performance that is far from the classical idea of the maximization of work effort and economic performance. Different–but also critical of the maximization hypothesis–is the work of Leibenstein on X-efficiency: employees do not necessarily maximize something, they just observe social norms and other pursuits, like personal quality of life or, perhaps, they simply do not have a cultural drive aiming at maximization, i.e. striving for goals. Morgenstern laments the absence of microeconomic theory to deal with that (greater) part of the market that is not governed by the neoclassical tenets of perfect competition.

In this section we have positioned our view of responsibility reporting within the current standards and the literature on organizational behavior. The conclusion is that a process framework is an effective complement to current standards. The process framework also leverages the literature on organizational behavior that was not previously brought to bear on responsibility reporting.

In the next section we would like to list some of the analytical and professional issues concerning responsibility and accountability that could be dealt with in the future.

17.4 Issues in the Discipline: Thirteen Critical Points in Contemporary Responsibility

By way of summary, we would like to close this chapter with a list of issues that could be dealt with in the future by the professions.

1. Managing complexity

The professions could acknowledge the complexity of economic responsibility and accounting for it. Such an acknowledgement could lead to specific treatments and analyses. It could also induce the consideration of issue frameworks as propaedeutic to specific analyses and comparative studies.

2. Unreported coding in research

Much research on mainstream CSR requires the administration of questionnaires, the coding of such questionnaires in order to obtain a quantitative data set and the subsequent econometric analysis of such data sets. The intermediate step of such a procedure, the coding of the questionnaires, does not appear to be reported with sufficient transparency in the available literature.

3. Consider choice and responsibility in public administration an issue

The idea that taking orders is an excuse for hierarchical behavior is still very widespread.

4. Implementing the GRI to the letter

Reporting in One Form One Look must be considered if we want to compare diverse organizations.

5. Check the absence of associations in the accountability arena

Trade unions and business associations appear to be absent.

6. Analyze the message from the United Nations Global Compact

In terms of business behavior, the Global Compact appears to be considering only private business organizations.

7. Clarify the alleged contradiction between competition and collaboration

The field of responsibility theory appears to be moving within an uninvestigated philosophical paradigm whereby competition has a negative connotation and collaboration has a positive connotation; however, the link between the two concepts is not investigated, nor is each concept qualified in depth.

8. Clarify the mainstream CSR criticism of capitalism

Mainstream CSR criticizes capitalism, but it does not appear to try to amend its alleged ills; CSR posits that there is probably no third way beyond capitalism.

9. Acknowledge that CSR should not be meant to cope with crime
We expect too much of CSR. Moreover, curbing crime appears to be incorrect as a motivation for accountability from a theoretical point of view.

10. Focus on ethics and individuals in the organization, beyond CSR
We need to perform research on ways to implement ethics within organizational systems, such as long-run compensation and insurance mechanisms, regulation requirements about vested stock options.

11. Take a historical, long-term view
A less negative view of the world needs to be undertaken; responsibility and accountability are necessary to improve the current situation, not because the world is bad now. The world has always been bad, now we have one more instrument to make it better.

12. The professions could acknowledge that they are talking about the same thing
We use different words to speak about the same thing: citizenship, financial responsibility, accountability, sustainability, durability, governance. It is not realistic or desirable to amend the diversity of the jargon; we could admit, however, that we are all talking about the same thing: being open and free.

13. Think harder about corruption and its link to organizational arrangements
Corruption is driven by monopoly organization; this is a possible common ground for all professions.

17.5 Conclusion

In this chapter we examined the role of the professions that work on accountability, identifying the skills required for responsibility and accountability analysis. We found public management analysis could be a tool of virtual competition and a driver of accountability, and gained a vision of public management analysis as accounting for organizational responsibility. We have also identified the macro phenomenon as well as an analytical model and a professional model.

The professions could all benefit from accountability for all organizations. From Bower et al. (2011) and Acemoglu and Robinson (2012) we build a model of public management analysis as CSR. These professions should be wooed by business; otherwise they run the risk of becoming part of the bureaucratic phenomenon.

Our argument can be described with an example closer to the reader's experience: health care. We have first identified an illness and its prevalence within the population. This would be the macro phenomenon. Then we identified the laboratory analyses needed to treat this illness and, finally, we identified what would be needed in terms of education to create an approach to the illness that would contain it. Organizations subject to competition could foster education in those analytical skills. Together with a demand for good government, they could develop demand for good governmental skills. We have thus developed a self-interest-based model for schools of public administration. Acemoglu and Robinson are thus implemented. Still competing with each other, the professions could develop their work towards accountability for the economic responsibility in all organizations.

In Part 4 we proposed examples of analyses to implement virtual competition among organizations of public administration. We presented examples of responsibility reports we would like to see published, not only by the international corporations, but also by public administration organizations and by local monopolies and utilities. We would like leaner public administration bodies to supervise virtual competition in diverse and multiple organizations in the public sector, under diverse organizational arrangements that spur a competitive environment in this sector. We have seen that many of the activities undertaken by private corporations are spurred by competition. Strategy and economic advantage are pursued in a competitive environment; without competition, all incentives for action and improvement are lost.

We proceed now to summarize the book, recapitulate its arguments and propose a perspective on future studies.

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Summary

This book provides an entirely new formulation of corporate social responsibility (CSR), and proposes an operational recommendation in order to help the OECD and developing countries from the current state of stagnation: that is, to embrace the (unknown) values of multiplicity (and competition) in public administration and give power and relevance to employers and employees who work in organizations subject to competition. All organizations (small and large) have an impact on the larger economy, and as such they are accountable for that impact. If organizational activities have an adverse impact on the economy, then the organization must make amends.

The goal of this book has been to show, by example and by theory, the differences of accountability in the diverse sectors of the economy. We have quantified the potential, identified the constraints that prevent competition from being a factor for economic advancement and revealed those economic actors that benefit from gaining awareness of being subject to competition. In so doing, we have put into question the negative connotation that pervades the idea of competition and turned it into a positive value.

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Competition is experienced within the boundaries of individual industries and international trade debate. For this reason it is characterized mostly as a constraint. However, competition could be brought to bear between different economic sectors, within the boundaries of each country, in order to make public administrations accountable and regulated industries efficient. Public administration and regulated industries contribute to the competitive advantage of nations; therefore, it is in the interest of the economic sectors that are subject to competition to ask for public administrations to be overtly accountable.

In answering the question "Why bother?" this book has shown that self-interest *could* be the simple answer if we utilize the concept of "horizontal competition". All organizations must account for their work because it is in the self-interest of those who *are* subject to competition that those who are *not* subject to it account for their work as well. Accountability, responsibility and competition would confer legitimacy to large corporations as key actors in the economic arena. Under the auspices of competition, they become full-fledged stakeholders in the economic arena, interested in seemingly remote sectors such as public administration, employment policy, industrial policy, subsidies, law enforcement, and justice. Far from it being "noble" to pursue this end, it is merely an argument for economic efficiency: the importance of citizens being equal vis-à-vis their accountability.

In this way we have proposed a new concept of social justice in the workplace: employers and employees subject to competition should not be discriminated against by those who are employed in organizations that are not, such as those working in public administration or in monopolistic firms. This book identifies an unknown dimension of discrimination, and this is inequality in working conditions, since the rules and reality behind the hiring and firing of employees in public administration are far more restrictive than in other sectors, as are the rules and reality of evaluations, promotions and rotation in and out of privileged public administration jobs. In so doing, we have turned the conventional wisdom of public administration jobs as "social shock absorbers" upside down: in our view, they are a privilege.

Summarizing the contents of this book in more detail, attention has been given to observing organizational behavior, also considering the possibility of negative – or irresponsible – behavior. Observation of the wider consequences of organizational behavior reveals that all organizations can be irresponsible in their core activities; therefore, all organizations must be accountable for their wider economic responsibility. Since organizations subject to competition are more accountable than others for their economic responsibility, competition is a driver of accountability. Therefore, competition is currently an unknown value in the area of economic responsibility.

In order to realize virtual competition and accountability of organizations not subject to competition it is necessary to develop a system of measurement; thus four values are identified to account for organizational responsibility: the unknown stakeholder, disclosure, implementation and micro ethics. Examples have been provided of management analysis of organizations not subject to competition, and this is then generalized as a *tool* for their accountability. The development and dissemination of such a tool would bring about positive effects not only for those who are subject to competition but also for the economy as a whole.

So far, the corporate social responsibility movement has focused on large businesses, which appear, however, to be more accountable and responsible for their core activities than those in the public sector, despite the fact that the accountability of public sector firms is also a driver of economic development, both in the developed and developing countries. For this reason, the analysis and demand for accountability on the part of those in the public sector should be a strategic priority for large businesses, and this should make competition a theme of their communication and relations with government.

This book has identified public management analysis as a tool of accountability for those economic groups who could, out of self-interest, demand accountability on the part of public sector organizations. In this way a perspective on global economic development can be obtained since an efficient public administration is recognized as pivotal for the wealth of countries. Large businesses that are subject to competition do not (but should) emphasize the value of competition in the wider economic arena, seemingly unaware (but they should be) of the positive value embodied in their activities. For us, they are the “unknown stakeholders”.

Findings and Recommendations

Recapitulating some of the key points of the book, we have identified key values to be observed both as drivers of accountability and as revealers of accountability within organizations. Competition, disclosure, implementation and micro ethics are key values. We also identified stakeholders that are currently not aware of their potential: employers and employees subject to competition, all of whom are on the same side of the competitive divide. The specific working conditions of the employed were identified as key and a new inequality was revealed through discrimination in the working conditions and employment of the workforce. We identified the possible economic dynamics that could take place once organizations that are subject to competition and their employees develop demand for the accountability of organizations not subject to competition. Our view opens a perspective on global economic development by helping to rebuild institutions and organizations in the necessary fashion.

Future Studies

In this book we have provided an overview of the situation concerning the workplace in organizations of all kinds: for-profit and non-profit, subject or not subject to competition. Our synthesis of an effective workplace environment engendered an operational way to study the interdependency of any organization according to its economic environment, and this can be extended to many other organizations. If this overview is convincing, then there is still a lot of research to be done, and the individual pieces of the argument need to be deepened and made operational by country.

Recommendations for future studies would thus focus on public administration. Responsibility theory provides a unifying point of view about all actors in the economy, the leading value being competition. Our methodology in this study has been based on observation, the study of organizational responsibility reports, grey literature and media news. We also developed analyses based on managerial control in non-profit organizations (Herzlinger, 1994). In the future it would be important to clarify the theoretical underpinnings of organizational behavior and draw their consequences from the literature: there is a theoretical need for all organizations to demonstrate their impacts and be accountable. Such work would also include an effort to ascertain how to infuse competition in public administration through diverse organizational arrangements.

While much theoretical work is needed, empirical work is also needed on how public administration is organized in detail in various countries around the world, because organizations carrying the same name are in reality quite different across countries. Public administration needs to be described and analyzed country by country. As we said, there is no inherent limit as to how organizations not subject to competition weigh on their economies. It is the task of future research to start figuring that particular problem out.

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