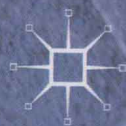


# Values and Stakeholders in an Era of Social Responsibility

Cut-Throat Competition?

---

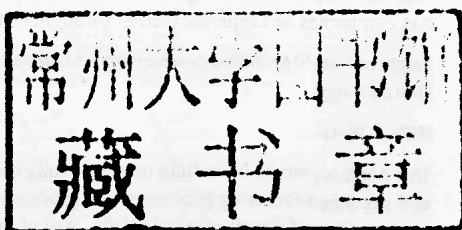
Paolo D'Anselmi



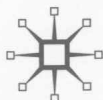
# Values and Stakeholders in an Era of Social Responsibility

## Cut-Throat Competition?

Paolo D'Anselmi



palgrave  
macmillan



© Paolo D'Anselmi 2011

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No portion of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, Saffron House, 6–10 Kirby Street, London EC1 N8TS.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The author has asserted his right to be identified as the author of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2011 by  
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States, the United Kingdom, Europe and other countries.

ISBN 978–0–230–30373–7

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data  
D'Anselmi, Paolo.

Values and stakeholders in an era of social responsibility : cut-throat competition? / Paolo D'Anselmi.

p. cm.

Includes bibliographical references and index.

ISBN 978–0–230–30373–7 (alk. paper)

1. Social responsibility of business. 2. Social responsibility of business—Case studies. I. Title.

HD60.D264 2011

658.4'08—dc22

2011013742

10 9 8 7 6 5 4 3 2 1  
20 19 18 17 16 15 14 13 12 11

Printed and bound in Great Britain by  
CPI Antony Rowe, Chippenham and Eastbourne

# Acknowledgements

Chapters 1, 9, 11, 12, 13, 14, 15 are based on: Paolo D'Anselmi, 'Il barbiere di Stalin – Critica del lavoro (ir)responsabile', preface of Aldo Bonomi, Epilog by Toni Muzi Falconi, Università Bocconi Editore, 2008; and: Paolo D'Anselmi, preface by Aldo Bonomi, Epilog by Toni Muzi Falconi, 'Critica della Social (ir)Responsibility', *Communitas*, 11, October 2006.

Chapters 2, 3, 4, 5, 6, 7, 8 are based on: Paolo D'Anselmi, Giuseppe Frangi, Sebastiano Renna, Simone Morganti, Maria Carmela Basile, Margherita Cappelletto, Alessio Richichi, 'CSR: la forza del contro-esempio', *Communitas*, 39, December 2009.

The case study in Chapter 12 is based on: CNR Report 2003 e 1998 Consiglio Nazionale delle Ricerche, team leader Andrea Lapicciarella; team members: Fabrizio Tuzi, Simone Morganti (co-authors of the case study).

The case study in Chapter 13 is based on: 'Forze dell'ordine. Dar conto del lavoro pubblico', Paolo D'Anselmi and Romina Giannini, Simone Morganti, Riccardo Coratella, Lorena Mazzenca, *Rivista italiana di comunicazione pubblica* pp. 89–106, no. 34, Franco Angeli, 2007 (co-authors of the case study).

The case study in Chapter 14 is based on: 'Posi – Pon Atas', Simone Morganti, Margherita Cappelletto, Alessio Richichi, 2008 (co-authors of the case study).

I am grateful to Giuseppe Ambrosio, to Güler Aras for encouragement from the Social Responsibility Research Network, and to Simona Argentieri, Francesco Baldanza, Giuseppe Berta, Riccardo Bonacina, Giuliana Bonanni, and to Ettore Cambise for early guidance. My thanks go also to Roberta Caterini for checking the numbers of national accounts for Table 15.2, and to Maurizio Carrara, Sergio Casartelli, and Michele Cilli for over twenty years of work together. Thanks to Filippo Colangeli and Giorgio Colangeli, and I welcome also David Crowther's encouragement from the Social Responsibility Research Network. Jacob Dahl Rendtorff, Mario Dal Co, and Guerrino De Luca gave much needed advice and tough criticisms. My gratitude also goes to Massimiliano Di Bitetto and to Dario Di Vico for space on the *Corriere della Sera* website. I am grateful to Stefano D'Orazio and to Alessandro Ferrara for friendly philosophical teachings. Thanks to Gaia Fiertler, Giuseppe Frangi, and Antonella Gargano, as well as to Marco Ghetti for generously given long-run support, and Olivia Golden, Anselm Görres, and to Donato Iannuzzi for a great deal of work. My thanks go to Kristijan Krkac, and Mauro La Noce, and to Andrea Lapicciarella for criticism and inspiration on bureaucracy and democratic government, to Stefania Lenci, Herman Dutch Leonard, and Antonella Magliocco, and to Gianluigi Mariani for long-run editorial advice and mentorship. Thanks to Claire Mays, Nicola

Melideo, and Cristina Merlo, and to Simone Morganti for over ten years of work together. For his mentorship, I thank Toni Muzi Falconi, and I thank Supriya Nayak, Jane Nelson, and Antonio Nunez Martin. I would also like to express my gratitude to Onyeka Osuji, Vaifra Palanca, Fabio Pagliarini, Paul Parks, and Francesco Perrini, and to Salvatore Pettineo for the great deal of work undertaken. For their work with me at an early stage, I thank Rinaldo Piccolimini and Alberto Quagliata. My gratitude goes also to Christian Rauscher and to Alessio Richichi for the considerable amount of work undertaken on figures and tables. My thanks to Stefano Rolando and to Fabio Savelli of the *Corriere della Sera*, and also to Lisa Shaw and Giorgio Sirilli for exchanges on social issues. I would also like to express my appreciation to Bianca Spadolini, Laura Spizzichino, and Chiara Stangalino for early encouragement, and Tania Strelkoff for translation, editing, and moral support. My thanks to Akshaya Tankha, Antonio Tencati and to Roberto Turi for checking the data in the national accounts in Table 15.2, and Fabrizio Tuzi, Fabio Ventoruzzo, Marilù Vinci, and Armando Zelli, the 'Reportists Anonymous' group of the weekly magazine *VITA* of Milan, as well as the *ferpi.it* website.

I am indebted to you all.

PAOLO D'ANSELMI

# List of Abbreviations

ACS	American Cancer Society
AIDS/HIV	acquired immunodeficiency syndrome/Human Immunodeficiency Virus
BAe	BAe Systems/British Aerospace
BASIC	British American Security Information Council
BMW	Bayerische Motoren Werke
BP	British Petroleum
BVMW	BundesVerband Mittelständische Wirtschaft
CAPEX	capital expenditure
CDA	Communications Decency Act of 1996 (USA)
CDI	Consumer Delight Index (CDI)
CEO	chief executive officer
CESR	Committee of European Securities Regulators
CNH	New Holland Construction
CNR	Consiglio Nazionale delle Ricerche
CNRS	Centre National de la Recherche Scientifique
CR	Corporate responsibility
CSIC	Consejo Superior de Investigación Científica
CSIR	corporate social (ir)responsibility
CSR	corporate social responsibility
DLNA	Digital Living Network Alliance
DSL	Digital Subscriber Line
EBITDA	earnings before interest, tax, depreciation and amortization
ECB	European Central Bank
EDF	Électricité de France
EITI	Extractive Industries Transparency Initiative
EU	European Union
GDP	gross domestic product
GM	General Motors
GRI	Global Reporting Initiative

ICT	information and communication technologies
ILO	International Labor Office
INSERM	Institut National de la Santé et de la Recherche Médicale
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Standards Organization
JCR	journal citation reports
JRS	Jesuit Refugee Service
KPI	key performance indicator
LBG	London Benchmarking Group
MECR	mean expected citation rate
MIT	Massachusetts Institute of Technology
MPG	Max-Planck-Gesellschaft
MSF	Médecins Sans Frontières [Doctors without Borders]
ODA	overseas development aid
OECD	Organisation for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
PIAP	Public Internet Access Program
PR	public relations
SCI	science citation index
SMEs	small and medium sized enterprises
SUV	sports-utility vehicle
SWOT	strengths, weaknesses, opportunities and threats analysis
UMTS	Universal Mobile Telecommunications System
UMW	Unternehmervverband, Mittelständische und Wirtschaft
UPnP	Universal Plug and Play Forum
WICI	World Intellectual Capital Initiative
WIP	work in progress
WTO	World Trade Organization

# Contents

<i>List of Figures, Tables and Questionnaires</i>	xi
<i>Acknowledgements</i>	xiii
<i>List of Abbreviations</i>	xv
<b>Introduction</b>	<b>1</b>
Talking responsibility with my barista	1
Sustainability report: balance sheet or bull sheet?	4
Preview	5
<b>PART I DEVELOPING A CSR PROCESS FRAMEWORK</b>	<b>11</b>
<b>1 The Backstage of Capitalism</b>	<b>13</b>
Linux? Microsoft ignores it	13
The external effects of McDonald's	15
BAe Systems' weapons	17
Total's Club Med	19
Nike: disclosure and diversity	20
The yoke of Fiat	22
Holcim's breathing cement	24
Monnalisa's caring for China	25
Novartis and Médecins Sans Frontières	27
Sanofi Aventis for Africa?	28
The ethics governance of Siemens	29
Conclusion	31
<b>2 CSR Is Who You Are (It's Not What You Do)</b>	<b>32</b>
CSR is not philanthropy	32
Living on the margins	33
The four noble truths of CSR	34
Topology of responsibility	36
Not against thieves	39
A 'weak' theory of CSR	43
<b>3 Think Negative</b>	<b>44</b>
Subway blues	44
Is there CSR outside Porter and Kramer?	45
CSR doppelgänger: irresponsibility	46
Kristijan Krkac's concept of 'Lying by Default'	47
The anesthetic of positive reporting	48

<b>4 The USDIME Framework</b>	<b>49</b>
Irresponsibility is important	49
The Figure in the Carpet: deriving a framework from the database	50
<b>5 The Unknown Stakeholder</b>	<b>52</b>
Questioning the stakeholder approach	52
Taxonomy of organizational sectors	54
In praise of competition	54
Highway system	55
Gas station owner-operators	57
Monopolist air carrier	58
Closed-shop recruitment by political parties	59
Germes of competition	61
The value of the unknown stakeholder	61
Questionnaire tool box	62
<b>6 Disclosure</b>	<b>64</b>
Relevance	64
Brevity	65
Doubt and vulnerability	65
Regional electoral communication	66
The European Central Bank	67
ICT pundits	68
<b>7 Implementation</b>	<b>71</b>
Key performance indicators	72
An enthusiasm for technicalities	72
Intangibles and externalities	73
Memory and time	73
From strategy to tactics	73
Citizen security system	74
We have met the enemy, and he is us	75
<b>8 Everyman's Decision-Making: Micro-Ethics</b>	<b>78</b>
The organizational model	79
IBM	81
The European Central Bank	81
More on the media	81
Ethics revealed	82
Ostrich ethics	83
Conclusion	84
<b>9 Who's Afraid of the Policy Analyst?</b>	<b>86</b>
The sorrows of the young CSR executive	87
The USDIME framework, CSR standards, and integrated reporting	88

<b>10 The Proof of the Pudding: Applying the USDIME Framework</b>	<b>91</b>
Finding what was expected by the corporation	91
Finding what was expected by the values	94
Towards an open source community of CSR rating	96
Conclusion	97
USDIME Framework Course Work	98
<b>PART II FROM CSR TO POLITICS: THE COMPETITIVE DIVIDE</b>	<b>117</b>
<b>11 The Neighborhood Bullies</b>	<b>119</b>
The consumer and the telephone monopolist	120
The irresponsibility of the freeway company	122
The irresponsibility of banks	124
The power company report	126
The unbearable communication of the water company	128
Reforming paternalism in the media	129
The railways company	131
The name of the euro: the National Central Bank	131
Conclusion	133
Case study: applying the USDIME to a sample of European banks	134
<b>12 The Profits of Non-Profit</b>	<b>140</b>
Philanthropy does not mean responsibility	141
The Jesuits' accountability	142
The American Cancer Society: no need for indicators	143
Professor Jeffrey Sachs' recipe for international aid	144
The Vatican's accountability: the Devil's tail	145
Accounting for the industrialists' association	146
Case study: a comparative analysis of research institutions	147
<b>13 The Autarky of Public Administration</b>	<b>153</b>
Turning back the brain drain	154
The accounts of the courts	155
Shylock industrial policy	157
Dirigistic milk pricing	158
Micro health services	159
Public sector accounts	160
Case study: reverse engineering in the police force accounts	161
<b>14 Irrelevant Politics</b>	<b>168</b>
Supra-national bodies	168
Primary elections	169
Budgetary shortcuts	170
The value of politics	171
Case study: if you do not measure it, you did not do it	172

<b>15 Four Fruitful Generalizations: From CSR to Politics</b>	<b>179</b>
The cases on CSR are actually an analysis in the domain of work	179
Work evasion exists	179
Work evasion is pandemic	182
Case study: the prevalence of competition in society	183
There is a competitive divide among workers	183
The competitive divide partially explains the contemporary social malaise	188
From CSR to politics: interdisciplinary work and anti-politics	188
Stakeholders of what? The cost of non-government	190
'Communicating vessels'	192
<b>16 What Is To Be Done? Developing a Political Agenda for Small and Medium-Sized Enterprises</b>	<b>194</b>
The ghost of competition	196
Partitioning the workforce	201
Small is not beautiful, but it is useful	203
The status of SMEs in the political arena	204
SMEs as collective actors and full-field economic and social stakeholders	206
Global professional support for sustainability	211
A European Project	214
A CSR framework for individual SMEs	214
An inter-cultural perspective on economic and social competition	219
Values and Stakeholders: separating the beautiful from the useful	220
<b>Farewell</b>	<b>223</b>
<i>Bibliography</i>	225
<i>Index</i>	234

# List of Figures, Tables and Questionnaires

## Figures

2.1	The onion rings of organizational behavior	38
2.2	Crossing out CSR outside the core business of the enterprise	41
2.3	Mapping and expanding the set of feasible behavior	42
2.4	CSR is the knife, not the onion	42
12.1	Direct external co-workers at CNR, MPG and CNRS: head count	150
13.1	Varying cost per person, by police force	162
13.2	Officers/prisoners ratio before and after amnesty	166
13.3	Correctional officers/prisoners ratio before amnesty, by correctional facility	166
13.4	Correctional officers/prisoners ratio after amnesty, by correctional facility	167
14.1	Readability of public tenders	173
14.2	Distribution of amounts tendered over time	174
15.1	The so-called 'broken triangle of governance'	189
15.2	Quantitative example, €/billion	191
16.1	Competition drives accountability	202

## Tables

10.1	The USDIME framework applied	97
10.2	USDIME framework course work: Telecom Italia and Vodafone	99
10.3	USDIME framework course work: ENI	112
11.1	Applying the USDIME framework to a set of European banks	134
12.1	Financial and human resources available to research institutions, 2001–02	148
12.2	Structure of the scientific network and its development, 2001–02	148
12.3	Scientific output of the various research institutions (journal citation report publications), 2001–02	148
12.4	Market funding capacity of research institutions, 1999–2002 (%)	149

12.5	Survey of publications of European generalist research entities, 1996–99	149
12.6	Research staff typology, by institution	151
12.7	Mean expected citation rate	151
13.1	Personnel distribution on activities	164
13.2	Cost analysis of emergency call service ‘dial 113’	165
14.1	i2010 indicators for the information society: Italy	175
14.2	Capgemini indicators for e-government	178
15.1	The prevalence of competition in society: running the numbers in an economy of 23 million workers	184
15.2	Quantitative example	191
16.1	Sample data about SMEs in a global perspective	219

**Questionnaires**

5.1	The unknown stakeholder	62
6.1	Disclosure	70
7.1	Implementation	77
8.1	Micro-ethics	85
16.1	CSR questionnaire for SMEs	216

# Introduction

## Talking responsibility with my barista

(Ir)responsibility is not always the responsibility of other people. And not everyone needs to know what (ir)responsibility is. Let us start, then, at the very beginning, with the meaning of the words we will be using:

*Barista:* Good morning, sir. Your usual brew?

*Paolo:* Yes, please.

*Barista:* I never asked you before, but what do you do?

*Paolo:* I draw up balance sheets. Like an accountant. I write books based on company balance sheets (and government accounts). They're my clients. I could even do it for your coffee shop.

*Barista:* Thanks, but I already have a book-keeper and he isn't cheap.

*Paolo:* Oh, I wasn't really offering, just mentioned it in passing.

*Barista:* My book-keeper doesn't write books, though. He just sends in my tax returns.

*Paolo:* Sure. The shop is a small business. Writing a book about it would be very expensive. Anyway, I do more than draw up balance sheets. I write documents that have a lot more information than that.

To understand what sort of information I gather, just imagine that you want to sell your coffee shop. There's a person who is interested in buying it – let's call him Ahmed, and he wants to see your tax returns, your official balance sheet – the one that shows your minimum earnings. A company would call that your 'turnover.' So, Ahmed comes here and stands with you behind the counter, by the cash register, to check whether the earnings you've declared are real. You might have even told him that you've declared less than you actually earned. This may not be so in your case, but

there are places in the world where this is the norm. I should know. I'm an international professional after all. Anyhow, this would be his way of diligently checking the information your book-keeper gave him.

In company jargon, this is called 'due diligence,' and there are people who specialize in going around and trying to find out whether what's reported in company balance sheets is true or false.

Later, at closing time, Ahmed would go with you to check the cash register and count the sales slips from the pastry and coffee sales. This is what's called 'cost accounting,' and it's not shown in your tax returns. This is how Ahmed 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 'profitability of action' or 'direct product profitability.'

At this point, Ahmed would probably begin to take note of other things he needs to know. Are the staff polite to customers? Do they work quickly? Are they cheating on the coffee; using too much of it? Are they diligent in the consumption of basic supplies? In other words, are they interested in 'customer care' and 'loyalty' to the business? Ahmed will also want to know whether the customers are passers-by or regulars. Regulars are a sign of satisfaction (customer satisfaction) with the coffee shop and the service. If they come back, it means they're getting exactly what they want.

He might have some questions, too, like whether the vacant lot next door to the coffee shop 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'll talk to the local police to find out what they're like; whether there'll be hassles should he decide to upgrade the coffee shop to a kebab restaurant or make the shop sign bigger; or the likelihood that they'll grant him a license to put a few tables outside on the sidewalk. He'll probably go to a nearby coffee shop and order something. He'll 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'll check the prices of the suppliers compared with those he works with already. This comparison price is called a 'benchmark.' He'll check whether health and hygiene regulations are being

applied, examining 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, Ahmed will weigh the opportunities and the risks to see whether he'll be able to pay the bills of exchange he'll be signing. This is what's called 'creditworthiness,' and it's a useful concept for you, too, because it's no joke to bargain a high selling price for your shop only to find that your buyer can't afford to pay it!

In this way, we've looked at all these people – the local police, the customers and the suppliers – who never figure in your tax returns but who do affect the performance of your shop. In company jargon, they are called 'stakeholders.' Only when he has all this information can Ahmed answer the question: Do I buy this place or not? And if I do buy it, what price should I pay?

So, you see, there's a lot more going on between the lines of what actually ends up in a tax return.

*Barista:* Now your coffee's cold. Let me make you another one.

The theoretical balance sheet that I've just drawn up whilst standing at the counter having breakfast is called a corporate social responsibility (CSR) report, or a sustainability report. It is a document that 'tells all,' and tries not to leave anything out or hide anything from the reader.

CSR reporting should be leveraged to provide a serious tool of internal and external communication. At present, many major companies publish an annual CSR report, or sustainability report. Many studies are available on CSR, but very few on CSR reporting. CSR reports are written in a heuristic fashion. Standards are observed in a useless way; see, for instance, the table that most companies write at the end of their report to cross-reference the Global Reporting Initiative (GRI) standards. The result is that resources are spent and very little is accomplished: colleagues within the company look at the report as a perfunctory activity, stakeholder representatives go with the flow, journalists shun the reports as 'news-less' propaganda, and top managers – above all – tolerate this good-manners habit.

The sustainability reports of corporations are the empirical basis of this study. The aim is to figure out what its optimal content would be – what information should it provide to perform a worthy job. It is opportune to do this because these reports are an opportunity for awareness on the part of the corporation, as well as for the public to find out what is going on in the economy and in society.

There are many skeptics of sustainability reports who view them as a perfunctory activity of the organization, and this healthy skepticism will be confronted at once.

## Sustainability report: balance sheet or bull sheet?

“Bullsh\*t,” my CEO would say, if I went in and proposed drawing up a sustainability report for our company.’ This was the sour reply of my friend, the assistant of a well-known European manager, when I offered to undertake a sustainability report project for his company. This consideration would have been even more appropriate, since the company was not a real company but some sort of institution – a foundation working on a dictionary of language, enjoying generous government subsidies.

Managerial stallions were very harsh towards CSR. In January 2005, *The Economist* came out with a very critical survey that basically stated that all monies spent on social activities were not only a drain on money from shareholders’ pockets, but also a distraction of management time, attention and energy.

Not only the orthodox *Economist*, but also fine intellectuals partial to social issues were – perhaps unawares – feeding a culture of economic machismo. In a well-documented study of Italian corporations in the 1980s and 1990s many utilities were praised as profitable, since ranking was based on profits and stock valuation.

What is the relevance of this to CSR and the sustainability report? I believe the sustainability report is an opportunity to ask oneself (and cultivate a doubt about) whether a utility that is making profits above the market average is perhaps strangling consumers. The sustainability report is not necessarily a window for alms or sponsorship of the performing arts. In a sustainability report, a company can give an account of the competitive context whereby profits are earned. Along this line, one can point out a difference between a company that is subject to international competition, one that has a dominant market position and a utility that is a full-fledged monopoly.

In a sustainability report, a company can extend its view beyond the shareholders, to consumers and society at large. In 2004, in Italy, the antitrust and energy regulators found out that prices of energy products were high while the quality of service was poor. In the sustainability report produced by Fiat, one could read of the so-called voluntary agreements that kept Japanese cars out of Italy for a long time, an account of repeated government subsidies for Fiat investments in the Italian south, and quality checks versus BMW mechanics.

In a sustainability report, one could read about the share of deposits from government agencies in the Italian branch of BNP Paribas, which made up for the key value of that bank when it was acquired by the French giant from the Italian government itself. Maybe all this information is confidential? Well, perhaps it is time that the confidentiality be removed and competition be extended to other areas, benefiting all parties involved.

A sustainability report raises its gaze towards the wider impact of a corporation on the economy and society. It’s about the disclosure of information