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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