

CSR, Sustainability, Ethics & Governance

Series Editors: Samuel O. Idowu · René Schmidpeter

Massimiliano Di Bitetto
Athanasios Chymis
Paolo D'Anselmi *Editors*

Public Management as Corporate Social Responsibility

The Economic Bottom Line of
Government

 Springer

CSR, Sustainability, Ethics & Governance

Series Editors

Samuel O. Idowu, London, United Kingdom

René Schmidpeter, Cologne Business School, Germany

More information about this series at
<http://www.springer.com/series/11565>

Massimiliano Di Bitetto • Athanasios Chymis •
Paolo D'Anselmi
Editors

Public Management as Corporate Social Responsibility

The Economic Bottom Line of Government

 Springer

Editors

Massimiliano Di Bitetto
Italian National Research Council
Rome
Italy

Athanasios Chymis
KEPE Centre of Planning and Economic
Research
Athens
Greece

Paolo D'Anselmi
University of Rome Tor Vergata
Rome
Italy

ISSN 2196-7075

ISBN 978-3-319-07036-0

DOI 10.1007/978-3-319-07037-7

Springer Cham Heidelberg New York Dordrecht London

ISSN 2196-7083 (electronic)

ISBN 978-3-319-07037-7 (eBook)

Library of Congress Control Number: 2014955364

© Springer International Publishing Switzerland 2015

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed. Exempted from this legal reservation are brief excerpts in connection with reviews or scholarly analysis or material supplied specifically for the purpose of being entered and executed on a computer system, for exclusive use by the purchaser of the work. Duplication of this publication or parts thereof is permitted only under the provisions of the Copyright Law of the Publisher's location, in its current version, and permission for use must always be obtained from Springer. Permissions for use may be obtained through RightsLink at the Copyright Clearance Center. Violations are liable to prosecution under the respective Copyright Law.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

While the advice and information in this book are believed to be true and accurate at the date of publication, neither the authors nor the editors nor the publisher can accept any legal responsibility for any errors or omissions that may be made. The publisher makes no warranty, express or implied, with respect to the material contained herein.

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

Foreword

This book makes an important contribution to the mainstreaming of the international debate on Corporate Social Responsibility and Responsible Management. It draws on experience beyond the liberal capitalist private sector heartland and offers a perspective which encompasses both public and private sector management. The chapters consider separate case studies in diverse countries including Italy, New Zealand, and the USA and demonstrate the significance of underlying historical, economic, and cultural contexts.

The case studies were developed in advance of their inclusion in the book as presentations of meaningful and successful public management and were later considered by the editors from a CSR perspective. This is a strong methodology since the writers were unaware of what the editors would have been looking at in their analysis. Neither is this a best practice book: The authors evaluate an abstract dimension of public management: the freedom and the creativity that is exerted by public managers, and from that freedom they highlight the need for corporate social responsibility in public organizations.

However, the perspective of freedom and responsibility in public management extends the CSR debate considerably and enriches public management with a new core vocabulary and benchmarks which enable new international comparisons to be made. The extent of differences from which we can learn means that active engagement is required rather than simply detached observation. We should all consider ourselves involved and as stakeholders.

If this perspective can infuse democratic political debate, we may see a welcome improvement in levels of responsible public management where all citizens are stakeholders as well as in companies. Outcomes of enhanced participation and

engagement should include workplace innovation and democratic empowerment. These are not optional extra considerations but central to the future of organizations in the public and private sectors.

Kingston University, Kingston upon Thames, London, UK
Workplace Innovation Ltd., Hampton, UK

Richard Ennals

Acknowledgments

Publishing an edited book by several contributors is a team effort of several committed individuals; this book is no exception to that general belief and understanding. Our first “thank you” therefore goes to all our fantastic contributors who are spread around the world without whose commendable efforts there would have been no edited book to publish.

There are also some individuals we want to thank individually:

Thomas Sexton
Michele Toscano and Rossella Patalano
Michele Cilli
Antonella D’Apollo
Stephen Greyser
Larissa Grunig
Samuel O Idowu
Peter Klein
Agostino La Bella
Dutch Leonard
Gigi Mariani
Simone Morganti
Toni Muzi Falconi
Pulin Nayak
Christian Rauscher
Lisa Robinson
Brian Morrison
René Schmidpeter
William H. Shughart III
Sergio Soraci
Eve Sternberg
Tania Strelkoff
Joana Suta
Harry Weiner

Contents

Part I The Logical Grouping

Evolution of a Digital Library: Testing the Limits of Universal Collecting at the Library of Congress	3
Nancy Eichacker	
Designing a Management Information System for Competition Law Agencies	11
Mauro La Noce	
Partnership Systems to Manage Post-disaster Recovery	27
Josef Leitmann	
Measuring the Performance of Research Organizations	47
Massimiliano Di Bitetto	
Far Away, So Close? Examining the Growth Potential of Greece Through the Lens of New Zealand’s Paradigm	55
Athanasios Chymis and Antonis Skouloudis	
Mindfulness at Work	73
Marco Ghetti	

Part II The Generalization

Public Management as Corporate Social Responsibility	85
Massimiliano Di Bitetto, Athanasios Chymis, and Paolo D’Anselmi	
A New View to Unveil the Unknown Stakeholder	97
Maria Alice Nunes Costa	
On Bureaucratic Behavior	103
Andrea Lapicciarella	

Business-Government Relations 119
Salvatore Pettineo

Conclusions 131

Contributors

Maria Alice Nunes Costa is Political Scientist and Sociologist. She has a Post-Doctorate in Sociology from the Center for Social Studies, University of Coimbra (Portugal), a Ph.D. in Urban and Regional Planning at University Federal at Rio de Janeiro (IPPUR/UFRJ), and a Master in Political Science at University Federal Fluminense (UFF). She is Management Consultant and Professor at UFF in Graduate Programs in Sociology and Law and Management Systems.

Nancy Eichacker is a public management practitioner with 35 years of experience working in government agencies in the U.S.A., initially local (New York City government) and then federal. Currently, she is a senior analyst in the Office of the Chief Financial Officer at the Library of Congress in Washington DC, an agency of the Legislative Branch of the U.S. government.

Marco Ghetti is founding partner of Mosaic, management consultant in Milan, Italy, and abroad, executive coach, management trainer, and lecturer at the Luiss Business School in Rome, Italy. The work on leadership forms the core of his professional activity.

Mauro La Noce is the Director for Information Resources at the Italian Competition Authority, which he joined in 1991. Previously, he served as economist at the Istituto per la Ricostruzione Industriale (IRI), at the Task Force for the Evaluation of Public Investments of the Italian Ministry of Budget and Economic Planning, and at the Research Department of the Association of Italian Industries. Graduated in Political Science from the University of Pisa, he earned a Master in Economics from the University of Pennsylvania.

Andrea Lapicciarella was head of the Office for Performance Measurement at the National Research Council (CNR) in Rome, Italy. He had also been secretary of the Committee on Technology and Innovation and director central for Planning and Infrastructure with the same organization. His latest publications are on management of publicly funded scientific research.

Josef Leitmann is Manager of the Haiti Reconstruction Fund at the World Bank. He has 30 years of experience working in over 40 developing countries on clean energy, urban environmental management, tropical forestry, climate change, and postdisaster reconstruction.

Salvatore Pettineo is a sociologist of the new media. Currently he works at the Italian Communications Regulatory Authority. He has been involved with Corporate Social Responsibility and Public Relations. His area of interest is communications, government management, and SMEs.

Antonis Skouloudis is a Researcher at the Centre for Environmental Policy and Strategic Environmental Management, Department of Environment, University of the Aegean. He holds a PhD in Corporate Social Responsibility and an Msc in Environmental Policy and Management (University of the Aegean). His research interests include Responsible Business Behavior, Stakeholder Communication and Engagement, Nonfinancial Accountability and Reporting, Triple-Bottom-Line Performance, Ethical Entrepreneurship, and organizational resilience to climate change.

About the Editors

Massimiliano Di Bitetto is a senior researcher and Director Central at the Italian National Research Council, in Rome, Italy. His research, currently, reaches in the field of management and organizational sociology.

Athanasios Chymis is a research fellow at the Centre of Planning and Economic Research (KEPE) in Athens, Greece. He holds a Ph.D. from the University of Missouri-Columbia in Agricultural Economics. He is interested in the connection between Ethics and Economics and, currently, his research is focused on how social responsibility could be infused in the public administration sector as well as in all organizations both of the private and the public sector.

Paolo D'Anselmi is a practitioner of management consultancy and policy analysis. He teaches Corporate Social Responsibility at the University of Rome Tor Vergata, Italy. He is a graduate in Engineering (Sapienza, Rome) and in Public Policy (Harvard). He is currently working on extending Corporate Social Responsibility to Public Administration.

Introduction

“Public Management as Corporate Social Responsibility” offers empirical evidence and case studies in an attempt to bridge the gap between the mainstream Corporate Social Responsibility (CSR) literature and the intrinsic characteristics and attributes of organizational structures that make up governments and public administration. Our goal is to obtain an all-encompassing articulation of Corporate Social Responsibility that can be extended to all organizations. We frame the problem of accountability in public administration and indicate an issue, the issue of CSR in public management. This book highlights a different CSR perspective and sets forth a rather overlooked question in the management and social responsibility literature: Is CSR also pertinent to public management? The following collection of studies through the presentation of diverse perspectives of public management reveals that social responsibility should be an essential component of public administration techniques and ultimately indicates that CSR scholars should examine more closely how public management performs CSR-wise.

The collection of case studies in public management that is here presented shows how the variety and discretion of managerial endeavors in public management calls for increased accountability and extended responsibility of governmental bodies beyond current legal requirements. It points out that CSR must be brought to bear with government as well. Each case was analyzed and explained in an attempt to outline specific perspectives of public management as a matter of record by individual public managers and practitioners. All cases were written unawares of the specific use that was going to be made of them. They count as observations of reality. It is also crucial to our argument that all the case studies which we present and examine here represent instances of excellent public administration performance.

The Structure of Our Work

In order to prove our argument, we have worked empirically. In a subsequent work of ours, we will investigate the theoretical underpinnings of our thesis. The collective volume is divided in two parts. Part one presents a group of case studies that illustrate the reality of public management in various substantive areas. In part two, we tackle some of the theoretical basis for responsibility in public management, and finally we make a first proposal for future action.

We hope that this book provides a new outlook on the basic ideas of Corporate Social Responsibility that it highlights the relevance of CSR in the current crisis of government spending and that it goes beyond ideologies on big vs. small government debate.

After the six cases are presented, we make observations in each case and show how relevant CSR would be in the public sector as well. We derive a generalization about the nature of public management that makes public management itself worth the attention of CSR. We then go on to argue lack of stakeholdership vis-à-vis CSR in public management as a specific application of the “sociology of absences” (Costa). We elaborate on the general views on organizations from Max Weber to Von Mises and followers (Lapicciarella). Finally, we envision a possible course of action that may introduce CSR in the public sector thanks to social media collective action (Pettineo).

This is a contributed book, but the relationship of each contribution to the whole is not a flat line. This book has a structure: We lay down the case studies, we then group them in a logical way that allows us to evince our main thesis, and finally we elaborate this thesis to prove how CSR also belongs to the public sector.

Overview

The first part presents six case studies that represent the group of observations on public management—broadly related issues whence we shall make our inductive reasoning; in chapter “[Evolution of a Digital Library: Testing the Limits of Universal Collecting at the Library of Congress](#),” Nancy Eichacker examines a case of innovation in public administration; In chapter “[Designing a Management Information System for Competition Law Agencies](#),” Mauro La Noce talks about building the analytical capacity within a public organization; in chapter “[Partnership Systems to Manage Post-disaster Recovery](#),” Joseph Leitmann writes about public-private sector cooperation; in chapter “[Measuring the Performance of Research Organizations](#),” Massimiliano Di Bitetto discusses the topic of evaluation, integrated reporting and disclosure; in chapter “[Far Away, So Close? Examining the Growth Potential of Greece Through the Lens of New Zealand’s Paradigm](#),” Athanasios Chymis and Antonis Skouloudis describe a successful recovery from an economic crisis focusing on the agrifood sector; and, finally, in chapter

“[Mindfulness at Work](#),” Marco Ghetti develops the interesting and intriguing issue of innovation in the strictly human aspects of organizations. The second part shows the link between public management and CSR: In chapter “[Public Management as Corporate Social Responsibility](#),” we formulate the analysis of individual cases and draw a generalization from such analysis presenting the thesis that public management should also be affected by CSR. Additionally, CSR should be applied to public organizations as well. We therefore also present the figure of the Unknown Stakeholder; in chapter “[A New View to Unveil the Unknown Stakeholder](#),” Maria Alice Nunes Costa elaborates on the notion of the Unknown Stakeholder, linking it to the sociology of absences of Boaventura de Souza Santos; in chapter “[On Bureaucratic Behavior](#),” Andrea Lapicciarella presents the theory of bureaucratic behavior and the discretion of public management from a microeconomic point of view; finally, in chapter “[Business-Government Relations](#),” Salvatore Pettineo shows a prospective action of social media for business to intervene in public administration reform.

Massimiliano Di Bitetto
Athanasios Chymis
Paolo D’Anselmi

Part I
The Logical Grouping

Evolution of a Digital Library: Testing the Limits of Universal Collecting at the Library of Congress

Nancy Eichacker

1 Introduction

The Library of Congress is the largest agency of the Legislative Branch of the U.S. government and a world resource. Its collection of more than 151 million items includes 35 million cataloged books and other print materials in 470 languages, 67 million manuscripts, the largest rare book collection in North America, and the world's largest collection of legal materials, maps, films, sheet music, and sound recordings. It is the organizational home of the U.S. Copyright Office, the National Library Service for the Blind and Physically Handicapped, and the Congressional Research Service, a think tank that provides research and information services exclusively to the U.S. Congress. With 3,300 employees and a budget of \$600 million, the Library of Congress strives to maintain a universal collection, acquiring, making accessible, and preserving for posterity virtually all important information that documents the path of our civilization. The Library's core identity and culture are grounded in the belief that information is a public good, and that the provision of the widest possible access to information is no less than essential to the maintenance of a democratic society.

Accommodating this principle has become an ever-growing challenge in the digital age, as technological innovation has permitted a virtual explosion in creative expression. Digital holdings of the Library of Congress now supplement traditional collection materials on a scale that was difficult to imagine only 15 years ago. Last year the Library's online primary-source files totaled 37.6 million, and more than 87 million visits and 545 million page views were recorded on its website.

N. Eichacker (✉)
Library of Congress, Washington, DC, USA
e-mail: nancyeichacker@gmail.com

2 Early History

The Library has been taking incremental steps to prepare to incorporate significant amounts of electronic content into the collections since the early 1980s. That was an exciting time for librarians and information scientists – enjoying a prime seat on a journey to the unknown. Some levels of staffing and funding were diverted at the time from traditional library programs to begin to test the waters through selective pilot projects. Between 1982 and 1987, the Optical Disk Pilot Project captured text and images in several custodial divisions. The Library’s Prints and Photographs division explored the capture of a variety of pictorial materials onto videodisc, as well as the cataloging of these images and development of a single environment that allowed users to search the descriptive records and immediately retrieve and display a selected image. From 1989 to 1994, the American Memory pilot program experimented with digitizing some of the Library’s important collections of historical documents, moving images, sound recordings, and print and photographic media – the “nation’s memory” ([Historical collections for the National Digital Library](#)). The project identified audiences for digital collections, established technical procedures, tackled intellectual-property issues, explored options for distribution, and began institutionalizing the digital effort. Forty-four schools and libraries across the country received CD-ROMS with American Memory content, and a key discovery of the pilot was the highly enthusiastic response of teachers and students to the use of these new tools for the study of history ([Historical collections for the National Digital Library](#)). In the project’s final year, the World Wide Web offered a significantly more efficient publishing medium, an elegant solution to earlier delivery and distribution challenges.

3 The National Digital Library Program

While the Internet and World Wide Web arguably represent the most transformational technological developments of our era, back then it was difficult to imagine the scale of the potential. However the Library was ready to jump in, opportunistically seeking partners and announcing in 1994 that it had received \$13 million in private sector donations to establish the National Digital Library. That day, building on the concepts demonstrated by the earlier pilots, the Library launched the American Memory historical collections as the flagship of the National Digital Library Program, an effort to institutionalize the Library’s digital programs and make some of the foremost historical treasures in the Library and in other major research archives readily available on the Web. The audience was broad: the U.S. Congress, scholars, educators, students, the general public, and the global Internet community. The timing of the Library’s launch was perfect, a public relations coup that put the Library on the map as early “players”. As stated by Librarian of Congress James H. Billington in the fall of 1995:

For the general public, the Congress has endorsed the creation of a National Digital Library through a private-public partnership that will create high-quality content in electronic form and thereby provide remote access to the most interesting and educationally valuable core of the Library's Americana collections. Schools, libraries, and homes will have access to new and important materials in their own localities along with the same freedom readers have always had within public reading rooms to interpret, rearrange, and use the material for their own individual needs ([Technical standards for digital conversion](#)).¹

From the outset, the National Digital Library was a collaborative national effort. Bipartisan support from Congress resulted in funding of \$15 million over five years, the public contribution to a private-public partnership that required three-to-one matching funds from non-government sources. The program was timely and exciting, and, despite its organizational location in a purely governmental institution, became a target for significant entrepreneurial and philanthropic attention. Between 1994 and 2000, more than \$45 million in private funding was provided by corporate, foundation, and individual donors. Speaker of the U.S. House of Representatives Newt Gingrich, then an important congressional leadership figure and "techie" booster, referred to the digital library initiative at the Library of Congress, including the launch in June 1995 of the federal legislative information website, THOMAS, as representing nothing short of the democratization of information access.

In 1996, a \$2 million gift from the Ameritech Corporation allowed the Library to sponsor a 3-year competition to enable public, research, and academic libraries, museums, historical societies, and archival institutions to digitize American history collections of their own and make them available on the Library's American Memory site. The competition produced 23 digital collections that complemented the corpus of materials that the Library had produced ([Historical collections for the National Digital Library program](#)).

American Memory presently features more than 100 thematic collections and more than nine million individual items. The National Digital Library Program exceeded its goal of making five million items available online by the year 2000, and the program continues today to expand online historical content as an integral component of the Library of Congress's commitment to harnessing new technology as it fulfills its mission to sustain and preserve a universal collection of knowledge and creativity for future generations.

4 Lessons Learned

Behind the curtain of macro accomplishments and high level pronouncements, the technical and operational challenges of launching and sustaining the National Digital Library Program were significant, encompassing efforts to explore and establish best practices in the areas of copyright and "fair use", metadata,

¹ Technical Standards for Digital Conversion of Text and Graphic Materials at <http://memory.loc.gov/ammem/about/>

preservation, scanning and digital conversion, and text markup. All of the work to create an online virtual presentation of diverse physical materials and descriptions was accomplished without production tools or standards specifically designed for digital library content creation, description, exchange, or display. The staff members who produced the digital content learned through trial and error what worked and what did not work for large-scale production. Teams ranging in size from a single person to five people oversaw the production of a specific collection that was thematic or representative of the underlying physical materials from which the digital content was created. Teams had subject or format expertise and worked side by side with the divisions in which their collection content was located. They often handled materials of a similar physical or digital type, such as photographs or maps or books or motion pictures, adjusting processes and practices along the way – in real time – to improve productivity and efficiency (RLG Digital News 2000).

Through trial and error a set of production principles evolved, a “digitization cookbook” that provided production teams with the technical specifications for creating data according to specific models (a page-turner with text, a still image, a contact sheet, a large-format compressed image, etc.). This manual promoted focusing on the functionality of the object in a web presentation and not on the source format of the physical material, a significant departure from the Library’s traditional orientation to organizing and making accessible its analog collections. For instance, simple, single still images were considered a “single model” regardless of whether they depicted photographs, negatives, small posters, or any other single image pictorial object. A “page-turner” model accommodated any multi-image objects whose images had to display in sequence, and so on. Standardizing these approaches helped curb the problems caused by collection or content-type customization. In subsequent years some of the staff members who developed the original cookbook became responsible for locating and correcting legacy record sets from early American Memory production and providing production assistance to new digital library projects that were intended to include digital objects created during the pioneer years.

5 Managing Operations

The operational management of such innovation within a government bureaucracy represented an equivalent feat. To cite a few examples:

- Because the program was announced in haste and with great fanfare before detailed operational plans had been made, effort was required right out of the gate to determine how certain high level goals even *could be met*. The premise of putting five million items online over five years had not been substantiated, nor in fact had the concept of a digital “item” even been defined. An item implied the concept of a discrete “work”, whether a book, a collection of photographs, a musical score, a manuscript, or a film, however it became clear almost

immediately that our available funding and timeframe would not allow us to put five million such units online. We needed to shift our production lexicon and target to five million digital *files* and hope the distinction would go unnoticed.

- Because the program had to be implemented immediately, without sufficient administrative lead time, we were unable to go through the step required by Library of Congress regulation of bargaining the formal creation of a new organization with the Library's labor organizations. We therefore had to create the operation through an informal realignment rather than formal reorganization, which presented immediate management challenges. The production operation involving more than 50 personnel had to be organized as a matrix, with the staff working on teams that administratively reported to the managers of existing curatorial divisions but received assignments and guidance on a project basis from the NDLP American Memory operations manager. This dual reporting relationship had the potential to cause significant problems had we not been able to put skilled leaders in place to provide a steady drip of necessary coaching and troubleshooting, before problems could take hold.
- A trained labor pool ideally suited to the work at hand, ultimately referred to as data workers or digital curators, did not exist or at minimum was not easy to locate at the time we did the bulk of our recruitment in the 1996–1997 timeframe. In fact it was very difficult to find people who were technically prepared to do this new kind of work. The few staff that came on board with experience truly became the lynchpins of the program's success. Much effort had to be expended on recruitment and hiring, and the eclectic range of skill sets that was the result was both a blessing and a curse. We recruited and mobilized a staff of content specialists, researchers, conservators, imaging specialists, database experts, application developers, systems engineers, graphic interface designers, writer/editors, and technical support people (Madden 2007) at a pace heretofore unknown to the slow-moving Library of Congress human resources office, significantly taxing the existing bureaucracy. We also learned to assign work selectively and creatively, allowing staff in many cases to specialize in one or two areas simply because those were the skills they brought to the job. Many of these knowledge workers seemed to thrive under this flat, flexible organizational structure.
- Because the National Digital Library Program was a new and highly visible enterprise somewhat unnaturally superimposed on the Library's existing organizational structure, zero sum expectations and some divisional envy were anticipated and in fact met. The program was perceived to be extravagantly funded. The existence of clearly articulated goals and an unambiguous mission enabled our itinerant operation to work with significant focus and dispatch, causing further workplace dissonance. On a related note, our most productive team members ended up being those who exhibited the greatest flexibility and common sense, who had the interpersonal skills necessary for the ongoing accommodation of critics. These were our natural leaders and most powerful change agents.

- Because the fundraising team had to rapidly bring in \$45 million in gifts (not easy in the government), the funding opportunities they hit upon to “meet the match” sometimes did not align perfectly with program or content goals. For example, some potential donors came forward who were interested in funding something more akin to a vanity project than the straightforward conversion of a collection with historical merit that would be useful for posterity. This was an internal tension we did our best to address. Because of strong interest in the program and effective publicity, we also devoted time to providing “show and tell” opportunities including giving tours or otherwise meeting with interested parties that consumed time and challenged our production schedule.

6 National Digital Infrastructure and Preservation Program

In December 2000, Congress saluted the success of the National Digital Library Program and the American Memory collections by authorizing the National Digital Infrastructure and Preservation Program (NDIIPP), providing \$100 million, much of it designated for grants to partner institutions through which the Library would help develop a national strategy to collect, archive, and preserve the burgeoning amounts of digital content that by then was being published ([Library of Congress 2005](#)). The Library’s commitment to providing access to materials of historic importance was extended to content that existed only in digital form, including websites. Today the Library’s archive of collected websites represents tens of thousands of sites and is more than 300 terabytes in size – a scale that precludes representation to the public as individual items, as we had in our earlier experience.

The “Archive Ingest and Handling Test” (AIHT), one of the first NDIIPP projects, provided an opportunity to apply knowledge gained from historical conversion work to a heterogeneous collection of data. The test data set was the George Mason University (GMU) 9/11 Digital Archive, which comprised content donated to the archive via a website in a period after the attacks of September 11, 2001. GMU donated the archive in 2003 with the hope that the Library could sustain it for the future. The Library’s AIHT recognized that the donation provided a practical, real-world example of what digital donations might look like in the future ([Madden 2007](#)). With that in mind, the team performed its own separate analysis of the donated contents, revealing interesting implications for the recipient institution of a digital archive that was composed of diverse formats, with metadata donated by diverse creators. Through this work, the Library’s digital curators made further progress with “born digital” content, addressing copyright permissions and rights, metadata creation, metrics and accounting, production tool development, legacy data problems, and methods to ensure that data remained consistent, flexible, sustainable, and shareable. Specific experience with the AIHT illustrated how new content types require different approaches, and how applying practices associated with one

content type to another can influence the interpretation of the data. The GMU 9/11 data delivery included the data files themselves, documentation from the GMU team, transfer documentation, and a Microsoft Access database containing available metadata about the archive contents. A comparison of the files revealed that 5 % of the objects were duplicates and that these 5 % were distributed across 146 different collections within the archive, presenting methodological challenges to the Library's standard method of data cleanup. Most of the archive contents were web-based, which meant that contents could be accessed via a link on a web page if the linked material also was part of the archive. Of the archive content, 29 % of it was HTML and 8 % of the HTML contained references that pointed outside the archive. If these pointers went to additional content in the form of images, sound files, video, text, etc., there could be no guarantee that content would be available in the future to help frame the materials within the archive. Treating this sort of diverse web content the same as regular converted content risked losing the context and dependencies from which the data derived much of its intellectual value, a necessary accommodation and one of many challenges (Madden 2007).

7 Fast Forward to Social Media

In April 2010 the company Twitter signed an agreement with the Library of Congress to provide all public tweets from Twitter's inception through the date of the agreement, an archive spanning from 2006 through 2010. The agreement stipulated that Twitter would provide all future public tweets under the same terms. Twitter named a company called Gnip as the delivery agent to move data to the Library. The Library now maintains a fully automated process for taking in these files. Gnip receives tweets in a single real-time stream from Twitter and organizes the stream into hour-long segments that they upload to a secure server throughout the day. To date, the Library has assembled and supports an archive of approximately 170 billion tweets.

Twitter is the first collection to come to the Library in a continuous stream. The collection is not only huge but also expanding at a rapidly increasing velocity; the volume of tweets received daily has gone from 140 million in February 2011 to nearly half a billion each day as of October 2012. The variety of tweets also is wide ranging, with distinctions made between original tweets, re-tweets using the Twitter software, re-tweets that are manually designated as such, tweets with embedded links or pictures, and other varieties.

The Library has met its first objectives to acquire and preserve the archive; establish a secure, sustainable process for receiving and preserving a daily, ongoing stream of tweets through the present day; and create a structure for organizing the entire archive by date have been met. The technology that would allow for selective access to such large data sets is lagging behind that for creating and distributing such data, and there are no cost-effective commercial solutions because of the complexity and resource requirements of such a task. The Library is currently

seeking partnerships outside of the government to allow some limited access capability in the Library's reading rooms.

As social media become a primary method of communication and creative expression, these channels are supplementing and in some case supplanting letters, journals, serial publications, and other sources traditionally and routinely collected by research libraries. In spite of its unprecedented scope and range, the Library considers it a priority to develop a means to make the Twitter archive (and by extension, to prepare for the "next Twitter") accessible to researchers and policy-makers in a comprehensive and useful way. Library staff will continue to maintain and build the collection until accessibility can be offered in a comprehensive, useful way, a current challenge to building and preserving a universal collection.

References

- Historical collections for the National Digital Library: lessons and challenges at the Library of Congress. <http://www.dlib.org/dlib/april96/loc/footnotes.html>
- Historical collections from the National Digital Library Program (Mission and History). <http://lcweb2.loc.gov/ammem/ammemhome.html>
- Keeping memory alive: practices for preserving digital content at the National Digital Library Program of the Library of Congress. RLG Digital News, June 2000
- Library of Congress (2005) Archive ingest and handling test (AIHT) final report. Library of Congress, June 2005. http://www.digitalpreservation.gov/partners/aiht/high/ndiipp_aiht_final_report.pdf. Retrieved 28 Nov 2008
- Madden L (2007) Digital curation at the Library of Congress: lessons learned from American Memory and the archive ingest and handling test. DigCCurr2007, Chapel Hill, 18–20 Apr 2007. http://ils.unc.edu/digccurr2007/papers/madden_paper_6-2.pdf. Retrieved 2 Nov 2008
- Technical standards for digital conversion of text and graphic materials. <http://memory.loc.gov/ammem/about/techStandards.pdf>

Designing a Management Information System for Competition Law Agencies

Mauro La Noce

1 Introduction

The assessment and measurement of the often misused terms “efficiency” and “effectiveness” in public administration is quite a challenging task. On the one hand, the absence of a market to establish the fair value of the services provided significantly complicates the framework in which these terms are relevant. On the other hand, the frequently inadequate databases and procedures adopted by those agencies providing public services make sometimes meaningless the attempts carried out in this regard.

The specific sector of competition law enforcement is hereby examined, i.e. those agencies which oversee competitive balance (antitrust) – in many aspects homogenous in the principles applied and, therefore, suitable for a cross-checking of control practices, as recently evidenced by the initiative undertaken in 2007 by the International Competition Network (the global network of competition agencies) on agency effectiveness. This project will be nearing completion before long with the realization of a “Competition Agency Practice Manual,” which aims to represent the ability of competition agencies to fulfill their mandate effectively. The Manual covers six topics: (1) strategic planning and prioritization; (2) effective project delivery; (3) effective knowledge management; (4) ex-post evaluation; (5) human resources management; (6) communication and accountability.¹

Italian Competition Authority. The author’s opinions are his own and do not necessarily represent those of the Italian Competition Authority.

¹ See documents and materials produced by the Agency Effectiveness Working Group (AEWG), posted on the International Competition Network’s website: <http://www.internationalcompetitionnetwork.org/>

M. La Noce (✉)

Information Resources, Italian Competition Authority (AGCM), Rome, Italy
e-mail: maurolanocce@gmail.com

The present work will show how single elements of these topics form part of a Management Information System (MIS hereinafter), intended as an instrument to support and provide guidance to decisions regarding the organizational structure of antitrust agencies. This, in turn, forms the instrumental basis upon which the strategies and policies of enforcement are adopted and carried out by said agencies. The exercise is applied to the Italian Competition Authority which, in the course of its institutional life (it was established in 1990), has produced some building blocks for this system and worked hard to find out the most appropriate way to integrate the various blocks in order to come up with a cohesive design. This work concerns one of those exercises, which dates back to early 2000s, and refers to an institutional setting which is changing over time.

2 The Italian Operational and Regulatory Framework

The Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato) was established in Italy in 1990 (Law No. 287/190). It is an independent body, meaning that all its decisions are based on the law without any interference from the Government. The Authority enforces those rules which prohibit anti-competitive agreements among undertakings, abuse of dominant position as well as any possible mergers which may create or strengthen dominant positions detrimental to competition. As of 2007, the Antitrust has been in charge of protecting consumers from any unfair commercial practices among undertakings, as well as from all misleading advertising (Table 1).

Legislative Decree 286/1999 calls for an internal control system aimed at guaranteeing the legitimacy and regularity of the administrative action (internal audit); verifying the overall effectiveness, efficiency and cost-effectiveness of administrative actions (management control); evaluating top management performance (top management evaluation); and assessing the coherence between the results achieved and the defined objectives (strategic control).²

This framework, which necessarily translates into procedures and identification of responsibilities and functions, appears coherent with the administrative policies set out by the Italian Competition Authority. These policies encompass the Authority's accounting and financial rules, the internal audit and the evaluation of the staff (both entrusted to the Secretary General), and the evaluation and strategic control of operational management decisions (entrusted to the Evaluation and

² Over the last few years, major reforms have been introduced in Italy, which include measures to foster transparency, accountability and organisational performance. Among the most recent reforms was Legislative Decree 150/2009, which implemented Law No. 15/2009, setting out "a comprehensive framework for improving labour productivity as well as civil service efficiency and transparency". See OECD (2013), *OECD Integrity Review of Italy: Reinforcing Public Sector Integrity, Restoring Trust for Sustainable Growth*, OECD Public Governance Reviews, OECD Publishing.

Table 1 Summary statistics of the Italian Competition Authority's activities – no. of completed proceedings 1990–2013

	1990-2003 ^a	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Concentrations^b	5,939	612	596	717	864	844	514	502	532	459	80
Investigations	62	1	4	5	6	2	1	–	5	6	2
<i>Prohibited</i>	10	–	–	–	2	–	–	–	3	–	1
<i>Authorized subject to conditions^c</i>	27	–	3	4	4	2	1	–	–	5	–
<i>Withdrawn</i>	8	–	–	–	–	–	–	–	–	–	–
Agreements^d	145	12	4	3	13	6	11	11	8	4	8
<i>Judged to be infringing</i>	97	10	3	3	9	3	5	5	5	4	6
<i>Withdrawn</i>	10	–	1	–	–	–	–	–	–	–	–
<i>Terminated with commitments</i>	–	–	–	–	4	3	5	3	2	–	–
Abuse of dominant position^e	73	1	–	5	6	10	5	14	7	9	5
<i>Judged to be infringing</i>	55	1	–	4	2	2	1	1	4	5	2
<i>Terminated with commitments</i>	–	–	–	1	5	8	4	10	3	3	1
Enforcement of sections 14-bis, 14-ter section 14-bis – Interim measures	–	–	–	–	1	–	–	–	–	–	–
Section 14-ter – Commitments	–	–	–	–	1	–	–	–	–	–	–
Corporate separation^e	40	14	16	11	16	11	11	7	5	12	8
Investigations	–	1	–	1	3	4	4	2	2	5	1
<i>Judged to be infringing</i>	–	1	–	1	3	3	4	2	2	5	1
Non-compliance with premerger notification requirement	83	2	9	16	7	8	8	7	8	6	4
Investigations	14	3	1	1	1	–	–	–	–	–	–
<i>Judged to be infringing</i>	–	–	–	–	–	–	–	–	–	–	–
Fact-finding inquiries	20	3	2	2	2	2	5	–	–	1	4
Advocacy reports and opinions to Parliament and the Government ^f	273	14	40	47	63	53	63	84	110	110	89
Opinions submitted to the Bank of Italy ^g	494	21	20	1	–	–	–	–	–	–	–
Football broadcasting rights ^h	4	–	–	–	–	–	–	–	–	–	–
Unfair practices and misleading advertising ⁱ	3,570	243	238	219	252	240	265	241	204	95	93
<i>Judged to be infringing</i>	2,309	200	195	188	214	212	239	192	143	78	78
Non-compliance	–	–	2	22	15	10	7	5	15	24	8
Unfair terms in agreements	–	–	–	–	–	–	–	–	–	–	–

^aConcentrations between non-independent companies have not been subject to notification to the Authority since 1995

^bSince January 2013, concentrations that exceed only one of the turnover thresholds set by Law No. 287/90 are no longer reported

^cConditional authorization or changes in terms of agreement leading to compliance

^dOnly investigations are considered

^eSection 8(2) of Law No. 287/90, “Provisions governing the opening and regulation of markets”

^fOnly advocacy reports and opinions issued in the reference year and published are considered

^gRepealed, since 12 January 2006, by Law No. 262/2005

^hLaw no. 78/99, related to the acquisition of exclusive encoded broadcasting rights for matches in the League A Football Championship

ⁱLegislative Decree No. 206/2005. Only investigations are considered

Strategic Control Unit, and carried out based on criteria outlined in article 6(1), of the aforementioned decree 286/99, where applicable).

The realization of the MIS by the Italian Competition Authority must also take into account some distinctive features of the Institution: its small size and the homogeneity of the functions assigned by the legislature. This simplifies the design and application of such a system, while requiring a parsimonious use of resources dedicated to these activities, both in terms of managing the system and as regards the participation of personnel in programming and evaluation processes.

These aims are assisted by the fact that the Authority is currently operating an internal database, mainly focused on a case tracking system and therefore built for supporting its core institutional functions. However, while not designed for control, it contains a great deal of information which can be used in this regard, constituting the basis for the realization of the MIS.

3 Outline of the Management Control Procedure

The framework for this type of internal control requires a tight link between various control instruments. In particular, the process for evaluating senior management must necessarily be integrated with the process of management planning and control.

This system must, on the one hand, link up with the evaluation of senior managers through the definition and quantification of objectives and, on the other, provide them with the information needed to improve the efficiency of their performance and, in the end, achieve better results.

Given the final goal, the system must operate through a continuous monitoring of the activities undertaken by means of periodic reporting to high level decision-makers. The specific objective is to allow adjustments in the course of the year to the organization of work whenever critical elements are identified.

4 The Building Blocks of a Management Information System

We pause here to go into more detail into two of the elements that comprise a MIS: (1) the objects of control and the performance indicators that will be used; (2) the strategy undertaken to implement the MIS.

4.1 Benchmarking

In recent years, various antitrust agencies have been provided with instruments to measure performance. This overview, far from exhaustive, is based on the information made public by some of those agencies.³

This review aims to provide concrete indications concerning the control models adopted and the key indicators used to measure performance – focusing on these two aspects out of the belief that the choice of indicators is as crucial as the definition of the logical framework governing the control system. Naturally, the identification of the indicators must follow and not precede the definition of the control model applied.

We have taken into consideration the following agencies: (1) the Commerce Commission, which is New Zealand’s competition enforcement and regulatory agency (NZ-CC); (2) the Office of Fair Trading, the UK’s consumer and competition authority (UK-OFT); (3) the Netherlands Competition Authority (NL-NMa); and (4) the US Federal Trade Commission (US-FTC).⁴ The focus is on syntheses and comparisons as opposed to a complete listing of each element analyzed. The synoptic picture linking objectives to performance indicators represents a sound basis for evaluating the possible applications of the Italian Competition Authority’s performance evaluation schemes. See the following box.

³ See also OECD, *Evaluations of the Actions and Resources of Competition Authorities*, DAF/COMP(2005)30, 16-Dec-2005 (<http://www.oecd.org/dataoecd/7/15/35910995.pdf>), which summarizes the work carried out at a roundtable on the subject organized by the OECD Competition Committee in June 2005. It includes a background note of W.E Kovacic, professor of Government Contracts Law at the George Washington University Law School; see also W.E. Kovacic, *Using Ex Post Evaluations to Improve the Performance of Competition Policy Authorities*, *The Journal of Corporation Law*, Winter 2006.

⁴ Even though the review refers to documents published by the Authorities in the middle 2000s, a cross-check with the most recent data confirmed the validity of their settings over time. The present analysis does not account for recent changes occurred in the institutional design of two of the examined agencies, namely the NL-NMa and the UK-OFT. The former merged on April 2013 with the Dutch telecommunication regulatory agency (OPTA) and with the Consumer Authority, in the newly created Netherlands Authority for Consumers and Markets (ACM). The latter merged with the Competition Commission to form the Competition and Market Authority (CMA), operational from April 2014.

Performance Indicators Used by Some National Competition Agencies⁵

Measure [qualifier⁶]/Target/Timeliness (working days):

New Zealand (NZ-CC)

Goal 1: Competitive Markets

- *Measure*: Market behaviour investigations closed [*investigation*]/*Target*: 5–10 complex, 30–35 routine/*Timeliness*: 240 complex, 120 routine
- *Measure*: Market structure investigations closed [*investigation*]/*Target*: 3–5 complex, 22–25 routine/*Timeliness*: 120 complex 60 routine
- *Measure*: Market behaviour authorisations decided [*adjudication*]/*Target*: 0–2/*Timeliness*: 120 (legislative timeframe)
- *Measure*: Market structure clearances decided [*adjudication*]/*Target*: 25–30/*Timeliness* : 40 (10 legislative timeframe)
- *Measure*: Market structure authorisations decided [*adjudication*]/*Target*: 0–3/*Timeliness*: 120 (60 legislative timeframe)
- *Measure*: Decisions to take civil proceedings [*litigation*]/*Target* : 1–2
- *Measure*: Decisions to take criminal prosecutions [*litigation*]/*Target*: 1–2
- *Measure*: Appeals filed against/review of CC decisions [*litigation*]/*Target*: 3–5
- *Measure*: Successful challenges of the CC processes during the course of investigations and deciding adjudications [*litigation*]/*Target*: 0
- *Measure*: Judgements with no adverse comment on the CC conduct of the litigation [*litigation*]/*Target*: 100 %
- *Measure*: Time between the CC decision to prosecute and filing of proceedings [*litigation*]/*Timeliness*: 40

(continued)

⁵ Sources: (NZ-CC) Commerce Commission, Statement of Intent 2006–2009 (<http://www.comcom.govt.nz/TheCommission/PlansandReports/annualstrategicplans.aspx>)

(US-FTC) Federal Trade Commission, Performance and Accountability Report. Fiscal Year 2005 (<http://www.ftc.gov/par>)

(UK-OFT) Office of Fair Trading, Annual Report 2005–2006 (<http://www.oft.gov.uk/News/Annual+report/resource.htm>)

(UK-OFT) Office of Fair Trading, Annual Plan. Consultation Draft, December 2005 (<http://www.oft.gov.uk/About/Annual/2006.htm>)

(NL-NMa) Netherlands Competition Authority, Annual Report NMa 2005, pp 108–117 (http://www.nmanet.nl/engels/home/90_Brochures_and_annual_reports/01_brochures_en_jaarverslagen.asp)

⁶ Measure's qualifiers: NZ-CC: *Investigation – Adjudication – Litigation – Public Information*; US-FTC: *Identify* [fraud, deception, and unfair practices/anticompetitive mergers and practices] that cause the greatest consumer injury – *Stop* [fraud, deception, and unfair practices/anticompetitive mergers and practices] through law enforcement – *Prevent* consumer injury through education.

- *Measure*: Time between adjudication and findings being published on the CC website [*public information*]/*Timeliness*: 20
- *Measure*: Publications (printed and web-based) [*public information*]/*Target*: 3
- *Measure*: Presentations or participations in conferences (incl. international) [*public information*]/*Target*: 14–18
- *Measure*: Media releases or briefings [*public information*]/*Target*: 50–60
- *Measure*: International contributions to publications, reports, enforcement activities [*public information*]/*Target*: 6–10

Goal 2: Informed Consumers

- *Measure*: Fair Trading investigations closed/*Target*: 0–5 complex, 300–315 routine [*investigation*]/*Timeliness*: 240 complex, 48 routine
- *Measure*: Standards investigations closed/*Target*: 0 complex, 60–70 routine [*investigation*]/*Timeliness*: 35 routine
- *Measure*: Decisions to take civil proceedings [*litigation*]/*Target*: 1–3
- *Measure*: Decisions to take criminal prosecutions [*litigation*]/*Target*: 25
- *Measure*: Successful challenges of the CC processes during the course of investigations and deciding adjudications [*litigation*]/*Target*: 0
- *Measure*: Judgements with no adverse comment on the CC conduct of the litigation [*litigation*]/*Target*: 100 %
- *Measure*: Time between the CC decision to prosecute and filing of proceedings [*litigation*]/*Timeliness*: 48
- *Measure*: Publications (printed and web-based) [*public information*]/*Target*: 3–5
- *Measure*: Presentations or participations in conferences (incl. international) [*public information*]/*Target*: 10–15
- *Measure*: Media releases or briefings [*public information*]/*Target*: 30–35
- *Measure*: International contributions to publications, reports, enforcement activities/*Target*: 3–5

United States (US-FTC)

Goal 1: Maintain Competition

- *Measure*: No. of non merger investigations resulting in enforcement action [*identify*]/*Target*: Min 60 % – Max 80 %
- *Measure*: Positive outcome of cases brought by FTC due to alleged violations [*stop*]/*Target*: 80 %
- *Measure*: Volume-of-commerce in markets in which FTC took action to prevent anticompetitive conduct [*stop*]/*Target*: \$20.0 billion
- *Measure*: Percent of HSR second requests resulting in enforcement action [*identify*]/*Target*: Min 60 % – Max 80 %
- *Measure*: Volume-of-commerce in markets in which FTC took action to prevent anticompetitive mergers [*stop*]/*Target*: \$40.0 billion
- *Measure*: No. of hits on antitrust information on FTC Web site [*prevent*]/*Target*: 10.0 million.

(continued)

Goal 2: Protect Consumers

- *Measure:* Annual no. of consumer complaints and inquiries entered into database [*identify*]/*Target:* 750,000
- *Measure:* Annual no. of consumer complaints and inquiries related to identity theft entered into database [*identify*]/*Target:* 300,000
- *Measure:* Dollar savings for consumers from FTC actions which stop fraud [*stop*]/*Target:* \$400 million
- *Measure:* No. of data searches by FTC and law enforcement personnel of the FTC's Consumer Sentinel database [*stop*]/*Target:* 26,000
- *Measure:* No. of data searches by law enforcement personnel of the FTC's identity theft database [*stop*]/*Target:* 1,850
- *Measure:* No. of education publications distributed to or accessed electronically by consumers [*prevent*]/*Target:* 20.0 million
- *Measure:* No. of education publications related to identity theft distributed to or accessed electronically by consumers [*prevent*]/*Target:* three million
- *Measure:* No. of Spanish-language education publications distributed to or accessed electronically by consumers [*prevent*]/*Target:* 500,000

United Kingdom (UK-OFT)

Goal 1: Enforcing Competition

- *Measure:* Begin investigations, increase the no. of those that are "own initiative" investigations/*Target:* 25–40 new cases
- *Measure:* Make reasoned and published decisions under Competition Act 1998. Publish other case closure summaries/*Target:* 5–10 reasoned and published decisions; 20–30 case closure summaries (5–10 which involve resolution of potential competition issues)
- *Measure:* Give first substantive response to complaints within 30 working days/*Target:* 90 % of cases
- *Measure:* Publish avg time to progress: from complaint to the beginning of a formal investigation; to either closure, Statement of Objections (SO) or acceptance of commitments; from SO to decision/*Target:* by May 2006 (and updated annually)
- *Measure:* Adopt guidance with a view to: consulting complainants; being cleared at the SO stage to encourage input from complainants and others/*Target:* by June 2006
- *Measure:* Conduct a survey of business and consumers to find out current levels of awareness of competition law/*Target:* publish by June of each year
- *Measure:* Publish proposals for improved performance indicators: method of calculating lower bound estimate of consumer savings; improve year on year benchmark position both in national and international specialist surveys/*Target:* by April 2007

(continued)

Goal 2: Reviewing Mergers

- *Measure*: No. of mergers/*Target*: 180–230 public mergers, with 30–50 detailed consideration at case review meetings
- *Measure*: Refer merger to CC or accept undertaking in lieu of a reference/*Target*: 20–25 mergers
- *Measure*: Publish proposals for improved performance indicators/*Target*: by April 2007

Goal 3: Studying Markets

- *Measure*: Timeframe of market studies/*Target*: all studies meet the timetable stated at their launch
- *Measure*: Reply to super-complaints/*Target*: within 90 days
- *Measure*: Publish revised guidance on OFT's approach to market studies/*Target*: by March 2007
- *Measure*: Set up a monitoring function to identify key areas for studies/*Target*: by Autumn 2006
- *Measure*: Publish an evaluation strategy for market studies and references/*Target*: by September 2006

Goal 4: Communicating

- *Measure*: Launch new website/*Target*: by the end of 2006
- *Measure*: Raise no. of visitors to website/*Target*: +10 % by April 2007
- *Measure*: Increase no. of alliance members/*Target*: from 66 to 125
- *Measure*: Exhibit at minority community events/*Target*: two exhibitions
- *Measure*: Run nationwide campaigns and regional road-shows on OFT priorities on scams and credit/*Target*: two campaigns and eight road-shows
- *Measure*: Increase SME awareness of competition law;/*Target*: by 5 % from baseline in 2005–2006
- *Measure*: Participation of Trading Standard Dept in road-shows/*Target*: every local TSD represented

Goal 5: Information, Liaison and Market Intelligence

- *Measure*: Publish the second annual report of the Payment Systems TF, and the Cheques WG report/*Target*: by Summer 2006
- *Measure*: Set standards for public enquiries/*Target*: calls answered within four rings (12 s); call abandonment rate less than 5 % and avg length of completed calls less than 3.5 min; responses to correspondence (incl. Fax and email) within 10 working days

(continued)

Goal 6: Supporting Self-Regulation

- *Measure*: No. of codes that have completed Stage 1 of the OFT approval process/*Target*: from 11 to 15
- *Measure*: No. of OFT approved codes/*Target*: from 5 to 8

Goal 7: Enforcing Consumer Regulations

- *Measure*: Establish an intelligence-led system to enable risk-based Targeting and prioritisation of work/*Target*: by September 2006
- *Measure*: Publish guidance on the UCPD in draft for consultation and set up a training programme/*Target*: by August 2006, by January 2007
- *Measure*: Completion of second phase of credit advertising compliance project/*Target*: 30 % reduction in levels of identified non-compliance
- *Measure*: Review of compliance with debt compliance guidance/*Target*: completed and published in Spring 2006
- *Measure*: Undertake education seminars aimed at estate agency businesses/*Target*: eight seminars
- *Measure*: Take action against types of mass-marketed scam identified as most harmful to consumers/*Target*: five types of scam

Goal 8: Managing People and Infrastructure

- *Measure*: IIP designation/*Target*: retain
- *Measure*: Efficiency savings/*Target*: 5 % across the organisation by the end of March 2007
- *Measure*: Diversity Toolkit/*Target*: by May 2007
- *Measure*: Disability Equality Scheme/*Target*: by September 2006

Netherlands (NL-NMA)

Goal 1: NMa's Personnel Policy

- *Measure*: Time required to fill vacancies (attractiveness)/*Target*: 85 % within 3 months
- *Measure*: Exits within 1 year compared to new hires within 1 year (attractiveness)/*Target*: Max 5 %
- *Measure*: Male/female ratio (attractiveness)/*Target*: 50/50
- *Measure*: Percentage of women in management position (attractiveness)/*Target*: 32 %
- *Measure*: Staffing levels (attractiveness)/*Target*: 95 %
- *Measure*: Integrity (attractiveness)/*Target*: No incidents
- *Measure*: Mobility (exits and promotions) (innovative capacity)/*Target*: Min 10 % – max 20 %
- *Measure*: % of total salaries spent on training (innovative capacity)/*Target*: 3 %
- *Measure*: Absenteeism due to illness (excl. maternity leave) (being a good employer)/*Target*: Max 3.8 %
- *Measure*: Results of exit interviews (being a good employer)/*Target*: 75 % of leavers receive an exit interview

4.2 *Performance Evaluation Models*

Everything analyzed can be summarized in the triad goal – measure – target.⁷ In one case, the NZ-CC adds an evaluation of timeliness to the target in order to ascertain whether the deadlines set by law are met. In other cases, the UK-OFT and the NL-NMa, the evaluation of timeliness is treated like any other target to be reached (such as 85 % of vacant posts filled within 3 months). Also, the UK-OFT defines many targets on the basis of deadlines, which are not referred to continuous activities, being dealt with like projects (e.g., the publication of guidelines) and, as such, to be reset at the start of each evaluation period.

The US-FTC stands out for the following two, consequential features: a definitely outcome-related measure of performance, and a reduced number of indicators.

Other agencies attempt to tie evaluation with results, for example through the use of a ‘quality’ indicator by NZ-CC. This means that the evaluation of performance depends on events external to the agency or that can be, in any case, influenced only through better quality activities (indicators which aim at measuring effectiveness rather than efficiency).

NZ-CC is also relevant for the reference made to levels of complexity inherent in grouped activities and outputs (for example, complex/routine investigations). This weighting system is accounted for in the overall performance assessment. The same result could be obtained by attributing a weight to each activity, for example in terms of the standard amount of time needed, on average, to provide a given service.

Lastly, it is interesting to note that only NL-NMa refers to a consolidated performance evaluation methodology, the balanced scorecard.⁸

4.3 *Objectives and Key Performance Indicators*

Though not expressly classified, the performance indicators adopted by the agencies analyzed can nevertheless be grouped under three categories of measures: outcome, output and process measures.

The main indicators used by US-FTC can be placed in the former category (outcome), with elements that cannot be directly influenced from within the

⁷ The goal is the strategic objective aimed at; the target is the quantifiable level of performance desired for a particular objective over a specified time (timeliness).

⁸ Introduced in the early 1990s by Robert Kaplan and David Norton as a new approach to the strategic management of resources. The term “balanced” refers to precise indicators given to entities (private or public) that intend to manage their own performance based on what needs to be measured in order to obtain financial (primarily and traditionally) balance. Therefore, an agency is evaluated under four areas: economic-financial (or mission, in the case of public entities); processes; clients (external perspective); and resources (internal perspective). Each area corresponds to a series of performance indicators.

institution (contrary to the other two categories) but are largely dependent on external circumstances (e.g., appellate cases resolved with a favorable ruling for government, or the number of contacts to the institution’s website). These indicators cannot be easily manipulated.

The three measurement categories are quite evident in the NZ-CC system, in which outcomes are measured as ‘quality’ and outputs as ‘quantity’. The process category is also easily identified. Lastly, the indicators elaborated by NZ-CC and UK-OFT seem to “exhaustively” correspond to the core activities of the agency, which is not the case for US-FTC, which instead uses few but significant indicators aimed at results.

5 Objects of Control and Performance Measures

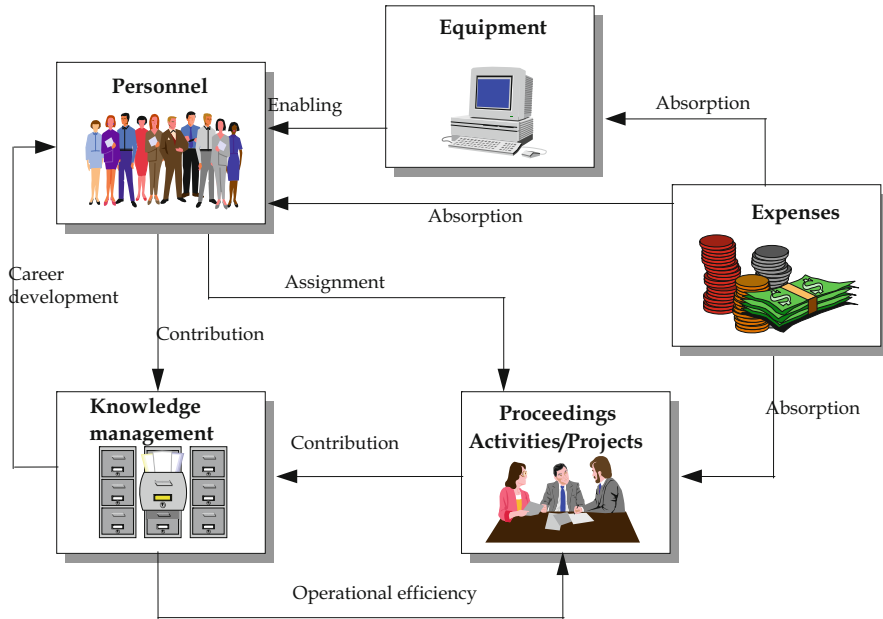
Control objects must, on the one hand, reflect the results characteristic of the activities undertaken by the Italian Competition Authority (“do the right things”) and, on the other, be tied to the resources used to achieve these results (“do things right”). Specifically, the results or outputs of any given activity or proceeding are assessed; but the individual offices are not. Generally, an office undertakes a variety of functions and activities, each of which usually carried out in cooperation with other offices. No less important is the fact that the organizational units are subject to continuous change (personnel turnover, re-organization, changes in the tasks assigned) – which requires a restructuring of the offices over time, making their performance assessment uncertain. However, the fact that single offices cannot be a unit of analysis does not inhibit the use of performance indicators at that level, through appropriate elaborations.

Based on these considerations, we would posit that the objects entering in an integrated control framework could be the following:⁹

- proceedings
- activities/projects
- personnel
- knowledge management
- equipment endowment
- expenses (purchases).

The connection between the various objects is shown in the following diagram:

⁹The elements listed mostly reflect the areas covered in the *Competition Agency Practice Manual* written under the auspices of the *International Competition Network* and mentioned in the introduction.



The first two control objects (proceedings and activities/projects) represent the outputs of the actions performed by the Italian Competition Authority; the others are the resources available (inputs) to get these results. A good MIS must provide the senior managers with a system capable of measuring the efficiency of their actions with regards to their stated objectives, which have been agreed with the Authority’s top management. It cannot be held that a MIS per se can measure the effectiveness of administrative activities with respect to the achievement of the ultimate goals of the institution (e.g., the creation of a competitive national market). The appropriate assessment of effectiveness requires ad hoc analyses of single cases and interventions or specific surveys,¹⁰ e.g. the perception of the role and functions of the Italian Competition Authority on the part of consumers aiming at improving the quality of the reports of alleged misleading advertisements.¹¹

¹⁰ On evaluating the impact of competition law enforcement see Peter Ormosi, *Stocktaking on Evaluation*, OECD Discussion Note, DAF/COMP/WP2(2012)5, 22 May 2012. The paper arranges impact evaluations into three broad categories: (1) evaluation for accountability, usually conducted on Government request (annual reports, but also accountability and performance reports); (2) ex post evaluation of interventions, which includes court appeal, as well as retrospective studies on market changes following antitrust interventions; (3) broader impact evaluation, which assesses the impact of competition policy on economic factors such as productivity, growth, or employment.

¹¹ See Office of Fair Trading, *Perceptions of Markets and Competition*, Research report, Feb. 2005.

5.1 *Outputs*

The MIS must be based on a set of key performance indicators aimed at measuring the degree of efficiency at all levels (outcomes, outputs and processes) in relation to specific objectives. With reference to the two core missions of the Italian Competition Authority – safeguarding and promoting competition, and protecting consumers – it appears appropriate to map these functions to three specific actions:¹²

- identify law infringements;
- stop violations;
- prevent violations (in a broad sense, by diffusing the results of activities undertaken and, consequently, the criteria of intervention of the Authority).

This framework – measuring outcomes, outputs and processes with regards to the actions of identification, opposition and prevention undertaken in the course of its institutional functions – constitutes a scheme that can be considered adequate for describing the characteristic functions of the Authority. (In)efficiencies of the organizational units which have undertaken a given actions would therefore be signaled.

The proposed system is based on a variety of outputs.¹³ Enabling the system to assess the efficiency of the organizational structure would require the definition of the metrics (unit of measurement) of outputs in order to connect outputs to inputs, and elaborate the needed groupings as well (e.g., at the office level). A measurement system based on easily understandable and verifiable criteria of analysis and reporting must be developed.¹⁴

To this end, outputs (except for the qualitative ones necessary to qualify the results) are expressed in terms of: (a) hours worked,¹⁵ in cases where it is primarily the Authority’s human resources doing the work; (b) cost (in euros), in those cases where the work is primarily outsourced (consultants, expertise, acquisitions of studies, reports or databases, etc.).

Eventually, everything must be expressed in monetary terms and wind up with a distribution of the Authority’s costs per function and activity.

¹² Cfr., U.S. Federal Trade Commission, *Performance and Accountability Report*, Fiscal Year 2005. We prefer using the term ‘action’ as opposed to ‘activity’ in order to avoid possible ambiguity with the general term “areas of activity” usually used to refer to the carrying out of competencies attributed to single organizational units.

¹³ The term *output* is used as a generic reference indicating a result, product or process.

¹⁴ Characteristics of metrics and key performance indicators (KPIs) should usually meet the SMART criteria: S – specific, M – measurable, A – achievable, R – relevant, T – time-phased.

¹⁵ In fact, calculating actions (which often coincide with the areas of work of the offices) in terms of hours worked means introducing a system that incorporates the level of complexity of the activity (procedure or project) undertaken.

5.2 *Inputs*

In producing its services, the Authority uses the following resources:

- personnel
- knowledge developed within the organization
- equipment
- expenses (not connected to the three previous items).

Personnel can be expressed in terms of hours worked, which can be contractual, effective (recorded through appropriate time and attendance tracking systems), and standard (defined for each kind of function/action analyzed). The standard time needed to carry out a proceeding can constitute a first approximation of the hours effectively spent, to be validated through the recording of amount of working time spent in each task or activity (timesheet).

There are no particular problems associated with the measurement of expenses, which will be expressed in euros, while the treatment of the two other inputs, equipment and knowledge, is more complex.

Concerning equipment, it can be plausibly assumed that this category should not discriminate against the assessment of efficiency with which the Italian Competition Authority carries out its functions. Therefore, it can be deemed neutral with respect to the MIS, by assuming that each organizational unit has the same access and capacity to use it.

Similar considerations would apply to knowledge, potentially available to all Authority's staff. Naturally, not all employees exploit the available tacit ("know-how") and explicit ("know-what") knowledge in the same way, even when carrying out the same activity, due to differences in educational and professional backgrounds, updating and learning capabilities, etc. This can be taken into account by analyzing the personnel performance reports, which can (should) identify the specific features of the professional profile of each employee.

The Way Forward

The objective is to realize a management information system (MIS) to be applied along with tools already in use by the offices for planning their work, integrating them into the MIS. Such a system, once made available to the senior managers, should enable them to assess every instance of their office's activities, in comparison with other offices or the average set for each function/task.

At the time of writing, most of the Authority's core processes have already been implemented, while those related to human resources and financial management are under way. Once completed, the key components (objects) of the MIS will become operational and ready for use within an integrated control framework.

References

- International Competition Network. Agency effectiveness. <http://www.internationalcompetitionnetwork.org/working-groups/current/agency-effectiveness.aspx>
- Kovacic WE (2006) Using ex post evaluations to improve the performance of competition policy authorities. J Corp Law
- Office of Fair Trading (2005) Perceptions of markets and competition. Research report, Feb
- Organisation for Economic Co-operation and Development (2005) Evaluations of the actions and resources of competition authorities, DAF/COMP(2005)30. <http://www.oecd.org/dataoecd/7/15/35910995.pdf>
- Organisation for Economic Co-operation and Development (2013) OECD integrity review of Italy: reinforcing public sector integrity, restoring trust for sustainable growth, OECD public governance reviews. OECD Publishing, Paris
- Ormosi P (2012) Stocktaking on evaluation. OECD discussion note, DAF/COMP/WP2(2012)5
- U.S. Federal Trade Commission. Performance and accountability report, Fiscal Year 2005

Partnership Systems to Manage Post-disaster Recovery

Josef Leitmann

1 Introduction

Post-disaster recovery has a thousand partners, whether the recovery is a success or a failure. There are a range of partners who can and usually do contribute to the recovery process at the local, national and international levels, depending on the magnitude of the catastrophe. Partnership systems occur in at least four different areas of management: (a) recovery planning; (b) recovery financing; (c) technical assistance; and (d) capacity building. A systematic approach to partnerships for management can add value to the recovery process by:

- Addressing the financing gap between available finances and resources that are needed for recovery
- Filling the knowledge gap by bring good practice to bear on challenges that arise during the recovery
- Accelerating the speed of the recovery through creative interventions that remove or circumvent bottlenecks
- Strengthening institutions for managing the recovery by reinforcing existing capacity and building new capacity where needed
- Improving governance by giving voice to stakeholders in the planning and implementation of recovery

This chapter elaborates on why partnership systems are important to disaster recovery by outlining the range of partners, categorizing the different systems of partnership and examining how partnerships add value to recovery management.

J. Leitmann (✉)

Global Practice for Social, Urban, Resilience, and Rural Development, World Bank,
Washington, DC, USA

e-mail: jleitmann@gmail.com

2 What Do Partnerships Contribute to Disaster Recovery?

Range of Partners Recovery partners can be simply classified at three levels:

- Local (municipal governments as in Vignette 1, local NGOs, community groups, local private sector)
- National (national NGOs, Red Cross/Crescent societies, foundations, corporations, academia, the military, celebrities)
- International (bilateral and multilateral aid agencies, the United Nations organizations, international NGOs, the international Red Cross community)

These levels are not isolated from one another, with actors at one level typically interacting with those at other levels. For example, academic partners can cooperate with local and national community organizations (see Vignette 2) or international and local Red Cross organizations typically work together in the recovery process (see Vignette 3).

Local Partners Local organizations and individuals are almost always the first responders after a disaster strikes. In the recovery process, they play a critical role in several ways:

- Providing voice to local stakeholders in the recovery process
- Sharing local knowledge for planning and implementing the recovery
- Offering the social capital that facilitates reconstruction
- Helping local people deal with the psychological and emotional impacts of trauma

At the same time, local partners usually cannot rebuild on their own. Their institutional, human and financial capacities are often significantly diminished from the impact of a catastrophe. They may also face particular challenges such as politicization or an inability to manage larger-scale functions (see Vignette 1).

Vignette 1: Local Government as a Key Recovery Partner in Honduras By November 1, 1998, Hurricane Mitch had caused nearly \$4 billion of economic loss in Honduras. Municipal governments were often key partners in the recovery process. Mayors and their municipalities were capable of organizing their communities, responding to immediate needs during the relief phase, undertaking realistic planning, obtaining land for rebuilding, and identifying critical infrastructure for repair. Following the disaster, local governments organized themselves in *mancomunidades* or municipal associations to advocate for and manage responses to shared problems, including disasters.

Some of the challenges of partnering with municipal governments following Hurricane Mitch included: low capacity for project implementation in some municipalities; political partisanship (mayors acting in accordance with their political aspirations more than for the needs of their constituencies); and the conflict between the local and national land registries. A need was also detected to balance between

local initiative and strong central capacity for data gathering and management, planning and setting as well as monitoring of overall criteria and standards.

Source: Telford (2004)

National Partners National entities can be highly effective partners in disaster recovery, particularly if their capacities have not been diminished by the catastrophe. Key partners include state/provincial governments, central government agencies, national NGOs, the Red Cross/Red Crescent national organizations, foundations, major corporations, academia, the military, and celebrities. These actors can increase their impact in the recovery process when they coordinate amongst themselves as well as cooperate with partners at different levels. For example, corporations can work with government agencies at the national, regional and local levels to facilitate small business recovery through: provision of technical assistance to help businesses adapt to post-disaster market conditions; creation of strategies to minimize business relocation and loss of customer base; and implementation of credentialing programs to minimize instances of contractor fraud (GAO 2009). A vignette of an effective partnership between a national NGO and an academic coalition following Hurricane Katrina is presented below.

Vignette 2: NGO: Academia Partnership in New Orleans Following Hurricane Katrina, the Association of Community Organizations for Reform Now (ACORN) worked with 17 U.S. planning schools and the American Planning Association to create the New Orleans Planning Initiative. A number of initiatives were undertaken to conduct research and develop recover plans using citizen participation. For example, 90 students and faculty from Cornell University, Columbia University and the University of Illinois worked from September 2006 – January 2007 with ACORN members and leaders from the Lower 9th Ward to complete: an in-depth study of past plans; detailed analyses of recent population and housing trends; structural assessments of 3,000 building lots; and interviews with local business people and returnees.

This work resulted in a comprehensive recovery plan for the lower 9th Ward known as The Peoples’ Plan for Overcoming the Hurricane Katrina Blues. The Plan sought to transform the community through a redevelopment strategy rather than restoring the area to its pre-hurricane state. It also led to a March 2007 decision to direct \$140 million of the then \$1.1 billion in available Community Development Block Grant funding for community revitalization for the Lower 9th Ward recovery.

Source: Reardon in Blakely et al. (2011)

International Partners Major disasters can overpower the capacity of national governments to respond and may require the assistance of the international community. Certain international actors specialize in immediate response, including several international NGOs, the Red Cross family, UN organizations such as the World Food Programme, UNICEF and the Office for Coordination of Humanitarian Affairs, and foreign military forces. The latter can be especially effective during the relief effort because of their rapid-response, logistical and organizational

capacities. For example, during the emergency response following the tsunami in Aceh, 16,000 foreign military personnel were deployed and joined 27,000 Indonesian soldiers to bury bodies, clear debris, re-establish services, and provide medical care (Masyrafah and McKeon 2008). However, foreign military assistance is also politically sensitive, as evidenced by Myanmar's rejection of readily-available food, medical and other aid following Cyclone Nargis. During the reconstruction phase, these partners along with bilateral and multilateral donors can provide a range of needed support that is covered in the following section on "Modes of Partnership," with an example provided in Vignette 3 of an international partner that spans relief and recovery.

Vignette 3: The Red Cross as an International Partner Following many disasters, the International Federation of Red Cross and Red Crescent Societies (IFRC) partners with country-level Red Cross organizations for both relief and recovery. For example, following the tsunami in Indonesia, the IFRC and the International Committee of the Red Cross (ICRC) partnered with the Indonesian Red Cross (PMI) and 22 national Red Cross agencies to provide nearly one billion US dollars of assistance, making it the second largest source of recovery finance following the Government of Indonesia. Support was provided for:

- Rebuilding permanent houses and providing transitional shelter
- Building and rehabilitating hospitals, clinics and schools
- Providing water, sanitation and community health services
- Expanding the capacity of the PMI and its staff

The ICRC successfully coordinated across the diverse actors in its membership, as well as with the recovery agency and the UN, to deliver these activities. It was less open to cooperating with other actors, choosing to establish its own technical working groups rather than using the broad sectoral coordination established by the wider range of development partners.

Source: Red Cross (2009)

Virtual Partnerships CrisisCommons, Geo-Can, Ushahidi, Open Street Map, and Random Hacks of Kindness all utilize open source programming and the expertise of a global pool of volunteer programmers, scientists, and technical experts to provide fast help in disaster areas. For example, immediately after the Haiti earthquake, CrisisCommons brought together programmers to develop applications that helped people on the ground in Haiti to find earthquake victims buried under rubble. Geo-Can used high-resolution optical, thermal infrared and topographic images to assess building damage. Ushahidi is a platform that was originally developed to report violence after the 2008 elections in Kenya. The program has now spread widely and is used in very different contexts such as election monitoring, reporting of corrupt behavior by officials, or tracking the stockouts of essential medicines in Eastern Africa. In Haiti, it was used to track emergencies, threats, and logistics. Open Street Map is a map database that collected aerial and satellite imagery to prove up-to-date maps for relief operations in Haiti. Random Hacks of Kindness is a collaboration of Microsoft, Yahoo!, Google, the World Bank, and

NASA where disaster relief experts and software engineers work together on technology solutions for disaster response. An example of the types of assistance that can be mobilized by virtual partnerships is provided in Vignette 4.

Vignette 4: Applications Developed Through Virtual Partnerships In response to the 2010 Haiti earthquake, Crisis Commons and Global Hacks of Kindness have developed these and other applications for post-disaster relief and recovery:

- WeHaveWeNeed.org is a donation management system created in support of the Haiti crisis where people could post their “Haves” and others could post their “Needs.”
- NGOs need to have better mechanisms for sharing information and managing their resources during a crisis. Prototype applications are being developed that show how an individual NGO could improve their resource management and develop better situational awareness of the operations of other NGOs in the same sector.
- It is difficult to know how many amputees there are as a result of the earthquake in Haiti. A computerized registry is being prepared to aggregate the information coming in from all sources about the amputees and promote optimal support and recovery for them.
- A web tool is being developed where members of a diaspora community, governments, and NGOs can “meet up” after a natural disaster and coordinate long-term response efforts.

Source: http://wiki.crisiscommons.org/wiki/Random_Hacks_of_Kindness_2010

Management Frameworks Partnerships can be organized according to a range of institutional frameworks that may be established prior to the disaster or tailored in response to a specific event. These managerial arrangements can be characterized as:

- **National coordination** – in the U.S., the Federal Emergency Management Agency (FEMA) provides funds for public and individual assistance, and coordinates among federal agencies. The private sector supplements this support through insurance coverage for home-owners and businesses for disaster losses.
- **International coordination** (cluster approach) – during the Indian Ocean tsunami and earthquakes, the UN developed sectoral clusters of stakeholders (especially UN agencies, NGOs and government bodies) to coordinate during the relief and early recovery phases. This approach has now become standard practice for the UN following major disasters in developing countries.
- **Committee approach** – following the 1995 Kobe earthquake, committees were established national, prefecture and city level for planning and coordination. A number of temporary technical committees were also set up at the local level to support the process of reconstruction.
- **Dedicated agency** – after massive catastrophes such as the 2004 Indian Ocean tsunami or the 2005 Pakistan earthquake, governments often establish a new

institution to guide and coordinate the recovery process. These include the Task Force to Rebuild the Nation (TAFREN) in Sri Lanka, the Rehabilitation and Reconstruction Agency (BRR) in Indonesia, the Earthquake Rehabilitation and Reconstruction Agency (ERRA) in Pakistan, and the Interim Haiti Recovery Commission (IHRC).

- **Multiple institutions** – in response to the 1999 Marmara earthquake, the Turkish government created two central agencies, the General Directorate of the Management of Emergencies and the General Coordinating Office of Disaster Reconstruction. The administrative complexity was later increased with the establishment of a rescue and emergency general directorate in the Ministry of the Interior, a general directorate for emergency management connected to the Prime Minister and an independent National Earthquake Council (World Bank 2010a).

Developed countries such as the U.S. and Japan generally have institutional resources, local governments, legislative arrangements, and insurance markets that are adequate for supporting recovery and reconstruction. In developing countries that face catastrophes, existing institutions, legislation and private insurance are often overwhelmed by the challenge and may require specialized arrangements (Vatsa 2009).

3 What Are the Systems of Partnership for Recovery Management?

This section briefly reviews the four most frequent systems of partnerships that are developed to support the recovery process. Case studies that illustrate each major category of partnership are drawn from the post-tsunami reconstruction experience in Indonesia. The key modes of recovery partnership are:

- **Recovery planning** – participatory planning for post-disaster reconstruction requires the involvement of many different players – representatives of the affected stakeholders, technical experts, state/provincial and national government officials, and sources of finance
- **Recovery financing** – rebuilding following the physical damages and economic losses of a disaster is usually a costly proposition that requires multiple sources of finance from private banks and insurance companies, public agencies and, in the case of developing countries, from the international community
- **Technical assistance** – both recovery planning and implementation benefit from technical support to ensure that international good practice can be applied to the local situation in order to improve the quality, impact and speed of reconstruction
- **Capacity building** – local capacity for providing services and infrastructure can be decimated following a disaster to there is both a short-term need to augment institutional abilities as well as a longer-term need to rebuild local institutions (Leitmann 2007)

The following case studies elaborate on each of these modes of partnership.

4 Indonesia Post-tsunami Case Studies

4.1 Recovery Planning: How Stakeholder Participation Improved the Plan

Following the devastating December 26, 2004 Indian Ocean tsunami and earthquakes that struck Aceh Province and the island of Nias, the Government of Indonesia undertook two participatory planning exercises – a damage and loss assessment and development of a blueprint or master plan for reconstruction. Both of these exercises were led by the National Development Planning Ministry (BAPPENAS) and involved hundreds of participants. This case study especially focuses on the latter activity to demonstrate how stakeholder participation improved once specific aspect of the recovery plan.

During a 2-week period in January 2005, around 150 government, national and international experts assembled to prepare the damage and loss assessment of the tsunami's impact in Indonesia. They were drawn from key government line ministries, BAPPENAS itself, Indonesia universities and NGOs, United Nations agencies, bilateral and multilateral donors, and private sector firms. Using a time-tested methodology developed by ECLAC, these experts were organized into sectoral groupings (housing, education, transportation, environment, etc.) and coordinated by the World Bank. This approach produced a rapid analysis in time for a previously-scheduled meeting of the Consultative Group for Indonesia in mid-January that enabled donors to pledge their support for the reconstruction. Damages and losses were calculated at \$4.5 billion, with the most affected sectors being housing, agriculture and fisheries, infrastructure, and the environment (BAPPENAS 2005).

This experience was instrumental in convincing the Government that a similar participatory approach would be useful in designing the master plan for recovery. Beginning in late January 2005, a total of 12 sectoral working groups were established to prepare the inputs for a blueprint to guide the reconstruction process. Each working group was led by a Government of Indonesia agency with participation from government, national and international staff. The groups assembled data, conducted research and prepared initial proposals for their sectors. Following internal review of draft documents, consultations were held in Jakarta and Aceh on the initial sets of proposals. Results from the consultations were incorporated and final reports were prepared by each group. A 12-volume master plan with an integrative summary was issued by the end of March 2005 to help the government and the international community to initiate the reconstruction phase of post-disaster recovery.

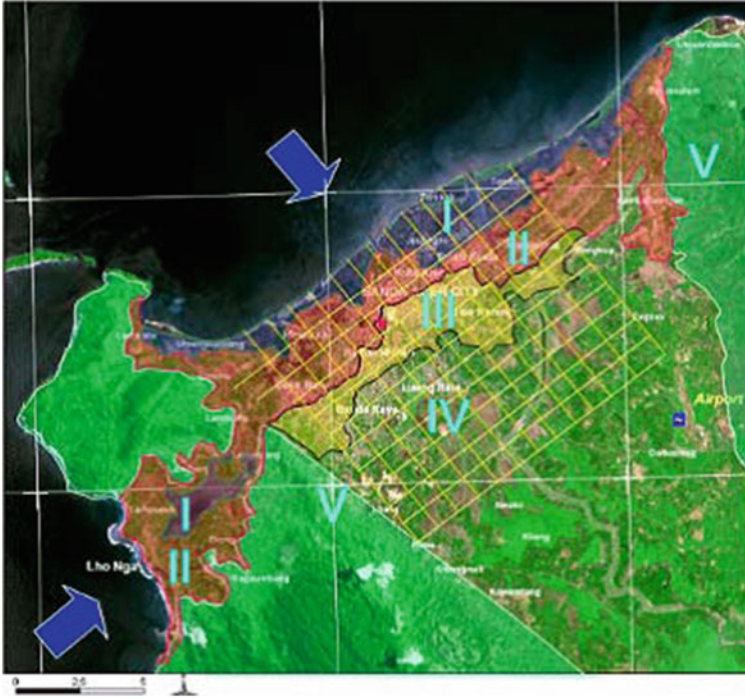


Fig. 1 Map of exclusion zone concept for Banda Aceh. *Key:* (I) coastal zone with mangrove planting, (II) fishing/fishpond zone, (III) city park zone, (IV) settlement, restricted settlement and urban settlement zone, (V) landmark and administrative center of Banda Aceh City, (VI) new settlement zone for residents wishing to relocate, (VII) provincial business and administrative center, and city scale and regional-scale urban facilities, (VIII) higher education zone, (IX) agricultural zone [convertire in cartina muta lasciando solo i contorni bianco/nero] (Source: Republic of Indonesia 2005)

Initially, the group that was dealing with spatial planning decided that it was important to protect coastal communities from the threat of future tsunamis. The group was particularly influenced by spatial planners from the Ministry of Public Works who proposed that “exclusion zones” be created along vulnerable coastal areas that would prevent people from rebuilding in an area of up to 1 km from the sea. Maps were drawn up to indicate a scheme where mangroves would be planted immediately offshore, fishponds and parks would be developed immediately onshore, some low-density facilities would be allowed near-shore, and housing could be established further inland (see Fig. 1).

This seemingly rational concept was integrated into the working group report and then shared at a series of public consultations where it was roundly criticized. At an international forum of local governments in Medan, North Sumatra in early March 2005, experts pointed out that a similar scheme had been attempted in Sri Lanka prior to the tsunami and that it had been widely ignored as unacceptable by local villages. Then, in consultations of affected stakeholders in Aceh later that

same month, it was outright rejected for several reasons: (a) coastal communities did not want to be divorced from their source of livelihoods (the sea); (b) families who had lost their homes did not also want to lose their last asset (their plot of land on or near the coast); (c) communities did not want to lose their heritage by having to find and move to an inland area; and (d) the risk of another tsunami was seen as too low to justify exclusion and relocation.

The working group heard the messages from the consultation process and went back to the drawing board to come up with a more workable solution. In the end, the exclusion zone concept was dropped in favor of a preparedness approach whereby communities could rebuild along the coast but would be provided with an early warning system, increased awareness about disaster risk reduction and access to escape routes (Wilkinson 2005). While the master plan was largely not consulted in the initial reconstruction process (and subsequently revised in 2008), the new approach to spatial planning was implemented.

4.2 Recovery Financing: The Multi Donor Fund as a Flexible Tool

In the weeks following the tsunami, the Government of Indonesia was inundated with an outpouring of international generosity as individuals, NGOs, companies, governments, and international organizations donated billions of dollars for relief and reconstruction. At the January 2005 Consultative Group on Indonesia meeting between the government and donors, the Minister of National Development Planning thanked the international community for its support but acknowledged that the government was having a hard time incorporating the demands associated with the contributions. She suggested that willing donors should pool their money in one fund to help minimize transaction costs and maximize synergies.

In February 2005, the Ministry of Finance requested that the World Bank organize and operate a multi-donor trust fund (MDTF) to help finance the reconstruction. Over the next 2 months, a fund was designed that sought to incorporate good practice from previous post-disaster and post-conflict MDTFs. This included:

- Appraisal and supervision of projects through partner agencies that went beyond the World Bank to also include the Asian Development Bank and UN agencies
- Flexibility to implement projects through the Government, UN agencies and NGOs depending on the nature of each investment
- Governance through a steering committee that included representation from central and local government, the partner agencies, key donors, and local civil society
- Going beyond approval of reconstruction grants to serve as a forum for donor coordination and dialogue on recovery policy between the Government and the international community
- Government leadership of the grant approval process

These features were integrated into the design of the Multi Donor Fund for Aceh and Nias (MDF) and endorsed by Government and participating donors.

The MDF received its first contributions in April 2005 and became operational the following month when the newly-formed Rehabilitation and Reconstruction Agency (BRR) came into existence. The MDF grouped 15 bilateral and multilateral donors together who eventually pooled \$700 million in grant financing for the reconstruction. At its first meeting in May 2005, the MDF's steering committee approved its first four project concepts that covered land administration, housing and community development in rural and urban areas.

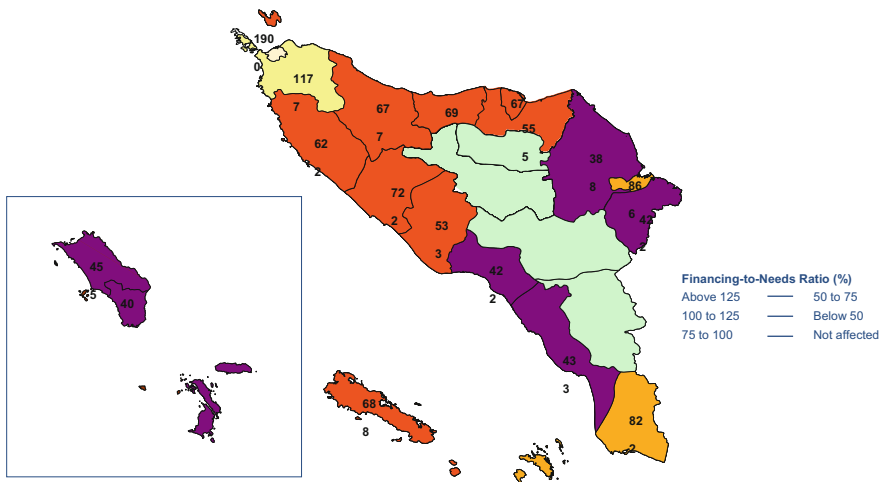
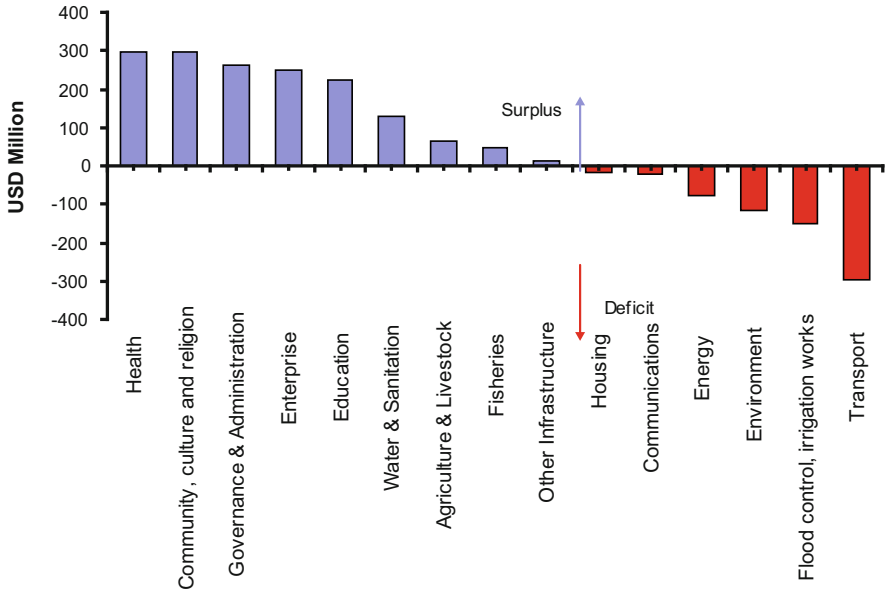
The MDF demonstrated its value as the largest source of unearmarked financing for the reconstruction. The Government and other donors largely committed their resources for specific recovery projects and programs. This resulted in a situation where gaps emerged between what was needed in each sector to build back better (as identified in the damage and loss assessment and the recovery master plan) and what was being pledged on a sector-by-sector as well as a geographical basis (see Fig. 2).

Sectoral gaps were identified in housing, communications, energy, environment, water resource management, and transportation while a geographic imbalance emerged with inadequate financing available for recovery on the islands of Nias and Simeulue as well as along the west coast of Aceh. The MDF became a flexible tool to allow the Government to fill the sectoral and geographic gaps and achieve a more balanced reconstruction.

The MDF is largely seen as a successful example of reconstruction finance. The gap-filling principle became the hallmark of its recovery finance policy, along with criteria that sought to guarantee quality recovery through attention to issues of poverty, gender, geographic balance, environment, and post-conflict sensitivity. It also provided an institutional space for donor coordination and policy dialogue, much in the same way that the Decentralization Support Facility provided a physical space for donors to harmonize approaches in Indonesia (Pollard 2010). The MDF's mid-term review concluded that the fund is on track in achieving results, has been a successful mechanism for post-disaster funding and coordination, and is relevant and responsive to Government priorities (MDF 2009).

4.3 Technical Assistance: Rebuilding 140,000 Houses Through Partnerships

The post-tsunami damage and loss assessment identified that over 139,000 houses had been destroyed in Aceh and Nias. After 4 years of reconstruction, more than 140,000 permanent houses had been built. Partnerships for technical assistance were instrumental in delivering these dwellings through a number of different models that are examined here.



Source: Masyrafah and McKeon, 2008

Fig. 2 Sectoral and Geographical Reconstruction Gaps (Fengler et al. 2008)

The first partnership was along the critical path to enabling rebuilding to begin and involved land tenure. With the loss of land titling information, the death of many residents in certain communities and the shift in land contours along the coast, there was a need to re-establish land rights before homebuilding could get started. The World Bank partnered with the National Land Agency (BKN), with a

grant from the Multi Donor Fund, to design and implement the Recovery of Aceh Land Administration System (RALAS) project. The project began with a community land adjudication process in hundreds of villages and neighborhoods where surviving residents worked with facilitators to agree and map out land ownership. BKN then agreed to respect this process and use the outcome to process and issue formal land titles. This gave households confidence about their land claims and enabled home reconstruction to begin. By the end of the reconstruction period, BKS had issued over 200,000 formal titles based on the community-driven process (World Bank 2010c).

On the tsunami and earthquake-devastated island of Nias, the Asian Development Bank (ADB) worked with local communities to protect the cultural heritage of the island by rebuilding traditional houses. The project worked through contracts with community development groups in which beneficiaries built their own houses. The ADB provided technical assistance for architectural design, training of community facilitators and leaders, and development of the contracts. The reconstruction agency (BRR) disbursed the funds for the purchase of building materials and skilled labor. Nearly 500 traditional homes were rebuilt in this manner in 2007–2008 with a high degree of beneficiary satisfaction (BRR 2009a).

The German Development Bank (KfW) partnered with a local NGO, Mamamia (an acronym for People's Welfare through Equitable Partnerships) to provide technical and financial support to rebuild 5,000 houses in 51 communities. Technical assistance was provided by the German consulting firm GITEC to support a community design-and-build process for wood plank or cinderblock houses, water supply systems, sanitation, and access roads. The approach involved rural labor, use of base camps, community planning, owner-built housing, and issuance of a land entitlement certificate. At the end of the initiative, 4,500 houses were rebuilt in three districts of Aceh Province between 2006 and 2007 (BRR 2009a).

By December 2006, about 60,000 houses in Aceh and Nias had been either completed or were nearing completion with the involvement of more than 100 organizations. Many started building without much experience or an overall approach, some dropped out, others postponed their start-ups, and, in the worst cases, poorly constructed and sited houses were built. To capture and learn from this situation, UN-Habitat partnered with the local Syiah Kuala University to gauge experience with housing reconstruction and beneficiary satisfaction. This resulted in important lessons being learned such as:

- Transitional shelter should be provided early and allow people to return to their homes
- Community-based housing can respond quickly to urgent needs, deliver better results and satisfaction than other methods, and achieve relief at an early stage
- NGOs, while often learning by doing, built a large number of houses in affected villages, thus unwittingly preventing large-scale resettlement of people to untested sites without security of tenure

This and other experience was summarized in technical assistance from UN-Habitat to the BRR for development of consensual guidelines on land mapping,

pricing indicators, equitable options for renters and squatters, and community-empowered resettlement (BRR 2009a).

4.4 Capacity Building: Creating a Recovery Management Agency

Early during the process of recovery planning, the Government of Indonesia realized that it would need to create a specialized recovery agency in order to manage the massive challenge of reconstruction (12,500 projects, 55 donor countries and 900 NGOs). This realization was based on the need to: (a) coordinate across many government agencies at the local, provincial and central levels; (b) manage billions of dollars of reconstruction finance from the Government, NGOs and donors; and (c) geographically work in two different tsunami-affected provinces (Aceh and North Sumatra).

A little more than 4 months after the disaster, the Indonesian President issued a regulation in lieu of law that established the Agency for the Rehabilitation and Reconstruction of Aceh and Nias (known as the BRR) to coordinate and jointly implement a community-driven recovery program. The BRR's mandate was to design policies, strategies and action plans, within an atmosphere of transparency and accountability, and to implement them through effective leadership and coordination of the combined domestic and international reconstruction effort.

The agency grew from a handful of individuals in the early days to over 1,500 staff in decentralized offices as well as a mandate that expanded from coordination to implementation. Some of the BRR's key features included:

- Leadership by a dynamic, respected and “clean” civil servant who was given Cabinet-level status and access to the President
- Staffing by top-notch staff from central and local government, in partnership with international experts
- A limited lifespan of 4 years (which was respected when the BRR handed over its assets and responsibilities to local government in April 2009)
- A phased approach to reconstruction that focused on housing, followed by infrastructure, followed by economic development
- Significant investment in building the capacity of devastated local government institutions so that they could take over the process of moving from reconstruction to development
- A commitment to good governance (see following paragraph)

Prior to the tsunami, the province of Aceh had the reputation of being poor, conflict-ridden and corrupt in a country that was named by Transparency International as the sixth most corrupt country of 133 nations surveyed. With billions of dollars of aid flowing in and a local government weakened by not only the disaster but also decades of civil strife, the flames of corruption were ready to be fanned.

To promote a clean recovery, the BRR championed a number of critical initiatives including: (a) higher wages and benefits for all BRR staff to both attract the best and lower the risk of corruption; (b) an Integrity Pact that had to be signed by all of its staff and projects; (c) becoming the first Indonesian government agency to field an independent anti-corruption unit; (d) financial disclosure of assets for all key staff; (e) direct supervision by local offices of the national Corruption Eradication Commission and the Treasury (a first-ever); (f) the first government agency to conduct a full audit of all of its expenditures; (g) development of transparent systems (recovery database, asset management, e-procurement, complaint handling); and (h) oversight by two formal bodies as well as many national and foreign NGOs. These measures helped the BRR gain the trust of the international community and minimized waste, making for a more effective recovery (BRR 2009b).

The BRR was a product of partnership from the very beginning. Initially, the McKinsey & Company consulting firm provided thousands of hours of pro bono support to help develop the BRR's structure, systems and standard operating procedures. Many international donors provided technical staff to help strengthen the BRR's capacity. The Multi Donor Fund provided a \$14 million grant to finance critical outsourced services, equipment and consulting skills for the BRR. Hundreds of development partners cooperated with the BRR by registering and seeking endorsement of their projects, submitting progress reports, adhering to reconstruction guidelines, and jointly implementing projects. Finally, in closing down its operations, the BRR engaged in a close partnership with local government agencies to transfer assets and responsibilities.

5 Adding Value and Learning Lessons from Partnerships

Partnerships for post-disaster recovery add value to the process by: (a) addressing the financing gap between reconstruction needs and immediately available finance; (b) filling the gap between what is known locally and internationally about reconstruction; (c) accelerating the pace of recovery through coordination, cooperation and removal of barriers; (d) strengthening institutions so that they are more capable of managing the recovery; and (e) improving governance by giving voice to stakeholders in both recovery planning and implementation. This final section of the chapter characterizes each type of value-added and draws lessons for managing partnerships.

5.1 Addressing the Financing Gap

One notable difference between recovery in low-income countries and developed economies is the lack of formal insurance coverage by households and businesses. For example, about half of losses resulting from Hurricane Andrew in Florida and

the Northridge earthquake in California were covered by formal insurance while less than 15 % of losses resulting from the Indian Ocean tsunami were covered (de Mel et al. 2008).

Lessons Reconstruction can be delayed if adequate financing is not available. This can be overcome by: (a) reconfiguring existing projects and programs in the disaster-affected area; (b) drawing on government sources of standby financing; and (c) mobilizing external assistance from donors and NGOs that can flow outside of the government budget to support government policies and programs.

5.2 Filling the Knowledge Gap

When reality gets turned on its head after a disaster, good information is at a premium – it is needed urgently and it is hard to obtain. Partnerships can help fill the knowledge gap right from the outset with the preparation of a Post-Disaster Needs Assessment which now combines the ECLAC-style damage and loss economic analysis with a more survey-based approach to basic needs. During the reconstruction, financial tracking combined with monitoring of a results framework and/or reconstruction standards can be used to gauge the ongoing performance (efficiency and efficacy) of reconstruction activities and the recovery program as a whole. Finally, important knowledge can be generated for the future by conducting a post-reconstruction evaluation to both assess final performance and learn lessons for reducing the risk and responding to future disasters.

Lessons Build communities – the initial rush to provide shelter can result in rebuilding structures, not communities. In addition to structures, attention must be paid to local infrastructure (water, sanitation, transport, electricity, waste management), livelihoods, and social and religious facilities.

Pick the right partners – partners should be chosen based on their proven ability to deliver good practices. Conversely, inexperienced but perhaps well-financed partners can actually reduce the quality and pace of recovery.

5.3 Accelerating the Speed of Recovery

The pace of reconstruction can be hindered or hampered depending on how well partnerships are managed. For example, the lack of local-national coordination in the initial post-Hurricane Katrina response was later reflected in various aspects of the recovery phase and contributed to making rapid reconstruction problematic. On the other hand, countries that have established effective coordination mechanisms for local, national and even international coordination have fared better in

implementing a swifter recovery (e.g. Japan after the Kobe earthquake, Indonesia after the tsunami and the Yogyakarta earthquake, Pakistan after the earthquake).

Lessons Coordinate partnerships – a multitude of well-meaning partners may want to contribute to the recovery process but, if uncoordinated, they can work at cross-purposes. These potential roadblocks to speedy recovery can be overcome by formal and informal coordination mechanisms.

Incorporate disaster risk reduction – resilience to the next disaster can be increased at a relatively low cost by building DRR into the recovery process, including greater public awareness, early warning systems, more resilient infrastructure, more responsive services, better siting of facilities, and institutional coordination for disaster response.

5.4 Strengthening Institutions for Recovery Management

Local institutions often suffer from severely reduced capacity following disasters, often losing staff, buildings, equipment, and records. National institutions can be similarly affected from catastrophes, as was the case following the January 2010 earthquake in Haiti. In order to ensure the long-term sustainability of recovery and ensuing development, partnerships must incorporate a focus on strengthening institutional capacity (see principles from Haiti in Vignette 5).

Lessons Involve local authorities – local governments, along with communities and NGOs, are often the first-responders following a disaster and they are accountable for eventual management of the reconstruction process. Strong local governments should be acknowledged leaders in the recovery while weaker local governments may require significant capacity building. When reconstruction is “handed over” from stronger partners to local government, the local authority must be prepared to receive, manage and maintain assets that are being transferred.

Recovery through dedicated institutions? – recovery from a major disaster may call for the creation of a dedicated institution or authority (a recovery “czar”). The costs and benefits of this approach need to be carefully (and quickly) weighed.

Vignette 5: Principles for Building National Capacity in Haiti The massive destruction caused by the January 2010 earthquake in Haiti is an unprecedented opportunity for transforming and modernizing the Haitian state. The Global Facility for Disaster Reduction and Recovery and the World Bank’s Disaster Risk Management Team have identified the following principles for strengthening national capacity following the disaster:

1. **Good governance** – an emphasis should be placed on transparency, accountability, stakeholder participation, and controlling corruption.

2. **Capacity building** – start by building on existing capacity and social capital. In Haiti, this would include local and international NGOs, community-driven development programs, religious organizations, and the Diaspora.
3. **Invest in a modern state** – ensure that the recovery process contributes to rebuilding a government that is capable of providing services and enforcing the rule of law.
4. **Decentralization** – use the recovery to increasingly decentralize economic and political activity where it promotes prosperity and good governance.
5. **Quality standards** – apply, monitor and enforce quality standards for recovery activities, such as integrating disaster preparedness, managing the environment, protecting vulnerable groups, enhancing gender equity, and enabling the private sector.

Source: World Bank (2010b)

5.5 *Giving Voice to Stakeholders*

Communities represent the social capital upon which recovery is based. Community representatives, organizations and leadership should be involved in all key activities such as land reallocation, settlement planning and housing construction/repair. Public participation may increase transaction costs in the short run but will improve the overall quality and effectiveness of the recovery effort.

Lesson Establishing regular mechanisms for communication can help to strengthen voice. This can occur in different ways such as:

- Having representatives of different stakeholder groups formally participate in the governing bodies that plan and implement the recovery
- Creating complaint-handling systems, hotlines, media talk shows, roadshows, and other opportunities for beneficiaries to provide feedback on the pace and quality of the reconstruction

A Concluding Lesson: Build Partnerships Before Disasters Happen

Siembieda (2002) has identified a number of principles that can facilitate effective partnerships before disasters happen:

- **Train local people prior to an event** – Training helps people to organize themselves, identifies leaders and creates a larger number of first responders. In short, it creates a network that represents valuable social capital when a disaster strikes.
- **Create capacity to receive assistance from unconventional sources** – Networks within communities can be identified and developed to become

(continued)

partners with NGOs, foundations, faith-based organizations, etc. to support reconstruction that complements or supplements government action.

- **Set up local governmental linkages prior to a disaster** – better coordination within local agencies and between municipalities can be established in an ongoing basis and will facilitate cooperation in the event of a disaster.
- **Plan for disasters** – during the reconstruction, disaster resilience and preparedness should be mainstreamed in projects and programs, e.g. new housing should be disaster-resistant and community education efforts should include disaster awareness training.

In addition, one could draw on these lessons for disaster risk reduction and add:

- **Addressing the financing gap** by ensuring that funds are immediately available to help finance both relief and recovery, e.g. by expanding access and use of disaster insurance, putting lines of credit in place that can be drawn down in emergencies and establishing an ongoing fund that can receive contributions in the event of a major catastrophe.
- **Filling the knowledge gap** by having key background studies and databases completed (see Vignette 4), staff who are trained in conducting PDNAs and management information systems in place that can track recovery financing and investments.

Vignette 6: Addressing the Knowledge Gap in Post-conflict Liberia In order to strengthen post-conflict recovery in Liberia and to create resilience to future stress, the World Bank has proposed that the knowledge gap be filled through a number of initiatives:

1. **An Institutional and Governance Review** focusing on the functioning key public institutions: government revenue collection agencies, budgeting agencies and public expenditure management systems and related financial, accounting and procurement processes;
2. **A Poverty Assessment and Societal Mapping** to establish the country poverty profile, identify the main determinants of poverty, vulnerable groups, and analyze the political, social and cultural trends and tensions at work; and
3. **A Development Policy Review** to analyze the main macroeconomic and structural issues and provide the basis for more detailed sectoral analysis of critical areas like health, education, infrastructure, timber, mining, and decentralization of governance.

Source: World Bank (2003)

References

- BAPPENAS (National Development Planning Ministry) (2005) Indonesia: preliminary damage and loss assessment – the December 26, 2004 natural disaster. BAPPENAS and international partners, Jakarta
- De Mel S, McKenzie D, Woodruff C (2008) Enterprise recovery after disasters in a low-income country. World Bank working paper. World Bank, Washington, DC
- Fengler W, Ihsan A, Kaiser K (2008) Managing post-disaster reconstruction finance: international experience in public financial management. Policy research working paper 4475. World Bank, Washington, DC
- GAO (2009) Disaster recovery: past experiences offer recovery lessons for Hurricanes Ike and Gustav and future disasters. Testimony to U.S. House of Representatives, Government Accountability Office, Washington, DC
- International Federation of Red Cross and Red Crescent Societies (2009) Aceh rises again: how the Red Cross & Red Crescent helped provide the keys to a new future. IFRC, Geneva
- Leitmann J (2007) Cities and calamities: learning from post-disaster response in Indonesia. *J Urban Health* 84(1):144–153
- Masyrafah H, McKeon J (2008) Post-tsunami aid effectiveness in Aceh: proliferation and coordination in reconstruction. Working paper 6. Wolfensohn Center for Development, Brookings Institution, Washington, DC
- Multi Donor Fund for Aceh and Nias (2009) Five years after the tsunami: continuing the commitment to reconstruction. Multi Donor Fund, Jakarta
- Pollard A (2010) Power in doubt: aid, effectiveness and harmonization amongst donors in Indonesia. Doctoral dissertation, University of Cambridge
- Reardon K (2011) Community/University/City post-disaster partnerships. In: Blakely E et al (eds) *Managing urban disaster recovery*. Crisis Response Publications, Berkshire
- Reconstruction and Rehabilitation Agency for Aceh and Nias (BRR) (2009a) Case study: the scattered beads. BRR Book Series, Banda Aceh
- Reconstruction and Rehabilitation Agency for Aceh and Nias (BRR) (2009b) Supervision: eradicating corruption with no tolerance. BRR book series, Banda Aceh
- Republic of Indonesia (2005) Master plan for the rehabilitation and reconstruction of the regions and communities of the province of Nanggroe Aceh Darussalam and the islands of Nias, Province of North Sumatera. Government of Indonesia, Jakarta
- Siembieda W (2002) Choosing a paradigm for disaster recovery. Center for Disaster and Humanitarian Assistance, University of South Florida
- Telford J (2004) Learning lessons from disaster recovery: the case of Honduras. Disaster risk management working paper series no. 8. World Bank, Washington, DC
- Vatsa K (2009) Post-disaster recovery and reconstruction: a survey of institutional issues. China Architectural Design and Research Group, Beijing
- Wilkinson F (2005) Coastal design and tsunami mitigation for shelter/house reconstruction on the west coast Aceh. In: *International symposium – Disaster reduction on coasts*. Monash University, Melbourne, 14–16 Nov 2005
- World Bank (2003) Liberia: transition support strategy, Option paper. World Bank, Monrovia
- World Bank (2010a) Managing post-disaster aid. Haiti Earthquake Reconstruction Note, GET-DRM Team with GFDRR
- World Bank (2010b) Managing the recovery. Haiti Earthquake Reconstruction Note, GET-DRM Team with GFDRR
- World Bank (2010c) Recovery of Aceh land administration system project: implementation completion report. World Bank, Washington, DC

Web Resources for Systematic Partnerships

Asia Disaster Preparedness Center. www.adpc.ait.ac.th
Center for International Disaster Information. www.cidi.org
Center for Reconstruction and Development. www.rec-dev.cc
Crisis Web. www.crisisweb.org
Disaster Relief. www.disasterrelief.org
Disaster Resource Network. www.disaster-resource.com
Disaster Response Network. www.disasterresponse.net
Global Facility for Disaster Reduction and Recovery. www.gfdr.org
Inter-Action. www.interaction.org/disaster
International Federation of Red Cross and Red Crescent Societies. www.ifrc.org/what/dp/mitigate.asp
Natural Hazards Center. www.colorado.edu/hazards
PAHO Program on Emergency preparedness. www.paho.org/english/PED
ProVention Consortium. www.proventionconsortium.org
Relief Web. www.reliefweb.int
UNDP Bureau for Crisis Prevention and Recovery. (www.undp.org/erd/disred)
UN International Strategy for Disaster Reduction. www.unisdr.org
World Bank Disaster Management Facility. www.worldbank.org/dmf

Measuring the Performance of Research Organizations

Massimiliano Di Bitetto

1 Introduction

All non profit and government organizations need to identify indicators of their performance, since revenues only imply that the government – and the taxpayers – are willing to pay for their services. However the government’s willingness to pay does not per se imply specific ideas about the performance of public administrations and publicly funded organizations in general. The issue is relevant when we consider an organization as a whole, however often times organizations have sections, or different units that are parallel and perform the same task. Again the identification of indicators of performance is a need felt also by internal management. Research institutions follow the general rule of public organizations and try to identify indicators of performance. It is a vexed question whether such indicators are apt for this use. We present here an experiment that was carried out at the National Research Council in Italy, between the year 1998 and the year 2003.

The National Research Council (CNR) of Italy is a relatively large research organization. It is funded by the Ministry of Research and it performs research in all fields of science and the humanities. The units of the Council are the Institutes. There are over 100 institutes, about 8,000 employees, half of whom are researchers. Funding from the government amounts to over half a billion euro.

We present here an experiment in the calculation of indicators and in the dissemination of results of such calculation. By all means we do not imply that the budget was ever dependent from the results of this exercise. However, we want to report that a certain interest was shown by the institute directors. A soft mechanism of acceptance started taking place and a culture of quantification slowly

M. Di Bitetto (✉)

Italian National Research Council, Central Management for Programming and Infrastructures,
Rome, Italy

e-mail: massimiliano.dibitto@cnr.it

began growing, which was a fortunate circumstance since it was the very scientists who started giving importance to the publication of the indicators.

Working on the subject of scientific research evaluation, we found helpful guidance in the general works of Bornmann et al. (2008), Emrouznejad (2008), Griliches (1998) and Hirsch (2005). Besides the European Commission (2003) report, we found helpful the more recent (Oecd, 2012).

2 Performance Indicators of CNR Institutes

Following is the table of the indicators and the specific numbers that were calculated for a sample of research institutes (Table 1).

Table 1 Indicators 2002

	1 ^a	2 ^b	3 ^c	4 ^d	5 ^e
	Institute	Institute	Institute	Institute	Institute
Total publications	54	257	392	354	112
JCR publications	18	72	129	135	40
Average impact factor	1.48	1.43	3.32	2.25	2.65
Other International publications	14	49	107	20	29
Cost of labour (€/1000)	1624	3754	11663	2898	3075
Research funds (€/1000)	363	816	6117	866	940
% market funds	5	4	28	7	15
International publications by researcher	2.7	2.5	2.0	4.4	1.9
National publications by researcher	0.5	1.6	0.7	0.1	0.2
Courses taught by researcher	0.3	0.4	0.1	1.1	0.3
Students by researcher	0.4	0.8	0.2	2.5	0.9
Number of contracts with the EU (€/1000)	1	3	4	10	2
Average EU contributions (€/1000)	2	94	115	193	71
MOCR ^f	1.70	0.95	5.59	3.13	1.62
MECR ^g	1.25	1.01	3.10	2.55	1.83

^aInstitute for Acoustics

^bInstitute for Computer Science

^cInstitute for Astrophysics

^dInstitute for Chemistry of Metal Compounds

^eInstitute for Polymers

^fMOCR: the number of citations received from the set of selected articles in the year of publication and in the following 2 years divided by the number of articles selected. This index measures the average impact of the analyzed articles and offers an indication of their quality (CNR Report 2002, p. 251)

^gMECR: from a statistical point of view, this indicator is similar to the MOCR except that the real number of citations obtained is substituted, as inferred from the JCR, with the impact factor of the journal in which the set of selected articles was published (CNR Report 2002, p. 251)

The performance indicators used to highlight the results achieved by CNR research institutes are outlined below.

2.1 Total Publications

This indicator is given by the total sum of national and international publications subdivided in accordance with the coding introduced in (Table 2). In other words, it is calculated as follows:

$$\text{Total publications} = (22_{A0} \text{ JCR} + 22_{A0} + 22_{A1} + 22_{A2} + 22_{A3}) \\ + (22_{B0} + 22_{B1} + 22_{B2} + 22_{B3} + 22_{B4})$$

2.2 JCR Publications

This indicator consists of the number of publications in journals classified by the ISI (Institute for Scientific Information) in the Science Citation Index, the Social Science Citation Index, and the Arts and Humanities Citation Index.

Mean Impact Factor (IF) The impact factor is available for all publications in journals covered by the Journal of Citation Report. The IF is given by the ratio of the number of citations registered for the articles published in a particular journal during the two previous years to the total number of articles published by the journal over the same period of time. The IF therefore indicates the average frequency with which an article published in the journal is cited over a set 2-year period.

Table 2 Legend for indicators' formulae

Code	
22_A0 JCR	JCR articles
22_A0	Articles on international journals
22_A1	International books
22_A2	Proceedings of international conventions
22_A3	Communications at international conventions
22_B0	Articles on domestic journals
22_B1	Books published in Italy
22_B2	Proceedings of domestic conventions
22_B3	Communications at domestic conventions
22_B4	Internal reports
31	University courses taught
32_00	Other courses
32_01	Graduate theses
32_02	Doctorates
32_03	Study grants

2.3 *Other International Publications*

This indicator includes articles published in other journals with international editorial boards, books published by non-Italian publishers, and papers included in the proceedings of international conferences.

The indicator is calculated as follows: $22_A0 + 22_A1 + 22_A2$.

2.4 *Research Funds*

Expressed in 1,000 euros, this indicator shows the budget allocated to each CNR Institute. It consists of the total running costs and investments costs as stated in Table 6 of the CNR final statement for 2002.

2.5 *Self-Financing Capacity*

Self-financing capacity is calculated by dividing the total sum of resources obtained from the market by the total cost of the unit in question. The resources obtained from the market comprise the sum of allocations for targeted projects and active contracts, including funds set aside to hire personnel on fixed-term contract. Self-financing values are calculated on the basis of amounts to be paid out (expenditure). The numerator now also includes the productivity bonuses awarded to Researchers based on the assumption that these bonuses are in any case sums received from outside contracts. The indicator is calculated as follows:

$$\frac{\text{Allocation for targeted projects} + \text{private contracts (including interim personnel)} + \text{personnel productivity bonus}}{\text{Cost of labor} + \text{Research Funds}}$$

2.6 *International Publications per Researcher*

This indicator is designed to gauge the productivity of CNR research Units as expressed through international journals. On the basis of the codes set forth in Table 1, the indicator is calculated as follows:

$$\frac{22_A0_JCR + 22_A0 + 22_A1 + 22_A2}{\text{CNR Researchers of the Unit} + \text{other assigned personnel}}$$

2.7 *National Publications per Researcher*

The only difference with respect to the previous indicator is the fact that this one refers to publications at the national level. It is calculated as follows:

$$\frac{22_B0 + 22_B1 + 22_B2 + 22_B4}{\text{CNR Researchers of the Unit} + \text{other assigned personnel}}$$

2.8 *Teaching Appointments per Researcher*

For each research Institute, this indicator shows the number of teaching posts held in university and other courses per Researcher. In terms of the codes set forth in Table 2, the indicator is calculated as follows:

$$\frac{31 + 32_00}{\text{CNR Researchers of the Unit} + \text{other assigned personnel}}$$

2.9 *Trainees per Researcher*

For each research unit, this indicator shows the number of degree students, doctorate student and grant holders. In terms of the codes set forth in Table 2, the indicator is calculated as follows:

$$\frac{32_01 + 32_02 + 32_03}{\text{CNR Researchers of the Unit} + \text{other assigned personnel}}$$

2.10 *Number of Contracts with the EU*

Number of contracts underway with the EU.

Average EU Contribution This indicator regards the average EU contribution on the running contracts in each research Institute/Centre during the previous year. The formula is thus as follows:

$$\frac{\text{Total EU contributions} * \text{n. contracts}}{\text{Total duration of all projects in months}}$$

3 **The International Approach**

When we look at Europe, we seem to find a trend away from quantitative approach: the 1997 edition was more cogent than the 2003 edition, and there haven't been any ERST editions in the last 10 years.

Table 3 Cumulated Mean Expected Citation Rate (MECR) of top European institutions

Institutions	Cumulated MECR	No. of publications (science citation index)
INSERM	6090	3848
Max Planck Society	5970	4369
Oxford University (+ Radcliffe Hospital)	550	2734
Cambridge University (+ Addenbros Hospital)	4990	2816
Leiden University	4980	1441
Karolinska Institute Stockholm	4880	2150
Amsterdam University	4750	1287
Utrecht University	4670	1575
Heidelberg University	4560	1528
CNRS	4400	11022
London University (all colleges, institutes and hospitals)	4200	10613
Helsinki University	4160	1502
CSIC	4120	1974
Milan University (San Raffaele Hospital)	4110	1721
CNR	4080	2767

Source: European Commission, *Third European Report on Science and Technology Indicators*, 2003

Cross-country comparisons have been avoided in the 2003 edition vis-à-vis the 1997 edition.

The approach of the European Commission can be drawn from the “European Report on Science and Technology” (ERST), 1997 and 2003 editions. In the 1997 publication, we notice a focus on individual organizations (Table 3).

MECR is the Mean Expected Citation Rate that measures the number of citation that a publication is likely to have.

In 2003 (Table 4) the approach has changed from the 1997 edition; Table 4 maybe wants to be politically correct and therefore it does not make comparison across countries, but it presents rankings within each country and all countries in alphabetical order. The tables for Germany and Italy are presented here in order to allow some international comparison.

The element in the third column is the “field normalized citation score”, which is an index that takes into account differences in the absolute quantity of publications and citations that take place in the diverse fields of science.

Table 4 Germany and Italy publishing research institutions

	N. of publications	N. of citations	Field norm. citation score
Germany			
DLR	1707	4252	1.00
Free Univ. Berlin	10830	55210	1.00
Gsf-Res. Centre for the Env. & Health	2529	13619	1.16
Gsi- Centre for Heavy Ion Research	1657	6926	1.28
Humboldt Univ.	8947	31676	1.01
MPI for Extraterrestrial Physics	1831	12693	1.30
	N. of publications	N. of citations	Field norm. citation score
Italy			
CNR	18833	66626	0.85
Enea	1313	2400	0.62
Infm	2525	4697	1.04
Infn	9199	38311	1.17
Inst. Nat. Super. Health	2767	15362	1.06
Intl. School of Adv. Studies, Trieste	1715	8243	1.17

Source: European Commission, *Third European Report on Science and Technology Indicators*, 2003

Conclusions

We notice a decrease in the interest in numbers from the OECD. We know that at an institutional level no one uses numbers as a cold criterion to allocate budgets. Within the CNR, no formula is used to allocate the budget. In Italy several exercises of peer review of scientific performance have taken and are taking place. It should also be clear that scientometric indicators and peer review are not really competitive evaluation systems: indicators are an input to peer review. Still we need to remember that evaluation exercises are often carried out to allocate budgets and budgets are formulated in numbers. Therefore budgets are the ultimate quantification of science, as they actually are for all other activities of governments and businesses.

There are many issues about the quantification of the quality of science. Sometimes one would even have doubts about the end of scientometrics. However as long as budgets will be formulated in numbers, the quantification of science will be there; it may be only an implicit calculation, but it will be there.

(continued)

Diverse systems of evaluation are available. None of them has prevalence upon the others. Many good results appear to depend on the quality of execution and implementation of policies, internal management systems, and organizational governance.

As this discussion could potentially continue endlessly, I guess we could here agree on a more general criterion of evaluation, one that goes beyond numbers and words: comparison. Whether we do that with numbers or we express it in words, evaluation is about comparing comparable organizations and saying which one is better than the other. Evaluation is about comparison.

References

- Bornmann L, Mutz R, Neuhaus C, Daniel H-D (2008) Citation counts for research evaluation: standards of good practice for analyzing bibliometric data and presenting and interpreting results in DEA. *J Eth Sci Environ Polit* 8:93–108
- CNR (2002) CNR report 2002, research result. Rome. Available for download: <http://www.cnr.it/sitocnr/IIICNR/DocumentiProgrammatici/CNRreport/Report2002.html>. Accessed 18 Feb 2014
- CNR (2003) CNR report 2003, research result. Rome. Available for download: http://www.cnr.it/134_sitocnr/IIICNR/DocumentiProgrammatici/CNRreport/Report2003.html. Accessed 18 Feb 2014
- Emrouznejad A, Parker B, Tavares G (2008) Evaluation of research in efficiency and productivity: a survey and analysis of the first 30 years of scholarly literature in DEA. *J Socio Econ Plan Sci* 42(3):151–157
- European Commission (2003) Third European report on science and technology indicators. Brussels
- Griliches Z (1998) Issues in assessing the contribution of research and development to productivity growth. National Bureau of Economic Research, Cambridge, MA
- Hirsch JE (2005) An index to quantify an individual's scientific research output. In: Proceedings of the National Academy of Sciences of the USA, Washington, DC, vol 102, no 46, pp 16569–16572
- OECD (2012) Science, technology and industry outlook. http://www.keepeek.com/oecd/media/science-149_and-technology/oecd-science-technology-and-industry-outlook-2012_sti_outlook-2012-en

Far Away, So Close? Examining the Growth Potential of Greece Through the Lens of New Zealand's Paradigm

Athanasios Chymis and Antonis Skouloudis

1 Introduction

The Greek economic crisis demonstrates the problematic nature of the development paradigm the country has been following during the past four decades. This paradigm was based on loans and consumption to the detriment of savings and investment. Such a development pattern was not viable because its foundation was not the real economy (i.e.: production-based value creation) but consumption based on loans and, since 2002 when Greece joined the Euro-zone, artificially 'cheap money'. Another feature of this unsuccessful development paradigm was the comparison of Greece with the rest of Western European economies regarding the Agricultural Sector (henceforth Ag Sector). In developed countries the Ag Sector participates very little in the total GDP and its share to GDP constantly decreases. Consequently, the constant and sharp decrease of the Greek Ag Sector GDP share was mistakenly considered a success and a sign of maturity of the Greek economy. However, as we explain later, such transitional change is not absolutely accurate.

There is a widespread concern that the Ag Sector will suffer after 2014 because of the reform of the Common Agricultural Policy (CAP). However, the literature offers success stories from countries that not only overcame crises similar to the Greek one but also did not receive any CAP support. Such a success story is the case of New Zealand (NZ). NZ shares many similarities with Greece beyond mere

A. Chymis

Centre of Planning and Economic Research (KEPE), Athens, Greece

e-mail: achymis@kepe.gr

A. Skouloudis (✉)

Department of the Environment, University of the Aegean, Mytilene, Greece

e-mail: Skouloudis@env.aegean.gr

geomorphological characteristics and climatic conditions. It also has economic and structural similarities and, most importantly, the country also went through a severe debt crisis, which successfully managed to overcome, and is now considered a powerful player in the international agri-food market.

In this chapter we attempt to demonstrate the growth potential of the Greek agri-food sector in light of the new CAP reform and by taking into account the special circumstances of the current economic crisis. The continuous increase of agri-food exports along with their increasing share in total exports shows that the primary sector of the Greek economy should not be underestimated. In this respect, the case of NZ is thoroughly presented and analyzed. Useful and fruitful discussion could be sparked from this paradigm regarding how a crisis can be seen as an opportunity rather than merely as a threat. The NZ case offers many fruitful ideas and best practices that, if adapted to the Greek environment, it can help the country not only to confront the crisis but also create a robust growth pattern. A growth pattern based on production and exports and beyond loan-based consumption.

The remainder of the chapter is divided into three sections. The following section includes a presentation and analysis of the NZ case. The next section analyses the similarities and differences between Greece and NZ and briefly outlines the potential of the Greek agri-food sector. Finally, lessons from the NZ experience are drawn, lessons that could prove to be useful for the redefinition of the Greek economy.

2 The Case of New Zealand

2.1 The Crisis (1984–1995)

NZ has traditionally been an agriculture-oriented economy much like Greece. Similarly to Greece's current situation, NZ's economy was insulated until 1984 when the domestic debt crisis erupted. Extensive subsidies to farmers and exporters, comprehensive controls on the financial sector and a highly-sheltered private sector were the main characteristics of the NZ economy preceding the crisis. An effective structural reform program helped NZ not only to overcome the economic downturn but also to become a world leader in the agribusiness sector.

Since its independence in 1853, NZ had special preferential trade relations with the UK. Especially after 1945 England was importing the major part of NZ's meat and milk production. This changed after 1972 when the UK joined the European Community and access to the English market became limited (Evans 2004). From 1940 until the crisis in 1984 state control over the economy was very strong. The manufacturing sector was protected through import tariffs and quotas, while agriculture was highly supported through subsidies. By 1984 NZ's agricultural sector

was very expensive and inefficient. The level of farmers' support was 30 % of the total Ag Sector value.¹

This protectionist and subsidy-based policy increased agricultural production, but made it less efficient. The use of resources also became less efficient. Agricultural land prices increased as well as agricultural services and other input materials. The subsidies had a serious distortive effect. Farmers were producing more subsidized goods to the detriment of country's competitiveness at the global level. The government was assuming the risk of any bad decisions regarding agriculture. This structure was shaken by the oil crisis in the 1970s which led to an even higher level of control of the economy by the state and entailed additional government expenditure for the welfare state (Evans 2004).

In 1984 the economy of NZ entered a crisis period with high deficits (9 %), increasing public debt (60 %) and high inflation (18 %) (Evans et al. 1996). Previously highly ranked among the OECD high-income countries, NZ had now fallen behind most of them (Bale and Dale 1998). Government expenditure reached 40 % of GDP while citizens received low-quality and expensive public services from poorly-managed public companies. Bureaucracy was high, public organizations and enterprises had accumulated deficits and, as Bale and Dale denote, "creative accounting"² was used to give the appearance of good performance" (Bale and Dale 1998, p. 104). Public and private debt escalated in June 1984 to 95 % of GDP. This resulted in NZ's creditworthiness downgrade by the international agencies, which sparked an exchange crisis (Evans 2004). Similarities with the Greek debt crisis are obvious though the Greek crisis is more severe due to deeper structural pathologies.

The unfoldment of the crisis as well as the reform period lasted for more than a decade, namely during the 1984–1995 period. NZ's Ag Sector changed from a protected high-income (due to subsidies) and low-risk environment, to an unprotected, fully liberalized one, open to international competition where the risk is borne by the agribusiness sector (Evans 2004). Such 'shock' of direct and drastic reforms, which has been recorded by the OECD as a unique example of market liberalization of such extent, laid the foundations for a strong, productive, competitive and independent (from governmental support) agriculture sector which has since been a dominant player in the international market (Evans 2004).

Nowadays, NZ has the lowest rate of farmer support among the OECD countries, i.e. 1 % of the total value of agriculture production while the OECD average is 18 %. Norway has the highest support (61 %), the EU-27 20 % and the US 7 %

¹ It is worth mentioning that Mpourdaras (2005) in his thorough empirical study estimates the level of farmer's support in Greece for the period 1989–1997. His conclusion is that the support is 40.2 % of the total Ag Sector value or 51.2 % of the total Ag Sector's value added.

² 'Creative accounting' is not a new concept neither a 'privilege' of the Greek government. It is true that Greece made excessive use of creative accounting and the term 'Greek Statistics' was consequently coined to describe this practice in the international terrain. Still, creative statistics has always been a common practice for anyone (individuals, organizations or governmental bodies) who has a strong incentive to conceal aspects of negative performance.

(KPMG 2012). It is considered by the OECD as the country with the least – practically zero – distortion on the international dairy market. NZ produces just 2 % of the global dairy production but makes 20 % of the global dairy exports (Karanikolas 2005). Nevertheless, this shift in NZ's paradigm did not occur mildly. It was a dramatic shift, a real shock. Farmers were suddenly exposed to international competition. The well-protected, insulated, environment of subsidies and low interest rates was abruptly removed and the exchange crisis brought high interest rates and inflation. Moreover, farmers from then on had to decide what to produce based on world prices and global demand rather than on government payments, as they had been doing until then (Evans 2004).

In this context, it is important to denote how farmers received these changes without rigid protests or major complaints. As Bale and Dale (1998) explain, reforms in NZ were widely supported. All relevant stakeholder groups including intellectuals, politicians and academics understood that the country would continue falling back in competitiveness with its development path to be undermined unless drastic reforms took place. The reforms affected all stakeholders, all interest groups. Accordingly, resistance from specific interest groups was minimal. As Evans et al. (1996) point out: “farmer special interest groups have broadly supported the reforms since their inception” (p. 1890). This was the case because, on the one hand, farmers would lose from the decrease in subsidies but, on the other hand, they would gain from the price drop of imported goods due to a decrease in import tariffs as well as from the cheaper farm land due to the sharp increase of interest rates.

The same happened with all other interest groups, who had equal treatment and none was excluded. Every potential stakeholder group in the country was convinced that the existing economic model – based on heavy governmental intervention – had driven the country into the crisis, had eventually failed and needed to change. Taxpayers were funding inefficient and opaque government enterprises, which were immune to real competition and had no incentive to offer high-quality services to the citizens (i.e.: the taxpayers). Agriculture was inefficient, the domestic industry was uncompetitive and imported goods were very expensive. It became clear and all stakeholders agreed that only a deep change would take NZ out of the crisis. Every interest group was willing to accept a short-run sacrifice for a long-term development, growth and prosperity, as long as all other interest groups were willing to do the same with transparency and accountability to be in the first line of reforms (Evans et al. 1996).

All economic and social sectors were affected. Labor became more flexible, the credit-financial system opened up, import tariffs were abolished as well as export and farmer subsidies, bureaucracy was substantially limited, greater accountability and transparency of both private and public firms was introduced and the taxation system was refined. Specifically, tax rates were reduced and the taxation system focused more on indirect rather than direct taxes; a flat sales tax was introduced and substituted the plethora of existing excise duties. The labor market liberalization in 1991 further boosted flexibility, as well as innovation dynamics, which in turn

spurred the development of the agricultural sector as farmers had access to cheaper labor (Evans 2004).

While in 1960 NZ's agri-food exports were 90 % of total exports, nowadays (see Table 2) they are just over 50 %. This was the result of the fast growth of industry and tourism. NZ effectively combined agribusiness with tourism in an environmentally benign way. When the government's protective 'cage' was lifted from farmers, they were exposed to the market forces of supply and demand and they had to respond to the incentives these forces create. Bearing the responsibility and risk of their own actions, quality of production increased and, at the same time, the use of resources/input materials became more efficient. Wasteful usage of (subsidized) fertilizers stopped, and resources were allocated to their maximum effectiveness. For instance, forestry and crop production, previously underdeveloped due to extensive support of animal production, started to increase (Bale and Dale 1998).

It is notable that NZ's forestry industry recently introduced a 10-year business plan, the vision of which is to double the income from forestry exports by 2022 to 12 billion NZ\$ (KPMG 2012). Farmers in NZ are no longer exclusive producers of agricultural products but actively contribute to a plethora of other services such as environmental conservation, picturesque landscape creation, and aspects of targeted tourism. They have managed to shape, endorse and promote the image of a traditional idyllic rural way of life coupled with modern facilities, goods and services, thus, achieved to increase tourism and boost long-term rural development (Evans 2004).

The NZ experience indicates that an Ag Sector not supported by subsidies and exposed to international competition is feasible. Entrepreneurship and innovation are 'unlocked', resource allocation within the sector and between interlinked sectors of the economy can be more efficient and synergies among sectors (i.e.: between agribusiness and tourism in this case) offer new opportunities for development (Evans et al. 1996; Bale and Dale 1998; Evans 2004).

2.2 General Characteristics Compared to the Greek Economy

New Zealand (NZ) has an area of approximately 270,000 km² (that comparatively puts it between Italy and the UK in terms of geographical area) and a population of 4.4 million, which means a population density of 16.4 persons per km², very low compared to European standards. For example, Italy has 60 million and the UK 62 million, that is, a density of 202 and 277 persons per km², respectively. The area of Greece is 132,000 km² and the population around 11 million, that is, a density of 83 persons per km². NZ is mountainous, and its climate is temperate, affected by the ocean but also differentiated a lot according the altitude and the distance from the sea, much like Greece. NZ economy includes a strong agricultural sector, which has the largest share of the GDP among the developed OECD countries (Table 1).

Table 1 Agriculture sector as a percentage of GDP for 2011

NZ	US	Canada	Australia	Denmark	France	Spain	Italy	Greece
4.8	1.2	1.9	4.0	1.3	1.8	3.2	2.0	3.3

Source: CIA The World Factbook, [2012](#)

Table 2 Comparative macroeconomic figures for the year 2010 (in \$US billion)

	GDP	Ag. sector		Total exports		Agri-food exports		
	\$ bil	\$ bil	% GDP	\$ bil	% GDP	\$ bil	% GDP	% Exp.
NZ	140	6.7	4.8	38.5	27.5	20.1	14.4	52.2
GR	300	9.9	3.3	22.4	7.5	5.8	1.9	25.9

Source: NZ national accounts ([2011](#)), [ELSTAT](#) ([Hellenic Statistical Authority](#))

It is worth noting that countries with long tradition in and export-oriented agriculture, such as the US, Denmark, France, Canada, Italy and Spain have a significantly smaller Ag Sector than NZ. The Greek Ag Sector's share of GDP has also been exhibiting a continuous decrease over the past decades. While a similar pattern occurred in other developed economies, this was a result of a faster growth of other parts of GDP, namely, the industrial and manufacturing sectors. However, in Greece this was not the case. The country never had a mature industry as other European countries have. Louri and Pepelasis-Minoglou ([2001](#)) signify the 'hesitant' industrialization in post-war Greece reflected in manufacturing industry's share of output which reached its peak (20.2 % of GDP) in the mid 1970s and followed a sliding de-industrialization path ever since. Accordingly, it was the tertiary sector which was growing fast and had an increasing GDP share. Yet, the services sector reflects primarily aspects of consumption rather than production and exports. With no mature industry and no production or exports (namely, no 'real' economy) the construction and services sector was growing fast due to economic support from the EU and artificially low interest rates which made borrowing easier and cheaper. Following this development paradigm for many decades, Greece was headed 'full-speed' towards an economic turmoil which indeed erupted in 2008.

In this context, [Table 2](#) compares Greece with NZ with respect to GDP, share of Ag Sector on GDP, total exports and agri-food exports as a percentage of total exports and GDP in 2010. It is striking how developed the NZ agribusiness sector is. While the value of its Ag Sector was \$6.7 billion, the value of agri-food exports reached \$20.1 billion, three times the initial agricultural production. This shows the value-added by the agribusiness sector, that is, processing, new products manufacturing, packaging, standardization and marketing of the final product.

On the other hand, Greece's primary agricultural production was \$9.9 billion in 2010. The agri-food exports were less than 60 % of that amount (\$5.8 billion) which indicates the untapped potential of domestic export-oriented agribusiness development. It is remarkable that NZ's agri-food exports make 52.2 % of total exports and 14.4 % of the country's GDP. Comparatively, Greece's agri-food exports make only 25.9 % of total exports and only 1.9 % of GDP. In this respect, given the decrease of

Greek GDP due to the economic depression, it is not a surprise that agri-food exports as a percentage of GDP have increased over the last 3–4 years.³ Nevertheless, they remain very low compared to NZ's 14.4 %. If Greece's agri-food exports were twice (not thrice as in the case of NZ) the value of Ag Sector production, agri-food export would escalate to \$20 billion, a figure that reflects Greece's total value of exports.

3 Greece's Situation and Potential

3.1 *Barriers to Overcome: A Weak State Apparatus*

New Institutional Economics (NIE) clearly explains that for-profit entities do not operate in a vacuum (North 2005). As Williamson (2000) asserts, firms operate within an institutional environment which determines 'the rules of the game'.⁴ Such institutional environment is the broader society in general and the state in particular within which a firm interacts with the aim to function efficiently. According to the NIE theory, a weak state apparatus that does not adequately protect and enforce property rights will fail to boost its economy (North 2005; Williamson 2000; Acemoglu and Robinson 2012). Moving a step forward, we argue that a weak institutional environment will not be able to instill social responsibility in its agents (citizens, for-profit entities along with other social constituents). In this context, if it is the institutional environment which is irresponsible in the first place how can we expect citizens, firms and other organizations to be responsible? If it is the state itself, through its weak institutions, which puts obstacles in the way of the efficient functioning of a firm, how can one expect the firm to be socially responsible?

Institutions are closely intertwined with the overall performance of a national economy. As already mentioned, an effective institutional environment is the prerequisite for a thriving economy and social welfare. In this respect, a number of global indices that measure and rank countries according to their institutional effectiveness are available to point out such discrepancies among national terrains. The most commonly-used, and the ones we employed in this study, are the World Bank's Ease of Doing Business (DB), the World Economic Forum's Global Competitiveness Index (GCI) and Transparency International's Corruption Perception Index (CPI) which actually mirror the social responsibility of the state.

The DB index includes ten sub-indices many of which directly measure institutional effectiveness and the overall robustness of the state apparatus.

³For more information on how agri-food exports have evolved during the last few years see Chymis (2013). Despite the late increase of the share of total exports on GDP and, specifically, agri-food exports' share on GDP and total exports, there is much untapped potential for the Greek economy in general, and for the agri-food sector in particular, to further boost exports.

⁴For a comprehensive review of the New Institutional Economics literature see Furubotn and Richter (2005).

Table 3 Greece's ranking in international indices

Country/year	2007	2008	2009	2010	2011	2012
Ease of doing business index ranking						
DB Greece	109	100	106	100	97	101
OECD high-income countries average		22	27	30	30	30
Global competitiveness index						
GCI Greece	65	67	71	83	90	96
Greek institutions	49	58	70	84	96	111
Corruption perception index						
CPI Greece ranking	56	57	71	78	80	94

Source: World Bank Group (2012), World Economic Forum (WEF) (2012) and Transparency International (2012)

The sub-indices pertain to the following topics: starting a business, dealing with construction permits, getting electricity, registering the property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. In the OECD 'ease of doing business' rankings for 2011–2012 Greece ranks 101st among 185 countries down from 97th in 2010–2011 and this reveals the major reforms needed to reach the average rank (29th) of the OECD high-income group. Table 3 compares Greece's Ease of Doing Business Index ranking with the average ranking of the other OECD high-income countries.

Moreover, Table 3 also illustrates Greece's rankings in the general Global Competitiveness Index (GCI) and its 'institutions' sub-index. This offers an idea of how the Greek economy (including, and mostly, composed by Greek business entities) performs with respect to essential features of competitiveness. Since the outbreak of the national crisis, the country demonstrates sliding competencies as well as weak institutions that would otherwise avert such negative trend. The number of countries included each year in the GCI steadily increases and reached 144 in 2012, up from 104 in 2004. However, even when controlling for the increase in the number of countries included in the index the situation in Greece is steadily worsening. In order to put these figures into perspective, it is useful to keep in mind that Greece is ranked - income-wise per capita - 23rd among the OECD's high-income countries from a total of 185 countries of the OECD list.⁵ Nevertheless with respect to most other indices, Greece falls far behind all its OECD high-income peer countries. More importantly, the view presented by the GCI's 'institutions' sub-index for Greece is deteriorating faster than the overall GCI country ranking which is indicative of the weak state apparatus, and, consequently, of the increasingly irresponsible institutional environment Greek firms face.

⁵ The OECD lists 185 countries (as of 2012) and categorizes them in seven large groups with respect to income and region. These are: East Asia and the Pacific, Eastern Europe and Central Asia, OECD high-income, Latin America and the Caribbean, Middle East and North Africa, South Asia and, Sub-Saharan Africa. The OECD high-income category (31 countries) contains most of the richest countries in the world.

Moreover, the CPI measures the perceived levels of public sector corruption in almost 180 countries worldwide. As the Transparency International 2012 report states: “two-thirds of the 176 countries ranked in the 2012 index score below 50, showing that public institutions need to be more transparent, and powerful officials more accountable” (Transparency International 2012, p. 2). In the past 6 years Greece dropped from 56th to 94th which clearly illustrates that corruption is a deeply-rooted pathogeny of the Greek state.

All three international rankings point in the same direction and are interrelated. A well-developed country with a strong state apparatus and an effective institutional environment will most likely be ranked highly in all three indices. This means the country in question will be highly competitive, with low corruption and an efficient economy. In contrast, Greece, a country with a weak state apparatus and an inefficient and ineffective institutional environment, is ranked low in all three indices.

3.2 Greece vis-à-vis New Zealand

Beyond their similarities, the two countries presented in this chapter have important differences. Regarding the economic crisis, Greece is already in the sixth consecutive year of depression, an unprecedented record in modern economic history. The Greek crisis is indeed deeper than the NZ one. Public debt has escalated to 150 % of GDP and unemployment is over 27 %. In addition to these differences regarding the severity of the crisis, there are also some other important aspects in which the two countries differ, such as EU membership and the monetary union. NZ had the luxury of an independent monetary policy which Greece lacks.

On the other hand, the global credit-financial system is fundamentally different today than it was 25 years ago when the NZ crisis erupted, and therefore, Greece has an underlying ‘benefit’ of record high financial assistance from the European Commission, the European Central Bank and the International Monetary Fund, the so-called Troika. Moreover, Greece has the support of the National Strategic Reference Framework (NSRF) and the Common Agricultural Policy (CAP), tools which NZ did not and does not have. Consequently, NZ’s Ag Sector went through an unprecedented shock that Greece does not have to go through thanks to the aforementioned support mechanisms. Moreover, the upcoming, reformed, CAP will emphasize on entrepreneurship and innovation, both of which the Greek Ag Sector needs.

Despite these obvious differences, the root causes of both countries’ crises are common and pertain to an expanded, deficient, indebted, non-transparent and dysfunctional public sector. An inflexible labor market, distortive subsidies towards special interest groups to the detriment of the whole economy, high taxation, high bureaucracy costs and a bulk of administrative procedures of every kind create a hostile business environment for any prospective investor, either domestic or foreign. Examining any global index devised by international organizations such

as the World Bank, the World Economic Forum, Transparency International, etc. one can identify that Greece lags far behind all OECD high income countries regarding competitiveness, institutional effectiveness, transparency, protection of property rights and the overall ‘attractiveness’ of the domestic business environment.⁶

One may argue that NZ managed to develop the Ag Sector and successfully exit the crisis thanks to its agricultural land which, combined with its low population density, allowed the country to exploit much larger agricultural area than Greece. Indeed, NZ’s size is twice that of Greece and its population less than half the Greek population. However, such an argument loses validity when we consider that Holland and Belgium, two European countries with much more developed and export-oriented agribusiness sectors than Greece, are just 25–30 % the size of Greece and with population density approximately four times higher.

It is indicative of the high potential of the Greek agribusiness sector, the fact that in 2009, the first year of significant decrease of external trade, total exports decreased by 17.1 % while agri-food exports remained stable (−0.31 %). Agri-food exports increased by 10.2 % in 2010, 2.2 % in 2011 and 16.4 % in 2012 (Chymis 2013). Despite these positive recent developments during the crisis, the Greek agri-food sector’s potential is still mostly untapped if we compare it to NZ’s performance on agri-food exports and given the primary production of agricultural business activities (see Table 2 above). Suffering from low extroversion, the Greek economy achieved in 2010 a mere 7.5 % of total exports over GDP⁷ while for Spain and Portugal (two countries of similar socioeconomic conditions) this figure was 20 %, for Denmark 32 %, Ireland 56.6 % and, as we noted earlier, for NZ 27.6 %. The Greek economy is still a relatively ‘introverted’ economy which does not exploit its competitive advantages. A major reason for this is the previously indicated hostile business environment, government distortive intervention and subsidy policies that do not favor innovation and entrepreneurship.

This is in sharp contradiction with the country’s natural wealth. It is not only the sun and temperate climate that can be attractive for tourists and potential investors. Apart from its rich subsoil,⁸ Greece’s soil is also very fertile thanks to extensive presence of limestone, in contrast to most of Europe’s acidic soils. Greece’s mountainous nature offers a huge diversity of local climates and precipitation varies from 300 mm in the Saronic Gulf area and the Cyclades Islands (areas with the most

⁶ See Skouloudis et al. (forthcoming).

⁷ According to the Hellenic Statistical Authority (ELSTAT), in 2012, and following a revision of previous years’ data, exports have reached 14 % of GDP.

⁸ According to recent data from ELSTAT, Greece has a significant amount of Bauxite (two million tons/year, Europe’s first and world’s 12th producer), Bentonite (one million tons –crude and processed, 9 % of world production), Gypsum (800,000 t), Kaolin (20,000 t), Lignite (65 million tons, Europe’s 2nd and world’s 6th producer), Marble (250,000 m³), Perlite (850,000 t, world’s first producer), Pozzuolana (Theraic earth – 1.5 million tons), Pumice stone (1.3 million tons, world’s third producer), as well as sea salt (200,000 t), not to mention gold reserves that are estimated at \$25 billion and hydrocarbons (gas and oil) that are under exploration.

sunshine in Europe), to 500–800 mm in most of the country, to 1,000 mm in more mountainous and western areas, to 2,000 mm in higher altitudes which makes ideal conditions for high quality pastures. Average precipitation is around 650 mm – comparable to places famous for their humidity and rainfall such as the Netherlands and Belgium (800 mm on average).⁹

The Greek coastline is second in length in Europe behind Norway. It is almost 15,000 km (very close to NZ's) and the great number of protected gulfs creates ideal conditions for aquaculture development as well as salt production. Italy for example, with half the coastline produces 12 times more salt than Greece. Turkey, also with half the coastline has almost similar aquaculture production with Greece. This is only a small but illustrative example of Greece's untapped potential.

The botanical wealth of the country has also not been given the attention it deserves. Crete alone (with an area of 8,300 km²) has the same number of herb species with the UK (area 244,000 km²). Likewise, 80 % of the Balkan and 50 % of European biodiversity can be found in Greece.¹⁰ Many herbs are collected and exported as raw materials only to be imported as processed (i.e.: value-added) products at a much higher price. Likewise, another relatively underestimated product is wood and forestry products. Greece is 27.5 % forested,¹¹ similar to NZ (30 %) and much more than many other European countries. During the last decades, forests are actually slowly expanding and regaining abandoned pastures (Eurostat 2011). Still, timber industry is in decline but could be redefined – in a manner similar to NZ's 10-year forestry business plan – with the establishment of sector-specific goals.

In contrast to Greece, NZ had a well-developed livestock sector. Government support focused on livestock thus leaving crop and forestry activities relatively underdeveloped. The elimination of subsidies offered the opportunity to farmers to cover market demand for crop products such as kiwis. In Greece the problem is quite the opposite. CAP was mostly supporting crops to the detriment of livestock, and especially cattle. The CAP cattle milk production quota was the final blow for milk and meat-producing cattle. Livestock development is crucial for Greece because dairy and meat imports account for more than 30 % of total agri-food imports. Last year, 2012, the agri-food trade deficit was €1 billion while dairy and meat imports alone were €2 billion. If dairy and meat producing livestock (especially cattle and pork) develops in such a way that imports are partly substituted by domestic production, the whole deficit of the agri-food trade would likely disappear.

The new reformed CAP is not hostile to livestock development. For instance, the milk quotas which were very restrictive for Greek cattle farming are expected to be abolished by 2015. In Greece there are local breeds of unexploited and even sometimes unexplored potential such as the water buffalo in northern Greece, an

⁹ <http://www.climatedata.eu/continent.php?cid=150&lang=en>

¹⁰ <http://www.e-geoponoi.gr/2010-03-20-19-06/2012-01-15-07-26-07/8176-a.html> (in Greek).

¹¹ Up from 25.4 % in the year 2000.

animal that produces low fat and high protein dairy.¹² The NZ experience shows that livestock and forestry can coexist; farmers in NZ combined livestock production with forestry development which resulted in natural beauty enhancement which in turn boosted the touristic industry development.

Moreover, the declining trend of CAP support (beginning a few years ago) on cotton and tobacco, two of the primary export-oriented Greek products, alarmed experts and farmers regarding the future of these production activities. Despite an initial decline of the cultivated area and the production in 2012 there was an impressive increase of mainly cotton and, to a lesser extent, tobacco exports. From the example of NZ, we learn that a decrease in support is not necessarily bad. In contrast, it can contribute to better resource allocation. According to Dr. Daraouse,¹³ (researcher at the National Agricultural Research Foundation) and an expert on cotton production, Greece has some of the best cotton varieties in the world regarding yield and fiber quality. Due to a not-so-well designed CAP subsidy system and the lack of organization of producers and ginners, production quantity increased to the detriment of quality and export value. An official certification mechanism is lacking but is necessary in order to export to high-value markets such as the US where there is high demand for high-quality cotton. An improved reorganization of the supply chain from the producer to the ginner to the certifier to the exporter is a must in order for Greece to capture high-value markets.¹⁴

The most important handicap of the Greek economy in general and the agribusiness sector in particular is the lack of efficiency and coordination. Based on the NZ example we see that this is partly due to a system of widespread government intervention, which minimizes risk-taking incentives and entrepreneurship as well as innovation while drives for-profit entities to be inert and to rely on governmental support. Once this changed in NZ and the government stepped out of its citizens' economic life, they assumed the risk necessary to organize themselves, to effectively uptake the role of entrepreneurs – being innovative and, most importantly, responsive to market signals.

Market co-ordination, redefinition of the supply chain and collective action (farmer's co-operatives) in Greece suffer from heavy government intervention that distorts any market-driven incentive to develop and create value.¹⁵ As Iliopoulos and Valentinov (2012) argue, continuous direct government intervention has impeded agricultural co-operatives from achieving their initial goals and purposes. In contrast,

¹² <http://www.greekwaterbuffalo.gr/vouvali/galaktoparagwgh.html> (in Greek).

¹³ Personal correspondence June, 2013.

¹⁴ For more details regarding Greek Ag Sector potential, we refer the reader to past issues of *Greek Economic Outlook* (e.g.: Chymis, issue 18, pp. 53–56 and Chymis and Konstantakopoulou, issue 19, 2012, pp. 63–75) available on-line at http://www.kepe.gr/EN_Pages/outlook_en.htm.

¹⁵ For a detailed elaboration on the farmer's cooperatives weaknesses in Greece see Iliopoulos and Valentinov (2012).

NZ has a well developed co-operative logic which enables the Ag Sector to achieve high levels of market organization and coordination (Iliopoulos et al. 2012).

In this respect, the following example neatly illustrates the degree of the NZ farmers' organization and collective action. Fonterra is a co-operative dairy company owned by its member-farmers. It belongs to its 11,000 dairy farmers (the majority of NZ's dairy farmers). Fonterra's turnover is more than 10 % of NZ's GDP! In absolute values, this means US\$15.7 billion, ranking fourth behind global giants such as Nestlé (US\$25.9 billion), Danone (\$19.5 billion) and Lactalis (\$18.8 billion).¹⁶ For illustrative reasons only, we make the following analogy: if the Greek olive oil sector¹⁷ organized all the supply chain, much like NZ's dairy sector did, namely, from the raw olive oil farm gate production to the final product at the retailer's shelf as food, medicine, cosmetics or all the other innovative (market-driven) business ideas may create and address to millions of consumers worldwide (like Fonterra does), the initial field value of around €800 million could reach billions¹⁸ as a retail final high-quality differentiated product.

Concluding Remarks: Lessons to be Drawn for Greece

The Greek economic downturn reveals the inefficiency and weaknesses of the domestic production system to maintain steady state growth path. Moreover, the Greek economy in general and Greek firms in particular are facing a major deficit compared to their foreign peers: a perceived lack of trustworthiness.

Consecutive political scandals and rampant corruption have aggravated a climate of declining trustworthiness in the Greek state's apparatus ability to act in a timely and adequate manner. The current situation increases opportunistic behavior and potential non-compliance, perpetuates a climate of suspicion and hampers performance. Therefore, since trustworthiness occupies a key role in shaping development trajectories, the domestic state apparatus needs to redefine its mission and actively restore integrity in the domestic and international socioeconomic terrains with the objective of economic restructuring.

In order to regain its trustworthiness the state apparatus needs to develop, implement and institutionalize new sets of performance-related features and appraisal mechanisms build on the triptych of transparency-productivity-responsiveness and adopt new management techniques, uninhibited from

(continued)

¹⁶ <http://www.fonterra.com/global/en/Financial/Fonterras+Place>

¹⁷ Although a large part of olive oil is domestically consumed (57 %), the quantity exported receives very low (if any) processing and is exported in bulk mainly to Italy, thus missing the value added of the processing industry.

¹⁸ Specifically, in 2012 the export value was around €375 million out of the €800 million total farm gate production value. This export value can be at least tripled if the olive oil sector follows a similar to Fonterra paradigm, without any increase in quantity exported.

bureaucratic complexity, political clientism, corruption, weak policy implementation and operational inefficiencies (Dunshire 1995; Gruening 2001; Osborne and Gaebler 1992; Aucoin 1990; Dunleavy and Hood 1994; Kettl 2000; Pollitt 1990; Rhodes 1987; Stoker 1996; Talbot 2001). This involves an emphasis on trust-building managerialism and efficiency-driven operations, *inter alia* flexicurity, downsizing and decentralization of slack bureaucratic forms to more adaptable ones, inexorably intertwined with an overall focus on the quality of public services. The latter can be pursued through the modernization of the public sector's 'back-office' processes (including data gathering and monitoring for performance appraisal), the technological advancement of administrative processes and the mobilization of human resources to willing actors in the process of change by endorsing creative thinking, higher levels of employee participation/commitment as well as through new knowledge-skills acquisition (e.g.: IT skills). The adaptation to comprehensive e-government structures to achieve improved administration and management and to overcome current pathologies of the Greek state should be desirable developments of existing foundational governance tools and capabilities. Still, the quality of public administration (and, hence, the performance of the state apparatus) can be improved primarily by applying interdisciplinarity rather than a mere technocratic problem-solution mindset together with a strong attachment to a citizen/customer-focused orientation (i.e.: refining the 'front office' of the state apparatus), an essential aspect that demonstrates the public sector responsibilities towards its essential stakeholders – with the business community being one of the primary ones (Graham 1995; Pollitt and Bouckaert 2000; Wollmann 2003).

There can be little trustworthiness in a domestic state apparatus devoid of new mechanisms for both monitoring and assuring the quality and efficiency of the various governmental agencies' functions (the 'micro-performance' which affects the domestic private sector among other social constituents) and the trust-based amelioration of the general economic climate (the 'macro-performance'). This involves the cultivation of an 'entrepreneurial' mentality at all levels of public organizations, identification of public management knowledge gaps and mobilization of resources towards the proliferation of the overall governmental integrity (Osborne and Plastrik 1997).

Indeed, the domestic fiscal crisis offers the domestic governmental policy-makers an opportunity to explore additional avenues of interaction and collaboration with the private sector in order to shape collective actions that will both meet social demands (e.g.: for funding and social investment needs) and solidify the economic and legal responsibility of the business sector. The Greek state should incorporate into its repertoire of tools used for governance new ways (i.e. enabling conditions) to involve the domestic agri-food sector as an active participant in the rectification of the economy.

(continued)

New Zealand shares certain similarities with the Greek case not only with respect to agriculture's significance to the national economy but also with respect to the economic crisis and the necessary reforms it undertook during the period 1984–1995. It was the reforms that reshaped the structure of the NZ socioeconomic environment and helped NZ exit the crisis and become one of the most successfully developed OECD economies, ranking high in almost all global indices measuring socioeconomic prosperity. It is true that 25 years ago the global economic conditions were much different than today. Still, the main structural problems of the Greek economy resemble the structural problems of NZ's economy at that time: high deficits; increasing public debt; highly ineffective government spending; deficient public enterprises; low quality, inefficient and poorly managed public services; high bureaucracy; and lack of transparency.

Undoubtedly, the Greek crisis is deeper with higher debt and unemployment rates. However, Greece has some important tools available that NZ did not have, such as the ability of financial support by the EU, ECB and the IMF. Moreover, CAP and NSRF are a 'luxury' NZ did not and does not have. NZ's Ag Sector had a really abrupt adaptation to new economic conditions. Many farmers sold part of their farms and other went bankrupt. But the sector survived and flourished. If Greece was left to go through the crisis as NZ did, the reform period would be much harder than it is now. Of course, a counter argument could be that a harder reform period could have more direct and quicker results. However, this argument goes beyond the scope of this study and it can be the subject of future in-depth examination.

The most important lesson Greece can draw from the NZ experience is that all stakeholders and all social constituents approved and endorsed the reforms. Everybody agreed that in order for the economy to get back on track each special interest group had to sacrifice something. Given that the reforms touched upon all stakeholders, resistance to change was significantly minimized (Evans 2004) and this is a key parameter for the success of any reform program. Trust among all stakeholders and lobbies, is the major component of a successful recovery and, in this context, NZ farmers agreed to suffer the elimination of government protectionism as long as the government would eliminate protectionism from other industries, too.

Import tariffs were lifted and farmers had access to cheaper input goods. Labor became flexible by opening up closed professions, so farmers had access to cheaper labor. Public enterprises and services had to become transparent, accountable and subject to evaluation. This significantly reduced the cost and increased the quality of public goods and services making all citizens better off. Taxation decreased and taxpayers' money was then used in a transparent and accountable manner, increasing the public sector's efficiency. Trade was liberalized giving the opportunity to citizens to have access

(continued)

to cheaper goods and services of higher quality and at the same time exposing domestic agriculture and industry to the international market signals so that entrepreneurship, innovation and risk-taking shaped the NZ economy to be internationally competitive. In short, nobody had special treatment and reforms touched all aspects of socioeconomic life.

More specifically, regarding the Ag Sector, lessons from NZ can be very useful. Although government support and protectionism was abruptly lifted from the NZ Ag Sector, not only did it not collapse but it became one of the most competitive internationally. As mentioned above, Greece has additional tools that in the case of NZ were not available, such as the CAP and NSRF schemes. The new reformed CAP (i) puts a ceiling on the support of large-farms (except farm co-operatives which distribute the support to their members), (ii) increases funding for new young farmers and, (iii) links 30 % of direct payments to environmental goals such as traditional varieties cultivation, pasture maintenance and wildlife ecological refuge creation.¹⁹ If effectively utilized, CAP can offer unique opportunities for the development of the Greek Ag sector. In this regard, CAP should be used complementarily to international market forces and not in distortion of the market, as it was the case so far.

In NZ, farmers understood that they do not merely produce agricultural products, but they are producers of an array of interlinked goods and services such as recreation, tourism, landscape restoration and environmental conservation. In this way farmers responded to the increasing domestic and world demand for a multifunctional role of agriculture. Likewise, Greece has a strong potential in combining agriculture with alternative forms of tourism due to natural and historical endowments. It has the potential to offer a unique combination of natural beauty, pleasant weather, folklore and history, on one hand, with agri-food products of high nutritional, historical and mythological value.

Another important lesson from NZ is market and food production chain from the field to the final consumer. Background literature and practice suggests that an organized group of people can do much more than the sum of each one individually. Bargaining power is greater for farmer co-operatives than individual farmers. The example of Fonterra described earlier is eloquent. A single co-operative produces 10 % of NZ GDP. This is clear evidence of the potential of collective action if left free from any distortive governmental intervention. Organization at the level of farmers is needed in order to increase their bargaining power with respect to wholesalers. Organization and coordination is also needed at a second level, that of processing. Fonterra in NZ is not only a farmers' co-operative. It is a vertically integrated company that gets the raw milk from farmers, takes it through the whole processing procedure where a

(continued)

¹⁹ http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf

spectrum of many different products is produced, and ships them all around the world. The initial value (farm gate value) of raw milk is around US\$5.5 billion and added-value of processing brings the final product value (Fonterra's turnover) at \$15.7 billion, almost three times more. This explains how NZ produces agricultural products of \$6.7 billion farm gate value and exports \$20.1 billion agribusiness final products – again, almost three times more than the initial farm gate value. If Greece organizes the processing and marketing of the agricultural production chain in such a way that would bolster the added-value of final products not threefold like NZ but, say, one and a half times, then the value of exports would increase by €7 billion without any increase of primary agricultural production. Considering that currently (as of 2013) agri-food export value reaches €5.4 billion, such high growth potential becomes more apparent.

Finally, Greece, despite the magnitude and depth of the crisis, has today greater flexibility more financial tools and leeway than NZ had 25 years ago to fight the crisis. NZ's successful example, in addition to the specific policy suggestions and solutions it can offer to Greece, indicates something equally important: Optimism. If NZ managed to overcome the economic crisis, revitalize the Ag Sector and make it one of the most competitive in the world without any external support, then, what one should expect from Greece, if the country uses investment funding prudently?

References

- Acemoglu D, Robinson JA (2012) *Why nations fail? The origins of power, prosperity and poverty*. Crown Publishers, New York
- Aucoin P (1990) Administrative reform in public management: paradigms, principles, paradoxes and pendulums. *Governance* 3:115–137
- Bale M, Dale T (1998) Public sector reform in New Zealand and its relevance to developing countries. *World Bank Res Obs* 13(1):103–121
- Chymis A (2013) External trade of agri-food products. *Greek Econ Outlook* 21:48–52
- CIA (2012) *The World Factbook*. Available on-line at: <https://www.cia.gov/library/publications/the-world-factbook/fields/2012.html>
- Dunleavy P, Hood C (1994) From old public administration to new public management. *Public Money Manag* 14(3):9–16
- Dunshire A (1995) Administrative theory in the 1980s: a viewpoint. *Public Adm* 73:17–40
- ELSTAT (Hellenic Statistical Authority). Statistical data. Available on-line at: <http://www.statistics.gr/portal/page/portal/ESYE>
- Eurostat (2011) *Forestry in the EU and the world 2011 edition: a statistical portrait*. Publications Office of the European Union, Luxembourg
- Evans L (2004) *Structural reform: the dairy industry in New Zealand*. APEC High Level Conference on Structural Reform, Tokyo
- Evans L, Grimes A, Wilkinson B, Teece D (1996) Economic reform in New Zealand 1984–1995: the pursuit of efficiency. *J Econ Lit* 34:1856–1902
- Furubotn EG, Richter R (2005) *Institutions and economic theory*. University of Michigan Press, Ann Arbor

- Graham P (1995) Are public sector organizations becoming customer centered? *Mark Intell Plan* 13(1):35–47
- Gruening G (2001) Origin and theoretical basis of new public management. *Int Public Manag J* 4:1–25
- Iliopoulos C, Cook ML, Hendrikse G, Chymis A (2012) Support for farmer's cooperatives; experiences of non-EU OECD countries. Wageningen UR, Wageningen
- Iliopoulos C, Valentinov V (2012) Opportunism in agricultural co-operatives in Greece. *Outlook Agric* 41(1):15–19
- Karanikolas N (2005) Price distortions and agriculture's public support. In: Karanikolas N, Martinos N (eds) *International trade of agricultural products and multifunctional agriculture*. pp 73–106 (in Greek), Maistros, Athens
- Kettl DF (2000) *The global public management revolution: a report on the transformation of governance*. Brookings Institution Press, Washington, DC
- KPMG New Zealand (2012) *Agribusiness Agenda 2012*. Available on-line at: <http://kpmg.com/nz/aa2012>
- Louri H, Pepelasis-Minoglou I (2001) A quantitative exploration on the determinants of (de-) industrialisation: the case of Greece. *Int Rev Appl Econ* 15(4):397–410
- Mpourdaras D (2005) Agricultural sector support: the case of Greek agriculture. In: Karanikolas N, Martinos N (eds) *International trade of agricultural products and multifunctional agriculture*, pp. 131–169 (in Greek), Maistros, Athens
- New Zealand National Accounts (2011) National accounts. Available on-line at: http://www.stats.govt.nz/browse_for_stats/economic_indicators/NationalAccounts.aspx
- North DC (2005) *Understanding the process of economic change*. Princeton University Press, Princeton
- Osborne D, Gaebler T (1992) *Reinventing government: how the entrepreneurial spirit is transforming the public sector*. Addison-Wesley, Reading
- Osborne D, Plastrik P (1997) *Banishing bureaucracy: the five strategies for reinventing government*. Addison-Wesley, Reading
- Pollitt C (1990) *Managerialism and the public services*. Blackwell, Oxford
- Pollitt C, Bouckaert G (2000) The nature of public management reform. In: Pollitt C, Bouckaert G (eds) *Public management reform: a comparative analysis*. Oxford University Press, New York, pp 6–23
- Rhodes RWA (1987) Developing the public service orientation. *Local Gov Stud* 13(3):63–73
- Skouloudis A, Chymis A, Stuart A, Evangelinos K (forthcoming) Corporate social responsibility: a likely causality of the crisis or a potential exit-strategy component? A proposition development for an economy under pressure. *Soc Responsib J*
- Stoker G (1996) The strangle to reform local government: 1970–1995. *Public Money Manag* 16(1):17–22
- Talbot C (2001) UK public services and management: (1979–2000) – evolution or revolution. *Int J Public Sect Manag* 14(4):281–303
- Transparency International (2012) Corruption perception index 2012. http://files.transparency.org/content/download/537/2229/file/2012_CPI_brochure_EN.pdf
- Williamson OE (2000) The new institutional economics: taking stock, looking ahead. *J Econ Lit* 38(3):595–613
- Wollmann H (2003) Evaluation in public sector reform: towards a third wave of evaluation? In: Wollmann H (ed) *Evaluation in public sector reform: concepts and practice in international perspective*. Edward Edgar Publishing, Cheltenham
- World Bank Group (2012) *Doing business 2012: doing business in a more transparent world*. <http://www.doingbusiness.org/reports/global-reports/doing-business-2013>
- World Economic Forum (2012) *The global competitiveness report 2012–2013*. http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

Mindfulness at Work

Marco Ghetti

1 Introduction

There is no such thing as a particular mindfulness at work different from that experienced when walking in the woods or discussing with friends. Being open to the moment, aware of what is around us, of the people we are dealing with, is a quality of the mind which is identical at home as it is at work – and it results in the same benefits.

Nonetheless, there exist at work, in environments such as a company, a factory, a public service, a professional agency and such, some recurrent modalities of a lack of presence, a loss of contact with ourselves, with others and with what is happening around us. In a certain sense, if mindfulness is a universal answer to stress, work produces stress of specific kinds.

This is why it is not as strange as it may sometimes seem to talk about mindfulness at work. In this sense, the focus of this chapter is not so much *how* to practice mindfulness in a work context but rather *why* do it, and the benefits it provides to people at work, to their environment and the quality of their jobs.

2 Present?

From various points of view, for many of us work is like home; it's where we spend a truly significant part of our time. It is useful to clarify what is meant by the mind being present, or absent, at work. The risk of misunderstanding is great and the "presence" to which mindfulness refers may not be clear.

M. Ghetti (✉)

Founding Partner of Mosaic Consulting and MindfulLab, Mosaic Consulting, Milan, Italy

e-mail: mghetti@mosaicconsulting.com

Let's take Gianni, who at this moment is at a business meeting. He is the one talking, intervening, discussing, and for this reason we consider Gianni to be *present*. This is certainly true, by conventional interpretation, but a closer look at Gianni's *mind* might generate doubts.

What is Gianni really listening to? Is he listening to the verbal and non-verbal messages from the other people at the table, or is he listening to his own thoughts, his worries and judgments, his mental agenda of the meeting? Is he really *present*, or are his thoughts elsewhere? Is he in the here and now or is he mentally considering the past, or even the future?

More importantly, is Gianni aware of his feelings concerning the moment? Is he listening to his body's own signals right now? In other words, is he fully present in the experience of the moment?

Gianni might be physically present at the meeting but absent at the same time; absent to himself, to his body, to his own feelings – and absent from the context, from the other people and what is currently happening.

This example can be extended to all kinds of different work contexts: a meeting with the boss, handling a phone call at the call-center, facing difficult decisions or repetitive actions, a looming deadline – all are “moments in the present” to which we can either be completely connected or distracted by external noise or our own thoughts, judgments, worries and concepts.

The stakes, in terms of stress, relationships and the quality of our work, as we will demonstrate, are significant.

In over 30 years of activity in management, coaching and organizational and training diagnoses, we have heard and seen thousands of people in their professional and company contexts. Most of the examples we will cite concern office workers but this does not mean that other types of working environments are less subject to the considerations that follow.

The many work and life stories that we have witnessed have enabled us to identify some blind spots; that is, aspects of experience that remain invisible, so to speak, and therefore outside the perimeters of awareness. We are not talking about clamorous incidents but common phenomena that many of us experience. Not seeing them becomes a chronic habit with damaging consequences.

We propose five mental blind spots:

- the oblivion of the body
- emotional sequestration
- invisible habits
- anxiety-guidance
- exclusion of love

3 The First Blind Spot: Oblivion of the Body

When we're working we tend to forget we have a body. We remember if we get a fever, or a back ache, or if we have to undergo a physical but unless we do manual labor we're convinced that our body has nothing to do with our work. So we transfer ourselves entirely into our heads and believe that in order to do our job, our heads are all we need, that thinking is a process that doesn't involve the body. But is that true?

Many people, perhaps dealing with stressful office jobs, would say: I never forget my body; I exercise regularly. That is a good thing, but it's like saying that there's a time for work and a time for exercise – it does not change the point of departure, which is that *while* we work we are separated from our bodies.

There are serious consequences to this behavior. If we separate ourselves from our bodies then we can't hear what they are telling us – or is it that we don't want to hear? Tiredness, for example, becomes an imposition. What do we do instinctively when we see that someone dear to us is tired? Most likely we ask them to take a break, to rest a bit. With ourselves, however, we're more demanding. We can't permit ourselves to be tired so we might as well deny it, break all communications with our body – the only guide we have that can warn us about the tiredness we're feeling.

It's a little like turning off the fire alarm so that we aren't "disturbed". The first victim of this kind of deafness is the all important break, the purposeful pause now and again. There are people so cut off from themselves that they won't stop working even to have lunch. They work week-ends, they bring work home in the evenings, as if nourishing the body, resting it, is tantamount to wasting time – time which could be better used, perhaps, doing overtime. They believe that resting the body has nothing to do with resting the mind.

Tiredness isn't the only message from the body that we ignore. There are also feelings. All feelings play out in the body. It is the body that signals anxiety, aversion or euphoria. Without the body we risk literally not being conscious of these emotions, with consequences that are easy to imagine. If we don't recognize the anxiety we are feeling it will be anxiety that guides us and not the other way around.

Not listening to the body denies us the continuous flow of critical information, which is extremely important for the quality of our work and relationships.

Aside from separation, oblivion of the body can also take the form of mistreatment. This is what happens when, under pressure from stress, we behave in ways that severely damage our health. Chemical dependence, for example, like drinking too much coffee or alcohol, smoking too much, eating too much sugar or abusing medicine. Or bad eating habits, like irregular meals, over-eating and poor food choice. Or behavior such as too little sleep or working more than necessary (there are people who react to job stress by working more).

In these cases, oblivion of the body ends up with the mind not realizing the consequences of these habits – or realizing too late.

3.1 *Returning to the Body*

The practice of mindfulness, both formal and informal, cultivates the capacity to be present in the body's experience. This movement of the mind is sometimes called a return to the body because it's as if our attention, which has been going in a 1,000 directions, returns to us, comes home.

This can be a precious resource at work. It is always available to anchor to a stable base our minds, which are agitated by the big and little quotidian upheavals.

The various forms of practice, from meditating on breathing to yoga and body-scans, focus on the capacity to maintain, even for prolonged periods, attention to various parts of the body, moment by moment. From this regular exercise, little by little one is able to overcome the oblivion of the body as described above.

4 **Second Blind Spot: Emotional Sequestration**

Distraction from the moment, typical of those working under pressure, is the basis of this second blind spot. The term emotional sequestration was proposed by Daniel Goleman years ago and effectively describes the situation in which we experience an emotion but do not register it consciously, so the emotion sequesters us in the sense that it activates reactions that are basically automatic.

People working in an office are surrounded by a myriad of means for interaction (telephones, mobile phones, sms, emails, social network, internet, conference calls and video conferences) that put them in constant contact with an ever wider gamut of people (colleagues, clients, bosses and collaborators) who are often scattered throughout the world, but also with spouses, children, parents, friends, etc. We interact with everybody all the time – and in real time. So our relationships are constantly under examination, usually with rapid response times.

This proliferation of connections and contacts is highly conducive to emotions. An answer we don't like, a word that flatters us, a refusal, an ignored request, a delay, a silence, a critical judgment are all examples of the emotional "shower" of our daily working environment. And the shower can be a sprinkle or a storm.

If we're all involved in the work flow, following our agenda and fully "in our heads" then we don't have the receptive space to notice these emotions as warranting attention. The feeling of anger, for example, installs itself in us very quickly and becomes the filter through which we see the situation of the moment (deforming it). This filter conditions our reactions – angry, in this case – to a given situation. The problem, obviously, is that *we do not see the filter*. The feeling becomes who we are (we are angry) but we don't see the emotion causing it (that is, anger).

The consequence of an unseen filter is unconscious reaction. This reaction makes us do things – thus sequesters us – that we may not have done had we not

had the deforming filter of anger over our eyes. And an angry reaction to a client, or a colleague, can cost us dearly.

The organizational community of work is very open to this kind of mental blind spot. The lack of emotional consciousness and the consequent reactivity, as described above, are at the basis of many phenomena of job-related stress. A reactive response engenders a counter-reaction, the proliferation of which creates chronic conflicts, relational rifts that are difficult to mend and a toxic environment.

4.1 Observing Our Emotions While We Work

As mentioned before, the practice of mindfulness teaches us to return our attention to our body or parts of it. Since emotions are experienced by the body, or at the border between mind and body, as Eckart Tolle says, this simple exercise already helps overcome our blindness to emotions or enables us to see the filters described above. Refocusing attention on our body, or our breathing, we become more able to feel which emotions we are feeling and where, with what intensity. This exercise can be done easily at the work place, even when in meetings or interviews, without anybody knowing.

What's more, this practice trains us to go beyond mere observation of our body. A well known and oft-cited trick is to count to five (or three or ten, it hardly matters) before answering someone who has motivated a feeling in us. There is wisdom in this advice, but it doesn't tell us what to do exactly during those 10 s. The practice of mindfulness gets us used to observing the emotional process step by step in present time.

Step one: an external or internal event makes us feel an emotion. Step two: we see this emotion in ourselves and recognize it for what it is, e.g., anxiety. Step three: we take note of the anxiety and accept that it is there. Step four: we observe the reactive intentions of the mind (I want to call so-and-so and get reassurance). Step five: We choose – what is more advantageous, calling or not calling?

Without this presence of mind there would have been no choice. The reaction would have taken place automatically. This is how to effectively use those 10 s.

5 The Third Blind Spot: Invisible Habits

In a work environment, people have clearly visible habits – like those who throw paper and miss the garbage can. If they are not aware of this habit, someone will eventually point it out. There are, however, other levels of habits, habits of the mind, which are not visible to the eye. That is why we call them invisible.

It should be noted, as we will elaborate, that these types of habits not only are not seen by others but often aren't even seen by the person exhibiting them. In fact, it is more likely that the habits of our mind, reinforced by years of regular "exercise",

are better seen by those who are near us than by us. That is why it is often rightly said that more than us having habits, the habits have us.

One mental habit we train particularly well is that of judgment. How often have we heard in our minds phrases like: *this colleague is incompetent, it's useless that I listen to him?* But is it true?

Another is prejudice. *This proposal comes from the personnel office. It's surely a rip-off.* But is it really?

Another possible habit of the mind is interpretation. *They haven't responded to my email. They've got it out for me.* But do they?

A fourth is composed of predetermined patterns of response. *You criticized me? Just wait, your turn will come.* But is that a good idea?

Prejudice, judgment, interpretation and patterns compose the world in which we live. They can determine, for better or for worse, our relationships, environment, communications, collaboration and cohesion within a professional community. They are only thoughts but, not seeing them as worthy of attention, they make us believe we are reacting to objective stimuli, what we call “reality” – often nothing but a figment of our own perception.

5.1 Familiarity with the Mind

Those involved in a regular practice of mindfulness undergo a sense of growing familiarity with mental habits; with insistence here on the adjective “mental” relative to all habits *tout court*. Certainly behavioral habits exist and are important but the greater we deepen our knowledge the more we realize that they are the consequence of mental habits.

On the job, this familiarity with the mind is a precious ally. It is a view that both acknowledges and accepts the habits knocking at the door, and which greets them like old acquaintances; but precisely because of this easy familiarity it can also, if it wants, delicately show them out.

The great Vietnamese teacher of mindfulness, Tich Nhat Hanh, has a useful suggestion: when the mind furnishes a judgment, gently ask it: are you sure?

To cultivate this familiarity, like anything else, requires constancy and care. It is necessary to strengthen the capacity to stop oneself. Here's how: hit the pause button.

This is particularly important in the working world precisely because of the perennial sense of urgency. Without the ability to stop the mind we are unable to learn how to see our habits. The result is functioning on automatic pilot.

6 The Fourth Blind Spot: Anxiety-Guidance

Another pitfall of the mind, especially for those working in complex companies or organizations, is the unconscious surrender to anxiety. Deadlines, performance pressure, payments, bosses, budgets, norms, bills, career upgrades, bureaucracy, taxes, transfers, organizational changes. . . the list goes on and on when it comes to daily company sources of anxiety.

We have observed many people at all levels of an organization who end up poisoned by the anxiety generated because they are unable to observe it and its causes calmly. In a way they actually become dependent on it: if there's no reason to feel anxious I'll find one. The mind doesn't realize that it is *always* anxious and, as mentioned before, filters things through this fixed lens. The world, the company and colleagues all become a threat, a danger, because of this deformed view.

Worse yet, anxiety is contagious, especially in those departments where the head is anxious. Often entire sectors in a company can be seen to exist in a palpable state of anxiety.

In order to fully understand the consequences of anxiety, apart from the harmful, toxic environment it creates, we need to look at the reactions the mind undergoes to oppose it. There are basically two parallel mental means used. On one side are the characteristics of a mind poisoned by anxiety: it is a closed mind, defensive, negative/pessimistic, repetitive and conservative, a mind without curiosity.

On the other side is a mind that knows how to control anxiety. It is an open mind, creative, positive and trusting, an innovative, curious mind. It isn't hard to imagine the differences in world view, human relations and benefits these two approaches contribute to.

6.1 Welcoming Fear

We have seen how the practice of mindfulness can gradually help us regulate our reactivity to emotions but what about when anxiety becomes chronic? When just being on the job, going to the office, is shaded by fear?

The cultivation of mental presence doesn't only allow you to see what is there but also, at the same time, to accept it and even lovingly welcome it. What do we do if we see a frightened child? Do we give him rational explanations concerning his groundless fears? Do we berate him for his lack of virility and courage?

Hopefully we do not. We know that the only way to be of use in that moment is to hug him and infuse him with gentle loving.

We can do the same thing – and this can be a real existential revolution – to our own fears, to ourselves. Daily training in mindfulness invites us to undertake “exercises of the heart” that evoke gentleness and love towards the people around us and ourselves.

This same welcoming spirit can be directed at our anxiety, as if mentally taking it into our arms. We will realize that, like a frightened child, it will slowly release its hold. This mind-heart quality is very useful also in the work context because it is an antidote to fear, anxiety and other toxic emotions that so conspicuously ruin and impoverish our work environment.

7 The Fifth Blind Spot: The Exclusion of Love

In the work environment it often happens that the mind banishes loving thoughts, as though obeying a sign hanging in the office entrance: TURN OFF YOUR HEART.

We are not referring to office flirtation but the fundamental need we all have to share gentleness, kindness, help, gratitude, affection and warmth. During our training sessions we often hear people admit that they have a heart but only use it outside office hours. During the working day it serves no purpose and can even cause problems.

While it is easy to blame the system or office rules, and it is true that some fault lies with the organizational culture, it is more useful to observe what the mind does without our being entirely conscious of it. Many of us subscribe to a dualistic point of view defined as life/work: on one side is life, which includes loved ones, the family and hobbies; on the other side is work.

Life is where we attempt to find happiness, cultivate pleasures and passions, feel free and surround ourselves with the people we care about. Work, on the contrary, is where we focus on making money and advancing our careers, with an emphasis on duties and where we are subject to controls and threats, surrounded (more or less) by strangers.

But is that true? Might this also be a mental scheme that guides us without our being aware of it? Talking about love at work is practically violating a taboo, but let's ask ourselves: doing our job passionately, being grateful to a colleague who has helped us out when we were in trouble, feeling close to an old boss who has taught us important things, loving our company, trusting our team, receiving sincere words of recognition, putting a bowl of fruit in the meeting room – are these not signs of love?

These are the signs of what makes us who we are, be it at home or at work, and they have nothing to do with sainthood. These are natural gestures that can take place anywhere, including the office. It is worth thinking about it. How well does one work when one's "heart is turned off"? Or better, what must it be like to be the client or employee of someone who works like that?

7.1 *Open Your Heart*

We have seen that cultivating mindfulness opens our mind, but that is inseparable from opening our hearts. In fact, a mindful mind helps to gradually unmask the self-deceiving mental schemes that would have it, for example, that we are only working for the money, or for our career, or to compete with others. It also helps us recognize our judgmental and prejudicial habits, and see the closure, the hardness of our heart, which often accompanies fear. It teaches us to take that fear into our arms and soften it with love.

Mindfulness helps us accept those things that aren't going well without reacting but instead looking for useful answers. Acceptance of what is, as it is in this moment, without judgment, creates a space in which we are able to see the person before us and understand that he is not so different from us.

In this space there is the possibility of a different kind of dialogue, a conversation where people listen to each other – and perhaps also of courage (which comes from the heart) to bring some love and happiness to work as well.

Conclusions

Before reflecting upon the benefits of mindfulness at the work place we have provided glimpses, necessarily short due to space limitations, of the consequences of its absence. We have shown how mindlessness can result in heavy costs both for the individual and for the working environment and job quality.

For various reasons we believe we can propose the well grounded hypothesis that a mind that regularly practices the rules of mindfulness is an intelligent mind in today's meaning of the word, largely tied to social, emotional and creative intelligence. A mindful mind is an indispensable base on which these forms of intelligence rest.

It is difficult not to glean the numerous effects this has on the “nervous system” of an organization. Efficient agencies, where people live and work well, receive from mindfulness-based intelligence the energy for essential functions such as innovation, change management, answers to stress and leadership, to cite just a few.

For this reason we conclude that it is auspicious for medical and psycho-social research, as well as organizational disciplines and practitioners of mindfulness, to work together to explore this little known territory – a place where economic and managerial disciplines meet health and well-being practices aimed at a “whole” person.

References

- Carnegie D (1984) How to stop worrying and start living. Simon and Shuster, New York
De Geus A (2002) The Living Company, harvard Business School Publishing, Boston

- Ghetti M, Appolloni I, Bergamo F (2008) *Leader dentro, coaching e consapevolezza nel viaggio del leader*. Roma, LUISS University Press
- Herzberg F (1968) One more time: How do you motivate Employees? *Harvard Business Review*, January 2003
- Langer E (1997) *The power of mindful learning*. Cambridge (Mass.), Perseus
- Loher J, Schwartz T (2003) *The power of full engagement*. Free Press, New York
- Mackenzie A, Nickerson P (2009) *The time trap*. Amacom, New York
- Scharmer O (2009) *Theory U: leading from the future as it emerges*. Berrett Koheler, San Francisco
- Senge P et al (2004) *Presence, human purpose and the field of the future*. Crown Business, New York
- Sternberg R (1990) *Wisdom, its nature, origins, and development*. Cambridge University Press, Cambridge
- Tich Nhat Hanh (2001) *Transformation at the base*. Berkeley, Parallax
- Vitullo A (2006) *Leadership riflessiva*. Apogeo, Milano
- Weick K (2001) *Making sense of the organization*. Blackwell, Oxford
- Zohar D, Marshall I (2004) *Spiritual capital*. Berrett Koheler, 200, San Francisco
- Zohar D, Marshall I (2000) *Spiritual intelligence*. Bloomsbury

Part II
The Generalization

Public Management as Corporate Social Responsibility

Massimiliano Di Bitetto, Athanasios Chymis, and Paolo D'Anselmi

1 Introduction

The cases range in their location from the USA to Central America, from New Zealand to Europe, and they all confirm the complex nature of public management, entailing – among others – complexities such as public-private partnership synergy for disaster recovery, such as the intertwined link between management and new technology and even the spiritual domain of mindfulness at the individual's level. These complexities show how public management implies choice and freedom at all levels. Such freedom implies responsibility, core business responsibility in the public sector, which is not theorized anywhere in the current sciences. Nowhere is it theorized that public managers and public employees should be accountable for their work. Yes, that is theorized at a legal level, but that is not management. Therefore in this second part of the book we show some of the complexities of the individual cases and from these complexities we infer that public management is a domain of freedom for public employees and managers. Freedom implies responsibility and such responsibility – in the core business of the organizations of government and public administration –implies the extension of the concepts and precepts of CSR to public administration as well. This is all unknown and uncharted terrain in the current discourse in current democracies.

M. Di Bitetto

Italian National Research Council, Central Management for Programming and infrastructures,
Rome, Italy

e-mail: massimiliano.dibitetto@cnr.it

A. Chymis

Centre of Planning and Economic Research (KEPE), Athens, Greece

e-mail: achymis@kepe.gr

P. D'Anselmi (✉)

University of Rome Tor Vergata, Department of Enterprise Engineering, Rome, Italy

e-mail: paolodanselmi@gmail.com

Nobody is aware of this lack of accountability. Drèze and Sen (2013) do complain about the lack of accountability in the public sector in India, but they do not see it as a general problem that needs specific foundations. There are of course investigations, congressional hearings, accounting offices that perform the task of accounting for government action, but there is no comprehensive *raison d'être* for such accountability and above all there is no political awareness in the citizens and in the public and private workers that public management is an important area. It is this lack of awareness that we will call, from now on, the “unknown stakeholder” (Idowu et al. 2013). Management is neglected, especially public management is squeezed between law and politics. The very distinction between public and private organizations is very often a merely legal one.

The second part of the book will present then in the subsequent chapters a philosophical elaboration on the notion of the unknown stakeholder (Costa, chapter “[A New View to Unveil the Unknown Stakeholder](#)”) and a link to the theory of bureaucratic behavior (Lapicciarella, chapter “[On Bureaucratic Behavior](#)”). What is to be done then? The book closes with the proposal for an extension of the use of social media to monitor behavior of governments as effectively as they are used to monitor behavior of the corporations (Pettineo, chapter “[Business-Government Relations](#)”). We therefore try to usher a convergence of sciences, so that CSR intersects public management as well, besides intersecting private management, at least the responsibility and accountability part of it. The emergence of a new figure in the stakeholder domain, the unknown stakeholder, creates a bridge between management and CSR in general. CSR “intersects” both private and public management.

Before we proceed there are at least two expressions that need clarification: the use of the words “government” and “public administration” in this book as well as the locution “mainstream Corporate Social Responsibility”. What is called “government” in the American culture is called “public administration” in the European culture (Idowu et al. 2014). In the European culture, the word “government” means the cabinet politicians, the ministers or secretaries, the top politicians who govern the executive branch. We will use both terms “government” and “public administration” interchangeably, as synonyms. We will also use the locution “public sector” as a synonym. When we use these terms we mean the thousands and thousands of people who are government employees, at all levels, including directors, management people, CEOs of the state owned corporations, employees of the central ministries and employees of local government, all the way down to the level of municipality and village. To give an order of magnitude we are talking of figures in the range of 15 % of the employed population. In a country of 60 million people and 23 million employed, such as Italy, we are talking of 3.4 million people. When we include also those who are employed in the monopolistic sectors and in the heavily regulated industries, we reach the six million people, i.e. more than a quarter the employed population (D’Anselmi 2011).

“Mainstream Corporate Social Responsibility” is a notion confined to the for-profit corporations. When we take into consideration the definition of CSR given by the European Commission (2001), we find CSR belonging only in the

social and in the environmental bottom line of corporations: CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. When we analyze this early definition, we realize that it does not take into account the so called triple bottom line reporting definition of CSR. The early European definition is only concerned with the social and the environmental bottom lines. The economic bottom line is not taken into account. Luckily enough the renewed European Commission (2011) strategy for Corporate Social Responsibility includes “some” of the core business: CSR is “the responsibility of enterprises for their impacts on society”. And CSR implies: “Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; (and with the aim of [editor’s note]) identifying, preventing and mitigating their possible adverse impacts.” Good enough “consumer concerns” have found their way to the definition of CSR. So CSR now takes the economic bottom line less for granted than it used to, since consumer concerns are in the economic bottom line of the organization. Nowhere does CSR concern itself with anything else than the enterprises, the for-profit privately owned organizations. The rest of the organizations that make up the economy and the social fabric are not mentioned. And maybe we should assume perhaps they are supposed to be per se socially responsible (Ennals 2014) however does ask the question (page 131): “How can we make sense of Responsible Management in the modern world, if we omit discussion of Responsible Management in government? Are we to assume that we already understand it?”.

It is our intention to broaden the meaning of the term Corporate Social Responsibility to include organizations beyond private corporations, i.e. public enterprises, all government and all bodies of public administration.

2 Developing the Argument of This Book

Mainstream CSR implies that corporations are driven by profit maximization, which, in turn, is assumed to be driving corporations against society’s broader goals of survival in this planet and social equity and advancement (Chymis 2008).

The implication of mainstream CSR is that profit maximization explains all of the core business behavior of the corporation. The introduction of “consumer concerns” in the European Commission definition of CSR is a welcomed crack in this assumption: it implies that consumer concerns are at least imperfectly taken care of under the profit maximization paradigm. That is the only concession the mainstream definition of CSR does to question the neoclassical micro-economic credo of profit maximization. And in fact we say this here because the mainstream

CSR assumption, that profit maximization goes against society's broader goals, may not be necessarily true (Chymis 2008; Friedman 1970).

On the other hand, if in mainstream CSR, government or public administration is supposed to be accountable per se, this happens positive points of view overlap in a Weberian view of public administration which assumes that organizations work as perfect and rational automata behaving exactly as they should on paper (see chapter "On Bureaucratic Behavior" by Andrea Lapicciarella). In Max Weber's view, the normative and the positive approach are the same, there is no difference between the conditional and the indicative tenses of reality. This is very much what is embodied in administrative law and in any law that specifies what government should do. The assumption that the government is accountable per se is based mostly on the Weberian view; alternatively it could be based on the election system: people may assume government as accountable because every 4 or 5 years people vote and if they don't like the government they can change it, so in this sense the government is accountable (at least in part). However the accountability generated by the election system hardly applies to the government as public administration, whereas it may apply to the government as executive cabinet ministers.

Elections usually take place every 4 years and they address executive cabinet ministers. They do not in any case hold accountable all minor and major public organizations that deal with citizens in everyday life such as enterprises/organizations that deal with tax collection, regulation, public education, public health, public works, judicial system, licensing authorities, and every kind of public mechanism citizens as well as businesses transact in everyday basis.

The view of government as per se accountable runs contrary to the notion of public management, because public management is the science of investigating and solving the complexities of public action, and such complexities testify that government is not per se accountable (Moore 1995). Public management is the whole of disciplines that recognize the specificity of management in a public environment. A public environment is broadly defined as a variety of non-profit, politically driven and tax supported organizations.

When we realize that public management is exactly the opposite of the Weberian view of public organizations, we wonder where the accountability of this complexity is and who asks for it. In practical terms, the answer is: nowhere, nobody. But in reality everybody, everywhere – in a dispersed and un-organized fashion – is asking for an efficient and accountable public management. There is no real stakeholder for effective government. Better yet, the stakeholders of effective government are not aware of their stake; they are not clearly identified, nor do they identify themselves. That is why we call them "unknown stakeholders".

We believe CSR can be an answer. The discipline of CSR was in fact exactly designed to fill in the gap of accountability of the wider and unintended consequences in the private sector. We believe that the same discipline can be extended to the public sector. That is why we argue that Corporate Social Responsibility should apply to public management.

The question could arise here whether public management should be a piece of CSR or the other way around. That is: should CSR be a piece of public management? Indeed, CSR could become part of public management. Public management

could integrate CSR practices, CSR philosophy, CSR concept in its operation. However we believe these are interdependent disciplines, interacting with each other and intersecting each other. No prevalence of one over the other is implied here.

We also believe there is an opportunity motivation to have CSR intersect public management and this motive is the great attention CSR has gained over the decades. Through CSR and its success in the private sector, attention can be drawn to the unacknowledged responsibilities in the public sector and in the monopolistic sector, a sector that is usually government regulated, licensed or in any way shielded from real market competition.

Public management should, rather than could, be affected by CSR because there is no other place where government accounts for its own positive reality. And government must account for its own reality. That is why CSR in government could even become a needed instrument rather than a voluntary instrument.

However, the aim of this book is to raise public awareness (i.e. citizens and businesses) so that they ask for public sector accountability. We do not want to impose it! Much like in the private sector, firms that are SR voluntarily do so because it is to their long run benefit and because it builds and strengthens the trust-relationship between them, their customers and the society at large. Similarly, our cases show how an increasing demand for CSR brings CSR to surface and make it come true.

The six cases that are presented in the first part of this book show the degree of freedom that is enjoyed in public management vis-à-vis the Weberian credo that everything is predetermined by law. By a logical grouping (inductive) argument, we then make the statement that if such freedom is in all the instances that are presented here, it is everywhere in public management.

Such freedom proves a post-Weberian approach to public management (see Lapicciarella, in chapter “[On Bureaucratic Behavior](#)”), implying that public management is as discretionary as private management and the economic bottom line of public management needs to be subject to CSR scrutiny as much as the economic bottom line of business firms.

We also point out that such a point of view has no stakeholders in the political and scientific arena. Much of the employed population is the unknown stakeholder (Di Bitetto et al. 2013) of effective public management. Unknown means unaware of themselves and ignored by the others. The majority of the working population does not demand good public management. They complain and they bear with it. Most people believe the ineffectiveness of public organizations is cultural, i.e. that it is confined to their own country. Many peoples in the world believe they are a unique case and their public administration is worse than all the others. We want to raise awareness that this is not the case. Public administrations of all countries are all alike. Cultural differences are there, but also many common problems and phenomena are there. Belief in the uniqueness of one’s own public administration is part of the problem. This is why we present a theoretical chapter about Max Weber and the school of bureaucratic behavior.

3 Analysis of the Case Studies from a CSR Point of View

Following is a brief discussion of each paper and some features of public management revealed in it that provide clear evidence for the thesis: in public management – as in private management – there is discretionary behavior and creativity which in turn imply choice and responsibility.

The Eichacker case study about digital curation at the Library of Congress in Washington, D.C., shows government as a leading edge customer, as it performs tasks that are unique and new in the economy. This is not mandated by law. The implementation of the law mandate is filtered by the skills, the knowledge, the office politics and the work effort of those who are tasked with the endeavor at hand.

Also in the text we find expressions like “trial and error”, “improve productivity and efficiency”, we even find a “cookbook”: the language and the experience of public management is the same as in private management, it maps uncertainty and arbitrariness as well as professionalism on behalf of those who work in the public sector. No legislator would dear writing of “trial and error” in their legislation, but that’s what it takes to implement legislative mandates at their best.

The perspective of this book is public management as opposed to public policy, as we will clarify in a few pages. It is however important to recognize that excellent public management and sound public policy go together. In fact a key motivating force of the people at the Library of Congress was their interpretation of the easy availability of wide-ranging information to be an important public good and in fact a pillar of democratic society. They saw their work to be inherently governmental in that no other institution could or would do what the Library was doing on the scale the Library had chosen; this was appropriate work for the government to pursue, even if private partners played a key role.

The La Noce case is about a management information system in the Italian Competition Authority. The case points out the central role of the availability of information and of the granularity of such information. In the case of public administration, such availability is scarce because of the absence of a market mechanism and managerial accounting to establish the effective value of the institution’s services. Such a situation significantly complicates the use of terms such as efficiency and effectiveness, however they are not made irrelevant. The terms efficiency and effectiveness do not lose meaning, they are only more difficult to pinpoint, which interestingly makes them more relevant. The absence of a market mechanism and managerial accounting even broadens the field of uncertainty and freedom of choice. The market in fact is an institution that provides information based on the supply and demand. The absence of such a mechanism – and the absence of adequate managerial instruments – does not convey any information regarding the demand and the supply of the good or service a public manager decides to provide, hence the uncertainty and the freedom of professional choice on the part of the same public manager.

The Leitmann case about partnership systems is a review of many specific instances, around the world. This case speaks of public-private relationships and it shows there is really no clear-cut border nor division of labor between public and private sector, like in the financial crisis. The financial crisis of 2007 onwards has blurred the boundaries between public and private sector, many private sector institutions having been in need for rescue from the public sector. At the same time, many would argue that it was the public sector that initiated the problem in collaboration with central banks, institutions that are not subject to market competition (Boettke and Luther 2009).

The Di Bitetto case on how to measure performance at the National Research Council in Italy shows that the methods of evaluating work can be very different: very quantitative and very qualitative. The difference in performance of the diverse European research institutions must be then in the execution, or implementation, of policies, i.e. in the last lag of performance, the all too human act of doing things, remote from law and regulation, from organizational structure, remote from the governance schemes. This is freedom at its best.

The Chymis and Skouloudis case about managing economic crises is the only case about macro-policy, but we notice how much execution and implementation are important in this case as well. It is very interesting to see why and how transparency and accountability (i.e. CSR) got implemented in an economy as a whole. Institutions, level of political maturity, special interest groups and various stakeholders played a significant role in this development. All different stakeholders decided to forgo short run lobby gains in order to exit the crisis that hit hard and affected all of them as well as to invest in a brighter, more competitive, more transparent and accountable future that would be to the benefit of the whole society in the long run. The lessons we can draw from the New Zealand case could never have been more topical.

The Ghetti case about mindfulness is different from all others, it does not narrate an instance of public management, but it presents a very general instance for all organizations, indeed for all people: the case deals with people working on their own awareness. This case is presented here because it does not make any specification of the organizational environment it talks about. Mindfulness is for all, private and public workers. People who work in public organizations are in no way different from people working in private organizations. Often we hear it said that people who work in the public sector should behave more ethically and be more responsible than people who work in the private sector. The need for mindfulness however both in the private and in the public sector shows that there is – and there should not be – any inherent difference between people who work in the public sector from people working in the private sector. This case shows the arbitrariness of individual awareness as an important element of freedom indeed.

We should also take into account the experience of many a public manager around the world who after a full career working on programs in government agencies come to recognize the application of principles of CSR as self evident in the public sector.

There is also a lot common place that needs being made right. Everywhere in the world we hear that people who are drawn to government work are sometimes slothful, unimaginative, untalented, uninspired, and in no way operate on a wave length anywhere close to CSR – 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.

It is worthwhile to repeat here that the case studies were written unknowingly of the use that would have been made of them; they were written to illustrate problems and solutions in their specific substantive areas, they were not written to analyze the nature of public management, which is what we have been using them for. This methodology actually increases their value and adds to this book. By bringing together these different cases we build a greater story, the story of CSR in public management. It is also worthwhile to repeat that all the case studies represent instances of excellent public administration and in no way it can be argued that the freedom of choice they show in public management was not used with ultimate professionalism, honesty and work effort. Our cases are indeed somewhat unique relatively to other programs, as our contributors had a chance to work on during nearly two centuries of cumulated experience in public administration.

4 Management Is Different from Policy

It is important to point out that we are speaking about public management rather than public policy. These are two distinct areas and it is important to try and explicit the differences between these two areas. Issues of public management are somewhat more pervasive and identical across the world, whereas policies are more arguable and difficult to perceive as general across different countries. 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 government action, we tend to speak of policies: how much 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. The general discourse speaks also of management, but we are unaware of that: we always complain about lines at the post office, to mention one instance of management. We believe government ineffectiveness (where post office is a government bureau) is genetic, inevitable, cultural (we mean of our unique culture in the world), natural, like rain and snow.

Policy is more about politics (and science): is smoke carcinogenic? Is it correct that government prohibits smoke? Management is about implementation of

policies: once we have decided that black people have the right to vote, how do we actually allow the black population to perform such right? What is in the way of such right becoming alive?

Policy is about law and regulation, management is about day by day work in the organizations that are supposed to implement what the law and the regulations say. Policy is macro: should we raise the discount rate? Should we raise taxes? Management is about catching those who do not pay whatever taxes are there to be paid. Management is micro. Policy is about legislatures; management is about the executive branch. There is certainly an overlap, but the distinction is there.

Management is less arbitrary than policy. It is easier to argue about policy: whereas ineffective management is easier to pinpoint. In the end, good management ends up being about policy as well, however, it is important to make explicit the difference between the two areas because public management appears to be a much neglected domain. As we have said, management is squeezed between law and politics.

It is the very nature of management that has allowed to compare instances in the most varied substantive areas: from natural hazards 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 Corporate Social Responsibility, but issues of sustainability, ethics and governance are there, as well as government – business relations.

5 The Economic Bottom Line of Government and Effective Reporting

If “CSR is the responsibility for the wider impacts” of work, then we have seen that the impacts of public management work are indeed very wide, therefore they should be accounted for in adequate reports and discussions, which could be called in general CSR reporting. For a discussion of the various instruments of reporting, see Muzi Falconi (2013).

The social report of the public sector 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 sector organization ought to be reported in more rigorous detail than that of a private company. This apparent paradox is due to the specific objectives of the current financial statements produced by public institutions: certify the legitimacy of the administration rather than explain its activities. On the other hand, the corporate social report of a public organization should consider the quantity and quality of the service produced by the institution – which should be, in essence, the economic bottom line of government, i.e. the place where all

government action is accounted for in the highest way. This is what would happen in case of CSR implementation (Idowu et al. 2013) in public management.

Incidentally, let us clarify that we have been using here the words institution and organization interchangeably. However a distinction must be made at this point between institutions (humanly devised norms, laws, customs (North, 1991) and organizations (groups of people). In this text we always mean organizations, even when we say institutions. By institutions we mean government and public administration organizations.

The corporate social report should also tackle one critical question: assuming that a high quantity and quality of work is performed by the institution, to what extent is the work undertaken by the institution needed? How can the market (i.e.: people, business, etc.) show it appreciates the very existence of this work? In other words, a corporate social report that considers the quality and quantity of the work should also say something about the relevance and the legitimacy of the work per se.

Government financial accounts are a formality: they have a different scope from making sure substance is obtained; they have the scope of making sure money is actually available and funds are not managed in violation of administrative rules; administrative rules are different from the substantive mission of the government organization.

Public organizations provide budget expense estimates and final statements that are strictly controlled on the part of internal comptrollers, and yet all they provide is an account of the correct administration of receipts and expenses. They do not go into the product of the organization. For this reason, the first task of a public social report is to define the (social) product of the 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 organization, it is clear that much is either obtained from the government or received in the form of taxes or local tariffs. On the contrary to a company that operates on the free market, registering the receipts of a public organization is only a partial indication of a favorable public attitude towards the organization's product. These receipts are not obtained through the free choice of the public; they accrue from a combination of factors that have little to do with any perceived value of the organization's social impact, such as political opportunism or bureaucratic inertia.

A social report must explain what outcomes are obtained by supplying the organizations with funds to operate. Thus, the social report of a public sector organization becomes a central component of the overall political value resulting over time from an election. Only a social report provides the quantity and quality of public production. It is an instrument to ensure the transparency of the main activities of public sector organizations. 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.' It is clear that the key stakeholder of the disclosure of such organizational bottom line of government cannot be government itself, but

private business since it is the sole self-interest of business (and not of government) that government function in such a way (Bower et al. 2011).

CSR in the core business leads to integrated reporting. We would only add here that the “organizational bottom line” is the public sector deployment of integrated reporting. It may be very difficult and arbitrary to write an organizational report in the public sector, but “we do not have to believe that the solution will emerge as soon as we look for it. But we do contend that a solution is unlikely to emerge unless we look for it” (Drèze and Sen 2013).

As we have anticipated at the beginning of this chapter, this second part of the book goes on to present a philosophical elaboration on the notion of the unknown stakeholder (Costa), then a link to the theory of bureaucratic behavior (Lapicciarella). The book closes with the proposal for an extension of the use of social media to monitor behavior of governments as effectively as when those media are used to monitor behavior of the corporations (Pettineo).

References

- Boettke PJ, Luther WJ (2009) The ordinary economics of an extraordinary crisis. In: Kates S (ed) *Macroeconomic theory and its failings: alternative perspectives on the global financial crisis*. Edward Elgar, Cheltenham
- Bower JL, Leonard HB, Paine LS (2011) *Capitalism at risk: rethinking the role of business*. Harvard Business Review Press, Boston
- Chymis A (2008) Reconciling Friedman with corporate social responsibility: how market competition affects corporate social performance. AV AkademikerVerlag, Saarbrücken
- D’Anselmi P (2011) Values and stakeholders in an era of social responsibility: cut-throat competition? Palgrave Macmillan, London
- Di Bitetto M, Gilardoni GM, D’Anselmi P (2013) *SMEs as the unknown stakeholder: entrepreneurship in the political arena*. Palgrave Macmillan, London
- Drèze J, Sen AK (2013) *An uncertain glory, India and its contradictions*. Princeton University Press, NJ
- Ennals R (2014) *Responsible management: corporate responsibility and working life*. Springer, Heidelberg
- European Commission (2001) *Promoting a European framework for corporate social responsibility*. Green Paper, COM(2001)366 final
- European Commission (2011) *Sustainable and responsible business. Corporate Social Responsibility (CSR)*. http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm. Accessed 18 Mar 2013
- Friedman M (1970) The social responsibility of business is to increase its profits. *The New York Times Magazine*, 13 Sept 1970
- Idowu SO, Capaldi N, Zu L, Das Gupta A (eds) (2013) *Encyclopedia of corporate social responsibility*. Springer, London
- Idowu SO, Capaldi N, Fifka M, Zu L, Schmidpeter R (eds) (2014) *Dictionary of corporate social responsibility*. Springer, London (forthcoming)
- Moore MH (1995) *Creating public value: strategic management in government*. Harvard University Press, Cambridge
- Muzi Falconi T (2013) *Global stakeholder relationships governance: an infrastructure*. Palgrave, New York
- North DC (1991) Institutions. *J Econ Perspect* 5(1):97–112

A New View to Unveil the Unknown Stakeholder

Maria Alice Nunes Costa

1 Introduction

In May 2011, I was invited by the Italian engineer and business consultant Paolo D’Anselmi, to be in an International Conference on Corporate Social Responsibility in Finland (Lahti), as a speaker to expound on his recently published book (2011) “Values and Stakeholders in an Era of Social Responsibility. Cut-Throat Competition?”. It was through this book that I realized that there are stakeholders that are unknown to most companies and indeed to governments and public administrations, which the author calls the “unknown stakeholders”. The concept of the unknown stakeholder is illustrated in the previous chapter of this book within the context of effective public management. We are all unknown stakeholders of effective public management when we are not aware of the importance of effective public management and do not call for effective public management to be brought about. And nowadays, the fact that many business ventures ignore the existence of these unknown stakeholders –and therefore don’t establish a social dialogue with them–ends up generating major problems and extremely high monetary costs in the implementation of business projects. I will concentrate here on the business side of the issue, in order to elaborate on the notion of the unknown stakeholder. This is a little off the subject of this book, however we obtain general results that can be extended to the domain of public management, beyond business management.

M.A.N. Costa (✉)

Postgraduate Program in Sociology and Law, Fluminense Federal University of Niterói,
Niterói, Brazil

e-mail: alicecosta.rj@uol.com.br

2 The Stakeholder Theory Ignores the Existence of Some Stakeholders

In order to fully understand the concept of “unknown stakeholder” proposed by Paolo D’Anselmi, we need to relate such concept to the Stakeholder Theory, acclaimed by the corporate world. This theory has been enriched and enhanced along the 1980s of the last century and today, the idea that the management of the companies must take into account the interests of all stakeholders (employees, managers, suppliers, customers, environment, government, local community) involved with the company – and not only the interests of shareholders/ owners – is almost consensual.

The Stakeholder Theory is a pragmatic theory in which companies are seen as the financial and economic center agent, whereas the stakeholders of the companies are located in the production chain of these companies and in the social and physical environment surrounding the companies themselves. This definition of stakeholders (Evan and Freeman 1993; Carrol 1991; Donaldson and Preston 1995; among others) shows that all stakeholders can bring benefit or prejudice to the company itself, as stakeholders have the power to affect the company in some measure. Therefore, it is necessary for companies to respond (show social responsibility) to the rights and claims of all stakeholders that affect the companies themselves.

Starting from this assumption, some doubts have arisen. They can be overall summarized in one question: when the interests of some stakeholders are incompatible with the interests of companies, how can the trade-off between these conflicting interests be balanced?

The authors Evan and Freeman (1993) when faced with this question, embarked on the path of democratic and Kantian philosophy asserting that all stakeholders should be treated equally. However, we know that in practice, decision making in a company does not respond equitably to all stakeholders, nor to the minority shareholders. The decisions are made within a system of weighting embedded on subjectivities and determined by maximizing the interests of the majority shareholders.

The Stakeholder Theory mostly ignores the cultural existence of some stakeholders, making them unknown because of their limited cognitive and intellectual perception. When this theory is practically interpreted by managers, the decision is taken to make these interested parties invisible. At the end, what these managers believed would come cheap will be much more expensive! But I believe this is still very difficult to understand, especially in countries with weak development and inefficient political and educational institutions.

Currently, large companies and multinationals are confronted with the issue of the best model of corporate governance to be adopted. However, concern remains focused in the economic power of the majority shareholders. The asymmetries of information and power continue under any type of governance.

On the other hand, usually in most analyses and studies on management, the company is always regarded as the center of the constellation and the main coordinator of interests, thus subordinating individuals and social groups to the company itself. Therefore, managers keep visualizing the corporate world and the economic capital as central agents of the planet.

We live in the capitalist world system after all! However, our current economic logic of capitalism is still a nineteenth century kind of logic. In this model, the economy grows as the environment is neglected . . . Some progress! Some companies know that they must get involved, listen and be socially responsible with all stakeholders to prevent reputational and financial damage. Therefore, the triple bottom line responsibility (economic, social and environmental) by itself ends up handicapping them, given the predominance of the economic power of large multinational corporations. Rio +20 and the Millennium Development Goals have become a panacea. Along with them come market certifications, and nobody really understands what they will get at. We are running around in circles behind our own tail.

What we are living can be justified by the emergence of a “new spirit of capitalism,” as Boltanski and Chiapello (2002) call it. These authors investigated the current ideological changes that have been made following the recent transformations of capitalism. If logic and conduct are two different things, it is important to understand the (re)construction of this current capitalist spirit.

Boltanski and Chiapello note that one of the features of capitalism is the constant search for supporters of the system in order to legitimize capitalism itself before the same supporters. It is up to the spirit of each era of capitalism to appease the concern over the following issues: How can the process of capitalist accumulation be a source of enthusiasm for people who do not enjoy the realized benefits? To what extent those enrolled in the capitalist cosmos can have the assurance of minimal security for themselves and for their children? How can the participation of capitalist enterprises be justified in terms of the common good and defended in front of the accusations of social injustice? (Boltanski and Chiapello 2002, p. 56).

Boltanski and Chiapello identify three spirits of capitalism, each with its own argument of what is the “common good”. The first of these spirits emerges in the late nineteenth century, where these arguments revolved around the role of progress, technology and science. The second spirit is from the 1930s, and it blossoms with the emergence of corporations whose existence is justified by institutional solidarity, consumption distribution, as well as collaboration between large firms and the state in a social justice perspective (2002, pp. 58–59). Finally, the third spirit of capitalism emerges from the cultural movement of May 1968. At this stage, it criticizes capitalism for its mass production, for its large bureaucratic, hierarchical organizations and for the lack of freedom and creativity to which people were exposed. However, this cultural movement did not imagine that their criticism of capitalism would be incorporated and would even boost the emergence of another capitalist spirit, more relational and “humanist” with individuals.

As Boltanski and Chiapello argue, it is in the 1990s that capitalism absorbs the “artistic critique” produced in the 1960s and moves towards the ideas of innovation

and creativity in this new, more humane capitalism. If not more human, this capitalism appears at least less wild, even though this new spirit is not generalized in all parts of the world (Costa 2011).

Considering this change of spirit, I humbly propose a metanoia to the logic of capitalism (from the Greek, change of mentality). I have not spoken only of a change as the one Tomasi di Lampedusa (2000) identifies in “Il Gattopardo” (“Something must change so that everything continues as is”). I’m not talking about just a change, but rather a displacement of point of view, of spirit, of *modus operandi* and of mentality of capitalism. We are in the Third Millennium! Everything changes all the time. And this is nothing new. Heraclitus, in Classic Antiquity, had already said that the only permanent thing in the life is change.

Our current effort is to try to overcome the vision centred on economic power and try to integrate it effectively in the global sustainability that is a humane perspective. The economy exists for the planet. It’s not the planet that exists for the economy. Therefore it an effort to balance the economy equitably is urgent . We should/must integrate the economic, social and environmental vectors in growth as well as economic and social development of the territories in pursuit of our welfare and of our happiness. And if we want a maximization of self-interest, that should be under in a an intelligent perspective updated to the twenty-first century, and not to the nineteenth century.

Thus, instead of looking at capital in a hypercenter or hypertrophic way, we need a vision of ontological responsibility of being urban. The concept of “urban centers” highlights the teleological perspective of living in the territory in its different dimensions of the local, national, transnational, supranational and planetary environment We are talking about a social responsibility from the territory to the territory on differentiated and expanded scales. The word “territory” identifies here an instance that contains within itself the dialectical dynamics of all the institutions produced by reflection, action and human intervention.

If we continue looking at business and capital as central actors or aiming only at immediate profits, we are reproducing the logic of the subordination of being urban in a fallacious triple bottom line sustainability. Therefore, the metanoia of corporate social responsibility and profit is necessary. Profit is not a sin! But we need not only to broaden, but also to carry out the displacement of vision and to unveil those that are actually more important and central to all economic, social, cultural and environmental interventions: we, the people. And this includes effectively all stakeholders.

Thus, I propose two questions: What are the consequences for the economy, in the Polanyian sense and what is the broad term (Polanyi 2000), when we work through the current and exacerbated financialisation of capital? Will we be able to look in the correct way at all stakeholders, consistently with all the complex and systemic dimensions of sustainability of global economy?

Here, it is the rub: knowing and seeing what is proper and correct. There are those who do not want to see or cannot see. So they make us invisible, absent or unknown. Seeing correctly, does not mean seeing what is appropriate, what works or what is given in synchrony with reality. To see or not to see: this is the question.

Seeing or not seeing consists in some way in a pulsion that motivates us to translate this look and this reality that moves us in the world.

If business owners and managers want to see, correctly, they need to be in touch with reality or they will be misled by their own prejudices, thoughts and beliefs. Thus, they can only see the reality and the Economy in a fragmented or frozen way.

Seeing correctly and broadly, is looking in the light of the constant flow, the flow of the world in a dynamic and dialectical way. It is recognizing the totality and the interdependence of everyone and everything, realizing that nothing is left outside. We must confront ourselves with what we cannot see or do not want to see. This is a political, philosophical and economic decision.

And seeing properly and clearly the people, the world, the economy, business, prosperity and economic development, will change the mentality (*metanoia*). Seeing everything requires the decision to awaken to the understanding of reality and of the world in which we live in. And this understanding exceeds, by far, our understanding of the rationality of past centuries. The companies, the capital and the Economy are not independent, nor the center line of action and human thought.

We can clarify this idea with the example of the myth of Plato's cave, in a little different way. Imagine the reflection of something in the mirror. The reflexion does not resemble in any way the thing it reflects. The reflexion is the empty existence of this thing. The reflection or mirror image is, in all ways and in all aspects, the emptiness of existence of the thing it seems. But when we establish the encounter of the thing with the mirror, the reflection appears, despite the fact that it is something false. And when we remove the thing from the mirror, the reflection disappears, although it was something false all the time. This shows us that the fact that there is something false does not preclude its performance or its functioning.

Conclusion. The Sociology of Absences Reveals the Unknown Stakeholders

When we look at immediate profit or finances as the center line and coordinator of Economy, we can fail to see other fundamental dimensions and conclude that they don't exist, by mere lack of knowledge and ignorance. According to the Portuguese sociologist Boaventura de Sousa Santos (2000), there are two distinct types of imagination: the epistemological imagination and the democratic imagination. The epistemological imagination allows us to expand our vision, to the extent that we can see the existence of a diversity of knowledge, perspectives and different scales of identification, analysis and evaluation of practices. The democratic imagination will enable us to recognize that there are different practices and social actors. According to the author, if the world is an inexhaustible totality, it will fit many holes, all necessarily partial, i.e. all totalities can be seen as parts and all parts as totalities. Therefore we need a sociology of absences à la de Sousa Santos that helps us reveal the unknown stakeholders. "The sociology of absences

(continued)

consists of an inquiry that aims to explain that what does not exist is, in fact, actively produced as non-existent, that is, as a non-credible alternative to what exists. The objective of the sociology of absences is to transform impossible into possible objects, absent into present objects.” Likewise an important task of CSR in the public and in the private spheres of the economy is to reveal the unknown stakeholders of specific organizations and of economic and social institutions; to transform non-existent or (better) not known stakeholders, into known stakeholders, and to generate collective action from new (previously unaware) stakeholders. Unveiling unknown stakeholders is then one specific instance of the sociology of absences.

Therefore, unveiling the reality of the various capitalisms simultaneously means an intellectual, political, and emotional labor. The current financial crisis and our hegemonic rationality unintelligibility has demonstrated us a vision of contemporary reality, reducing it to what is translatable in our comfort zones. The central question of metanoia, of which I speak, is the perspective that everything around us is fundamentally interconnected and interdependent. Every being, fact or thing, apparently separated, is merely one expression of a vast and indivisible reality.

References

- Boltanski L, Chiapello È (2002) *El nuevo espíritu del capitalismo*. Akai, Madrid
- Carroll AB (1991) The pyramid of corporate social responsibility: towards the moral management of organizational stakeholders. *Bus Horiz*, July/August 34(4):39–48
- Costa MAN (2011) *Teias e tramas da responsabilidade social: o investimento social empresarial na saúde*. Editora Apicuri, Rio de Janeiro
- D’Anselmi P (2011) *Values and stakeholders in an era of responsibility. Cut-throat competition?* Palgrave Macmillan, London
- Donaldson T, Preston LE (1995) The stakeholder theory of the corporation: concepts, evidence and implications. *Acad Manage Rev* 20:65–91
- Evan WM, Freeman RE (1993) *A stakeholder theory of modern corporation: Kantian capitalism*. In: Beauchamp TL, Bowie NE (eds) *Ethical theory and business*. Prentice-Hall, Englewood Cliffs
- Lampedusa GTD (2000) *O Gattopardo*. Editora Record, Rio de Janeiro
- Polanyi K (2000) *A Grande Transformação – as origens da nossa época*. Editora Campus, Rio de Janeiro
- Santos B de S (2000) *Para uma sociologia das ausências e uma sociologia das emergências*. In: Santos B (org) *A crítica da razão indolente: contra o desperdício da experiência*. Ed. Afrontamento, Porto

On Bureaucratic Behavior

Andrea Lapicciarella

1 Introduction

The improvement of public administration has long been a problem of every government. Since the beginning of civilization All the ancient peoples with an organized state structure – Chinese, Sumer, Egyptians – Under the Chinese system, for instance, its bureaucrats weren't required to be noblemen. Instead they had to pass exams to demonstrate their ability to perform their rank required.

1.1 Methodology

This literature review draws conclusions with fertile implications in practice and interdisciplinary theory (e.g. current administrative law) all over the world appears to be based on the obsolete Weberian model of bureaucratic behavior.

1.2 Overview

We summarize the general framework whereby public administration operates in the economic system. We assume a systems view of the economy, following the idea of the competitive advantage of nations being based on the fruitful exchange between the public and the private sectors of the economy. Then we work on the models of bureaucratic behavior and – based on the reviewed literature and our own

A. Lapicciarella (✉)

Retired Head Office for Performance Measurement, National Research Council (CNR), Rome, Italy

e-mail: andrealapicciarella@hotmail.it

experience as students, bureaucrats and entrepreneurs – we draw implications and conclusions from the time honored model of William A. Niskanen.

2 Public Administration and Democratic Government

In countries with modern democratic government the overall value of the country-system is produced and distributed by two different subsystems. While each interacts with the other each is also governed by its own characteristic mechanisms:

- business firms produce and supply goods and services.
- the state organization: public administration or government sector.

Both these subsystems should be governed by intrinsic optimizing mechanisms when they produce and distribute value. These optimizing mechanisms should incessantly seek equilibrium, which in reality, is unobtainable as it should guarantee all actors are satisfied.

There are two optimizing factors within the business firms:

- entrepreneurial creativity and labor force quality;
- the mission to profit through markets and their rules establishes a direct relationship with customers and producers that creates a micro-mechanism, transaction by transaction, which the Greeks called “sinallagma” (Endnote 1).

In the state organization, or public administration, there are the optimizing factors of creativity, the bureaucrats’ professional attitude and quality employees, but certainly there is no market.

The citizen-customer-voter-taxpayer does not enter into a direct relationship with the government employee, whom he pays through his taxes. Within a democracy, politicians mediate this relationship and, in turn, oversee public administration towards the ends and objectives expressed by the same citizens. As for managing democratic government, there is the *interrupted triangle of governance* (Fig. 1).

The two-pointed arrows some sort of negotiation which, if the transitive property is applied, should guarantee a dialectic relationship between public administration and the citizen, albeit mediated by the politician. It is necessary to understand whether model corresponds to reality.

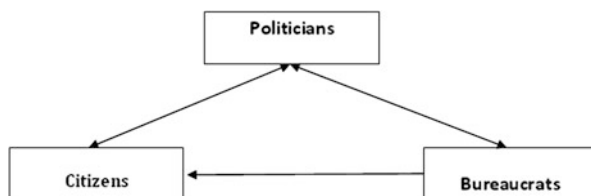


Fig. 1 The interrupted triangle of governance

There are entire libraries, however, criticizing both the market optimizing mechanism within a private system and the system of public administration. Karl Marx is the example for the former while authors for the latter include Ludwig von Mises, Gordon Tullock, William A. Niskanen, James Buchanan, Milton Friedman and the same Karl Marx.

Since the 1990s, politicians have continuously attempted to reform the state and its public administration. Such effort is a possible source of resources coming from rationalizing actions on public administration. Politicians put forth these actions in an effort to follow-through on the criticism of the public administration’s inefficiency and ineffectiveness.

Examples of these public administration reforms are:

- the New Zealand’s State Sector reforms;
- the Financial Management and Next Steps Initiatives in the United Kingdom;
- the Clinton/Gore National Performance Review;
- regulation to optimize civil service productivity in Italy by the Minister of Public Administration, Renato Brunetta, (D.Lgs. 150/2009 implementing the law on 4 March 2009, n. 15).

Taking a closer look at the example of Italy in order to quantify what is at stake: “today we estimate that administrative and bureaucratic activities in Italy cost 1.6 % of GDP in terms of resources directly spent by public administration. In financial terms that is euro 24.58 billion per year, Italian GDP being today around €1,536 billion” (Cosentino 2010, p. 241).

The European commission elaborated their own estimate of public administration and came up with a 4.6 % of GDP administrative costs for business firms (Urbani 2010, p. 17).

A study by the industrialists’ association Confindustria states:

The hostile relationship between public administration business firms, spanning from slow justice to delays in payment, is a decisive obstacle to the deployment and growth of any economic activity. It discourages the development of enterprise, abates competitiveness in the markets and discourages investment and innovation. The cost of public administration is amplified for the small and medium-sized enterprises, which are the core of the Italian economic fabric. The Italian GDP could grow by as much as 30% by the year 2030, as shown in the following Table 1. (Confindustria 2009, pp. 93–94)

Therefore, the Brunetta regulation represents Italy’s attempt to access the reservoir of resources outlined above.

Table 1 GDP 2030, changes at constant prices vis-à-vis

	As % of GDP	In billion euro	Per capita (in euro)
Lower administrative burden on business	+4.0	+62.9	+1,055
Better infrastructure	+2.0	+31.4	+527
Better human capital	+13.0	+204.4	+3,428
Competition	+11.0	+172.9	+2,901
Total	+30.0	+471.7	+7,911

Going back to the international review of public administration reforms, all have taken place within the research framework called New Public Management, an inspiration for many scientists since the 1980s. President Clinton's statement in 1993 when presenting NPR's (National Partnership for Reinventing Government) was exemplar: "Our goal is to make the entire federal government less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment."

High flown statements are not unusual every time a politician embarks on reforming public administration. Such attention to the public sector originates from two considerations:

- the quest for embedded mechanisms which automatically guide optimization and management savings in public administration; and
- the very fact that the public sector is a reservoir of actual "fresh" cash owing to the slack of its operations.

Organizational slack is the difference between resources granted to a bureau and the minimum production costs for it to provide its services. In this kind of models, the public manager does not maximize his bureau's budget but the difference between the budget and the cost of production factors (Wyckoff 1990). The slack is both the public administration's effects of inefficiency and its tendency: to overproduce services above what would be produced were these services at a cost per unit on the market. Organizational slack was first defined by Cyert and March (1963); Migué and Bélanger called the same quantity "discretionary profit" (Migué and Bélanger 1974) while Orzechowski (1977) uses the term "fiscal residuum." The slack also includes the Williamson effect (Williamson 1964) where all extra resources are devoted to hiring new personnel.

In any case, resuming the analysis of reform actions on public administration, new mantras have joined the old ones of effectiveness and efficiency: outcome, accountability, performance. All of these are meant to improve public administration; therefore, to understand the modern science of public administration and its reform policies we need to agree first on what public administration is.

There are two basic models of public administration. They are mutually exclusive and they are used as the basis for all reform action:

- the sociologic model of the officeholder and of public administration, formulated by the greatest sociologist of the twentieth century, Max Weber; and
- the economic model of the bureaucrat and of bureaucracy, formulated by economists Ludwig von Mises, Gordon Tullock and William A. Niskanen.

3 The Public Administration Model of Max Weber

Max Weber is certainly considered the founder of sociological studies on public administration. He wrote extensively on all subjects and sometimes in a rather complicated fashion (Endnote 2). Every time we hear a senior bureaucrat calling himself a “civil servant,” he is referring to Max Weber (although he is often quoted it is uncertain Weber has been widely read). For Weber, bureaucrats and bureaucracy are characterized by three simple axioms (our translation, Weber 1991, p. 196):

1. The regular activities required for the purposes of the bureaucratically governed are distributed in a fixed way as official duties.
2. The authority to give the commands required for the discharge of these duties is distributed in a stable way and is strictly delimited by rules concerning the coercive means, physical, sacerdotal, or otherwise, which may be placed at the disposal of officials.
3. Methodical provision is made for the regular and continuous fulfillment of these duties and for the execution of the corresponding rights; only persons who have the generally regulated qualifications to serve are employed.

These axioms lead to the Weberian hierarchical bureaucracy, government by specific laws and rules, subject to ongoing control, whereby the channels that link the units of the structure are subject to a continuous flow of written documents: the files.

To be a bureaucrat in the world of Max Weber is not as much a profession as it is a priesthood. Weber says (our translation, Weber 1991, p. 198): “Office holding is a “vocation.” This is shown first, in the required training course, which demands the capacity for work for a long period of time, and also in the prerequisite employment exams. Furthermore, the official’s position is in the nature of a duty. This determines the internal structure of his relations. Weber adds: “Legally and actually, office holding is not considered a source to be exploited for rents or emoluments, as was normally the case during the Middle Ages and frequently up to the threshold of recent times. Nor is office holding considered a usual exchange of services for equivalents, as in the case with free labor contracts. . .”

From this writing tends the concept of civil servant which is paid lip service by all bureaucrats in all countries in all political systems, democratic or dictatorship. Max Weber’s considerations on the relationship between democracy and bureaucracy are quite interesting:

The generally loose term ‘democratization’ cannot be used here, in so far as it is understood to mean the minimization of the civil servants’ ruling power in favor of the greatest possible ‘direct’ rule of the *demos*, which in practice means the respective party leaders of the *demos*. The most decisive thing here – indeed it is rather exclusively so – is the *leveling of the governed* in opposition to the ruling and bureaucratically articulated group, which in its turn may occupy a quite autocratic position, both in fact and in form. (Our translation, Weber 1991, p. 226)

According to Max Weber, therefore, public administration is not a democratic tool as a channel of control over the people in a republic; this is only appropriate in so far as it may guarantee by its own nature equal rights and equal duties based on laws made by a democratic parliament.

There is no economic reasoning in Max Weber's model as in his conception bureaucracy is by definition the least expensive and the most efficient:

The decisive reason for the advance of bureaucratic organization has always been its purely technical superiority over any other form of organization. The fully developed bureaucratic mechanism compares with other organizations exactly as does the machine with the non-mechanical modes of production. Precision, speed, un-ambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction and of material and personal costs – these are raised to the optimum point in the strictly bureaucratic administration, and especially in its monocratic form. As compared with all collegiate, honorific, and “avocational” forms of administration, trained bureaucracy is superior on all these points. And as far as complicated tasks are concerned, paid bureaucratic work is not only more precise but, in the last analysis, it is often cheaper than even formally unremunerated honorific service (Weber 1991, p. 214).

One of the consequences of Max Weber's model is condensed here (our translation, Weber 2002, p. 39):

A bureaucrat receiving an order that in his own judgment is wrong may – and indeed must – object to it; however, if the superior authority insists on its disposition, it is not only his duty but it is an honor for him to execute it as if it corresponded to his own innermost conviction, showing that his dedication to his office is well beyond his own personal will. It doesn't matter whether the superior authority is a person, a corporation or an assembly, this is required by his spirit of the office.

Weber's passage is reminiscent of the famous literary piece *The Trial*, whereby Franz Kafka arrives at the same conclusions through aesthetic creation rather than sociological research: “There you've found another opinion,” said the priest, “as there are many who say the story doesn't give anyone the right to judge the doorkeeper. However, he might seem to us he is still in the service of the law, so he belongs to the law, so he's beyond what man has a right to judge. In this case, we can't believe the doorkeeper is the man's subordinate. Even if he has to stay at the entrance to the law his service makes him incomparably more than if he lived freely in the world. The man has come to the law for the first time and the doorkeeper is already there. He's been given his position by the law, to doubt his worth would be to doubt the law.”

Such brilliant considerations, when cast in a dictatorial regime, may lead to speeches like the following: I have heard the Court's severe verdict of guilty. I see myself disappointed in my hopes for justice. I cannot recognize the verdict of guilty. I understand the demand for atonement for the crimes which were perpetrated against the Jews. The witnesses' statements here in the Court made my limbs go numb once again, just as they went numb when once, acting on orders, I had to look at the atrocities. It was my misfortune to become entangled in these atrocities. But these misdeeds did not happen according to my wishes. It was not my wish to

slay people. The guilt for the mass murder is solely that of the political leaders. I did try to leave my position, to leave for the front, for honest battle. But I was held fast in those dark duties. Once again I would stress that I am guilty of having been obedient, having subordinated myself to my official duties and the obligations of war service and my oath of allegiance and my oath of office, and in addition, once the war started, there was also martial law. This obedience was not easy. And again, anyone who has to give orders and has to obey orders knows what one can demand of people. I did not persecute Jews with avidity and passion. That is what the government did. Nor could the persecution be carried out other than by a government. But I never. . . I accuse the leaders of abusing my obedience. At that time obedience was demanded, just as in the future it will also be demanded of the subordinate. Obedience is commended as a virtue.

4 The von Mises-Tullock-Niskanen Model of Bureaucracy

The first solid blow to the Max Weber's bureaucratic model came from Ludwig von Mises, an economist from the Austrian school who championed liberal thinking and influenced well-known economists such as Milton Friedman and James Buchanan.

Von Mises' point of attack on bureaucracy as the best possible system for managing the public sector stems from this consideration: "Bureaucracy is neutral with respect to political power and it doesn't discern between democracy and dictatorship." Von Mises sets the logical foundation for a strictly economic analysis of bureaucracy similar to what had been done for private enterprise.

Unlike Weber, Von Mises argues that bureaucracies supply services that cannot be bought or sold for a per unit price. Consequently, bureaucracies cannot be governed by a profit objective or economic calculation. In the absence of a profit objective bureaucracies must be centrally governed by rules and oversight on employees.

Not working on the basis of the free sinallagma exchange, bureaucracies are basically an instrument to deny the freedom of choice of the citizen with whom bureaucracy does not have a direct relationship. Bureaucracy or public administration becomes an instrument of virtual oppression as a consequence of the philosophy of obedience stemming from Max Weber's reasoning.

Von Mises thought bureaucracy could not be amended; therefore, the only possibility to limit its impact was reducing its extent in the state:

It was a purposeful confusion on the part of the German metaphysicians of statolatry that they clothed all men in the government service with the gloriolate of such altruistic self-sacrifice. From the writings of the German étatists the civil servant emerges as a saintly being, a sort of monk who forsook all earthly pleasures and a personal happiness in order to serve, to the best of his abilities, God's lieutenant, once the Hohenzollern king and today the Führer. The *Staatsbeamte* does not work for pay because no salary however large could be considered an adequate reward for the invaluable and priceless benefits that society derives from his self-denying sacrifice. Society owes him not pay but maintenance adequate

to his rank in the official hierarchy. It is a misnomer to call this maintenance a salary. (von Mises 2009, pp. 123–124)

We must admit, then, that many statements are still spoken in the departments of our country very similar to those von Mises exposed to public scorn (Endnote 3). Adam Smith, in *The Wealth of Nations*, said: “I have never known much good done by those who affected to trade for the public good” (Smith 1937).

The first to apply von Mises’ ideas to the real world was C. Northcote Parkinson who formulated the law named after himself in an article in the *Economist*:

“In a Bureau the number of employees constantly grows disconnected from the need of the citizen customer and in the interest of the same bureaucrats that work in said Bureau.” Parkinson had two starting points led him to this conclusion. He reasoned the bureaucrat increases the number of subordinates but not the number of peers, and, secondly, the bureaucrat increases each other’s work. On this basis, Parkinson (Northcote Parkinson 1957, pp. 33–44) found all the bureaus he analyzed to share the same paradigm he tested in the British Admiralty:

In 1914 the fleet had 62 ships and the officers of the Admiralty were 2000; in 1928 the number of ships was down to 20 but the number of officers was 3,569.” “In spite of the service decrease by 67% represented by the lower number of ships, we found an increase of 78% in the bureaucracy.

Parkinson gave a mathematical formulation for his law yielding the percentage increase per year as a function of parameters which are totally independent of service provided to the citizen.

A further step beyond Max Weber’s model was made by Gordon Tullock in his *The Politics of Bureaucracy*. He uses the concept of the maximizing bureaucrat that had been introduced by C. Northcote Parkinson as a basis for his analysis of bureaucracy.

On the basis of the intuitions and suggestions of Tullock, William A. Niskanen (1968), in his seminal article “Non-market decision-making – The Peculiar Economics of Bureaucracy” translated the principles of the maximizing bureaucrat into an economic theory in full mathematical form based on the following axioms:

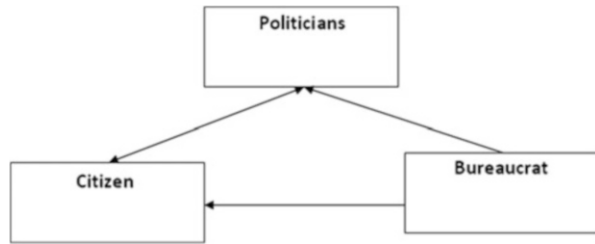
Bureaucrats maximize the total budget of their bureau, given demand and cost conditions, with the constraint that the budget must be equal to or greater than the minimum total costs at the equilibrium output.

Bureaus exchange a specific output (or combination of outputs) for a specific budget.

Therefore, as in the free market, every actor pursues the maximization of his own utility either by profit or by the satisfaction of one’s own needs. Likewise, the public manager or bureaucrat, far from being a monk without needs, maximizes his own budget as a proxy for such utility providing factors as:

- salary;
- characteristics of his bureau;

Fig. 2 Modified triangle of governance



- reputation;
- power;
- opportunity to provide and receive protection;
- ease in managing his bureau;
- ease in making changes in his bureau.

The second of the two axiomatic principles mentioned above translates into a Bureau’s output supplied in exchange for a lump sum and not on a per unit rate. Incidentally, the bureaucracy’s goods and services are not provided directly to the citizen customer but to the politician who they’ve elected.

Bureaucracy, in fact, operates within the above mentioned interrupted triangle of governance with a key variation suggested to Niskanen by Tullock (Fig. 2):

Whereas there is an exchange between the citizen and politician at election time and their needs are expressed through votes on the politician’s policies, there is no such exchange between the overseeing politician and the bureaucrats. We only find the latter behaving like monopolists towards the politicians. This new characteristic of the model has the direct consequence that there is no *transitive property* to be called upon as is usual when the triangle of governance is discussed.

This model is very close to everybody’s daily experience. The citizen customer does not form a relationship with the bureaucrat but can only accept what the bureaucrat supplies. The citizen customer is left without any instrument to affect the bureaucrat’s performance or behavior.

On this specific point, Niskanen (1968, pp. 293–305), acknowledging Tullock’s intuition, says: “The second characteristic – bureaus exchange their output for a total budget rather than at a per unit rate – is generally recognized, but the implications of this characteristic for the behavior of a bureau are not. This characteristic gives the bureau the same type of “market” power as a monopoly that presents the market with an all-or-nothing choice. A bureau, thus, can appropriate all of the consumer surplus.” As shown later, however, this characteristic leads to significantly different output, budget, and welfare conditions for a bureau than for a monopoly.

Thanks to the work of Buchanan, Tullock, Breton, Wintrobe and many others, the academic discipline Public Policy and within this, starting from the 1968 article by Niskanen, a branch began known as the economics of bureaucracy.

Niskanen's article was the starting point of the literature made up of the hundreds of publications whereby Niskanen's model was praised, criticized, modified, and improved upon.

The key points of this literature have been outlined passim and are listed here for clarity: Niskanen (1968, 1971, 1975, 1994, 2001, 2008), Tullock (1974), Migué and Bélanger (1974), Breton and Wintrobe (1975), Gonzalez and Mehay (1985), Wyckoff (1990), Casas-Pardo and Puchades-Navarro (2001).

5 Killing the Weberian Bureaucrat

Niskanen's contribution is so influential to public administration theory because he described the public executive's qualities and problems as a homo economicus endowed with a rationality finalized at improving his own status. Niskanen's theory overcame the weight of at least twenty centuries of hagiographic tradition. He did that after von Mises, Parkinson and Tullock. For Niskanen, the bureaucrat does not pursue his own interests and personal profit within a market framework. He pursues these in a hierarchical structure governed by rules made by others.

Niskanen's mathematical and economic model allows the analyst and the student of public affairs to use all quantitative methods of economic analysis to research indicators. Such research has characterized the science of public management and policy actions of the last 20 years.

We must admit that within the principles of the New Public Management, the efforts to influence public administration with market mechanisms were not very successful. Within the New Public Management, a plethora of indexes and indicators was formulated to substitute money for use in free exchange.

In reality, however, *the Weberian bureaucrat was retrofitted* with thermometers and sensors in the hope that the numbers, which the bureaucrat himself would put out, constituted an optimizing basis of his own performance. It was hoped the numbers would allow the identification of the free riders. The New Public Management did not attack the roots of the Weberian civil servant. It only attempted to measure effectiveness, efficiency and performance.

Unfortunately, we drowned in a sea of rhetoric and numbers without information because the clever *civil servant* learned quite quickly how to game the numbers and give a bureaucratic interpretation of the indicators about his or her activity.

The Netherlands provides a humorous example. There dams are very important, but are often attacked by rats. So to protect the dams, local governments employ people to kill the rodents. These exterminators are paid per rat. However, they soon learned it was bad for business to kill the rats during winter. Instead they waited until spring when, after mating season, one could easily kill ten times the rats in the same place (Endnote 4). Text freely interpreted from de Bruijn (2009, p. 20).

In the example of Italy, "gaming the numbers" killed the first version of regulation D.Lgs. 165/2001 and D.Lgs 286/99. This is so true the Minister, with the new regulation D.Lgs 150/2009, made several norms that had killed the

preceding regulation for the very fact that implementation had been left to the interpretation of the civil servants.

This is true not only in Italy. In September 2002, after 10 years of the Clintonian NPR (National Performance Review) a White House report to the House of Representatives read:

Ten years have gone by since the Government Performance and Results Act (GPRA) was passed. Agencies spend a lot of time [and money] writing Reports that fulfill the standards of GPRA, and produce a mass of information of questionable value. The complete collection of documents produced last year by the GPRA was a pile one meter high. A well intentioned politician would have to sift through a thousand papers to obtain a kernel of useful information. In spite of GPRA, its results are seldom used to make budgetary decisions. Implementation of this important law has been totally frustrated. (Dubnick 2005, pp. 396–397)

However, what has not yet been made explicit is that Niskanen’s “maximizing bureaucrat” killed Max Weber’s sociology. The notion of *civil servant* is still very much used as if it were correct. Niskanen helps us understand the behavior of the civil servant whose task it is to kill rats. He allows us to predict the bureaucrat’s behavior and the consequences such behavior has on the financial needs of government.

Incidentally, the theories born from Niskanen’s intuition also allow us to identify the limits of control and audit. This is certainly the tangent Weberian control – hegemonized by legal culture – would take if unchecked. Using Niskanen’s instruments of economic analysis, Breton and Wintrobe (1975), wrote: “The sponsor will bear control expenses up to the point where the marginal benefits equal the marginal costs” (p. 200).

This shows how public administration economics set an objective and measurable limit to the Weberian bureaucrat. Such a bureaucrat, once he has memorized the performance mantra, uses it to his own advantage, making it an end in itself and not a means to check his own inefficiency. Quite often, in fact, reports of performance control are not evaluated via their content but according to the standards imposed by the requiring authority.

We should also not forget the beauty and clarity of the dialectic flow Niskanen’s first article generated since its publication in 1968. The complex of scientific articles based on Niskanen’s work best represents the meaning of the following sentence by Karl Popper: “In so far as it speaks of reality a scientific statement must be falsifiable; in so far as it is not falsifiable it does not speak of reality” (Popper 1995, p. 348).

Incidentally, Niskanen, consciously acknowledging their superiority, spoke of the other scholars’ contributions:

They made an assumption, more consistent with that of a profit-maximizing firm, that bureaucrats act to maximize the bureau’s discretionary budget, defined as the difference between the total budget and the minimum cost of producing the output expected by the bureau’s sponsor. This assumption leads to somewhat different conclusions: the budget of a bureau is too large, the output (again in terms of demand revealed by the sponsor) is generally too small and that inefficiency in production is the normal condition. My 1975 article, “Bureaucrats and Politicians,” incorporated this important modification.

The superiority of a slack-maximizing model was reinforced by several other considerations. In their 1975 article, Albert Breton and Ronald Wintrobe observed that the incentive for budget maximizing is likely to be limited to those bureaus, such as the military, in which the opportunities for promotion are limited to that bureau. Subsequent empirical work by Ronald Johnson and Gary Libecap and by Robert Young also indicated that the salaries of bureaucrats are only weakly related to the level and growth of their bureau's budget. And the accumulation of empirical studies indicates that inefficiency in production is a more general condition than suggested by my initial model. (Niskanen 2008, pp. 196–197)

6 Conclusion

6.1 *Niskanen in Training*

Also owing to statements like the one above, Niskanen has been quoted in many Public Finance textbooks: Stiglitz (2000, pp. 203–204), Rosen and Gayer (2008, pp. 118–120), Gruber (2007, pp. 244–245), Hillman (2009, pp. 101–107), Cullis and Jones (2009, pp. 388–390). Also country specific cases are the following: Bosi (1996, p. 235), Bises (2005, pp. 173–180), Forte (2007, pp. 244–247), Brosio (2010, pp. 124–129).

Consequently, having students in all disciplines – not only in economic science – read Niskanen's original work and the subsequent articles – including the very critical ones that were written after that seminal work. Reading and understanding Niskanen implies a comprehension of public administration reform as modeled by the new public management. It is not by chance that Osborne (2010, p. 8), one of the best European authors on the subject, said: "New Public Management is an offspring of neoclassical economics, specifically of Public Choice. Influential authors in this context include Tiebout and Niskanen."

6.2 *Niskanen Worldwide*

Incidentally, Niskanen's definition of bureaucracy is wide, so fundamental it is certainly applicable to all countries in today's world and specifically to democratic governments.

According to Niskanen (1971, p. 15): "bureaus are defined as those organizations which have both of the following characteristics:

- The owners and employees of these organizations do not appropriate any part of the difference between revenues and costs as personal income.
- Some part of the recurring revenues of the organization derive from other than the sale of output at a per unit rate."

Such a definition includes all public employees (judges, military officers, (medical doctors should these be mentioned? In the States they are not paid by the State, at least not yet, right?), teachers, university professors, departmental executives of the central government, employees in all the levels of government; local, regional, state, federal and European Union) whose salaries and production means are derived from the government budget funded by taxes paid by the citizen (customer voter and taxpayer).

This work is dedicated to the 85 % of public managers who hold a law degree and have terrified recollections of diagrams from their economics courses, public finance courses and the elementary mathematics that was implied. It is difficult to ask these employees to understand a logical argument that is mathematically formulated. Without irony, this work is dedicated to all who want to understand the deep mechanism governing public administration and its principal actors – public employees. This work is dedicated to young students of economics, law, political science and managerial engineering who want to become public managers so that they may appreciate the economic implications related to the implementation of law and to the procedures of public administration that are connected to law.

Everybody embarking on a serious understanding of public administration will have, we hope, the satisfaction of understanding the essential elements of Niskanen's thinking and also the detail of his economic and mathematic argument through the use of our mathematical appendix. The serious reader will have an opportunity to falsify Niskanen's statements thus contributing to create a system whereby bureaucracy will no longer be the fetters on the country's feet.

6.3 *Everyday Niskanen*

We must formulate some examples of concrete everyday instances we observe that are explained by Niskanen's theory. Example of underproduction by public administration vis-à-vis consumer demand:

- When we observe that in some bureaus of municipal police departments there are too many employees in the bureaus and too few police officers on the beat, that is a case of under-supply of output and over-compensation of factors of production (i.e. employees) that is also explained by Niskanen's theory; this is also true of some security officers we observe hanging out at airports;
- Niskanen also foresees propaganda activities by police forces in order to increase citizen demand for security services. That is what gives us the "police day fairs," police music orchestras and scant and discontinuous statistics on crime.

Niskanen makes professional something that we used to think was in the domain of anti-politics and Know-Nothing when we complain about the mis-functioning of public administration. It is thanks to Niskanen that today we can scientifically call public administration a monopolist. When we do call public administration a

monopolist, we then have to study the ethical implications that this fact has, and the wider organizational implications of it as well, starting from the structure of public bodies and their reporting commitments.

Public administration is no longer a terra incognita, where all dysfunction derives from crime, but the dysfunction is a rational outcome of the monopolistic service organization and every individual in it is responsible for this. Niskanen brings economics to bear on a problem that is hegemonized by the scientific and less scientific instruments of law, political science and gossip. We find Niskanen much needed in today's world, from (not only Southern) Europe to China, in the endeavor to force public administration and enterprises perform for the benefit of the people.

6.4 Further Research Issues

One area of general solution to the problem exposed by Niskanen lies in assigning property rights to public things, which could imply a sort of “medium term privatization” to spur “bureaucratic competition.” The basic idea would then be to broaden the range of government concessions beyond airwaves and highway rights to more areas of government intervention (e.g.: prison management and health care management) which are widely observed in reality. The problem then lies in the evaluation function for the renewal of the “medium term property rights.”

A second area of further research lies in the observation that competition is not leveraged by those who are already subject to it. Therefore, competition in society has no political clout, but it is only a vertical value, much heralded when “within economic sector” competition is at stake, but never used by one economic sector to ask for more competition in economic sectors (including public administration and government) that are often immune from it. Why is this? Is it desirable that it happen and, if so, how can competition be leveraged by those who already bear the cost of it?

7 Endnotes

1. Sinallagma, in law, is the reciprocity link that establishes the respective obligations of the two parties involved in a contract. Sinallagma comes from the Greek synallatto or synallagma, which means “reciprocity link”. Sinallagma is a constitutive element which is implicit to the contract that is freely agreed between two parties for the performance of reciprocal obligations. That is the contract whereby each party involved freely enters an obligation (of giving or doing) for the other contracting party only insofar as said other party freely assumes a corresponding obligation towards the first party.
2. Quite often translators of Max Weber have found themselves in a quandary as this author often times “Platonizes” his expression and assumes a hieratic

language. This used to be a general anecdote about German scientists. A scientific concept could be expressed in two different ways, the first simple and direct, whereas the second would be complicated and full of references. The German scientist would invariably choose the second.

3. Old Testament, Book of Joel, ch. 2 v. p. 19 “Yea, the LORD will answer and say unto his people, Behold, I will send you corn, and wine, and oil, and ye shall be satisfied therewith: and I will no more make you a reproach among the heathen.”
4. This is known by older generations, the story of the Dutch child that used to be taught in grade school. Noticing a crack in the dam and knowing the water would not stop and would split the crack open to an inundation, the child stuck his finger in the crack and held it in place all night long until his fellow villagers found him the next day and saved him, who had saved a whole country, and declared him national hero.

References

- Bises B (2005) *Lezioni di Scienza delle Finanze parte I l'intervento pubblico nel sistema economico*. Giappichelli Editore, Torino
- Bosi P (1996) *Corso di Scienza delle Finanze*. Il Mulino Editore, Bologna, p 235
- Breton A, Wintrobe R (1975) The equilibrium size of a budget-maximizing bureau: a note on Niskanen's theory. *J Polit Econ* 83(1):195–207
- Brosio G (2010) *Economia Pubblica Moderna*. Giappichelli Editore, Torino, pp 124–129
- Casas-Pardo J, Puchades-Navarro M (2001) A critical comment on Niskanen's model. *Public Choice* 107:147–167
- Confindustria-Centro Studi- Scenari Economici (n. 5 Giugno, 2009) *L'Economia Italiana e la Ripida Ripresa – Ostacoli, forze espansive, selezione, nuovi mercati, competitività e imprese*. pp 93–94
- Cosentino MG (2010) Il ciclo di gestione della performance artt. 4–10. In: *la nuova riforma del lavoro pubblico*. a cura di Michele Tiraboschi e Francesco Verbaro, A.Giuffrè Editore spa, Milano
- Cullis J, Jones P (2009) *Public finance and public policy*. Oxford University Press, New York, pp 388–390
- Cyert RM, March JG (1963) *A behavioral theory of the firm*. Prentice Hall, Englewood Cliffs
- de Bruijn H (2009) *Managing performance in the public sector*, 2nd edn. Routledge/Taylor & Francis Group, New York/London, p 20
- Dubnick M (2005) Accountability and the promise of performance: in search of the mechanism. *Public Perform Manag Rev* 28(3):396–397, original article pp 376–417
- Forte F (2007) *Manuale di Scienza delle Finanze*. Giuffrè Editore, Milano, pp 244–247
- Gonzalez RA, Mehay SL (1985) Bureaucracy and the divisibility of local public output. *Public Choice* 45:89–101
- Gruber J (2007) *Public finance and public policy*. Worth Publishers, New York, pp 244–245
- Hillman AL (2009) *Public finance and public policy*. Cambridge University Press, Cambridge, pp 101–107
- Migué J-L, Bélanger G (1974) Toward a general theory of managerial discretion. *Public Choice* XVII:27–43
- Niskanen WA (1968) Non-market decision making – the peculiar economics of bureaucracy. *Am Econ Rev* 58(2). Papers and proceedings of the eightieth annual meeting of the American Economic Association, pp 293–305
- Niskanen WA (1971) *Bureaucracy and representative government*. Aldine Atherton, Chicago, p 15

- Niskanen WA (1975) Bureaucrats and politicians. *J Law Econ* 18(3):617–644
- Niskanen WA (1994) Bureaucracy and public economics. Edward Elgar, Aldershot, p 298
- Niskanen WA (2001) Bureaucracy: a final perspective. In: Shughart WA, Razzolini L (eds) *The Elgar companion of public choice*. Edward Elgar, Cheltenham
- Niskanen WA (2008) Reflections of a political economist. Cato Institute, Washington, DC
- Northcote Parkinson C (1957) The Parkinson's law or the rising pyramid, Chapter 4. In: Northcote Parkinson C (ed) *Parkinson's law and other studies in administration*. Houghton Mifflin Company, Cambridge, pp 33–44
- Orzechowski WP (1977) Economic models of bureaucracy: survey extensions and evidence. In: Bocherding TE (ed) *Budget and bureaucrats: the sources of government growth*. Duke University Press, Durham, pp 229–259
- Osborne SP (ed) (2010) *The new public governance? Emerging perspectives on the theory and practice of public governance*. Routledge, Abingdon
- Popper KR (1995) *Logica della Ricerca Scientifica: Il carattere autocorrettivo della scienza*, foreword by Giulio Goriello, translation of Mario Trinchero, Biblioteca Studio, Giulio Einaudi Editore spa, Torino
- Rosen HS, Gayer T (2008) *Public finance*. McGraw Hill Irwing, Boston, pp 118–120
- Smith A (1937) *The wealth of nations*. The Modern Library, New York
- Stiglitz JE (2000) Economics of the public sector. Norton & Company, New York, pp 203–204
- Tullock G (1974) Dynamic hypothesis on bureaucracy. *Public Choice* 19(1):127–131
- Urbani G (2010) Dalla crisi della competitività alla misurazione della performance nella P.A., pag. 17. In: *Valutare le Pubbliche Amministrazioni: tra organizzazione ed individuo*, a cura di Giovanni Urbani, Franco Angeli srl, Milano
- von Mises L (2009) "amministrazione pubblica" Biblioteca Austriaca Collana diretta da Dario Antiseri, Massimo Baldini, Lorenzo Infantino e Sergio Ricossa, Rubettino editore, pp 123–124
- Weber M (1991) Bureaucracy. In: Gerth HH, Wright Mills C (eds) *From Max Weber: essays in sociology*, New edition, Routledge Sociology Classics. Routledge, London, p 196
- Weber M (2002) Parlamento e Governo. In: Francesco Fusillo (ed) *Economica Laterza*. p 39
- Williamson O (1964) The economic discretionary behavior managerial objectives in the theory of the firm. Prentice Hall, Englewood Cliffs
- Wyckoff PG (1990) The simple analytics of slack maximizing bureaucracy. *Public Choice* 67:35–47

Business-Government Relations

Salvatore Pettineo

1 Introduction

Social media are relevant to mainstream CSR as they represent the voice of the various stakeholders with regards to corporations, the “global brands”. Consumers exercise leverage over corporations, which are thus subject to international competition. Governments, public administration and monopolies, however, are not subject to international competition and are irresponsible towards the public, which is unable to use social media to leverage these local institutions. Citizens endure their own battles without getting attention from other parts of the world through the social media: if we complain about Ikea, many in the world will join in; if we complain about the Ulan Bator Transport Authority, nobody outside Mongolia thinks it matters. In brief, we propose a “lobbying action” from the citizens against the irresponsibility of governments, through social media.

The framework of this study will make a reference to the theory of socio-technological media de Kerckhove (2001, 2008, 2011) and Lévy (1994, 2004), and on a survey of the literature of citizen activism through social media to answer the question: new media, new message?

Italian Communications Regulatory Authority. The author’s opinions are his own and do not necessarily represent those of the Italian Communications Regulatory Authority.

S. Pettineo (✉)

Communications Regulatory Authority, c/o AGCOM - Via Isonzo, 21/b - 00198 Rome, Italy

e-mail: pettineo.s@gmail.com

2 Generating Global Demand for Accountability from Public Administration

Social media could contribute to cultural changes and generate awareness among all stakeholder citizens that governments are worse than corporations. Our theoretical points are the following:

1. The effectiveness of collective action through the social media is tied to general CSR culture, i.e., corporations are bad. That is why social media maintain CSR control over the brands of the world.
2. Current CSR does not focus on governments.
3. Governments should be accountable just as the corporations; however, they are socially responsible only on paper.
4. Governments can be monitored through the social media and the branded corporations, which represent a global *koiné*, a common language. This is why we want to enlist the corporations in getting governments under control.

2.1 Social Media Stakeholdership vis-à-vis Public Administration

Citizens and consumers pay a great deal of attention to brands. Multinationals spend millions of dollars every year in public relations (PR) and marketing precisely in order to manage their reputations and images and respond to the requests that consumers have of big corporations. The greatest threat to the reputation of a company or a multinational brand comes, in fact, via the Internet, which has become the most powerful weapon in the hands of interest groups. The object of this research is to explore whether stakeholders can use global media to monitor governments in the same way. We propose a covenant between citizens/taxpayers in order to extend the CSR to governments and public administration.

2.2 Governments Are More Irresponsible than Corporations

The past few years have witnessed the simultaneous development of the anti-globalization movement, shareholder activism and corporate governance reform. This trend has cultivated a climate of defiance toward businesses, which has only been exemplified by recent accounting scandals. Perhaps in response to this growing suspicion, some leading companies have openly profiled themselves as socially responsible.

This is because consumer demand for more responsibility on the part of corporations has become more insistent thanks to the availability of the Internet.

The Web has allowed activists to reach millions of people free of charge and explore the problems from the bottom up. Through the Internet, and especially the social media, information is diffused and interest groups are created aiming at responsible consumption. Research conducted by CONE Communications of 10,000 consumers in 10 countries worldwide revealed that online CSR is experiencing renewed attention. CONE Communications is a public relations and marketing agency in the USA. It is the national leader in Corporate Social Responsibility and cause marketing, and has over three decades of experience in brand communications. This CSR Study, a follow-up to the 2011 global survey of consumer attitudes, perceptions and behaviors around CSR, was conducted by CONE Communications and Echo Research. A good 93 % of those interviewed declared that they are happier to patronize a company that is socially responsible, and 87 % takes into consideration the way a company behaves before acquiring its products. Nine out of ten people indicated readiness to boycott socially irresponsible companies, in particular where it concerns the environment and human rights. And 62 % of those interviewed use social media for information concerning the politics of Corporate Social Responsibility of those companies whose products they buy. Information concerning the level of responsibility of a company, boycotts or incentives to buy a certain brand is all found online.

2.3 What Others Have Said of It and Their Relevance to What We Have to Say: Many Monitor Corporations, Hardly Anybody Monitors Public Administration

This enthusiasm for Corporate Social Responsibility has accompanied the growth of online activism. There are many factors that make the Internet attractive for campaigning: its speed of transmission, its capability to reach an enormous number of users both globally and locally, low publishing costs and 24 h access. The Internet is an important alternative source of information to official and mainstream media, and a powerful means of connection outside of mainstream institutions. It is a truly mass medium, enabling individuals world-wide to share information and converse.

Online activism is the use of electronic communication technologies such as social media (especially Twitter and Facebook, YouTube, e-mail, and podcasts) for various forms of activism to enable faster communications by citizen movements and the delivery of local information to a large audience. A very active form of online activism concerns multinationals.

The pressure that can be exerted on multinationals through the Web is not restricted to organized groups of citizens. Any single consumer can make use of the inter-connectedness afforded by the Internet. In fact, the following are three historical cases, which effectively demonstrate how big corporations are constantly being monitored by the users of the Web.

The following are two more examples of what we call “Viral Class Action.” The term “viral” or “virtual” class action is often used in reference to *John True et al.* (see *Webliography*) in which Honda settled a class action lawsuit that provided Civic hybrid drivers the option to get either a discount off the purchase of a new Honda or a cash payout if they could prove that they complained about the mileage problem to Honda (Superior Court of the State of California). One class member, who thought that the class settlement was unfair, opted out of the settlement and went “viral.” She filed a small claims court action and turned to social media to encourage others to do the same. She set up a Web site, opened a Twitter account, and posted a video on YouTube to share information about what is now called a “small-claims flash mob” case, establishing a new precedent for righting the wrongs toward the public and opening the floodgates for small claims lawsuits.

Another example of a “viral” class action can be seen in a recent wave of small claims court cases filed against AT&T. After one individual successfully sued AT&T in small claims court over the speed throttling of his unlimited data plan, many more followed. This surge of small claims against AT&T was driven not by a disgruntled class member as it was in the *Honda* case but by an Internet startup that posted a blog entry claiming to have created a successful step-by-step blueprint for any qualifying individual to sue the company for alleged data throttling.

Ethical consumerism has evolved over the last 40 years from an almost exclusive focus on environmental issues to a concept that more broadly incorporates matters of conscience. During this same period we have witnessed a growing debate about the importance of ethical consumerism and, particularly, the impact large-scale strategies have on consumer awareness and spending. This phenomenon has intensified in recent years thanks to the advent of the Web. Political consumerism comes in different forms. Citizens boycott to express political sentiment, and they boycott or use labeling schemes to support corporations that represent values – environmentalism, fair trade, and sustainable development, for example – that they support. Especially young people, though not only, are activists on the Internet, participating in Internet campaigns and using it to voice their individual opinions regarding the consumer society and transnational corporations. Big corporations are always under scrutiny and must act responsibly in order not to become the target of these initiatives.

It is these same consumers, geographically dispersed and unacquainted, that put their skills and knowledge together to explore all sides of an issue, publishing on the Internet and linking their sites, correcting each other’s errors and sharing analyses and solutions to problems in an extremely rapid cycle of information, which can become a planetary conversation. All this is so efficient as to succeed in calling into question the reputation of a multinational.

It is not just the blogs but all social media that create a mechanism to influence and control large corporations sufficiently to force them to engage in responsible behavior. Our use of the term social media includes social networking (Facebook, LinkedIn), blogs (Wordpress, Blogspot), wiki (Wikipedia), microblogs (Twitter) and sites with user-generated content (YouTube).

3 The Unknown Stakeholder of Government

The effects of firms collaborating with social movements to influence the practices of other companies, industries, or countries have received little attention from researchers.

The theme of web citizen activism has been addressed across multiple locations and in different ways, from different angles. There are economic, political, sociological and anthropological analyses. Almost all the topics that relate to this concept, however, consider the issue from a macro perspective. For example, the study of the change in climate communication has become an important research field. As stakeholders such as scientists, politicians, corporations or NGOs increasingly turn to the Internet and social media to provide information and mobilize support, a growing number of people use these media and online communication on climate change, and climate politics has become a relevant topic.

We will see later in this article that multinational corporations are constantly in the crosshairs of the discussions that take place on social media. What is lacking are references to literature about the ability to influence the Web on the micro level, the administrative sphere.

Indeed, no studies have focused on the micro level as to the efficiency of local public transport, urban decor or public lighting. This can be seen in many areas where specific scientific literature exists on the impact that social media could have on the level of the administration of public affairs at the local level. From this point of view, therefore, the present study is configured as one of the few exceptions.

Citizen web activism and the limited literature on this subject do not consider citizen stakeholderhood towards national and local government.

Below are some considerations that support the contention that our paper provides the missing piece of the whole jigsaw puzzle.

All companies are efficient in the same way; are all bureaucracies inefficient in their own way? The attention that citizens and consumers pay to multinationals is missing towards governments.

There are two reasons for this. On the one hand, governments are generally perceived as inherently “good,” their task that of serving citizens in a responsible manner (to the point that very few talk about the social responsibility of governments). On the other hand, governments are perceived as specific and unique while multinationals are global and general. If there are cases against a government they are macro in nature – against corruption, for instance, or action to lower unemployment rates – but not against long lines at service windows or holes in residential streets. Consider, for example, the so-called “Arab Spring.”

Let’s consider in a more specific manner how responsibility is for everybody, that all organizations should be accountable for their social responsibility.

International companies are easy to talk about: everybody knows them, everybody thinks they know them, a great deal is said about them. Monopolies are more difficult to deal with: the names are no longer familiar; they are often local companies; everybody tends to think they have their own predicament which is

different from that of others. Nobody is interested in Lilco (the Long Island Lighting Company, in New York), and speaking of Electricité de France (EDF) might be regarded as an exquisitely European matter, even though Lilco and EDF are very similar to any large power company from around the world. The non-profit sphere can be somewhat similar to international corporations as there are world class non-profit organizations but, when we come to public administration or government bureaucracies, when we come to politics and political systems, everybody is on his own. It is the war of all against all – notwithstanding the well-known and primary impact of government on development.

Thus, millions of employees live in the ultimate autarky; that is, doing everything unsupervised – no benchmarking, no comparison, no 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 significant role of inseminating diverse government and public bodies with the same ideas. Public administration appears to be tied too much to the history of a given country and its legal system. How many times have we heard the theme: ‘They have Roman Law and we have Common Law so we cannot compare’, or vice versa? Public administration is bound by language. To many people, it is heresy to have their official government documents translated into English, as they do in Sweden and the Netherlands.

Comparative public administration is the realm of lawyers and constitutionalists with their bird’s eye view approach. American poet Gertrude Stein wrote ‘a rose is a rose is a rose,’ meaning things are what they are and we can’t fiddle with them for our own little purposes but all of this ignores the simple fact that, paraphrasing Stein, 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. Universal rights are recognized but, in spite of this universality in ‘demand’, no universality to ensure 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 governments. Suffice it here to report one more professional point of view on the deficiencies of bureaucracies. “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,” Michael Herzfeld, *The social production of indifference* (Herzfeld 1992). Nonetheless, all this having been said, we are going to embark now on a short trip across our theory of CSR in government.

3.1 Identifying a Theory

We identify a possible theory that leverages the “koinè” of multinational brands to address government effectiveness.

Koinè is the Ancient Greek dialect that was the lingua franca of the empire of Alexander the Great and was widely used throughout the Mediterranean area in Roman times. It is a common language among speakers of different languages. The names of multinational companies are the same all over the world, like the “Koine” Greek, and are now a common element in all languages of the world.

There is little collective web action towards local government and local monopolies whereas we observe a substantial body of evidence of collective web action towards global and multinational corporations and brands. Our curiosity, then, is whetted: would it be possible to spur collective web action towards government and monopolies?

We notice that collective action towards governments does take place in cases of major social and political upheavals such as the “Arab Spring” and the Syrian crisis.

Accordingly, it is desirable to introduce the concept of “unknown stakeholders” (Di Bitetto et al. 2013). When CSR is interpreted as “accounting for work”, it is for all organizations, not only for private businesses, and it is also to be exerted in the core business of the organization itself. The crucial task, then, becomes avoiding irresponsibility – non responsible behaviour – rather than putting forth specific good behaviour. Then there is a need for a process framework to account for work. Stewardship of the unknown stakeholder is a value that is part of this process framework. Caring for the unknown stakeholder is one of the ways to detect irresponsibility in the behavior of an organization. The unknown stakeholder is he who does not share a voice, who doesn’t 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 that local voters turn down, spurred by emotions and demagoguery. 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 government organizations or monopolies, 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 an institution, particularly intangibles and externalities, then we are listening to the unknown stakeholder. He is at the heart of all research, the silent critic inside us.

We start this illustration of the unknown stakeholder guiding value by explaining where the centrality of stakeholders comes from. We want to start this treatment of the unknown stakeholder with a reference to the theory of stakeholders that has so permeated CSR – indeed, has given birth to it. The stakeholder approach appears to be prevalent and is the preferred way to go about implementing CSR and reporting of it by the public relations industry, which is the leading supplier retained by corporations to run CSR programs and write CSR reports.

The stakeholder approach to 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 groups of stakeholders: stockholders, employees, customers,

suppliers and the rest. These groups are also called the ‘publics’ of the organization. We contend that the stakeholder approach might be misused and end up in collusion with sections of the publics involved. It is not enough to run a 2-h focus group with opinion leaders to understand the issues and to certify that the CSR behavior of the organization is satisfactory. For instance, it may not be enough to get the go-ahead of the 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 – all things that are against the best interests of consumers and the general public.

The stakeholder approach leads an organization to try to engage with the wrong counterparts; for instance, interviewing young people as representatives of future generations, as a major power utility did. Headquarters representatives of stakeholder organizations are very prestigious to interview, but they may not be very interested or knowledgeable about the specific interviewing organization. They may have to interface dozens of such organizations and not have anything specific to say. This is an over-rating of stakeholders.

Therefore, everything that is not taken into account under the headline of the stakeholder approach we call ‘stewardship for the unknown stakeholder’. The theoretical bases of this value reside in the vast literature on non-maximizing, non-efficient, non-effective behavior by firms, and by the employees especially.

Thus, the first task in drawing up a CSR or sustainability report is to identify the possible unknown stakeholders; that is, those who do have a stake but don’t know they do; those who have a stake too small to care about but who are numerous, whose protection would be the government’s task; those – the weak – who do not have a press office.

The unknown stakeholder can be taken into account in behaviour and in reporting of organizations with the help of a taxonomy of organizational sectors that reveals possible content of CSR according to the economic sector the reporting organization belongs in. Three years after its infamous 2005 survey on CSR, *The Economist* updated its position on the subject with a second survey on January 19, 2008. The good news is that, while the first survey was scathing in its judgment, this time space was given to John Ruggie, from the Harvard Kennedy School: ‘The theological question – whether CSR exists or not – is irrelevant today. The real question is not whether, but how CSR is done.’ Of relevance to how CSR is done is a counterargument from none other than Milton Friedman, in 1970: ‘A company’s social responsibility is to make a profit.’ Friedman’s indictment appears terrible, especially when applied within the context of countries that fall miserably short when their governments are charged with monitoring their own companies and bureaus. Milton Friedman had in mind an ideal form of capitalism when he said that What is necessary, then, is to specify under what conditions profits are made and what kind of capitalism are we talking about.

Accounting for the unknown stakeholder is one way to identify potential irresponsibilities on the part of the organization. As a first step to identifying the unknown stakeholder, the competitive arena of the business should be provided. We thus derive a taxonomy of the general content of the CSR report by sector of the

economy. Government and monopolies should provide indicators of activity; businesses subject to competition should conduct research and disclosure on their activities.

The link between the individual economic unit and its socio-economic environment is established in our proposed reasoning through the Michael Porter (1990, 2006) model of competitive advantage, whereby the individual economic unit is at the centre of a diamond whose four points represent other, different types of economic and social units that affect the performance of the unit at the centre. These four types represent:

1. Context for firm strategy and rivalry: the roles and incentives that govern competition.
2. Local demand conditions: the nature and level of sophistication of local customer needs.
3. Related and supporting industries: the local availability of supporting industries.
4. Factor (input) conditions: pressure of high-quality, specialized inputs available to firms.

Examples of such ancillary units include: appropriate supply of manpower through the educational system; appropriate logistics for delivery of outputs; and an appropriate judicial system. When the unit at the centre of the diamond is immersed in an environment where the economic units surrounding it are effective and efficient (appropriate), then the unit at the centre enjoys a competitive advantage vis-à-vis other units in its own industry that do not enjoy such an effective economic and social environment.

When the unit at the centre enjoys a competitive advantage, then we say the micro-conditions for economic and employment growth are satisfied. We have established the micro-macro link we were looking for. The logic here is the following: the basic economic model of interaction between economic units in society is that of Michael Porter's competitive advantage.

Porter's model includes all economic units – private businesses as well as public institutions – and everyone is required to generate their added value. Private businesses do not succeed in a vacuum, they succeed in an environment of working and functional public institutions (and, we would add, strong political, democratic and civil society institutions); otherwise private business languishes, government budgets run up large debts and people are unhappy.

The condition for the economic success of a business at the micro level – and of economic and employment growth at the macro level – is that all other businesses and institutions operating around the business at the micro level are effective and efficient. Since government is among these institutions, we call this virtue accountability rather than effectiveness. So for the economic unit to be successful, its environment needs to be accountable. Note that the competitiveness of one unit presupposes collaboration from the units surrounding it, which is why we can also use the term 'collaborative' advantage." Effectiveness is driven by competition/collaboration. Literature argues that accountability, i.e., efficiency and effectiveness, of all units ancillary to the competitiveness of the unit at the centre of the

diamond is a function of those same ancillary units being immersed in an environment that is as competitive as the environment where the first unit resides. Efficiency and effectiveness are a positive function of competition, as is accountability.

Considered in relation to each economic unit of society, be it public or private, the systemic concept of the collaborative/competitive advantage translates into the concept of the effectiveness and accountability of work. All work. As stated by Herman ‘Dutch’ Leonard, ‘all organizations should be accountable for their social responsibility and this new social accountability can best be constructed for different kinds of organizations introducing the concept of “competition” – both within and across industries and sectors. The best way forward is to use the knife of competition to hone the social performance of all organizations’ (D’Anselmi 2011). This is in order to find a micro-logic that is compatible with macroeconomic success. Our micro–macro theory, therefore, is that growth and employment can only be achieved through the accountability of work in all sectors of the economy – public, private; monopolistic and subject to competition; for profit, non-profit. Only work that is subject to competition, measure, evaluation, and benchmarking is socially productive and efficient. Only competition and collaboration with the stakeholders (customers, users, suppliers and citizens) leads to quality in products and services.

Conclusion

In summary, the citizens of governments and the customers of global corporations – in different countries in the world – seem to be isolated islands: all endure their own battle without the possibility of drawing attention from other parts of the world through social media.

If we complain about Apple, many in the world will join in; if we complain about the companies that manage the “garis” (as the Portuguese call a garbage collector of Rio de Janeiro) nobody outside Brazil thinks it matters. But in fact, this is not true!

To paraphrase Leo Tolstoy in *Anna Karenina*, “Happy families are all alike; every unhappy family is unhappy in its own way”. Each local public administration will have its own problems, but all in the same way contribute to the well-being or mismanagement of a territory and its citizens. All, to some extent, ill-treated the citizens through their ineffectively.

The CSR should be for everyone and a global movement of citizens asking for responsible governments around the world could be the solution for the well-being of the individual peoples. Let the people’s rights emerge vis-à-vis perceived needs and outrage about the ineffectiveness of public administration that too often lose the name of action.

The citizens can exercise pressure on the governments and public administrations the same way as what happens against the brands. It behooves us to ensure responsible behavior from all. We propose an extension of the use of

(continued)

social media to monitor behavior of governments as effectively as they are used to monitor behavior of the corporations.

References

Bibliography

- D'Anselmi P (2011) Values and stakeholders in an era of social responsibility. Palgrave Macmillan, London
- de Kerckhove D (2001) The architecture of intelligence. Birkhäuser, Boston
- de Kerckhove D (2008) Transpolitics, with Vincenzo Susca. Apogeo, Milan
- de Kerckhove D (2011) Digital knowledge, with Annalisa Buffardi. Liguori Editore, Naples
- Di Bitetto M et al (eds) (2013) SMEs as the unknown stakeholder: entrepreneurship in the political arena. Palgrave Macmillan, London
- Herzfeld M (1992) The social production of indifference. University of Chicago Press, Chicago
- Leibenstein H (1978) General X- efficiency theory and economic development. Oxford University Press, New York
- Lévy P (1994) L'Intelligence collective. Pour une anthropologie du cyberspace. La Découverte, Paris
- Lévy P (2004) To cyberdemocracy, public speaking at “Cyber-democracy or post-democracy?” “La Sapienza”, University of Rome
- Maignan I, Ferrell OC (2004) Corporate social responsibility and marketing: an integrative framework. *J Acad Mark Sci* 32(1):3–19
- Niskanen WA (1968) Non- market decision making – the peculiar economics of bureaucracy. *Am Econ Rev* 58(2):293–305
- Niskanen WA (2001) Bureaucracy: a final perspective. In: Shughart WA, Razzolini L (eds) *The Elgar companion of public choice*. Edward Elgar, Cheltenham
- Porter ME (1990) *The competitive advantage of nations*. Free Press, New York
- Porter ME, Kramer R (2006) Strategy and society: the link between competitive advantage and corporate social responsibility. *Harv Bus Rev* December 84(12):62–78
- Ruggie J (2008) In the stream, survey on CSR. *The Economist*, 19 Jan 2008
- Simon H (1997) *The administrative behavior*. Free Press, New York

Webliography

- American Bar Association. Class actions 101: a new “viral” class, action? 20 Nov 2012. <http://apps.americanbar.org/litigation/committees/classactions/articles/fall2012-1112-class-actions-101-new-viral-class-action.html>
- American Grizzlies United. Introduction to citizen activism, American Grizzlies United (AGU). <http://americangrizzlies.com/pdf/introduction-to-citizen-activism.pdf>. Accessed 19 Aug 2013
- Branding Advertising Public Relations History: Green BP. <http://prezi.com/dmxfbz9z9sug/green-bp>
- Business for social responsibility. Eco-promising, Apr 2008. http://www.bsr.org/reports/BSR_Eco-Promising_April_2008.pdf
- CONE releases the 2013. CONE Communications/Echo Global CSR Study. <http://www.conecomm.com/2013-global-csr-study-release>

- Devinney A, Eckhardt B (2006) The other CSR: consumer social responsibility. http://www.academia.edu/286306/The_Other_CSR_Consumer_Social_Responsibility
- Economist (The). Everything is connected. Can internet activism turn into a real political movement? 5 Jan 2013. <http://www.economist.com/news/briefing/21569041-can-internet-activism-turn-real-political-movement-everything-connected>
- Guardian (The). Can consumer boycotts change the world? 13 Aug 2013. <http://www.theguardian.com/sustainable-business/consumer-boycott-change-world>
- Guardian (The) #FAIL: authenticity is the key to avoiding social media screw-ups. 8 Mar 2012. <http://www.guardian.co.uk/sustainable-business/authenticity-social-media-sustainability-communications?INTCMP=SRCH>
- P2P Foundation. Contribution to the critique of the political economy of the Internet. http://p2pfoundation.net/Contribution_to_the_Critique_of_the_Political_Economy_of_the_Internet
- PR Newswire. Yingli Green Energy Joins WWF's Climate Savers Program. 29 Jan 2013. <http://www.prnewswire.com/news-releases/yingli-green-energy-joins-wwfs-climate-savers-program-188790941.html>
- Superior Court of the State of California, John True et al. v. American Honda Motor Co., Inc., No. 5:07-cv-287-VAP-OP (C.D. Cal.). http://www.clgca.com/wp-content/uploads/2012/03/Notice-of-Entry-of-Final-Approval-Order.FINAL_.3.16.12-w.Exs_.pdf
- Syverson E, Huffington P. The coming wave of social media class actions. 9 Feb 2010. http://www.huffingtonpost.com/erik-s-syverson/the-coming-wave-of-social_b_703918.html

Conclusions

Excellent public management, like excellent private management, implies freedom of choice, which in turn implies responsibility. Such freedom and responsibility imply that accountability for the impacts of organizations must be extended to all organizations, including government and public administration. There is no distinction between public and private management. When it comes to responsibility, the distinction is legal, not substantial. Public management and private management may be very different from a technical point of view, but they are not from a freedom and responsibility point of view. Therefore CSR should be applied to all organizations and CSR reporting should be done not only in the corporations, but also in the public administration. Hence our title: public management as corporate social responsibility. Hence the economic bottom line of government: government organizations should report about the services they provide and relate these services to their costs just like any corporation does about their revenues and costs. Such reporting may be imprecise, it will not follow the rules of accounting, it may follow the rules of cost – benefit analysis, but it has to be there. It is imperative.

As we mentioned in the introduction, we hope that this book provides a new outlook on the basic ideas of Corporate Social Responsibility and that it proves the necessity of renewed attention to public management, beyond the domains of law and of the ideologies on big vs. small government. Such a new outlook on CSR may actually provide a rationale and a basis for reconciliation of ideologically antithetical views on government and public administration. CSR can be the basis to recognize that inefficiencies begin with the first dollar and ineffectiveness of government action is not a marginal effect. Therefore the requirement for a managerial accountability of government and public administration is not a left nor a right wing argument. It is indeed a political requirement, but it is not entertained currently neither in the left nor in the right. Moreover the accountability we call for should not be brought about by further legal requirements and formal controls. It is rather an accountability to be brought about by substantive transpar-

ency, multiplicity and diversity of organizational structures in the public sector. Integrated reporting and organizational solutions that curb the monopolistic nature of current public administration organizations are among the needed solutions. Businesses and business representatives should call for such reforms. No more consolidation nor centralization of public bodies, but a multiplicity of competitive structures within the public administration. Competition can be brought about without privatization.

In this book we have provided empirical evidence for our argument. In a subsequent work of ours we will investigate the theoretical underpinnings of such a thesis. In fact, the strategic objective and subject for further research to be pursued after “Public Management as Corporate Social Responsibility” is to open up a dialogue between Corporate Social Responsibility (CSR) and the schools of economics and management that analyze the inner workings of organizations- e.g. the school of Public Choice with its economics of bureaucratic behavior and the school (s) of organizational sociology. Public Choice explains political behavior using economic tools. Political behavior is the maximization of a personal utility function (benefit) achieved by addressing social problems, hence the responsibility of the political person towards society and the constituents. Consequently, public choice is about responsibility. CSR is indeed about responsibility. Public Choice and CSR should talk to each other. As a result of such dialogue, CSR – also called triple bottom line reporting – will be enriched and the economic bottom line will be re-evaluated in the framework of CSR itself, both in the private and in the public sector. So far, we have provided evidence for an argument, in further research we want to lay down the full logic of it.

The subject of further research will still revolve around the logical nexus of the present book connecting CSR to Public Choice. Freedom is the possibility of making choices, freedom implies responsibility. If we show that people within organizations have freedom of choice, we show their responsibility; if we map that freedom of choice, we also map the terrain of responsibility. By mapping we mean to illustrate, describe its phenomenology, argue its existence, give flesh to that freedom of action by most employees in organizations, at least in ranges wide enough to have significant impact on productivity and organizational effectiveness.

As we argued here, so far in CSR such freedom and responsibility have been confined to the social and the environmental bottom line, in a similar way to the economic bottom line that has been assumed as deterministic under the profit maximization paradigm, following a limited quotation of Milton Friedman (“The Social Responsibility of Business is to Increase its Profits”) without taking into account all the qualifiers that Friedman had added to that statement. If we show that large portions of the economy are not governed by the profit maximization paradigm, then we map a vast and previously unknown area of responsibility. If we show that even large portions of the profit maximizing organizations do not obey the profit maximizing paradigm, the area of responsibility in the economic bottom line is broadened well beyond the financial accounts. Furthermore, considering that non-profit organizations and specifically government organizations have a financial reporting practice that is even narrower than that of private organizations, we find that

CSR is extended to all organizations, public and private. The economic bottom line thus comes back into the foreground with an originality and forcefulness unknown to mainstream CSR theory. Thus, the specific objective of further research is to give new grounding to CSR. CSR becomes cogent instead of voluntary, whether organizations are aware of it or not; CSR is expanded from business to all organizations; CSR gets at the basis of a possible comprehensive social dynamic, revealing stakeholders that were unknown until now. By way of further research, responsibility is widely expandable: “In dreams begin responsibilities”, as William Butler Yeats wrote.

Further research wants to make explicit the theoretical underpinnings for an expansion of CSR and the reformulation of CSR which we did from an empirical point of view in this book and in our previous books (Chymis 2008; D’Anselmi 2011; Di Bitetto et al. 2013).

One area that remains to be addressed is the issue of CSR as a necessary rather than a voluntary instrument in the public sector. We shall explain why CSR emerged first in the private sector and why now the time has come for CSR to emerge in the public sector too. Competition is probably the key. Private sector is subject to competition and competition made firms to “voluntarily” be accountable, whereas public administration is protected by competition. Now that citizens around the world complain about public debts, insolvent governments, and irresponsible public administration, time becomes mature for a call for public administration CSR.

Another issue that remains to be investigated is the one about cultural differences. Cultural differences are there but human nature is the same and it responds to incentives. Philosophy as well as economics suggests that incentives to make one-self better off are common in human nature, common in all cultures. In order for a society to succeed in maximizing societal happiness it must align individual interest with social interest. The way to do this most effectively as well as most efficiently is competition. Hence, if we want CSR to blossom in the public sector as it blossoms in the private sector we need competition in the public sector. We need to find out ways to let both public workers and consumers of public goods express their needs and their degree of satisfaction in a way that this information translates to better public management.

Further research will also identify the stakeholders of such CSR for All Organizations and it will propose a consequent analysis of society and an action plan, arguing that responsibility of government action (CSR for all, accountable government) will not come about until business becomes an active stakeholder of it. That is why – paraphrasing Friedman – we can say that the Business of Business is Government, i.e. business itself should mind how government works: since good government and good public administration are the most delicate of public goods, it should be the first concern of business to make sure that government and public administration work properly.

References

- Chymis A (2008) Reconciling Friedman with corporate social responsibility: how market competition affects corporate social performance. AV AkademikerVerlag, Saarbrücken
- D'Anselmi P (2011) Values and stakeholders in an era of social responsibility: cut-throat competition? Palgrave Macmillan, London
- Di Bitetto M, Gilardoni GM, D'Anselmi P (2013) SMEs as the unknown stakeholder: entrepreneurship in the political arena. Palgrave Macmillan, London