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Pursuing the “Public Good”
Sustainable Development
as a Common Goal for Social and
Environmental Management

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Pursuing the “Public Good:” Sustainable Development as a Common Goal for Social and Environmental Management

Davide Secchi§, and Andrea Zatti*

July 2006

Abstract
The environmental and social responsibility “movements” affected jointly corporate behavior and public policy in many countries, while their theoretical backgrounds have resulted often quite different and independent. Despite this divide, we argue that the two approaches share many elements in common, and in this paper we try to analyze advantages that contributions from the two fields of studies should reach if considered as one. The paper is divided into three parts. After few methodological points (section 2), the third section overviews social, environmental, and sustainable issues from a social costs, and externality theory angle. The fourth part focuses on the European framework, where the European Union is on the forefront of the promotion of socially responsible practices. The fifth section is dedicated to present some operative managerial issues. We suggest that this multi-perspective and multi-actors approach well fits the European context and, in the concluding section we suggest that sustainable development is driving the European continent towards a new social and ethical frontier.

Key-words: corporate social responsibility, ethics, externalities, sustainable development

Introduction
The environmental and social responsibility “movements” affected jointly corporate behavior and public policy in many countries (Frederick, 1978, 1986; Vogel, 2005), while their theoretical backgrounds have resulted often quite different and independent (Garriga and Melé, 2004; Pasquero, 2000). Despite this divide, we argue that the two approaches share many elements in common (Schaefer, 2004; Secchi, 2005a), and in this paper we try to analyze advantages that contributions from the two fields of studies should reach if considered as one (in line with Marrewijk, 2003). The common methodological background of this paper is represented by the concept of sustainable development. The overarching role attributed to sustainable development in...
the international agenda and in the theoretical debate gives in fact values to multifaceted strategies where the integration of economic, social and environmental aspects plays a prominent role.

We state that sustainable development can be legitimately interpreted as an emblematic form of pure “public good”, in the sense that actions that contribute to its attainment are non-rival and hardly excludible, with the risk of free rider behaviors. This gives relevance to public intervention aimed at correcting market failures, but even to a more general involvement of social actors in promoting the principles of sustainability. Moreover we argue that ethical perception is also involved in the definition and foundation of what should be considered as a “common good” for actors of the socio-economic system.

This approach reveals that sustainable development, normative public policy, stakeholder management, and business ethics are strictly interconnected. In the paper, we point out that these concepts all together provide a substantial contribution to corporate management and may change the way each one of them is separately thought of.

Our study focuses on the European context, where social and environmental issues emerge from the political, economical, and social debate at large (European Commission, 2001a; Vogel, 2005).

The paper is divided into three parts. After few methodological points (section 2), the third section overviews social, environmental, and sustainable issues from a social costs, and externality theory angle. The fourth part focuses on the European framework, where the European Union is on the forefront of the promotion of socially responsible practices. The fifth section is dedicated to present some operative managerial issues. We suggest that this multi-perspective and multi-actors approach well fits the European context and, in the concluding section we suggest that sustainable development is drivingcan drive the European continent towards a new social and ethical frontier.

**Methodology**

In recent years an increasing effort has been required to academicians, public authorities, business managers, and members of society in general to develop theories, philosophies and operational approaches that integrate the environment, society, public policies and business management (Fergus, Rowney, 2005). Ideas about integration have received a strong impulse at the end 1980s and in the 1990s along with the notion of Sustainable development (SD) which is clearly founded on a inclusive approach which gives value to strategies and actions where the three pillars (social, economic and environmental) are pursued in a balanced and mutually reinforcing way (the so called Triple Bottom Line).

The incorporation of SD into the traditional interpretation of society’s progress has brought about mainly two issues: complexity and equity.

The first regards the need to include in the concept of development other priorities than the solely quantitative growth. SD means therefore to shift away form a one-dimensional economic perspective (Jenkins, 1998) to embrace a more ambitious, and for this reason complex, objective of co-evolution (Munda, 1997) of economic, environmental, social, cultural and political variables. An alternative which abandons the view based on a linear and deterministic process, to give strength to interpretations where nothing is treated as exogenous and where main evolutionary paths are strongly
dependent on choices and actions of different social interprets. While the adoption of this multidimensional approach makes the notion of SD richer and more seductive, it clearly implies a great challenge in terms of governance and of management of trade-offs between different dimensions and issues (Steurer et al., 2005).

The second rationale underpinning SD is equity (WCED, 1987; Vercelli, 2003; Keiner 2004), broadly intended as the need to take care of most fragile members of society and to give voice to such categories that, in the present allocation and decisional mechanisms – the economic market and the political arena – have none or few representation (Zatti, 2004). This entails firstly a principle of intergenerational fairness to prevent forms of dictatorship of the present generation (Page, 1997), which can compromise the freedom of choice of the future one, who has not opportunity to vote or to express preferences in current transactions. But it has to be extended even to equity within each generation, since different factors – lack of information, lack of political representativeness, uneven economic power, “duress and coercion” (Westra, 2000, p. 49) – can make economic and political outcome unfair.

While SD has became widely accepted by almost all groups of society, many criticisms have been raised with regard to the vagueness of the concept and the related risk that it can become a good idea which cannot be put in practice (O’Riordan, 1988) or a “dogmatic cul-de-sac with progress crashing into the barriers of a dead end” (Fergus, Rowney, 2005, p. 19).

The challenge lies therefore in the “operationalization” of SD (Keiner, 2004), i.e. in the implementation of practices and procedures which can concretely give substance to the underlying issues and objectives. We argue in this direction that some important contributions can be given by the normative theory of public finance on the one side, and by ethical theories, on the other.

**Integrating social and environmental issues**

*Sustainable development as a public good*

In standard welfare economics (Pigou, 1920, Coase 1960) it is recognized that the maximization of objective functions by micro-economic units can leave out of account important external effects born by third subjects or by the general public. The detailed analysis of these social losses or gains has revealed their heterogeneous origin and character (Kapp, 1950). Externalities can be generated by private actors – consumers and producers – when they do not fully consider external impacts (both positive and negative, inter and intra-generational) on the social and environmental systems within which they operate, but even by public entities – as for example local municipalities – when they affect the welfare of other communities without being directly influenced by their exigencies or decisions. Externalities can regard the physical environment, but include also relevant aspects concerning the social and economic capital (education, health and safety, R&D, financial stability, property values).

The logic of SD is strictly linked to the concept of externalities or, more generally, of market failures. In the interpretation we have adopted, it is in fact specifically related to those externalities which involve weaker and less represented categories and which can hardly be corrected through a process of bargaining between the parties, as provided in the original coasian approach. In this view, SD strategies should be addressed firstly to less informed agents, poorer people, categories remote in time and space, not only for equity reasons, but also for efficiency ones. It is in these cases that the correction of
externalities in the market or by the political decision-making is more problematic and that welfare losses are more likely to occur, above all according to an inter-temporal perspective.

The idea that emerges is that SD is an emblematic form of pure “public good” (Zatti, 2004), in the sense that actions that contribute to its attainment – for example investments in renewable energies, policies for continuous training of workers, internal and international redistributive policies aiming at social stability, non-discriminatory practices in recruitment – are non-rival and hardly excludible, with the risk of free rider behaviors who avoid the process and elude their responsibilities (De la Cuesta and Martinez, 2004). It’s a case where the paradox of collective action of Marcus Olson (Olson, 1965; Pennetti, 2004) can mostly stimulate single economic agent (a consumer, an enterprise) or wider groups (a local community, a nation, the present generation) not to contribute to the common good, even if they are aware that, at least in the long run, the general interest coincides with their own interest.

Focusing on this external dimension is crucial to prevent free riding and to concentrate efforts on those issues (economic, environmental and social) which are more likely to be neglected by the rational economic calculation. This means, for example, that the traditional stakeholder approach (Freeman, 1984) should become more broad-based and societal (Harting et al., 2005), to consider categories who are affected by the achievement of an organization’s objectives, but cannot or scarcely can affect it. Stakeholders are therefore persons or groups who have legitimate interests in the activity of other persons or organizations, whether or not these “have any corresponding functional interests in them” (Garriga and Melè, 2004, p. 60). If, in the traditional view, the development of a common set of theoretical criteria for prioritizing stakeholders can favor criteria such as power, legitimacy and urgency, i.e. stakeholders closer in time and space (customer, suppliers, employees, financiers, local community), the adoption of SD as a societal normative guide necessarily requires a wider and more inclusive view, which can be referred to the extended notion of community (Dunham et al., 2006). A notion unbounded by geographical and temporal restriction, “community without propinquity” (Webber, 1963: 29), which is primarily identified by the degree of interaction and relationships that may or may not be place and time based (Dunham et al., 2006), and which has been made more relevant by the growing (in time and space) institutional, economic and social interdependence deriving from market integration, globalization, technological development and improved access to information. The normative challenge is to give shape, power and legitimacy to this wider community, in order that it can really affect human behaviors and that strategies aimed at fully internalizing external effects can result more profitable (or at least less unprofitable), even on a microeconomic scale (Steiner, and Steiner, 1997).

The ethical dimension of sustainable development

Ethical values and principles can have a role in this process: the foundation of a broader concept of ethics, which recognizes a moral obligations to natural environment, future generations, and to the establishment of more equitable relations between people and nations (European Commission, 2000) can represent a fundamental factor to purse sustainable development and to prevent egoistic conducts.

Most of the world’s religions and ethical theories have in effect included prescriptions concerning individual and collective behaviors toward the social and the natural environment (Jenkins, 1998). In the western catholic tradition, for example, principles
underpinning SD seem to be well established (Golser, 2004). The multidimensional and qualitative nature of “Authentic development” was proposed by Pope Paul VI already in 1967: “The development We speak of here cannot be restricted to economic growth alone. To be authentic, it must be well rounded; it must foster the development of each man and of the whole man” (Pope Paul VI, 1967, n. 14). The same concerns the ethical principle of the universal purpose of created goods and the related concept of human responsibility, which implies the possibility to limit personal freedom and to redirect human activities when they can endanger the common good; or the preferential attention of the Catholic social teaching towards poor and vulnerable categories, which gives values to efforts aiming at solidarity and at the preservations of future interests. The emphasis posed on externalities recalls even the Confucian ethic of interdependence (Kulshreshtha, 2005), in which right behavior is the one who takes in account each party’s interests and results mutually beneficial. A view which involves “social and ecological interconnectedness” (Jenkins, 1988: 157), with individual and organizations embedded within their physical and social environment with their actions affecting and affected by actions of other parties.

Yet, religious thoughts are not the only ones relevant on this issue. Adam Smith, the father of modern economic thought, has already recognized almost two hundred and fifty years ago in his “Theory of Moral Sentiments” (Smith, 1759) that “sympathy”, “moral sentiments” and altruistic motives can harness self-interest and lead economic agents to take care even of other people’s concerns (Kapp, 1950). Ethical values and voluntary cooperation can therefore represent key elements to pursue the common good and to prevent market failures. In the field of natural environment, moreover, ideas of preservation and respect have been well established both in the anthropocentric approach (Rawls, 1971; Passmore, 1980) and in the ecocentric one (Leopold, 1949; Naess, 1973, 1984), highlighting the vitally and irreplaceable role played by ecosystems as basis for man-made activities and progress. This vision finds an emblematic synthesis in the “future ethics” of Hans Jonas (Jonas, 1985; Keiner 2004) which, saying that present generation should leave enough freedom of choice to future ones to act and evolve, introduces the hitherto ignored criterion of long-term responsibility into man’s decisions in place of opportunistic or simply short term calculation.

On the whole, we can interpret the ethic of SD as a system of values and principles directed to weak categories (young people, women, less affluent classes, but even animals or nature in general if we extend our vision) and to categories spatially and temporally distant (future generations, other territorial communities, the global atmosphere) in order to prevent that our present choices become a “tool of oppression for too many others now and in the future” (Westra, 2000: 48). Virtuous behaviors, in this perspective, are those which take care of these categories in the decision-making process, even if this has not an immediate economic or political return, or, more likely, even if it has a negative one (at least in the short period).

*Sustainable development and normative public intervention*

What can be the normative value and relevance of moral and ethical teachings underpinning SD? Certainly, the generalized and voluntary adoption of ethical compliance mechanisms and altruistic behaviors by economic agents can maximize general welfare and lead to the resolution of the problem of inter and infra generational externalities. But, can the public (or general) interest rely on this pure virtuous
approach? Can we found the correction of market failures on this view of altruistic, omniscient and long sighted agents? Our belief is not: religion [morality] is one thing, public policy is another, in the sense that prescriptive public intervention in the economic and social system cannot optimistically trust in a completely disinterested moral behavior of the economic agents. This idea, of course, doesn’t exclude altruism, but simply believes that it cannot represent the solely (and even primary) base for the correction market failures.

This for at least two orders of reasons. Firstly, because there is still an evident “divergence between economic incentives and ethical motives for action in present life and business” (Kulshreshtha, 2005, p. 405). It means that the belief that good ethics is also good business is still subject to relevant caveats and heroic conditions (Voegel, 1991) and that both private and public organizations can be geared primarily (or at least partially) to short term self-interested advantage. Secondly, because what can be considered a public good or a relevant general objective, especially in the case of a complex issue as SD, cannot be always correctly perceived by microeconomic units. The “holistic” approach to sustainability, which sees microeconomic units “contributing to the quality and continuation of life of every being and entity, now and in the future” and with a “universal responsibility towards all other beings” (Marrewijk, 2003, p. 103) is based on tremendous informative and cognitive requirements, which necessarily have to depend on some forms of coordination and strategic vision by public institutions.

It seems therefore more useful that government intervention relies firstly on pure utilitarian grounds (Bragues, 2005) and on the economic principle of rationality (Kulshreshtha, 2005), with the objective of addressing the divergence between microeconomic rational calculation and the general interest and of changing incentive (or reward) structure so that business (but we should say economic and social actors in general) become more inclined to act ethically, even because it results more advantageous (Baumol and Blackman, 1991).

Alternative policy instruments to be used for this purpose can be classified according to different types (Baumol and Oates, 1993): (1) regulatory controls (restrictions, binding limits or technologies, bans, authorizations etc), (2) economic instruments (taxation, incentives, tradable permits, liability, etc), (3) direct government production (e.g. reforestation, research, education, construction of facilities, redistribution, etc.), (4) voluntary instruments (based on moral suasion, public awareness and social pressure).

In other words, economic agents can adopt more sustainable practices because they are obliged (or financially stimulated), or because they have some forms of voluntary commitment to do it (Marrewijk, 2003).

Unidirectional governmental measures (taxes, prohibitions, social legislation, various kind of governmental regulations, direct production), designed to bring about the closest possible identity between (marginal) social and private costs, have been traditionally the more exploited tools. A form of intervention which has led to important improvements and results both in the environmental and social field (Vogel, 2005), though not final and exhaustive (Jenkins, 1998; European Commission 2000; Arjoon, 2005). Both market and control mechanisms have shown in fact shortages and fallacies (Marrewijk, 2003), particularly clear when we consider the specific public good sustainable development.

Firstly, problems related to non-market failures (White, 1976; Wolf, 1979) have emerged. The classical normative approach of government intervention relies on an optimistic and heroic representation of policymakers (perfect information, social
welfare maximizing attitudes, long-term vision, etc.), which has been shown to be frequently unrealistic. Deficient information, capture of regulators, difficult and hard enforcement, bureaucratic malfunctions, short-termism can distort decisions away from the general interest, particularly when items involved are multifaceted and affect categories with weak or totally absent economic and political power.

Secondly, referring to the so-called “learning school” and the notion of “incrementalism” (Lindblom, 1959; Mintzberg, 1994), it can be argued that paths toward sustainability cannot be intended as deterministic and univocal, but, on the contrary, should evolve iteratively, at least within certain limits, through informal and reciprocal feedbacks and contributions of different actors (Steurer and Martinuzzi, 2005). The complexity and relative young age of the concept of SD makes it improbable to find out solutions “one size fits all” and give values therefore to bottom-up approaches located in the so-called “zone of discretion” (Ackerman, 1973; Garriga and Melè, 2004: 58), i.e. areas in which “public policy is not yet clearly established or it is in transition” (Garriga and Melè, 2004: 59).

Finally, focusing only on regulatory controls and proper pricing can lead to an excessive delegation of responsibilities to experts, civil servants and public bodies (Jenkins, 1998) and, consequently, to a devaluation of the moral and ethical dimension of sustainability. We agree therefore with the idea that the correction of environmental and social externalities cannot be seen only as a technical or institutional issue, but should necessarily rely on a solid ethical (and cultural) basis and on a widespread involvement of individual responsibility toward common concerns. In other words: “the only way in which companies [but even agents and organizations in general] can be ethical is for people to be ethical” (Arjoon, 2005: 345).

The interest for voluntary instruments and commitment can be justified by the drawbacks described above and by the aim of improving results obtained with standards and taxes. An approach based on a set of more intangible and psychological incentives which offers a spur to be more effective and co-operative, since enterprises, consumers, and public governments can be driven to act in a socially responsible manner and to take care of the interdependences with other actors by the social pressure that it can exert in terms of good or bad reputation. The underlying view, coherently with the mandevillian approach (Bragues, 2005), enlarges the sphere of egoism, postulating that self-interested and utility maximizers agents are attracted not only by merely quantitative benefits (profits, level of budget, quantity of goods), but also by more immaterial ones. Self-esteem, pride and moral suasion can therefore act as important factors to transform self-interest into general interest.

Even in this case it can object that pure virtue can lead people to pursue the same goals, but, once more, it cannot have a normative function. Governments, in fact, cannot modify directly the moral motivation of people’s actions, but can try to influence the existing value system and the societal norms (Harting et al., 2006) by which self-esteem and pride are affected. According to this, the framework of public policies which can influence economic and social behaviors includes “not only the literally text of law and regulation but also the broad pattern of social direction reflected in public opinion, emerging issues, formal legal requirements and enforcement or implementation practices” (Preston and Post, 1981, p. 57, quoted in Garriga Melè, 2004, p. 59).

The effectiveness of the voluntary solution to externalities has been subjected to several criticisms and operational flaws (Kapp, 1950, De la Cuesta, and Valor, 2004): lacking or hidden information on the real dimension and direction of social costs and benefits,
transaction costs (when the number of persons involved is high), weak or non-existing monitoring mechanisms, lack of power of existing stakeholders to influence other economic and social agents’ self-esteem, lack of awareness of stakeholders on themes genuinely affecting the public good. As underlined before, many of these problematic issues tend to be emphasized in the case of SD.

Public policy can help to make the self-esteem based approach more effective mainly with reference to two main matters (Kulshreshtha, 2005): transparency and accountability, on the one side, and education on the other.

Full and open access to information concerning all individuals and organizations is a fundamental prerequisite to make them accountable for their conduct. Information should regard both the scientific data and knowledge concerning specific issues and topics, and the initiatives taken by different actors to take care of the general interest. Only a perfectly informed market (manly consumers, investors, voters, taxpayers) can in fact reward more responsible behaviours and punish less responsible ones (de la Cuesta, M. and C. Valor: 2004), according to the logic of “name, shame and fame”. Public authorities can act to disseminate data directly, to define targets on the quality and quantity of data to be provided, as well as its access, and to stimulate the diffusion of reports on sustainability performances. The higher or lower attitude of organisations to disclose their own performances, the quality of reporting initiatives and the ability to focus on the more compelling issues should be in se one term of evaluation of really genuine involvement and accountability.

The other pillar of public intervention is education, with a double value. Firstly, the dissemination of knowledge and of good or bad practices relating environmental and social issues is at the base of the individual responsibility approach we have mentioned before. All social actors must be aware of the potential impact of their behavioron the public good and of the clear (and increasing) micro-foundation of many common concerns (think for example to two environmental emergences as waste generations and urban motorized traffic; see below, section 5). Only a deep change in widespread and consolidated practices, starting from the individual level, can be coherent with the diffusion of a culture of sustainability (Zatti, 2004).

Secondly, education prompts the development of wider societal awareness and demand for “virtue”, which can impact meaningfully on organizations performance and choices; in other words, “pride cannot render men cooperative until a social structure is already in place to tame and supervise that passion” (Bragues, 2005: 185). In the absence of this civil society pressure, of this form of “civil regulation” (Vogel, 2005: 162) and of a pervasive value system, the effectiveness of the voluntary bottom-up approach can result jeopardized and weakened (De la Cuesta, and Valor, 2004). Partially, single advocacy groups or citizen action groups (unions, NGOs, environmental movements) can play the role of guarding the common interest (Dunham et al, 2006), but it is the widespread introduction and diffusion of values and social norms that can really act as a form of routine enforcement (Harting et al., 2006: 51) on governments and business to respond to more general issues.

This feature restores a normative function to ethic, or at least to more immaterial factors. If public policy cannot rely on the moral attitude of social actors, it can contribute to the adaptation and evolution of the value system towards emerging priorities, in order to regulate and harness egoistic drives, particularly those relating to pride and self-esteem. Ethical reflections, values education, a deep change of awareness regarding societal priorities can be important steps in this direction. The opportunity to
make social and economic actors more aware of the “public good” depends in fact crucially on what stakeholders, imbedded in a particular cultural system, expect form an established firm, institution or organization (Harting et al., 2006). Virtue and morality come out therefore as social and human constructed mechanisms (Bragues, 2005), as a cultural product, which can change over time with circumstances and sensibilities. In this framework, the challenge should be that of making SD becoming a leading normative social guiding concept (Steurer et al., 2005), a cultural point of reference (more or less spiritually and metaphysically driven) which can promote and boost modifications in the values and in the horizon of people activities. Only if principles underpinning sustainability – intergenerational and infra-generational equity, capital preservation, social solidarity, inclusiveness, participation, etc. – become well establishes “reputational” driving forces, self-esteem and can concretely contribute to its attainment.

Governmental authorities have a leading role in this view, not only through traditional regulatory intervention, but even driving, governing and boosting the changing personal moral and cultural environment. In the following section we will briefly considered how this role has been until now intended in the European context.

The European perspective

Sustainable development has become an international absolute priority since the 1992 United Nations Conference on Environment and Development in Rio de Janeiro, following the report of the World Commission on Environment and Development (the “Brundtland report”) in 1987 (WCED, 1987), and has since that data deeply influenced the political agenda and the theoretical debate throughout the world. The European Union has finally enshrined the concept of SD within the Amsterdam Treaty, which came into effect in 1999, making it one of the “core tasks of the European Community” (European Commission, 2001: 10).

In this framework, efforts have been first driven on the ecological dimension, requiring the integration of environmental concerns in other policy fields, while the social and even economic components have been partially neglected (Vercelli, 2003, Steurer, 2005). Since the mid 1990s, the approach has progressively changed, by emphasizing economic, social and environmental aspects as equally important “pillars” of SD (Steurer, 2005). Today, the need of a balanced integration of those economic, social and environmental features which can be strictly related to the concept of development, especially on a long term perspective, is widely acknowledged by international organizations, national government initiatives and researchers. Even implementation tools have frequently evolved to completely fill the sustainable development deal, as can be witnessed by initiatives on corporate sustainability (GRI, 2002; Marrewijk, 2003), or by other attempts in the field of impact assessment (European Commission: 2005a, 2004b), life cycle assessment (Gauthier, 2005), public procurement (McRudden, 2004), and Local Agenda 21 (Statzu, 2004).

The triple bottom approach has progressively become a milestone of the European political agenda, where the EU Sustainable Development Strategy (European Commission, 2001c), the Lisbon Strategy and the updated Social Agenda are supposed to complement one another, in a long term vision where economic growth, social cohesion and environmental protection must go hand in hand (European Commission, 2005a). In particular, the EU Sustainable Development Strategy and its more recent...
review (European Commission, 2005b) represent a good example of a broad-based and multidimensional approach, which try to focus on the main threats and opportunities of sustainable development and to identify a policy toolkit to face the challenge. The priorities considered (climate change and clean energy, public health, social exclusion-demography and migration, management of natural resources, sustainable transport, global poverty and development challenges) touches to a greater or lesser extent all the three dimensions of sustainability, and in many cases are deeply interrelated one another (as for example public health and transport or global poverty and climate change). Several other horizontal issues, underpinning the whole strategy, can be identified: innovation and technological development, education, sustainability of public finance, institutional innovation, transparency and participation.

Even if mainly directed to European and national public governments, the principles stated in the EU strategy and related documents content issues and operational aspects of a more general value, which can and should serve as terms of references for all individuals and organizations acting in the market and in the decision-making process.

**Policy coherence and governance**

A first general guiding principle is represented by the need to promote horizontal integration and coherence between sector policies and actions (Council of the European Union, 2005). The quest for a higher degree of policy integration is not new (Steurer and Martinuzzi, 2005) and already the Brundtland Report had recognized that authorities in charge of pursuing SD tend to be “independent, fragmented and working to relatively narrow mandates with closed decision-making processes” (WCED, 1987, 310). Identifying spillover and interdependences and sharing of expertise and practices between different departments or offices (but even company’s units) can be the way to improve coherence and to deal with trade-offs in a transparent and effective manner (European Commission, 2001a). This can be carried out through the creation of apposite coordination structures (horizontal internal committees, committees composed of a mix of internal and external representatives), or by the adoption of operational mechanisms (monitoring and assessment processes, peer review, external audit) which can favor cross-sector consistency. At the EU level, for example, the Cardiff process establishes that different thematic Councils must take into account sustainable development issues in their actions, and report periodically on their strategies for integration and on results attained.

Actually, the development of coordination structures and mechanisms cannot be considered final for the attainment of concrete results in terms of integration, since these seem to highly depend on the weight given to sustainability issues in the hierarchical decisional structure (Steurer, 2005). The key challenge to confer strength and priority to sustainable development issues and practices is therefore to attribute them a strategic value into mainstream business process and/or political decision-making, so that they can become the guiding principles through which evaluate compatibility and appropriateness of different options and actions. Too often, in fact, implementation processes concerning sustainability (in Local Agenda 21, in National development strategies, in large corporations) have been placed under the primarily responsibility of environmental authorities and units, and this has favored their marginalization and their reduced ability to effectively influence decisions. The risk is that exercises become acts little more than formal, without a genuine capacity to change consolidate patterns and priorities.
Integration and coherence emerge finally as governance issues, since they strongly rely on the opportunity of ensuring to authorities with responsibility for sustainable development within an organization a strategic position, not beside but above industrial ones. A role similar to the status generally given to the Minister of Finance when approving state expenditures (European Commission, 2000) and able to determine to a large extent the success of a strategy in fostering integration, tackling cross-cutting and long-term issues, and positively influencing unsustainable patterns (European Commission, 2004).

As concerning implementation mechanisms, the logic of the “integrated impact assessment” or “sustainability impact assessment-SIA” (European Commission, 2005a) should become a guiding principle to internalize sustainability considerations into decision making and to “identify the likely positive and negative impacts of proposed actions, enabling informed judgment to be made about the proposal and identify trade-offs in achieving competing objectives” (European Commission, 2002a: 2). The ex-ante approach which characterizes SIA can in fact provide an important contribution to the quality and coherence of policy design, increasing at the same time transparency and communication flows towards interested parties.

**Table 1 Indicative stages for a SIA**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Identification and analysis of the area affected by the policy/proposal/project</td>
<td>It describes the current situation characterizing the interaction of the organization’s activities in the specific area with main environmental, social and economic issues concerning SD. This stage underlines the main drivers of the present situation and considers a “no policy change scenario”</td>
</tr>
<tr>
<td>Main objectives pursued by the policy/proposal/project</td>
<td>It expresses the policy objective in terms of expected results in a given timeframe. It should consider if and at which extent objectives are consistent with sustainable development principles stated at different level of government and by the organization itself.</td>
</tr>
<tr>
<td>Analysis of the main options available</td>
<td>It considers the alternative operational options, the associated trade-offs and the criteria adopted to discard some of them at an early stage.</td>
</tr>
<tr>
<td>Description of the expected positive and negative impacts of the selected options</td>
<td>It describes the full range of economic, social and environmental impacts that can be attributed to each proposal. It should particularly focus on specific issues relevant for SD.</td>
</tr>
<tr>
<td>Comparison of the options and presentation of results</td>
<td>It summarizes the positive and negative impacts of different options, explaining the reasons adopted for the choice and the accompanying measures taken to maximize positive and minimize negative impacts.</td>
</tr>
<tr>
<td>Monitoring and evaluation</td>
<td>It describes the arrangements for monitoring and evaluation of the option identified.</td>
</tr>
<tr>
<td>Stakeholder consultation</td>
<td>It reports information on the forms and typology of consultation carried out and on results obtained.</td>
</tr>
</tbody>
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Source: elaborations on European Commission (2002a and 2004b)

Even if SIA mechanisms have been introduced at the EU level as an aid to the Commission political judgment, the opportunity to extend this logic to all relevant actors (national governments, local authorities, companies, NGOs) emerges as interesting and should be further investigated. Components and stages provided in the SIA (Table 1) are in fact largely sharable by different kind of organization, giving them the opportunity of an early action on more relevant priorities for SD. Tools implemented until now both in the private and public sector (reporting initiative, review processes, life cycle assessment, environmental management systems, participation
efforts) are in fact often characterized by an “end of pipe” bias, while it can become more effective to anticipate their adoption in the strategies-definition phase. In the business case this should require, as provided by a bill proposed in the UK (De la Cuesta, and Valor, 2004: 289), to favor the consultation of stakeholders “prior to embarking on new projects” in order to take the interests of all categories potentially involved into consideration. A similar exigency is expressed in Gauthier (2005) as concerning life cycle assessment, in order to shift the assessment procedure and the inventory of stakeholder before the manufacturing phase, where it is traditionally situated.

**Monitoring and prioritization**

Documents and projected measures must be accompanied by adequate working implementation mechanisms. The European way to sustainability calls for clear objectives, operational targets (as much as possible quantified), timetables and a full set of indicators to monitor progresses and deficiencies (European Commission 2005a, 2005b, 2002b). A general approach carried on even at the Johannesburg conference in 2002 where the European Union has called for a Plan of action which included targets and timetables, while the USA favored no time-bound targets (Lightfoot and Burchell, 2004).

Open and credible indicators and monitoring mechanisms have both an external and internal function. On the one hand, they represent the main instrument to guarantee transparency and accountability toward the social and economic environment and to favour the “routine enforcement” on governments and corporations as concerning their performances on SD. On the other, they are at the base of “reflectivity” (Konrad et al., 2006 p. 97), in the sense that they can provide knowledge-based performance evaluation on relevant strategic issues, contributing to long-term efficacy and efficiency, since “what is not measured proves hard to manage” (European Commission, 2001a: 6). A correct quantification of targets related to sustainability helps in fact organizations to face future challenges and threats and can provide useful opportunities to improve strategic planning and to reveal unknown causes of inefficiency (Porter and Van der Linde, 1995).

Three main challenges can be identified on this aspect. The first concerns the credibility and reliability of data provided and communicated outward. A problem which can be partially tackled through governmental regulation, requiring minimum standards or minimum common framework, but which should stimulate the spontaneous involvement of relevant external actors (ONGs, Pressure Groups, Universities, public authorities) to validate data, to stimulate informed debates, and to contribute to progress monitoring (European Commission, 2005 and 2001a). Peer reviews, independent monitoring authorities, and advisory boards can be interesting field of experimentation for different actors aiming at increasing the transparency of interrelations with the external environment.

The second regards the need of internalizing and tailoring policy goals and measuring signals to the specific social, economic and territorial community where individuals operate. The multiplicity and heterogeneity of themes and contexts, accentuated in the case of a single local public body or business, make it necessary a specific attitude to take into consideration sector or geography-specific issues pertinent to the organisation together with more common and general issues (as in the case of human rights, fight against poverty, global environmental topics). The framework can be therefore
characterized by more basic principles and practices (as in the case of OECD guidelines for multinational enterprise, the ILO labor standards or the priorities singled out in the EU SD Strategy), but should have sufficient flexibility to allow initiatives to reflect these differences and specificities since “the complexity of creating global standards applicable to any culture and country has, however, created a lot of controversy” (European Commission, 2001d: 17). Elaborations of guidelines, models or some technical common practice (as in the well known Global Reporting Initiative for business) can help to choose a shared approach, but cannot be intended as binding or too rigid prescriptions.

The third regards the risk of proliferation of issues considered and the consequent need of prioritizations (European Commission, 2004a), since there is a clear trade-off between breadth of coverage and depth of analysis (European Commission, 2001a). The complex and multifaceted nature of SD requires a process of selection of more relevant social and environmental concerns, in order to concentrate efforts and to make implementation strategies not excessively compelling and dispersive. Mutual interconnections with external society, inter generational relevance, severity and irreversibility can be important terms of reference in this direction (European Commission, 2001a, 2001c). In particular, the relevant role of indicators as instruments of accountability and transparency toward external stakeholders, well beyond normative targets and standards, makes it important that themes considered are representative of the capacity/will of economic agents and public entities to assume responsibilities toward less represented categories (future generations, young people, poor categories or countries, entities spatially distant) or toward those objectives they have in common with others subjects (other business, other local authorities, other countries) and for which the free-riding incentive can be more acute. Each organization should therefore develop a great effort to concentrate to options/proposals/projects which in a short-term vision can be economically or politically detrimental (Zatti, 2004), but can give a decisive contribution to the basic foundations of sustainability.

Deep and wide engagement

“Sustainable development cannot only be about what governments can do. All stakeholders, business and citizens in particular, need to be empowered and encouraged to come up with new and innovative ways to address the challenges and seize the opportunities” (European Commission, 2005b, p. 4). “Progress will rely on the enormous creative and market power of business, and of regional and local bodies and authorities” (ibidem, p. 15).

The creation of a deep and wide sense of “ownership” (European Commission, 2001c) and the full participation and engagement of all social partners concerned are milestones of the operationalization of the concept of SD in the European approach (Council of the European Union, 2005). Indeed, even though sustainability has been developed mainly as a macro-economic issue, its concrete implementation demands equally important micro-economic implications (Garriga and Melè, 2004). This represents the translation of the ethical principle of individual responsibility we have referred to above: the economy as a whole can be sustainable only if it is based on a network of sustainable agents (enterprises, consumers, government, local government, associations).

The adoption of this “ownership-approach” implies, at least partially, a modification of the roles attributed to different actors, since the traditional unidirectional approach, where public intervention acts to correct market failures is no longer considered
exhaustive (Zatti, 2006). As complexity grew, in fact, business, governments and civil society have become more interdependent and even the clear cut separation between their responsibilities has been weakened. Sustainable development is thus requiring important reform agenda for governance and administration. In this changing framework, for example, corporations are increasingly required to contribute actively to public policy design, to strengthen civil society and to raise compliance standards (Vogel, 2005); representatives of civil society are supposed to become guardians of common values and norms to make governments and business become more responsive (Marrewijk, 2003); public administrations are called for practicing sustainability principles “in their own management and with their own stakeholders” (European Commission, 2002c: 24), in order to set good examples for the whole system and to represent a privileged field of innovation and experimentation of new practices and implementation opportunities (Zatti, 2006).

In particular, the necessity for public authorities to become aware of the new role, which sees them not only as regulators and coordinators but even as relevant active economic and social actors (European Commission, 2004c), able to mobilize considerable economic amounts and to influence the behaviors of other agents, should be considered crucial. An effort in this direction is witnessed by the increasing extension and diffusion of implementation instruments related to SD even in the public administration (e.g: Emas, ISO 14000, Social and Environmental accounting, Green public Procurement) and must be further carried on.

Another relevant operational consequence of the multi-actors approach is that Sustainable development gives a great emphasis on iterative policy-making processes in which networks ought to play an increasingly important role (Steurer, 2005). Network-like governance is mainly aimed at providing an overall vertical coherence to decisions taken by different public and private actors. This entails that each relevant subject should be able to play an adequate role in the network: taking care of principles and priorities defined by higher levels, integrating its own decisions with organizations of the same level, and regulating or influencing those of lower levels. It’s should somehow represents the implementation tool of the well known motto “think globally, act locally”.

As concerning public authorities, “networking” regards mainly the capacity to promote “coherence between local, regional, national and global actions in order to enhance their contribution to sustainable development” (European Council, 2005). Intermediate levels of government are therefore required to have a complete knowledge of targets and strategies of higher political authorities, and to consequently synchronize their own activities to them. As well, they have the responsibility of influencing behaviours of agents (business, consumers, lower level of governments, single citizens) under their jurisdiction, defining the general objectives to be pursued, regulating their actions in order to correct spillovers and enhancing the ownership toward SD through consultation, participation, education and widespread responsibility (European Council, 2005).

Networking should be relevant for corporations too. It implies, in fact, the capacity of the organizations to adequate their priorities and strategies to the scenarios and specific backgrounds within they operate: “this will involve discussing the performance of the organisation in the context of the limits and demands placed on economic, environmental, or social resources at a macro-level. This concept is most clearly articulated in the environmental area in terms on global limits on resource use and
Projects and initiatives carried out by enterprises should therefore be well metabolized, and able to show their attitude to be adapted to the strong time- and site-specificity of many issues regarding SD. If, for example, the EU Sustainable Development Strategy contains a target of 50% of 55-64 years olds to be in work by 2010 (the same can be said about gender equality), it should be expected that European corporations are accountable of their actions and contributions on this topic. A shortage in this direction is a clear example of a lacking capacity to implement network-governance. Corporations are required also to have an active role in the vertical network. They can, in fact, contribute to policy formation, to influence regulations (think for example to the process which defines “best available technologies” in the field of IPPC), and to the diffusion of principles and practices coherent with SD. Even if they don’t have an official regulatory power, they can though play a role in the formation of civil awareness: involving and consulting stakeholder, spreading best practices and inducing changes in the behaviors of agents on which they have influence (as in the case of customers and suppliers).

Voluntary approach and public awareness
Starting with the V European environmental action program (European Commission, 1993), the European approach toward SD has shown an increasing attention to the development of voluntary instruments and practices to manage, measure, communicate and reward positive behaviors (code of conduct, name shame and fame, auditable and communication tools, investment screening methodologies, management and reporting standards). Even if it is widely acknowledged that voluntary schemes can be seen only as complementary to legislation and to control activities by public authorities (European Commission, 2005), they are interpreted as important opportunities to promote a preventive culture, to pursue a higher level of standards, to spur creativity and innovation: i.e. to the affirmation of an effective ownership of the concept of SD.

Nevertheless, more recent trends have testified an increasing propensity in many national contexts to introduce more legally-binding requirements in the field of originally voluntary instruments: mandatory reporting requirements on several sustainability issues are set for listed companies in France, Netherlands, Sweden and Denmark (European Commission, 2004); a similar bill has been proposed in Spain (de la Cuesta, M. and C. Valor: 2004) and in Italy as concerning green accounting for local public authorities; a mandatory share of 30% of recycled goods on the total amount of annual selected purchased goods has been introduced by a decree of the Ministry of the Environment of 2003 in Italy for public departments and publicly-owned undertakings.

As stated above, the voluntary versus obligatory approach is a highly controversial matter and represents one of the core issue in the debate on SD (see for example de la Cuesta, M. and C. Valor: 2004). The European view, as a whole, seems still to rely more on the original voluntary nature of instruments (Moon, 2004), since a more restrictive form of regulation is seen as a potential restraint to creativity, innovation and incremental learning (European Commission, 2002c). But it is at the same time deeply founded on the idea that only with a higher sense of belonging to the society and a higher sharing of a common set of social values the “reputational” approach can result effective (European Commission 2001a).

In the next section, we focus on the “corporate side” of sustainability, in order to point out its operational meaning.
Managerial implications

The European interest on environmental and social management led to specific legislation on these issues, so that many industries now have to follow strict rules. In recent years, interest in socially responsible practices led the European Union, and many European States, to promote independent corporate activities in the social context. The two approaches here implied, the first based on legislation, and the second that basically rests on voluntary initiatives, have led to many management tools (e.g. the practice of social accounting and reporting, codes of conduct, etc.). This underlines that the sustainable (i.e. environmental and social) trend looks to operational tools that help managers in their everyday practice (“back to the past”, Ackerman, 1973; Frederick, 1978).

The first part of the paper has been dedicated to the analysis of SD as a “common good,” and to its normative meanings. So that we analyzed the point from the public-governmental angle. We also show that this approach is becoming somehow characteristic of the European context, in the sense that for corporations to become responsible the stakeholder network seems to be fundamental. That is to say that the public-private debate becomes fundamental. In order to get closer to this point, we maintain this normative approach but we also want to emphasize the implications that the SD-as-a-common-good approach has to the corporate management. Which are the practical implications of this process? How do corporations respond to social (and governmental) demands?

In this fifth section we do not want to provide a detailed analysis of European managerial tools for SD (for a wider analysis see Zatti et al., 2005) as they emerge from corporate practice, but we focus on three basic points. First, we suggest that the traditional objectives of the firm need to be reconsidered. As a consequence, we argue that they are consistent with the sustainability approach and with social and environmental reporting practices. Second, the emphasis on social performance measurement may be misleading, when it is not linked to the long-run strategy of the firm. Third, the managerial practices should remain on a voluntary basis.

It is now apparent that our approach can be thought of as a theoretical basis of the institutional approach, as it has been proposed by the European Commission (see above).

The objectives of the firm

This paper is focused on the European approach to social and environmental responsibility. In other terms, as we mentioned in the first part of the paper, we write about the Lisbon strategy and sustainability in the European Union. It stems out very clearly that we are not concerned on issues such as the “nature” or the “objectives” of the firm. However, these problems emerge from the ongoing debate as the EU and the Member States try to promote a more sustainable economy (Secchi, 2005b). Are the corporation a sort of mechanism for profit maximizing? Or are they a fundamental compromise between economic and social interests?

We all are affected by Friedmanite

In his arguments for defining CSR and describing its state-of-the-art, David Vogel writes that many scholars now integrate Friedman’s position in CSR. More precisely, he argues that “the main justification for corporate responsibility is its contribution to the
bottom line. While criticizing Friedman’s article remains de rigueur in virtually every book and article on corporate social responsibility, many contemporary advocates of CSR have implicitly accepted Friedman’s position that the primary responsibility of companies is to create wealth for their shareholders. But they have added a twist: in order for companies to do so, they must now act virtuously” (p.26).

Vogel explains the studies on the link between financial and social performance as being fostered by a fundamental miscomprehension of the corporate role and goal. Socially responsible behavior sustains economic and financial performance that is the fundamental concern in corporate management. So that, the economy of the firm remains the core interest in management studies, but some ethicists add that it can be (or it must be) sustained by responsible practices. However, the contribution to the bottom line finds no empirical support (pp26ff; for consistent data and analysis, see Margolis and Walsh, 2003).

As far as the social side of corporate behavior is concerned we need to underline that this social side is only implicitly defined by neoclassical orthodoxy. The point here is that of recognizing that corporations normally behave having a set of multiple objectives (Scott, 2003). These objectives encounter social, political, and environmental aims, as far as economic ones. We provide a simple and operative (or behavioral) evidence of this statement.

Suppose that the aim of the firm is to maximize its profits. How do these profits come out? Which are the variables that economic theory takes into account to reach the right/optimal level of net income? Broadly speaking, the point could be split into two main approaches. The first refers to the mix of labor and capital. The firm’s output – net income being a function of this – is determined by the efficient allocation of capital and labor (Friedman, 1962). Therefore, profit maximization comes out from an efficiency quest.

The principal-agent approach
The second traditional approach defines the corporation as a principal-agent relationship where the top management follows their own objectives that may not overlap with those of the owners (Jensen and Meckling, 1976). Profit maximization comes out from a kind of compromise between these two different set of objectives (i.e. curves of preferences). The current idea on corporate objectives may be found in the concept of the corporation as a nexus of treaties (Williamson, 1975). This theory lies in between the above mentioned approaches. However, we follow a different perspective, more similar to the stakeholder theory of the firm.

Technically speaking, the net income results from the combination of a set of different variables. Taking the income statement as a fair representation of variables incurring in the definition of the net income, we find that it (directly) depends by a set of (a) operative and other (b) extra-operative variables. On the one hand, we have customers, suppliers, employees, and fixed investment (amortizations), and all define a set of operative links that could also be defined in terms of objectives (at least sub-objectives) of the firm. On the other hand, we find relationships with banks or capital lenders, and with the government. The net income derives from a bargaining process between the main components of operative and extra-operative variables. As a first proxy, the income statement represents the stakeholder approach, since it suggests that every variable affects the definition of the income margins and of each single variable.

When widening the company’s aim to encounter these kind of objectives, we are also
stating that there is a need to encounter tools that aim at providing information to more effectively manage social and environmental issues. In other terms, it is apparent that the traditional income statement lacks in defining the social and environmental side of economic activities (Gray, 2001; Gonella, Pilling and Zadek, 1998). The bargaining process between managers and employees or between suppliers and customers, for example, does not appear in the economic and financial data sets while it is fundamental, at least in the European context (Majocchi et al., 2005).

The first variable that could be thought of as common for both social and environmental management is related to their aim. Managing socially and environmentally responsible enterprises means to encounter a wider perspective that is far from that of profit maximizing (Carroll, 1993; Freeman, 1984). This approach affects the way corporations are managed or, broadly speaking, it affects the way they ought to be managed. Since we are looking at the operational side of the issue, the social responsibility concept offers a series of concepts and tools that help us in understanding how SD can be implemented. Moreover, the two concepts seem to overlap in many areas.

What is corporate social responsibility?
Now we need to write something on social responsibility, since we need (a) to define it, (b) to better understand its role in corporate management, and (c) to make the link between CSR and SD.

The approach described below is consistent with one of the wider definitions of social responsibility. Davis and Blomstrom (1966) get to the heart of the social responsibility issue, stating that it is “a person’s obligation to consider the effects of his decisions and actions on the whole social system. […] Social responsibility, therefore, broadens a person’s view to the total social system” (Davis and Blomstrom 1966, p. 167). This sentence explains in a very effective way the hidden meanings of being socially responsible (for further comments, see Secchi, 2005a). Moreover, we argue that this definition is also consistent with the traditional theory of social costs and with that of economic externalities (see above).

However, there are many other definitions of CSR. Vogel, for example, writes that socially responsible companies are not simply just or fair companies, they are virtuous, in the sense that they develop practice that “improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do” (p.2).

Social responsibility is defined as something that improves the workplace and society; moreover it is not compulsory, that is to say required by the law. Many Authors defines it in a quite similar way. John Boatright, for example, writes that “[t]he concept of corporate social responsibility is often expressed as the voluntary assumption of responsibility that go beyond the purely economic and legal responsibilities of business firms” (2003, p. 373). Frederick, Davis, and Post define it as “the idea that business firms should help solve social problems as they pursue traditional economic goals” (1992). Archie Carroll suggests that “[f]or a definition of social responsibility to fully address the entire range of obligations business has to society, it must embody the economic, legal, ethical, and discretionary categories of business performance” (1979, p. 499).

We can continue in reviewing the literature but, for our purposes, it is now clear that CSR definitions stresses (a) the voluntary side of corporate practices, and (b) the fact that it emerges as a kind of contribution that corporations provide to society overall (for a wide literature review, see Secchi, 2005).
The concept of “business virtue” (Vogel, 2005) is something that goes “above and beyond” the formal or legal responsibilities. He is addressing the informal dimension, based on voluntary actions, and the ethical legitimacy of those actions. These are standard concepts in CSR definitions. But he moves beyond. Social responsibility is “virtue,” this implying that the ethical dimension is embedded in it. In other words, social responsibility is ethical behavior. Moreover, it is something that can be evaluated as right, good, or positive. It has a positive moral judgment embedded in it. This implies that corporations engaged in socially responsible behavior are always on the right side. To be more precise, since the latter sentence is manifestly false (Vogel, 2005, p.5), the tendency toward socially responsible behavior always defines a virtuous trend. It is always justifiable.

These points seem to sustain our “normative” view, i.e. social responsibility being fundamental part of the sustainability “common good” approach and, more important, it cannot be so if not based on voluntary practices. In the next subsections, we analyze these two issues.

**Explaining social and environmental performance**

In recent years, many tools have been presented to address social and environmental issues; nevertheless we refer mainly to social reporting initiatives since we believe that this remains one of the most diffused and effective tools for corporate management (Zatti et al., 2005). First and foremost, we need to underline the (underlying) connection between sustainable measures and corporate strategy. Broadly speaking, we need to find a model in which sustainability becomes part of corporate objectives. One of the approaches that introduces this connection is that of Burke and Logsdon (1996), and we present it here according to Secchi (2005a).

Burke and Logsdon’s proposal is not a model strictu sensu, since the authors never refer to their approach using this term. Nevertheless, we refer here to it as the B&L model.

The starting point is the relation between corporate social performance and corporate involvement in social issues. This is a very common issue in management studies, we may add (Margolis and Walsh, 2003).

The objective of their contribution becomes then that of defining the relation between corporate social involvement and social performance on a different basis. This perspective leads them to look at contributions that now acquire a broader meaning (i.e. non-quantitative perspectives to corporate social performance; see Margolis, and Walsh, 2003). Gathering information that can be evaluated is related to the way corporate social responsibility is connected to corporate strategy. Burke and Logsdon define in this way what they call the “strategic corporate social responsibility” (S-CSR). More precisely, “[c]orporate social responsibility (policy, program or process) is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission” (Burke and Logsdon, 1996, p.496).

Their perspective is that of looking at social responsibility as it relates to the ordinary activity of corporations. The term “strategic” is employed by the two Authors is a very broad sense; it reveals that social responsibility can be so defined only when providing some sort of contribution to corporate strategy. However, there is no connection in the model between how strategy is defined and social issues relevance. Hence, the definition is instrumental in kind, in the sense that it helps in defining what the connections are.
The corporate social responsibility analysis (and we may add the broad sustainability analysis) is now connected to corporate strategy. The next step is to define some strategic variables that can be easily related to social responsibility issues. Within this framework, it should be possible to gain more detailed information, explicitly linked to the corporate value process (through strategy). This result is accomplished, as to Burke and Logsdon, defining the five dimensions of the model (1996, pp.496-499ff):

1. Centrality measures the way CSR is compatible with mission and the core goals;
2. Specificity measures advantages CSR (cause for the firm (positive externalities);
3. Pro-activity is the degree of reaction to external pressures;
4. Voluntarism evaluates how discretionary the firm is in implementing social responsibility;
5. Visibility refers to the way socially responsible behavior is perceived by corporate stakeholders.

Each one of these dimensions provides measures that can be usefully employed in creating corporate value. The interest in this model is twofold. On the one hand, B&L’s model underlines social responsibility’s contribution to corporate strategy, defining five variables that allow managers, practitioners and academicians to get an operative tool. On the other hand, the model tries to link the “doctrine” of social responsibility to strategic management. This is a clear link, according to Freeman (1984), and a fundamental one indeed.

Moreover, here we have one of the few attempts to integrate different disciplinary perspectives. One of the reasons why, we argue, social responsibility recently began to be a general issue, is that for many years its proponents were too isolated from the mainstream management science and economics. Thus, the attempt to build a bridge between these fields of knowledge can be the way to merge the two or, if one prefers, to get “back to the origins” of management practices (Stuttgart, 1992).

Once the connection is determined, two elements are suggested by B&L’s model. The first is that of defining social responsibility (and, as we described above, sustainable management) as a strategic tool. This leads directly to the problem of measurement, and to that of the definition, for example, of sustainability or social performance ratios. The Global Reporting Initiative follows this approach and presents a significant number of ratios in order to analyze every part of the triple bottom line (Zatti et al., 2005; Secchi, 2004). We suggest here a different perspective. While there is no doubt that all ratios and measurement of sustainability have a great relevance, they need to be redefined in order to get the relation with the corporate strategy. What can be defined as “strategic”? Even if we follow B&L’s model, it is apparent that choosing the socially oriented behavior means to put the firm on a long term perspective. The longer the time period, the more difficult to measure any kind of impact on corporate performance. As a first point, we suggest that corporations behaving responsibly take into account social and environmental needs that can be defined as exogenous variables.

The second element that B&L’s model indicates as fundamental (among the five) is that social responsibility may be measured in relation to the “ratio of voluntarism.” Since sustainable management refers to broad objectives affecting society in the long run, it is hard to find the appropriate legislation. Corporations behaving responsibly “jump in the future”, in the sense that they bet on what should be a better way to conduct their business, and the way it affects society overall. To this extent, the social and the broader sustainable management remains voluntarily-backed.
volontarismo, eliminando il paragrafo successivo).

In summary, social and sustainable reporting could be thought of as one of the major contribution to management. Indeed, they need to measure the social and environmental performance of the corporation (Wood, 1991a; 1991b). This is somehow easier for environmental impact esteem, while it seems to be quite harder for social issues (Pilling, Gonella, and Zadek, 1997; Pruzan, 1998; Burke and Logsdon 1996; Margolis and Walsh, 2003). However, the fact is that we expect that any responsible firm should provide all stakeholders with data on impacts to social and environmental variables or, at least, on potential damages or risks (Boatright, 2003). In any case, measuring the social and environmental performance is one of the main points for a responsible company. Here, the term “measurement” refers to the extent to which social issues are part of the corporate contribution to future social improvements. To this extent it is a measure of the individual contribution to the “common good.”

*Corporate social policies “revisited”*

Links between the two constituents of the double bottom line (social and economic outcomes) have not been provided by scientific analysis yet (Margolis, and Walsh, 2003). We can find numbers of reasons that can explain this difficulty: (a) qualitative versus quantitative perspectives are hardly concealable; (b) the intrinsic qualitative nature of social issues is only roughly defined in quantitative terms; (c) social and ethical commitment needs to be evaluated in longer time periods; (d) and so on. Some of the arguments, or problems underlying empirical evaluations, are real constraint to findings.

However, our point has nothing to do with formal (analytical or mathematical) descriptions of the failures of these approaches to the firm’s performance. The point here is rather different. Corporate social responsibility is not an asset. Corporate social responsibility belongs to strategy (as we showed above with Burke and Logsdon’s model, 1996) and, to this respect, it is a matter of corporate policy. Firms chose to behave in a socially responsible way, as well as they chose to spend more on marketing or production or any other function. In other terms (financial terms), CSR is not an asset because it is a cost, i.e. you see its impacts in the Profit and Loss Statement. More precisely, “just as firms that spend more on marketing are not necessarily more profitable than those that spend less, there is no reason to expect more responsible firms to outperform less responsible ones. In other words, the risks associated with CSR are no different than those associated with any other business strategy; sometimes investments in CSR make business sense and sometimes they do not. Why should we expect investments in CSR to consistently create shareholder value when virtually no other business investments or strategies do so?” (Vogel, 2005, p.33).

Then, the management can choose which is the amount of money the corporation should spend on CSR. That is to say that we have different levels of responsibility (p.35) associated to amounts of money dedicated to CSR and, more properly, to the way resources are allocated in doing so. Vogel’s approach, in other terms, leads to the problem of the efficient management of corporate resources. Socially responsible behavior may depend, if it is a matter of cost, to the way these costs are minimized. The objective is getting the best result with the minimum amount of time and resources, since this is one of the definitions of efficiency (Simon, 1947; Mintzberg, 1989).

However, defining social responsibility in efficiency terms (as the recent Lee and Kotler, 2004, does) remains a highly controversial issue that needs to be directly
address. Within our approach to the issue, the “efficiency controversy” matters because corporations normally try to avoid inefficient (i.e. costly) behaviors. Since sustainable behavior is voluntarily promoted, we may argue will push it as far as the management can, i.e. as far as it does not conflicts with the ordinary activities with unsustainable extra-costs.

Social and environmental reporting: A focus on voluntarism
The third point we want to stress relates to a particular tool: the practice of social and environmental reporting. We maintain that all governmental and EU guidelines toward the enhancement of responsible practices are fundamental for the promotion of proper corporate behaviors. However, as we suggest above, our claim is that responsible practices are mere voluntary practices. This derives directly from the nature of the law. Legislation cannot integrate the overall range of social changes, so that what the law prescribes could not help in defining what social or environmental behavior should be, but only to what emerges from something that already happened and that society accept as “standard” behavior (Zatti, 2004). We argue that social reporting practices may support this process and help to define a starting point for corporate-society dialogue.

Social and environmental reporting
Boycotts, social and ethical investments, and the increasing flow of available information make large corporations (especially multinationals) face the problem of being accountable. The number of corporations publishing social and environmental reports grew enormously in the last five years (Line, Hawley, & Krut, 2002). This fact is a very positive one. Customers, investors, suppliers, and virtually every stakeholder, have more information on the company’s social impact.

This point is not questioned here. The problem with social reporting is related to the fact that it is a discretionary activity. From this perspective, it is clear that “the firms themselves chose what to report.” Moreover, “they can tout their strength and ignore the rest” (Vogel, 2005, p.68). Companies decide what can be published and what cannot be. Social reports are, for this reason, based on the corporate perspective of the issue. And, we must add, as corporate official documents, it cannot work any different. However, the difference can and needs to be pointed out. I consider two different perspectives.

At first, we can refer to the meaning of social reporting. And we can find two different approaches: (a) the social report is a management tool, or (b) it is a tool for corporate public relations (Rusconi, 1984). The former approach defines the social report as the edge of a process that the corporation starts in order to define, analyze, and manage social issues. Publishing the report is thought as to be the last, and maybe less important, part of the process. The problem here is that of analyzing social issues in order to make the right management decisions. To this respect, the document reports objectives, processes, and degrees of fulfillment (Zadek, Pruzan, Evans, 1997; Pruzan, 1998).

The ‘public relations’ approach is widely diffused, and considers the social report as a tool for the corporate image and reputation improvements (Lee and Kotler, 2004). Publishing the social report is the only thing that matters. In other words, “[t]hose who regard their reports primarily as a public relation document focus on ‘feel good’ subjects such as community support and emphasize policies and processes rather than targets and outcomes” (Vogel, 2005, p.68).

Secondly, we can look at the meaning of the words “social report.” To be more
effective, we consider their translation in other languages, as the word “report” addresses, in current English, a broad range of issues. The French for social report is “balance social,” identical to the Italian “bilancio sociale,” and to the German “sozial bilanz.” Each of these languages defines the report as something in which data are expected to be somehow balanced. The link to the financial and economic report is clear; at the same time, it is apparent the difference, too. The distinction concerns the subject of the document, i.e. social issues, while the link should be that of its structure. Of course, we cannot imagine the social report as being similar to corporate financial statement; what we are trying to underline is that the report, to be so called, have to be fair. Together with revenues we have also costs, or to profits, losses are faced; in the same way, we have positive and negative aspects connected to a company social impact (Rusconi, 1988; Zadek, Pruzan, Evans, 1997).

The “greening” of social responsibility
The wave of social reporting arrives second. The first wave of corporate reporting was that of the Eighties, and of the interest that led to the environmental-ecological sustainability issues. Corporations operating in polluting industries began to publish reports on their environmental impact, and on the ways they tried to manage problems related to pollution and other ecological issues. Due to the fact that the environmental impact is something measurable, many western countries adopted regulations on environmental standards. The problem with environmental preservation is that the main part of it remains beyond compulsory legislation.

One of the most interesting points here is that of connecting social issues to environmental ones. The point has been always addressed by business ethicists, but implicitly. When analyzing ecological disasters, that show devastating consequences for human beings also, business cases usually do not address or stress the differences between the environmental and the social approach. Nor Vogel does so in his book. He explicitly refers to the environmental issue as a part of the more general social one. This is, from my point of view, one of the most interesting points since environmental management is connected to social issues into the framework of what we call the sustainable approach to business.

We define social reporting practices in broad terms, without any technical reference (for that, see Secchi, 2004, 2005c; Zatti, 2004). On the one hand, we refer to variables and concepts mentioned earlier in this paper, and to the other hand, we try to extend the range of variables involved in the process. As we did in the first part, we begin with the European Union.
Starting with the V European environmental action program (European Commission, 2003), the European approach toward SD has shown an increasing attention to the development of voluntary instruments and practices to manage, measure, communicate and reward positive behaviors (code of conduct, name shame and fame, auditable and communication tools, investment screening methodologies, management and reporting standards). Even if it is widely acknowledged that voluntary schemes can be seen only as complementary to legislation and to control activities by public authorities (European Commission, 2005b), they are interpreted as important opportunities to promote a preventive culture, to pursue a higher level of standards, to spur creativity and innovation: i.e. to the affirmation of an effective ownership of the concept of SD.
Nevertheless, more recent trends have testified an increasing propensity in many
national contexts to introduce more legally-binding requirements in the field of originally voluntary instruments: mandatory reporting requirements on several sustainability issues are set for listed companies in France, Netherlands, Sweden and Denmark (European Commission, 2004); a similar bill has been proposed in Spain (De la Cuesta and Valor, 2004) and in Italy as concerning green accounting for local public authorities; a mandatory share of 30% of recycled goods on the total amount of annual selected purchased goods has been introduced by a decree of the Ministry of the Environment of 2003 in Italy for public departments and publicly-owned undertakings. As stated above, the voluntary versus obligatory approach is a highly controversial matter and represents one of the core issue in the debate on SD (see for example De la Cuesta and Valor, 2004). The European view, as a whole, seems still to rely more on the original voluntary nature of instruments, since a more restrictive form of regulation is seen as a potential restraint to creativity, innovation and incremental learning (European Commission, 2002c). But it is at the same time deeply founded on the idea that only with a higher sense of belonging to the society and a higher sharing of a common set of social values the “reputational” approach can result effective (European Commission, 2001a).

Conclusions
The operational challenge remains therefore that of giving to the goal of SD a decisive role in influencing reputation and self-esteem of economic and social actors in the European context. Education and the development of a wider understanding of sustainable development are therefore prerequisite for promoting general behavioral change (European Commission, 2001b; 2005b), since “Providing better information to citizens about the goal of sustainability and its importance is a way of strengthening the social capital and encouraging sustainable behavior by all” (European Commission, 2001a: 54). The promotion of a widespread civil awareness about the central role of sustainability in the European social model is therefore a key factor to create a common sense of responsibility (European Commission, 2000) and, at the same time, to enable civil society to develop their critical capacity in order to appreciate more responsible social and environmental conducts and to prevent misleading claims and information (European Commission, 2002c). Social and environmental responsibility refers to corporate impacts on the natural and social environment. Its study refers to business-society relations. This approach has been made more complex and comprehensive by the emerging at the end of the ‘80s and in the ‘90s of the notion of sustainable development which has given major relevance to relations which involve categories even very remote in time and space, i.e “community without propinquity”. Progressively, Sustainable development has been acknowledged as an absolute priority in the European context, even if it is often criticized as too vague, undefined and potentially contradictory (Fergus and Rowney, 2005). We have argued in this paper that, although the concept of SD is certainly complex and progress on this theme is in its infancy, the correct implementation of the underlying issues and objectives can contribute to modify consolidated behaviors and to promote a deep change in the decision making process. SD can in effect become the normative societal principle of the European social model. In this direction, some important indications can be given by the theory of public finance on the one side, and by ethical theories, on the other. As far as the normative approach is concerned, we have stated
that the logic of SD is strictly linked to the concept of externalities or, more generally, of market failures. Thinking to SD as an emblematic form of pure “public good”, where the risk of free rider behaviors is very high, allows to focus on more compelling issues, i.e. those which involve weaker and less represented categories, and to avoid too wide and dispersive interpretations and applications. General interests founding the notion of SD (solidarity, ecological equilibrium, financial sustainability, social stability) can thus become guiding principles not to influence only broad strategic issues but corporate management overall. The ethical dimension, furthermore, gives relevance to the development of a cultural awareness, of a new ethos among citizens (European Commission, 2000, p. 124), able to ensure that social behaviors will be increasingly animated by the principles of sustainability.

As a major result of the analysis we carried on, we have tried to develop a more unified picture of the public finance and managerial perspectives. This paper wants to be a first attempt towards the definition of a new approach to corporate sustainability, that defines strong relationships between business (economy) and governmental (policy) issues (i.e. social). The underlying belief is that “to many discussions of CSR, especially in the business community, ignore the importance of government” (Voegel, 2005, p. 171).

From an operational point of view, some main points have emerged. The first concerns the necessity to give a strategic and leading role to SD in decisional processes, making it a term of reference through which evaluating compatibility and preferability of different decisions. For business, in particular, it means that sustainability issues should be part of the corporate mission and strategy so that their attainment becomes a strategic task for management. The long-term and wide-space perspective of SD, in fact, makes it difficult to justify social responsibility only in terms of corporate economic performance and requires that social and environmental needs are taken into consideration as somehow exogenous variables.

A second relevant finding is represented by the need of a wider re-orientation of governance role, mainly stemming from state failures in tackling contemporary social and economic challenge alone (Moon, 2004), where main social actors (business, government and non-government organisations) increasingly operate in a network mode and where interdependences do not depend on traditional relations (i.e. authoritative or market). Corporations have to be well aware of their function in this network. On the one hand, they have to contribute to more general issues concerning the community in which they operate; on the other, they can play an active role in policy formation and in the diffusion of civil awareness. In particular, the opportunity to exert business pressure to lobby government to carry out stricter policies concerning SD is receiving an increasing attention (Voegel, 2005, Moon, 2004) and can have important managerial implications.

Voluntarism emerges as another facet of our study. Not only because it’s a precise claim of the European Union approach, but even because it seems consistent with the nature of SD. The broad range of objectives involved and the long term perspective, in fact, makes it difficult to find appropriate standards for each topics and gives space to experimentations and to the logic of continuous learning and incrementalism. Government can of course have an important role in fostering sustainability-driven actions (definition of general objectives, diffusion of best practices, diffusion of information on performances obtained, subsidisation, etc), but keep primarily a role of supervisor.

Finally, the cultural dimension of SD has been considered a key element. The
operational challenge remains from this point of view that of giving to the goal of SD a decisive role in influencing reputation and self-esteem of economic and social actors in the European context. Information, education and the development of a wider understanding of sustainable development are therefore prerequisite for promoting general behavioural change (European Commission, 2000; 2001b; 2005b), since “Providing better information to citizens about the goal of sustainability and its importance is a way of strengthening the social capital and encouraging sustainable behaviour by all” (European Commission, 2001a: 54). The promotion of a widespread civil awareness about the central role of sustainability in the European social model is therefore a key factor to create a common sense of responsibility (European Commission, 2000) and, at the same time, to enable civil society to develop their critical capacity in order to appreciate more responsible social and environmental conducts and to prevent misleading claims and information (European Commission, 2002c).

We want somehow to suggest that this is what we may call the “European sustainability”.

The next step of the research is directed towards the analysis of sustainability positions of leading European corporations that publicly inform stakeholders about their behavior. How do corporations that are said to be responsible really behave? Do European managers have in mind the EU strategy? Do we need to redefine content analysis of social and environmental reports for European firms?

Our aim is that of defining a set of ratios and concepts, taken from the European context, and to test to what extent these leading corporations do or do not follow the European guidelines.
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