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# Behavioural models of Italian "ethical certified entities", a research study

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## Abstract

*Entities operating with an environmental and/or social certification (ISO 14001, EMAS and SA8000) are growing continuously. Italian "multi-certified" entities show different CSR attitudes and behaviours.*
*This paper assess the significance and materiality of the relation between the existence of ethical and environmental management systems and features like size, economic performance, CSR attitudes and level of disclosure.*
*Trough a theoretical and empirical analysis the research defines and maps some behavioural model adopted by Italian "ethical multi-certified".*

## 1 – Introduction

The approach to Corporate Social Responsibility (CSR) could be different among companies, varying from a sceptic to a cohesive-multi stakeholder attitude (Molteni and Lucchini 2004).

In this paper we analyse the multi-certified approach, concerning those entities that adopted environmental and/or ethical management systems.

In 2007 in Italy more than 12.000 company sites are ISO 14001 or EMAS certified and more than 700 companies have SA8000 certification. There has been a high rate of overall increase as well considering the number of companies with both environmental and ethical management systems which is still growing (more than 150 % from 2006). A relevant portion of the companies, defined in this paper as "ethical, certified entities", seems to be open to integrate social and environmental concerns in their business operations and within the interactions with stakeholders on a voluntary basis, through high quality practices of disclosure (55 % of them produce a social, en-

vironmental, or sustainability report). Those companies are not only big publicly accountable entities, but also small and medium sized unlisted companies – SMEs (defined according to the European definition).

The task of this paper is to assess the significance and materiality of the relation between the existence of ethical and environmental management systems and behaviours, size, economic performance, attitudes toward CSR and level of disclosure.

The study presented clarifies such arguments through a theoretical and empirical analysis. The theoretical analysis is based on the literature which defines the companies' behaviours and models. The empirical analysis is carried out over all Italian "ethical-certified entities" (185 companies).

## 2 – Background

Different theories about corporate social responsibility (CSR) were developed throughout the ages and their evolutionary path took place in many branches of the economics and business fields (Lee 2008).

Many internal and external factors contributed to social and ethical accounting and management; these includes elements such as globalization, development of new technologies and some rational values referring the way to do business (i.e. the deal with stakeholder management, public interest, and value shift) (Zadek 1998).

The study of relations between CSR management systems and corporate reputation suggests that value priorities (i.e. power, achievement, universalism, self-direction, tradition & conformity) play a predominant role in CSR actions, influencing the essence of certain reputation stories in the corporate context (Siltaoja 2006). Some scholars deepened the presence of specific industry elements (i.e. public concern, regulatory forces, etc.) linked to corporate sustainable development (Banerjee et al. 2003), while others found a positive relation with factors such as organizational size, international experience, media pressures and mimicry (Bansal and Hunter 2003).

The most part of the studies focus also on corporate financial performance. Some authors found a positive relation with prior financial performance and ethical management and accounting (Perrini 2003; Waddock and Graves 1997), adding justification to the fact that less profitable entities have fewer resources to spear in socially responsible activities than more profitable entities (Orlitzky et al. 2003; Campbell 2007; Margolis and Walsh 2001) although innovative solutions to reduce the inefficiencies associated with pollution and environmental issues can promote greater competitiveness (Porter and Vanderlinde 1995).

On the other hand, different studies found no relation between financial performance and sustainable development practices (Aragon-Correa and Rubio-Lopez 2007; Bansal 2005; Wagner

and Schaltegger 2004). About this topic we should also consider that some theoretical issues may arise studying the relation between economic performance and social responsibility because "economic effects" are definitely also social, and surely "social effects" are also economic, thus the need to find a rigorous way to investigate these complex relations (Harrison and Freeman 1999).

Among all these studies, the debate takes place surrounding the existence of things linked to CSR that is better to leave unsaid (Kallio 2007), things like the amoral nature of business (Friedman 1962)[1]; the continuous economic growth (Ayres et al. 2001)[2] and the political nature of CSR (Levy 1997)[3].

These argumentation can illustrate the reason why the adoption of environmental and social management system, like SA 8000, EMAS or ISO 14001, is not driven by real ethical attitudes (Donaldson and Dunfee 1994; Gilbert and Rasche 2007). Often these procedures are linked to a ceremonial and opportunistic attitude intended to superficially show that the certified organization conformed to the standards. Daily practices remain somewhat decoupled from the prescriptions of the environmental and social systems of which employees generally had only a vague understanding (Boiral 2007). It is something that provides the appearance of conformity to external expectations while making it easy to insulate much of the organization from those expectations. For example, external factors are more likely to influence the development of "window dressing" response rather than real integrated ethics program practices (Weaver et al. 1999). Furthermore, the selection of the reporting media (websites, annual report, sustainability report) can be used to manage certain types of impression about social and environmental performance. Reporting is used to manage the public impressions of the environmental performance of the organization, presenting good news rather than bad news, disclosing ritual information and selecting the information to be disclosed in each reporting media (Criado-Jimenez et al. 2008; Fazzini and Terzani 2005).

Despite that, voluntary social reporting is a highly valuable exercise, and its reasons and usefulness are still analyzed in many different ways; the literature suggests a wide number of reasons why companies would disclose voluntary environmental/social information and a wide range of contributions to the development of the social accounting project (Gray 2002).

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[1] As Friedman says "*how a businessman could even know what his social responsibility – other than to maximize profits to shareholders – would be: can self-selected private individuals decide what the social interest is?*".

[2] While economic growth might promote environmentally sound behaviour to some extent, it creates, to an even greater extent, consumption and thus more ecological burden. In addition, whereas economic growth without a doubt creates some sort of wealth, albeit rather unevenly distributed in favour of the rich, the existence of man is not constituted by economy but ecology – natural capital instead of humanmade capital. Once the natural capital has been turned into human-made capital, it cannot, at least not explicitly, be returned to natural capital.

[3] As Levy states "*Companies might find it easier and cheaper to construct themselves and their products as green rather than undertake expensive and risky investments in equipment and processes to reduce environmental im-*

As a matter of fact entities involved in the ethical management and accounting field do not always seem to make the best use of the experience achieved, hence voluntary initiatives of reporting do not often produce a consistent and systematic practice (Gray 2001). Major authors point out the lack of accountability in this entire field, by defining the term "accountability" as identifying what an entity is responsible for and then providing information about that responsibility to those who have the rights to use that information (Gray et al. 1996). Then, if an organization does voluntary social reporting is not going to advance in accountability and, by corollary, only if the organization does not want to produce the information is it likely to benefit society (Gray 2001).

In order to contribute to all these argumentations, empirical research has been carried out. It is aimed to deepen the relationships between the presence of environmental and ethical certification, based on specific management system and the entities sizes, the attitudes underlying the multi-certification and related results and the quality of disclosure.

## 3 – The research

The study has been carried out on the Italian entities that in 2007 were certified SA8000 for sure and ISO 14001 and/or EMAS as further certifications. In this paper we name these organisations "ethical, certified entities". In Italy, in 2007, these "multi-certified" companies were 185. Please note that the number of national ISO 14001:2004 certified sites equals to 11.730; SA8000 certifications is 701 and EMAS Registrations is 705 (see *Table* 1). The percentage of "ethical, certified entities" - intended as "organizations that have both SA8000 and ISO 14001 certification/EMAS registration" - is around the 26% of SA8000 certified companies/sites and around the 1,5% of the wider sample of environmental certified/registered sites.

*Table 1 - The number of "ethical" certified entities in Italy at the end of 2007*

| | 2006 | 2007 | Var | *Var %* |
|---|---|---|---|---|
| SA 8000 Certified entities | 323 | 701 | 378 | *117%* |
| ISO 14001 Certified entities | 5.857 | 11.730 | 5.873 | *100%* |
| EMAS Certified entities | 510 | 705 | 195 | *38%* |
| SA8000+EMAS | 3 | 5 | 2 | *67%* |
| SA8000+ISO14001 | 64 | 167 | 103 | *161%* |
| SA8000+ISO14001+EMAS | 7 | 13 | 6 | *86%* |
| "Multi-certicate entities" | 74 | **185** | 111 | *150%* |

*pacts,'' and continues that ''an analysis of corporate environmentalism reveals the presence of economic and political forces prepared to devote considerable resources to shape the 'meaning of greening' to suit their own interests."*

The data supporting the economic and financial analysis about these organizations was found using Bureau van Dijk-AIDA's database, and when needed, directly from companies' financial statements (year 2006/05); data relating n.171 companies were available and analysed.

In order to study the CSR behaviours of the multi-certified entities, a survey has been realized through a questionnaire addressed to all the 185 entities (see *Appendix 2*). 97 questionnaires were collected and analyzed, the questionnaires were aimed at deepen attitudes to CSR and obtained benefits.

The number of "multi-certified" entities that realise environmental and/or social voluntary disclosure to stakeholders is 103 (56% of all ethical certified companies). The study of the behaviours of Italian multi-certified entities was carried out by finding/requesting all types of "ethical" reports prepared by those industrial and services companies. 72 reports were collected (70% of the number of entities reporting on such topics) and analysed; it's important to underline that more than 60% of these reports belongs to SMEs. According to the European Union classification[4], in this paper companies are defined as micro, small and medium sized entities (SMEs), or as large companies. Collected and analysed reports belongs to the following categories:

- mandatory reports (EMAS[5] reports, EU Reg. 761/2001);
- management system driven reports (SA8000[6] reports);

[4] The European Commission adopted in 2003 the Recommendation 2003/361/EC regarding the SME definition. It defines the category of Small and Medium-sized Enterprises according to three criteria: staff headcount, annual turnover and annual balance sheet. In particular a SME is an autonomous enterprise which (i) employ fewer than 250 persons and (ii) which have an annual turnover not exceeding 50 million euro, and/or (iii) an annual balance sheet total not exceeding 43 million euro. An autonomous enterprise is totally independent (there are no participation in other enterprises and no enterprise has a participation in it) or it holds less than 25% of the capital or voting rights in one or more other enterprises and/or outsiders do not have a stake of 25% or more of the capital or voting rights in the enterprise.

[5] In order for an organization to be registered under EMAS it shall: (a) conduct an environmental review of its activities, products and services and implement an environmental management system; (b) carry out, or cause to be carried out, environmental auditing; (c) prepare an environmental statement. The statement shall pay particular attention to the results achieved by an organization against its environmental objectives and targets and the appropriate requirement of continuing to improve its environmental performance, and shall consider the information needs of relevant interested parties (d) have the environmental review, if appropriate, management system, audit procedure and environmental statement examined to verify that they meet the relevant requirements of this Regulation and have the environmental statement validated by the environmental verifier; (e) forward the validated environmental statement to the competent body of the Member State in which the organization seeking registration is located and, after registration, make it publicly available.

[6] Social Accountability 8000 (SA8000) has been developed by Social Accountability International (SAI), a non-profit affiliate of the Council on Economic Priorities (CEP). SA8000 is promoted as a voluntary, universal standard for companies interested in auditing and certifying labour practices in their facilities and those of their suppliers and vendors. It is designed for independent third party certification. SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight key areas: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation. SA8000 also provides for a social accountability management system to demonstrate ongoing conformance with the standard.

- voluntary reports (sustainability report – GRI, environmental reports, social statements).

In *Table 2* is reported a breakdown of the overall study.

*Table 2 - The overall breakdown of the study*

| | SIZE | | | | |
|---|---|---|---|---|---|
| | Micro | Small | Medium | Large | *TOTAL* |
| *ALL "Ethical certified entities" (a)* | *29* | *56* | *43* | *57* | *185* |
| *%* | *100%* | *100%* | *100%* | *100%* | *100%* |
| n. of Economic performance analyzed | 24 | 49 | 42 | 56 | *171* |
| % of (a) | 83% | 88% | 98% | 98% | *92%* |
| n. of questionnaires collected/analysed | 18 | 26 | 27 | 26 | *97* |
| % of (a) | 62% | 46% | 63% | 46% | *52%* |
| n. of "ethical" reports collected/analysed | 5 | 16 | 22 | 29 | *72* |
| % of (a) | 17% | 29% | 51% | 51% | *39%* |

The ownership structure and the size characteristics of the ethical certified companies are shown in *Table 3*.

*Table 3 - The ownership structure of the analysed companies*

| Proprietary Structure | SIZE | | | | |
|---|---|---|---|---|---|
| | Micro | Small | Medium | Large | *TOTAL* |
| Limited companies | 23 | 49 | 35 | 48 | *155* |
| | 82% | 86% | 81% | 84% | 84% |
| Cooperatives | 2 | | 7 | 8 | *17* |
| | 7% | | 16% | 14% | 9% |
| Partnership firms | 2 | 5 | | | *7* |
| | 7% | 9% | | | 4% |
| Others | 1 | 3 | 1 | 1 | *6* |
| | 4% | 5% | 2% | 2% | 3% |
| TOTAL | 28 | 57 | 43 | 57 | *185* |
| | 100% | 100% | 100% | 100% | *100%* |

Subsequently, special attention was paid to the analysis and related findings concerning these topics:

- financial structure and economic performance;
- CSR attitudes and achieved benefits;
- quality of voluntary reporting.

The main research features related to those subjects are presented below.

### 3.1 – *Financial structure and economic performance analysis*

The objective of this part of the work is to understand the relation between certified entities an their economic performance (financial structure and profitability), taking into account previous findings by other researchers.

In the CSR field, although with some limitations (Al-Tuwaijri et al. 2004), if the entities are not listed in a stock market, financial and profitability ratios can be used as main tools to asses financial and economic performance (Waddock and Graves 1997; Bansal 2005). However, we need to mention that these measures may be biased because the sample is composed by entities from different industries with different industry-driven levels of fixed assets, variable/fixed cost ratios and competitiveness.

In particular, the ratios utilised in the analysis are:

- *Leverage*: computed as debts/equity ratio (maximum value for the absolute comparison was 3);
- *ROE*: computed as net profit or loss divided by total equity (minimum value for the absolute comparison was 7%);
- *ROS adjusted*: computed as EBITDA divided by Sales; this in order to exclude specific financial statement policies regarding subjective costs like depreciations, provisions for risk, etc (minimum value for the absolute comparison was 5%).

In addition we compared these ratios with the specific industry average performance (+ 1 point for each ratio if the entity is better than the industry) and with some absolutes values (+ 1 point for each indicator). Afterward, from the sum of the resulted comparisons we obtained the overall economic performance indicator (the range is from 0 to 6) we used to assess the different relations within companies' other variables.

### 3.2 – *CSR Attitude analysis*

The study of the different attitudes driving companies to operates in coherence with a certified process was carried out through a questionnaire analysis (see *Appendix 2*). A score was assigned based on the main drivers for ethical certification and on the significant benefits achieved from it.

A score of 2 is given to companies that operates driven by "management system, internal review". A score of 0 is given to companies that operate driven by all other reasons (marketing, reasons, award contract, tax relief) and also to the stakeholders engagement reason. The latter because companies tend to call in cause stakeholders also when no rigorous accountability practices are taken in place (Boiral 2007). Furthermore, for the second question, one point more was added to the score if the entity declared it achieved some benefits due to the certification. Hence, the resulting attitude/benefits indicator score has a range from 0 to 3.

### 3.3 – *Quality of voluntary reporting analysis*

Elements like the analysis of the number of reports issued, the level of disclosures in the reports and the reason for reporting were used to study the voluntary disclosure quality.

In particular for measuring the ethical disclosure[7] of the collected reports we used a content analysis[8] methodology. The analysis was deepened in the following areas of disclosure with an overall scale range from 0 to 12[9] :

- breakdown of value added to different company stakeholders;
- donations;
- consumptions of resources;
- direct environmental impacts (waste, emission, etc.);
- indirect environmental impacts (products energy consumption, product packaging, used products disposal, etc.);
- expenses/investments for environmental management and control;
- workforce breakdown by sex/category with net employment creation;
- average training days by category of employee;
- n. of work accidents;
- procedures for bribery and corruption management/control;
- governance structure;
- independent auditor certification.

Subsequently the overall score was defined by the sum of these three elements:

- nr. of reports (3 points if the company issued more than one report);
- quality of disclosure (based on the content analysis result, max 12 points);
- reason for reporting (1 point if stakeholder engagement was chosen as main driver for reporting instead of other factors).

The reporting score goes from 0 to 16; however, as can be seen better in the next findings, the maximum score achieved was 14,5.

## 4 – Main findings

From the economic performance analysis it's possible to argue that "ethical oriented" companies don't seem to have high levels of economic performance, on the contrary as shown in *Table 4*, 55% of those entities are underperforming (values under the 4); only large companies are over-performing a bit in respect to the others. So, it seems that economic performance is not a distinctive feature of ethical certified companies.

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[7] For more acknowledgement of the ethical report disclosure see Kaptein, M., and J. Wempe. 1998. The Ethics Report: a Means of Sharing Responsibility. *Business Ethics. A European Review* 7 (3):131-139.

[8] "*A technique for gathering data that consists of codifying qualitative information in anecdotal and literary into categories for deriving quantitative scales of varying levels of complexity*" (Abbott and Monsen 1979)

[9] The scoring relates to the presence of the reported information.

*Table 4 - Economic performance level, breakdown by size*

| SIZE | *Economic performance* Low | High | *TOTAL* |
|---|---|---|---|
| Micro | 17 | 7 | *24* |
| | 71% | 29% | *100%* |
| Smal | 26 | 23 | *49* |
| | 53% | 47% | *100%* |
| Medium | 25 | 17 | *42* |
| | 60% | 40% | *100%* |
| Large | 26 | 30 | *56* |
| | 46% | 54% | *100%* |
| TOTAL | 94 | 77 | *171* |
| | 55% | 45% | *100%* |

The analytical analysis between these aspects is reported in the following table where the indicator range goes from the lowest value (0) to the highest value (6).

*Table 5 - Economic performance and size of multi-certified entities*

| | *Economic performance indicator* | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SIZE | 0 | 1 | 2 | 3 | 4 | 5 | 6 | *TOTAL* |
| Micro | 4% | 21% | 29% | 17% | 13% | 17% | 0% | *100%* |
| Small | 10% | 12% | 18% | 12% | 37% | 6% | 4% | *100%* |
| Medium | 5% | 14% | 31% | 10% | 21% | 7% | 12% | *100%* |
| Large | 14% | 4% | 9% | 20% | 27% | 14% | 13% | *100%* |
| TOTAL | 9% | 11% | 20% | 15% | 26% | 11% | 8% | *100%* |

These results support what some previous studies said about the absence of a relation between economic performance and CSR (Aragon-Correa and Rubio-Lopez, 2007, Bansal, 2005, Wagner and Schaltegger, 2004).

The average industry performance used for the comparisons computations is presented in the following table.

*Table 6 - Industries average financial statement ratios used for comparison*

| | Industry average ratios | | |
|---|---|---|---|
| | Leverage | ROE | ROSa |
| Chemicals/Pharma | 2,3 | 8% | 9% |
| Cleaning/Waste | 5,9 | -13% | 4% |
| Construction | 8,4 | 9% | 10% |
| Food | 1,5 | 7% | 11% |
| ICT | 2,2 | 9% | 16% |
| Industrial | 2,9 | 6% | 9% |
| Services | 4,0 | 12% | 11% |
| Transportation | 1,9 | -3% | 20% |

The performance breakdown by industry type is reported in *Table 7*.

*Table 7 - Economic performance, breakdown by industry type*

| | *Economic performance* | | |
|---|---|---|---|
| INDUSTRY | Low | High | *TOTAL* |
| Chemicals/Pharma | 47% | 53% | *100%* |
| Cleaning/Waste | 29% | 71% | *100%* |
| Construction | 86% | 14% | *100%* |
| Food | 100% | 0% | *100%* |
| ICT | 55% | 45% | *100%* |
| Industrial | 51% | 49% | *100%* |
| Services | 75% | 25% | *100%* |
| Transportation | 67% | 33% | *100%* |
| TOTAL | 55% | 45% | *100%* |

The computation of the attitude/results indicator permits us to point out the mindsets underlying the certification and the possible gained benefits of the ethical entities. As the ranking score varies it's possible to define the standing of the different entity attitudes.

The ranking scale (0 - 3 range) is based on the following behaviours: (i) companies demonstrating a systematic attitude that recognise that CSR permits to achieve benefits (3 points); (ii) companies demonstrating a systematic attitude and declaring they haven't achieved benefits (2 points); (iii) companies showing an opportunistic attitude and declaring they have achieved benefits (1 point); (iv) companies showing an opportunistic attitude and declaring they have not achieved benefits (0 point).

The results of the analysis are reported in the following table.

*Table 8 - CSR Attitude standing, breakdown by size*

| ATTITUDE | SIZE | | | | |
|---|---|---|---|---|---|
| | Micro | Small | Medium | Large | *TOTAL* |
| systematic/benefits | 10<br>59% | 16<br>59% | 15<br>54% | 17<br>65% | *58*<br>*59%* |
| systematic/ no benefits | 1<br>6% | 1<br>4% | 0<br>0% | 0<br>0% | *2*<br>*2%* |
| opportunistic/ benefits | 3<br>18% | 6<br>22% | 11<br>39% | 7<br>27% | *27*<br>*28%* |
| opportunistic/ no benefits | 3<br>18% | 4<br>15% | 2<br>7% | 2<br>8% | *11*<br>*11%* |
| TOTAL | 17<br>100% | 27<br>100% | 28<br>100% | 26<br>100% | *98*<br>*100%* |

The majority of the declared reasons for certification was one revealing a systematic approach and the great majority of whose declaring to have achieved benefits from certification.

Although we didn't find a statistical correlation between the attitude standing and the entities size, it's interesting to focus on the entities who gained no benefits. As a matter of fact, the great part of the entities with no achieved benefits are that who followed an opportunistic or ceremonial approach to the certification.

We can argue that entities with no achieved benefits are mainly those with an opportunistic approach; typically represented by entities with a Micro and Small size. Indeed, the policies of companies with minor resources are those that more often result to be easily disconnected from the organization and don't provide effective benefits (Weaver et al. 1999; Bansal 2005).

Subsequently, we figured out the reporting score in a way that mainly relates to the disclosure level and quality of the ethical report issued by the different entities. The overall score range goes from 0 to 16 and we found results varying from 0,5 to 14,5. As it can be seen from the following table, which report the scoring into three category levels, the great part of the entities doesn't provide good levels of disclosure. 32% of them is around or slightly above the middle scoring category level and 47% belong to the lowest scoring category.

*Table 9 - Reporting score, breakdown by ranges and size*

| REPORTING Score | SIZE | | | | |
|---|---|---|---|---|---|
| | Micro | Small | Medium | Large | *TOTAL* |
| 0,5 - 4 | 5 | 11 | 8 | 10 | *34* |
| | 100% | 69% | 36% | 34% | *47%* |
| 4,5 - 8,5 | 0 | 5 | 10 | 8 | *23* |
| | 0% | 31% | 45% | 28% | *32%* |
| 9 - 14,5 | 0 | 0 | 4 | 11 | *15* |
| | 0% | 0% | 18% | 38% | *21%* |
| TOTAL | 5 | 16 | 22 | 29 | *72* |
| | 100% | 100% | 100% | 100% | *100%* |

To better understand the meanings of these findings we grouped the sizes and the reporting score in two categories, as reported in *Table 10*.

*Table 10 - Reporting score, breakdown by three ranges and size*

| REPORTING Score | SIZE | | |
|---|---|---|---|
| | Micro/Small | Medium/Large | *TOTAL* |
| 1 - 7,5 | 21 | 34 | *55* |
| | 100% | 67% | *76%* |
| 8 - 14,5 | 0 | 17 | *17* |
| | 0% | 33% | *24%* |
| TOTAL | 21 | 51 | *72* |
| | 100% | 100% | *100%* |

As it can be seen in the above table, the majority of the entities (76%) isn't able to provide a good level of disclosure and the 100% of the Micro/Small companies belongs to this category. Only the 33% of Medium/Large entities provides a good level of disclosure.

With this first analysis we can say that entity size affects the level and quality of ethical disclosure and the smallest entities are those who fails more and probably don't make the right amount of efforts. This relation is in accordance with previous findings that identify company size as a relevant organizational determinant in the corporate sustainable development (Bansal 2005).

## 5 – Discussion

A statistical analysis of all the data obtained in this research can point out some other interesting relations. Descriptive statistics of the main variables belonging to this study are reported below.

*Table 11 - Main variables object of analysis, descriptive statistics*

*Descriptive Statistics*

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| 1.SIZE | 185 | 0 | 3 | 1,69 | 1,072 |
| 2.ECONOMIC Performance | 171 | 0 | 6 | 3,02 | 1,715 |
| 3.ATTITUDE | 98 | 0 | 3 | 2,09 | 1,150 |
| 4.N. of REPORTS | 185 | 0 | 2 | ,578 | ,5644 |
| 5.REPORTING Score | 72 | 0,5 | 14,5 | 5,646 | 3,5370 |

The "N. of REPORTS" and "REPORTING Score" are the only variables whose means are below the middle of the ranges: this confirm the general lack in the level of disclosure for "multi-certified" entities.

*Table 12 - Analysis of correlation*

*Bivariate Correlation coefficients*

| Variable | Mean | Std. Dev. | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|---|
| 1.SIZE | 1,69 | 1,072 | | | | | |
| 2.ECONOMIC Performance | 3,02 | 1,715 | ,148 | | | | |
| 3.ATTITUDE | 2,09 | 1,150 | ,044 | ,070 | | | |
| 4.N. of REPORTS | ,578 | ,5644 | ,197** | ,034 | ,123 | | |
| 5.REPORTING Score | 5,646 | 3,5370 | **,427**** | **,275*** | **,366*** | ,414** | |

** $p \leq 0.01$

* $p \leq 0.05$

To deepen the possible relations between these variables we undertook a bivariate correlation analysis using Pearson's r coefficient with a two tailed *t*-test of significance; the resulting coefficients analysis is presented in the following table.

It can be argued that there is no correlation between:

- *economic performance and size*: as stated in the previous chapter the multi-certification is chosen regardless of the size of the organization;
- *attitude and size*: the majority of the entities used a systematic approach for certification regardless of the size of the organization;

It is possible to define correlation between:

- *number of issued reports and size*: bigger companies are more likely to issue reports on the matter of the achieved certifications; the bigger the entity is the higher is the number of issued reports;
- *reporting score and size*: although the majority of the entities suffers a lack in the level and quality of disclosures, the bigger the entity is the higher is the reporting score;
- *reporting score and economic performance*: entities with higher economic performance are more likely to provide better disclosures;
- *CSR attitude and reporting score*: although the majority of the entities CSR attitude was the systematic one, the higher the ranking of the attitude is the higher is the level of the reporting score; by corollary, adopting a systematic attitude is more likely to provide better disclosure in the future;
- *number of reports and reporting score*: the higher the number of reports is the higher is the reporting score, this is intrinsic in the computation of the reporting score.

These findings confirm that companies whose financial performance is weak are less likely to engage in socially responsible corporate behaviour than whose financial performance is strong (Campbell 2007; Margolis and Walsh 2003).

Moreover such companies choose to act in an ethical way (i.e. by reaching a certification process) the lack of investments made in reporting and accountability leads to a practice not disconnected to the organisation that couldn't provide any benefits (Weaver et al. 1999).

## 6 – Conclusions

Although the number of ethical certified entities is continuously increasing the lack in the related level of disclosure is still visible. However, regarding the Italian multi-certified entities object of this study, it is possible to delineate some behavioural models. Taking into account the impact of all the different variables figured out (size, financial conditions, CSR attitudes and reporting quality), the research permits us to delineate following models of companies: (i) Systematic; Immature; Opportunistic.

*Systematic companies* are mainly medium and large entities with high financial performance. They adopted a serious approach towards ethical management and, according to environmental and social certifications, are able to achieve high levels of ethical disclosure. The competitiveness reached with the efficient and effective use of wider resources, linked to a positive and serious attitude can leverage the efforts in this field and lead to a real and systematic practice.

*Table 13 - Ethical certified entities models*

| | **SIZE** | **ECONIMIC Perf.** | **ATTITUDE** | **REPORTING Score** |
|---|---|---|---|---|
| **SYSTEMATIC** | Med/ Larg | High | Systematic | High |
| **IMMATURE** | Micro/ Small | Low/High | Systematic | Low |
| **Seduced** (and betrayed) | Micro/ Small | Low/High | Opportunistic | Low |
| **Slothful** | Med/ Larg | High | Opportunistic | Low |
| **Sick** | Med/ Larg | Low | Opportunistic | Low |

*Immature companies* are for the most part small and micro entities. Regardless of their economic performance, they adopted a serious attitude toward the ethical certifications process, but show a low level of ethical disclosure. Although the serious approach used, the lack of involved resources, probably, does not permits to reach a systematic level of ethical management and disclosure. This results in an immature behaviour.

*Opportunistic companies* are those that focus on showing up the appearance of conforming to the certifications. They can be sub-classified as:

- *"seduced" companies,* mainly small and micro entities, regardless of their economic performance, that adopted an opportunistic attitude toward the ethical certification process. They are not able to provide good level of disclosure. They seems to obtain certifications with a "ceremonial" and opportunistic attitude, able only to provide external appearance, without having positive results;
- *"slothful" companies,* in great part medium and large entities with high economic performance that adopted an opportunistic attitude toward the ethical certifications without reaching good levels of disclosure. Although general positive financial conditions, the approach to ethical management system is taken in a ceremonial opportunistic way and it does not provide real systematic results;

- *"sick" companies*, mainly medium and large entities with low economic performance that adopted an opportunistic attitude for the ethical certifications without reaching good levels of disclosure. The low availability or the inefficient use of resources generating lacks of competitiveness may worsen the ethical management and disclosure. This could be considered as a "pathological" status.

Features of the outlined behaviours are described in *Table 13*.

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## Appendix 1: The sample analysed

| INDUSTRY | SIZE | | | | |
|---|---|---|---|---|---|
| | Micro | Small | Medium | Large | *TOTAL* |
| APPAREL | - | 2% | 2% | - | *1%* |
| APPLIANCES | - | 2% | - | - | *1%* |
| BUILDING MATERIALS | 4% | 2% | 2% | - | *2%* |
| CHEMICALS | - | 2% | - | 5% | *2%* |
| CLEANING SERVICES | 4% | 12% | 19% | 33% | *19%* |
| COMPUTER PRODUCTS & SERVICES | - | 4% | - | - | *1%* |
| CONSTRUCTION | 29% | 14% | 7% | 2% | *11%* |
| CONSULTING | 21% | - | 5% | - | *4%* |
| COSMETICS | - | - | - | 2% | *1%* |
| DIVERSIFIED SERVICES | 4% | - | 2% | 2% | *2%* |
| ELECTRICAL EQUIPMENT | 4% | 7% | - | - | *3%* |
| ELECTRONICS | - | 4% | 2% | - | *2%* |
| ENERGY | - | - | 2% | - | *1%* |
| ENVIRONMENTAL SERVICES | - | 4% | - | - | *1%* |
| FINANCIAL SERVICES | - | - | - | 2% | *1%* |
| FOOD | 4% | 2% | 5% | 7% | *4%* |
| FOOD SERVICE | - | 2% | - | 2% | *1%* |
| FURNITURE | 4% | 5% | 5% | 7% | *5%* |
| GLASS PRODUCTS | - | - | 2% | 2% | *1%* |
| GOVERNMENT | - | - | 2% | - | *1%* |
| HEALTH SERVICES | - | 2% | - | - | *1%* |
| HOUSEWARES | - | - | - | 2% | *1%* |
| INDUSTRIAL EQUIPMENT | 4% | 4% | 5% | 9% | *5%* |
| MACHINERY | 4% | 2% | - | - | *1%* |
| METAL PRODUCTS | 4% | 11% | 12% | - | *6%* |
| METALS & MINING | - | 2% | - | - | *1%* |
| PAPER PRODUCTS/PRINTING | 4% | 5% | 2% | 2% | *3%* |
| PHARMA | - | - | - | 4% | *1%* |
| PLASTICS | - | 7% | 7% | 5% | *5%* |
| SAFETY & MEDICAL EQUIPMENT | - | 2% | - | - | *1%* |
| TELECOMUNICATIONS | - | - | - | 2% | *1%* |
| TEXTILES | - | - | 2% | - | *1%* |
| TRAINING SERVICES | 4% | - | - | - | *1%* |
| TRANSPORTATION | 7% | 4% | 7% | 11% | *7%* |
| WASTE MANAGEMENT | 4% | 4% | 7% | 4% | *4%* |
| WOOD PRODUCTS | - | - | 2% | - | *1%* |
| TOTAL | 100% | 100% | 100% | 100% | *100%* |

# Appendix 2: The questionnaire

UNIVERSITA’ DEGLI STUDI DI TORINO – FACOLTA’ DI ECONOMIA
UNIVERSITY OF TURIN – FACULTY OF ECONOMICS

**Research project: Behaviours of "ethical certified entities"**

QUESTIONNAIRE

1. What is the role of the responding person:

- ❑ Owner/CEO,
- ❑ Quality manager,
- ❑ Other……..

2. Please, indicates main drivers for ethical certification ? (max 2 choice in order of significance):

- ❑ Management system, internal control,
- ❑ Marketing, communication,
- ❑ To award contracts ,
- ❑ Tax relief,
- ❑ Stakeholders engagement,
- ❑ Other……..

3. Please indicates main reasons for which your company realise an ethical report (if do so):

- ❑ Compliance with certified management system,
- ❑ Marketing, communication,
- ❑ Stakeholders engagement,
- ❑ Other……..

4. Do you think your company had significant benefits from voluntary disclosure?

- ❑ Yes
- ❑ No

5. Do you think your company had significant benefits from ethical certification?

- ❑ Yes
- ❑ No

6. How do you judge the relation between costs and benefits of ethical certification?

- ❑ Positive
- ❑ Negative

7. Do you think to maintain ethical certification?

- ❑ Yes
- ❑ No