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## Article

# Business ethics and social balance: Empirical evidence

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## BUSINESS ETHICS AND SOCIAL BALANCE: EMPIRICAL EVIDENCE

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### Abstract<sup>3</sup>

*In the past few years a growing consideration of enterprises' social role has brought public opinion, management scholars and companies themselves to give more and more attention and space to the concept of ethics. Over the decades, the doctrine has made some considerable progress in defining that peculiar variation of ethics that is business ethics, while many companies have started to equip themselves with means of measurement and definition of their ethical behavior. Today, indeed, many companies have acquired full knowledge of the fact that it is convenient to manage their ethics as much as their financial efficiency and that it is deeply wrong to believe that committing to managing social relationships is to be considered a mere moral matter (therefore, somehow optional). Today corporations are assigned a new role in society, a role that goes hand in hand with the more "institutional" one of producing goods and offering services while creating wealth: this way, the company becomes an organization which must acquire a more responsible behavior in the satisfaction of human rights. It becomes a cell operating in synergy in the vaster macroeconomics system. The aim of this paper is to show the dynamics that exist between business ethics and social balance.*

**Keywords:** *ethics, company, social balance, corporate social responsibility, sustainability, moral choices, values, profit*

**JEL codes:** *M1, M10, M14*

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3 Although this paper is the fragment of a unitary project, paragraph 1 is by Ubaldo Comite, the remaining paragraphs are by Nadia Oliva. The conclusions were written by both.

## 1. Introduction

The importance of a functional dialogue between ethics and the world of enterprises emerges even if the analysis is inserted within productive organizations, considering the profound transformations in act that confer new characteristics and modify traditional structures. It is now an established option to attribute the origins of these changes to two factors; the integration of the markets and technological innovation. The business activity, in essence, develops, in the present context, through a complex network of internal and external relationships, which are indispensable in reaching a balance. The effectiveness of these relationships goes from the recognition on the part of corporate governance bodies of other subjectivity that with their contribution and sharing of the entrepreneurial project confer a decisive contribution to its implementation (Carnevale, 2005).

Given their specificity, it deals with relations that emerge based on elements which are not reducible to only a calculation of economic convenience, but presuppose reciprocity and trust that only open behavior, not conditioned by mere speculative objectives, can guarantee. Entrepreneurial action is qualified, therefore, by the ability to make adequate decisions in this new reality, which fuels the appeal to relationships and ties whose effectiveness cannot rescind from commitments that take shape in an external dimension from the economic sphere, intended in a strict sense. This reasoning leads to the question that makes the basic query about the compatibility of ethics with the dictates of the economy and, in particular, the enterprise activities even more sensitive today (Cavaliere, 2002). The economy, by virtue of the intense innovation and of the powerful productivity achieved by the businesses of production, which constitute the principle instrument in exercising economic activity, has determined a rapid and intense growth of the wealth produced.

The circumstances that have favored this result are multiple and of diverse nature, for which each summary claim risks compromising the perception of the ample variety of causes that have competed. Here, one cannot but expose at least two motives that together have produced a sharp rise in yields: the notable advantages that are obtained with the division of labor, applied in businesses according to organizational plans oriented towards efficiency and effectiveness, and the constant use of productive factors according the principles of rationality. The business world, furthermore, is where new basic scientific discoveries find application and where new technological innovations are constantly experimented, in order to transform these investments into better evolved products or services (Cavaliere, 2008). Together, these elements feed the constant rise of production and the diffusion of goods available for the satisfaction of needs, and consequently the increase in the level of wellness.

But it is the great dominating potential of the enterprises as they carry out their activity that allows certain possible distortions to emerge. This refers to the possibility that the decisions of the corporate bodies, keeping in consideration the force and efficiency acquired from the production systems, end up conditioning the use of resources and the development of social choices. In fact, the instrument-enterprise, organized with planning abilities and risk tolerance brought into play by the entrepreneur as the

starting point, is capable, by now, of blurring the satisfaction of needs, traditionally described as the origin of the economic activity. This means that, in reality, the sequential verification implied is not always given to that aim, needs – economic activity – satisfaction. The business world, in fact, produces goods and services in quantities and with qualitative characteristics that are so intensely differentiated as to induce, based on their own decisions, the progressive expansion of the scale of needs that run parallel to the markets, influencing behaviour and lifestyle, as well as the use of resources.

For example, the substantial product capacities acquired by the enterprises are reflected in the employment markets, where the use of advertising tools of persuasion presses the absorption of consumer goods. Accordingly, enterprises help in dictating the values and attitudes of the consumers, indicating socially accepted behaviours and are able to give a common meaning to human actions (Collini, 2000). But the influence that the economic activity is in the position to exert may lead to the temptation to tie to its own logic other dimensions, so that, when the recognition of ethical function is missing even in developing corporate decisions, it poses a double risk. On the one hand, one of a corporate system that is deaf to any other request that is not justifiable by economic convenience, placing itself in this way as a hindrance factor towards the search for modes of government that are fairer, more transparent and compatible in their use of resources; on the other hand, the danger of progressive reaction on the part of other social components becomes more concrete, which would ultimately lead to the denial of autonomy of business choices, burdening the economic activity and, in the business in particular, of inaccurate aims.

In this last case, reducing the impact of the business activity would ultimately lead to greater and greater doses of external responsibility being assigned to create and distribute socially recognized wealth, subduing the economic aims to requests of a diverse nature and compromising the dynamic role carried out until that point.

Finally, beginning with these reflections and considering that Business Administration studies conditions of existence and the manifestations of the life of the business, analyzed in their economic dimension, one poses the question about the manner with which ethical conditions react. In relation to the conditions of existence and to the manifestations of life, ethical principles can alternatively either depict necessary and consistent presumptions with the attainment of economic objectives, or they can represent moral ties in conflict with these aims. In the first case, ethical choices become an ulterior instrument to protect the balance in the long-run (so-called strategic ethics), and in the second case, the decisions of the government bodies must be adopted with respect to moral obligations so-called absolute ethics (Cimbrini, 2007).

## **2. Business ethics and social balance**

The ethical values of honesty, responsibility, transparency and respect of human rights seem to increasingly influence the economy and the social systems. In effect, for

more than a decade in Italy we have been observing a strong social issues awareness raising phenomena (Terzani, 1984). In this regard, J.W. McGuire expressed that: "the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations" (Guire, 1963).

The recent evolution of the role played by companies has entailed recognition of a social dimension of their business, which pulls alongside and integrates with financial, economic and competitive management profiles. The Community expresses in an increasingly intense way any needs and expectations which affect the growth of the corporate system, the idea itself of development and its sustainability. Up until a few decades ago, it was considered sufficient to only communicate the data related to the financial and economic management trend, because these was the predominant information requested by stakeholders.

Today there exists a general interest that manifests itself not only as a sum of expectations of individuals who entertain direct relationships with the company, but also as a community interest. The growing awareness of the corporation's social role meant to contextualize the entrepreneurial activity according to a progressive vision linked also to social ethics and not only to profit maximization is quite clear. It is about combining the noble concept of economics, that is the practice made of actions and choices aimed to improve the existence of human beings with an ethical and social dimension. There is a firm belief that a corporation is to render explicit the aims that it devolves upon the entrepreneurial activity and the rules that govern managers' and employers' behavior. In effect, companies tend to adopt an ample, widespread and transparent communication policy able to satisfy the growing demand of information regarding operating profits and competitive results on one side, and social effects linked to the normal business implementation on the other.

On the other hand, consensus and validation facilitate achievement and implementation of income and competitive advantages. The Social responsibility prospect finds a faint legislative principle in art. 41 of the Italian Constitution<sup>4</sup> Act which keeps more in the intentional than in the actualization sphere. The acquiescence of the constitutional detail finds a partial compensation in the European Commission Green Book Documents of 18 July 2001<sup>5</sup> which call out to corporations for a sustainable development. Aside from warnings and laws and in the wake of the problems which afflicted Cirio and Parmalat<sup>6</sup>, for a while now, it has been deemed necessary to morally evaluate social relationships and the behavior of entrepreneurs (Ricci, 2010).

In the economic world, business ethics is not to be considered in contrast with profit, but rather as a player in a virtuous process of growth and development. A socially

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4 Art. 41 of the Italian Constitution Act states : "Private economic enterprise is free. It may not be carried out against the common good or in a way that may harm public security, liberty, or human dignity. The law determines appropriate planning and controls so that public and private economic activities may be directed and coordinated towards social ends."

5 The Green Book of the European Commission of 18 July 2001 aims to promote an European framework for social responsibility in enterprises.

6 CIRIO and PARMALAT are two Italian enterprises leaders in the food sector which have suffered a major financial crash.

responsible entrepreneurial behavior can but create a value added for all stakeholders and guarantee long lasting wealth because of its foundations built upon business values such as honesty and transparency. Therefore, a growing number of profitable companies have recognized the importance of the concept of social responsibility and has acquired the related meta-economics accounting equipment (social balances, environmental reports, sustainability reports) while operating some appropriate changes, logics and instruments that are prerogatives of non-profit organizations, such as the value of the relationship with stakeholders. This phenomena fits in a framework of profound change in the system and in the concept of welfare itself, which is radically affecting the roles traditionally assigned to “private sector”, “public sector” and “third sector”. In this new environmental context, the players of each sector recognize the importance of being able to use scanty resources to create a real “value added” to the benefit of the community, and they increasingly acquire ad hoc instruments to communicate their own social performance. The institutionalization of social accounting practices is confirmed by the development of specific professional services (consultancy, training, certification) together with regulatory initiatives that tend to make it mandatory (Olivia, 2008).

The social balance is the main document through which the company accounts for all activities, initiatives, projects and performances. The financial statement, which is an accounting document, is accompanied by the social balance, which is a non-accounting document intended to certify the ethical principles and deontological codes to which the company has agreed.

Non-accounting reporting, particularly social accounting, is meant to pursue the following goals:

- To give all stakeholders an overall view of the company’s performance.
- To supply useful information regarding the quality of the business activity in order to extend and improve knowledge together with stakeholders’ choice and evaluation possibilities even under a social and ethics profile. At the present time there isn’t a proper set of rules regulating the editing of social balances, but there are some guidelines suggested by some study groups.
- Global Reporting Initiative, a network created in 1997, world leader in the processing of guidelines on sustainability reporting which suggests a set of guidelines to be used by all companies regardless the country of origin. GRI aims to create a unique global or integrated document containing financial, environmental and social reporting. World experts are working at this pilot project which also involves Italy.
- The study Group for social balance (GBS), an Italian born initiative which works to create a reporting model which can be accepted and shared by all companies.
- The Institute of Social and Ethical Accountability (ISEA) Standard an association which identifies the guiding principles (AA1000) that must be followed while editing a social balance in the name of transparency toward stakeholders.

All the different reporting models aim to the goal of rendering explicit and transparent the ethical codes at the basis of company management, the management responsible behaviors, the strategies implemented to combine ethics to profit maximization.

### **3. Case study: Rummo Spa**

The hypothesis of the research is the existence of a strict correlation between social and economic value, since the implementation of ethical behaviors improves the company's image and makes the company competitive and trustworthy. Rummo Spa is a company that has always expressed a strong will to grow in a virtuous and sustainable way through its performances<sup>7</sup>. This is a case of a company involved in combining profit maximization with ethical choices in order to preserve nature and the environment and to offer its customers high quality products, together with creating a value added not only for its stakeholders, but also for the territory in which it operates.

Rummo S.p.A. is an Italian company operating in the production and sale of dry pasta products in Italy and abroad. The Rummo pasta factory was established in 1846 when Antonio Rummo built the first water powered grain mill in Italy, in Campania, in the city of Benevento in the street known as Via dei Mulini (Mills street), right on the river in order to take advantage of the water power to move the millstones. Later on, the mill was closed and the company focused its business on the pasta production. In 1991 the new Pasta factory was opened in the Ponte Valentino Industrial Park, where it still is. The target market was initially focused on high quality Private Labels, meaning that large Italian and foreign distribution companies would have the goods manufactured under their own label. Afterward, Rummo focused on the Brand division, which was launched with great investments on the development of trademarks such as the "Lenta Lavorazione" (Slow Processing). In fact, since 2005 the company produces and sells its own brand: the "Pasta Lenta Lavorazione" (Slow Processing Pasta) brand. The two lines were separated in 2007, by extrapolating them from Rummo Molino and Pastificio and creating Rummo Spa and Rummo Lenta Lavorazione. In 2007 the Rummo group was owned exclusively by Cosimo Rummo and his children Antonio and Davide. as of 2015 Rummo Spa has incorporated Rummo Lenta Lavorazione. The Rummo Lenta Lavorazione trademark is the factory's premium offer and it is distributed mainly in the GOD<sup>8</sup>, in traditional retail stores and in commercial catering both in Italy and abroad.

The slow processing pasta production is based on pursuit of excellence in all phases of the production process and on a long kneading time which preserves the quality characteristics of the finest durum grains, the only ones able to ensure the pasta's right protein content and to give it that exceptional cooking resilience which makes it unique and incomparable. Rummo has already concluded several agreements with large groups associated to wholesalers in 2014 and it has forecasted further customers activations in the next few years with the aim to develop distribution and sales on national territory.

<sup>7</sup> The information processed and reported in this paper are taken from Rummo S.p.A.'s financial statement and related attachments.

<sup>8</sup> GOD stands for Great Organized Distribution.



The Rummo Lenta Lavorazione trademark has forged strong strategic alliances with top Chefs in Italy and in the world in order to further validate its historic brand. It is important to underline that the company also continues to cooperate, as it has been doing for the past 8 years, with the Italian Cooking Federation, which counts over 20.000 registered chefs. The group holds a leadership position, boasting some long-lasting customers among the main Italian distribution groups, and keeps strong relationships with the largest international players<sup>9</sup>.

This study has demonstrated that Rummo S.p.A., by implementing a management oriented toward the values of social responsibility, has reached positive results. In fact, through the years the company has developed more and more and has oriented itself toward foreign markets, obtaining recognition for the quality of their products. The pasta factory has always operated with full respect for ethical principles, generating wealth within the territory and protecting the surrounding environment.

### **3.1 Organizational chart**

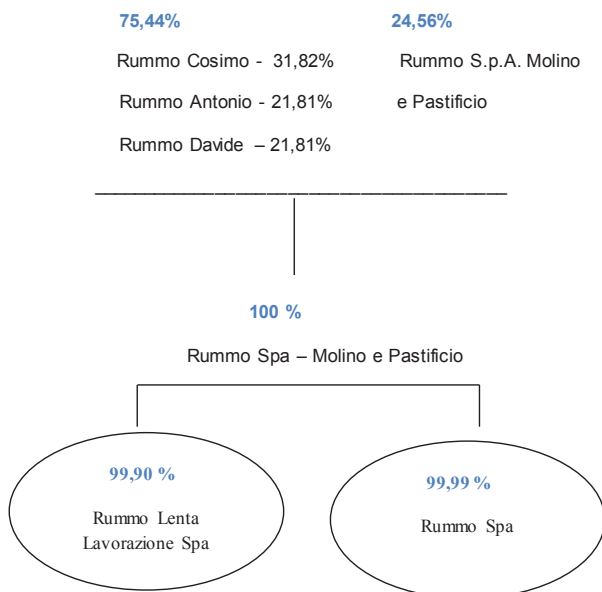
Rummo is a typical Italian family enterprise. A considerable part of Italian industries and almost all small and medium sized enterprises in Italy are controlled and managed by one or more owners that are usually related. The company achieved outstanding growth results in 2014, both on a national and international level, thanks to its great innovation capacity and to the products' offer which spaces among several market fragments. This goes to confirming the choices made in positioning the company's brands and the partnerships started with the world's greatest retail brands for the supply of high quality private labels. Rummo offers a great and ample range of products: 7 lines plus 140 cuts of pasta. The company exports to 45 countries. The main markets are: U.S.A., UK, Canada, Japan, Benelux, France, Spain, Germany and Brazil. Thanks to the great potential and to the quick response by the consumers, the Lenta Lavorazione brand is expanding also on the Russian Market. This market was opened in the course of 2013 thanks to an agreement with primary distributors in the food service market channel and it will definitely grow in the next few years. Further turnover will also be generated by the retail channel, where the brand has started distribution in 2014. Other international markets, such as Japan and Australia represent an area of application for the company and an interesting growth rate is expected in the next few years. The relationship with international distributors, importers, and retailers is guaranteed both by the international sales network and by the most important food shows in the world such as the Paris Sial, the Colonia Anuga, the New York FFS, the Parma Cibus and the Milan Tutto Food. The company has confirmed, in 2014, a double digits figure growth rate for the Lenta Lavorazione Brand. Rummo's current organizational chart demonstrates how a family business, placed in a small provincial city, can climb up several international markets and obtain a striking success.

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<sup>9</sup> Information regarding the products processing are taken from the informative material distributed by Rummo S.p.A.



### Graph 1. Organizational Chart



Source: This chart is taken from Rummo S.p.A.’s financial statement and related attachments

### 3.2 Sector analysis

Pasta is the main Italian product. Thanks to high quality standards, which appeal so much to foreign consumers, for years it has been the standard bearer of the Made in Italy trademark in the world. In 2013, Italy has exported 1.9 Million tons of pasta (+5,4%) for a total value of over 2 billion Euros, and a 4% increase. Export affects production for about 60%, and this percentage is growing, despite the 1% decrease in sales volume and -2% turnover on the national market.

### Graph 2. Sector analysis

	TONS	MILLIONS (€)
Production	3.408.499	4.642
Export	1.901.354	2.014
Total Consumption	1.507.145	
Consumption per person (Kg)	25,3	

Source: Aidepi 2013

### Chart 3. Main sector indicators

SOME DATA RELATING TOPASTA IN ITALY	Qty.
<b>ANNUAL PRODUCTION</b>	2.900.000 t.
<b>NATIONAL CONSUMPTION</b>	1.609.919 t.
<b>CONSUMPTION PER PERSON</b>	28 Kg.
<b>EXPORT</b>	1.393.403 t.
<b>NUMBER OF PASTA FACTORIES (PASTIFICI)</b>	185
<b>ANNUAL PRODUCTION POTENTIAL</b>	4.000.000 t.
<b>SEMOLINA DRY PASTA</b>	
Production	2.626.065 t.
National market	1.399.270 t.
Export	1.226.795 t.
<b>EGG DRY PASTA</b>	
Production	199.574 t.
National market	107.159 t.
Export	92.415 t.
<b>DRY FILLED PASTA</b>	
National market	10.224 t.
Export	74.193 t.
<b>FRESH INDUSTRIAL PASTA (both filled and non-filled)</b>	
National market	93.265 t.
- filled fresh pasta	45.680 t.
- egg fresh pasta	9.750 t.
- semolina fresh pasta	9.821 t.
- gnocchi (dumplings)	28.013 t.

Countries that import the highest quantity of pasta are Germany, which has had a 4% increase in volume and +5,5% value, followed by France, UK, United States, Japan and Russia. This result reinforces the positive trend started in the past few years, that will keep growing thanks to the new markets that have taken an interest in the sector, such as China and United Arab Emirates, which have granted a 33,6 % increase to the export, and Brazil, first country in the Latin American market with a growth rate of 16%. Italy is the first world consumer of pasta, with about 28kg consumed per person per year. The second is Venezuela, followed by Tunisia, Greece and Switzerland, where the consumption per person is between 9 and 12 Kgs. Right after we find USA, Iran, Chile and Peru (Scarci, 2014).

The dry pasta market confirms itself a stable sector with a product that keeps representing the basis of Italian families' nutrition. The big brands lose their appeal compared to private labels which have always been considered a winning choice in both quality and convenience. Consumers don't want to give up quality, so they choose top-notch products paying particular attention to the values of quality, territory

of origin and craftsmanship (Scarci, 2014). The prospects on foreign markets regarding Italian food, and dry pasta in particular, have been confirmed as the main growth driver, which will allow stable growth targets despite a household consumption expenditure crisis. The dry pasta consumption projections in the world are constantly increasing, thanks to the pasta's nutritional characteristics and to the product's convenience. Within this scenario, Italy may cover an important position thanks to the companies that have undertaken a structured internationalization process. Sector analysis confirms that pasta is the main food for Italian families and its consumption is spreading quickly and it is becoming global.

### **3.3 Certifications**

Company certifications are very important for an enterprise, since they are the actual demonstration that the organization has based its activity on management standards universally recognized to be distinctive and representative. Rummo S.p.a. has obtained several certifications and has also won several prizes and earned several certificates of excellency. One of these certifications is the REG. CE 834 /2007 for respecting the EU Regulations that control the labeling and traceability processes for organic products.

The Ministry of Health has also wanted to award the Baby Food Standard prize to this great pasta factory born in a little town and grown international thanks to its ability to respect itself and others, recognizing it the suitability to produce durum wheat pasta for early childhood nutrition. Another certification, precisely the KF (Kosher) certification, was awarded to the company by the Federation of Synagogues for the particular attention given to the Jewish procedures in preparing foods.

Rummo S.p.a.'s mission is founded on efficient and effective management principles, on high productivity and competitiveness, on the constant care for customers and on environmental protection.

These company values, based on a social responsibility code, aim to develop strong competitive advantage and win a high share of the market while preserving the new generations' future. In January 2011, the company received the Leonardo Qualità Italia prize from Giorgio Napolitano, President of the Republic of Italy, for "product quality innovation, combined with a strong international commercial and productive projection".

After obtaining a license for easy opening paper packaging in 2012, the company has continued to invest in research and development and has finally obtained another important license: the dies. Effectively, since 2013, the Rummo Pasta factory can boast a special license for the uniqueness of the dies used to produce the Rummo Lenta Lavorazione brand. The long and important work realized on the dies has allowed the company to obtain a Bureau Veritas certification (an international independent office dedicated to certifications), unique in the world, for the cooking resilience of its product branded Rummo Lenta Lavorazione.

Rummo pasta factory has often sponsored the Capri San Michele Award, by sustaining

the Varia Umanità association, since what links the Benevento's factory to the Capri's event is the commitment for a better world, together with ethical values which place man and its community at the center of society's founding values.

In 2013 Rummo has conducted national and international MIUR research projects and collaborated with the best international research centers. It has created a unique high technology experimental plant for micro lamination tests. The new research lines space from the development of new industrial plants and equipment with "zero wearing" materials to the realization of a smart factory. Rummo's medal table witnesses the constant commitment toward the high quality of the products offered.

### **3.4 Environment**

Respect for the environment and the pursuit of a sustainable development is one of Rummo S.p.a. key values. Effectively, the company has realized, in order to preserve the environment, a CHP plant capable to produce heat and electric power saving 700 thousands euros per year in energy costs. Despite its cost, (over 3 million euros), this investment has brought to a notable reduction in CO2 emissions, decreasing them by an yearly 30%.

This initiative has granted Rummo the Legambiente "Environment friendly innovation 2010" for having responsibly responded to environmental issues, Legambiente being an independent office. The main Italian newspapers such as Corriere della Sera and Repubblica have given a lot of significance to this prize won by Rummo S.p.A. Italian people's attention toward environmental impact, consumption and lifestyle has increased by 51% and is raising further. Environmental sustainability, followed by the price is the first factor of choice for 86% of Italians when buying a food product (Scarci, 2014).

In response to the consumers' requests and in order to guide them in making responsible choices, the company pays particular attention to limiting waste and to using renewable resources, and it always operates with respect for environmental best practices that have been developed both at a national and international level, complying with risk prevention reasoning.

Rummo has very much understood how important the environment and its protection are to human life. Indeed, environmental protection is a duty no enterprise can back out of if they want to guarantee a healthy future for the coming generations. Earth and its resources must be protected and saved from any form of irrational exploitation. Rummo's environmental performances can be an example of how it can be possible, with a minimum economic commitment, to find a balance between industrialization and sustainable development.

### **3.5 Human Capital**

Rummo has always operated within valorization and growth of its human capital. There are many activities created by the company in order to motivate employees and

increase their commitment: training, corporate climate care, adequate compensation etc. The benefits for the company consist in an increase in productivity, efficiency recovery and personnel's involvement. Human resources hold a key player and ambassador's role for shared company values (corporate culture) so much as to influence the drawing and realization of the corporate strategy. Rummo S.p.A. has 129 employees, coordinate by a high experienced management in the pasta sector.

The team guiding the company is strongly oriented toward creating value in business development through the implementation of growth and motivational plans supported by the main strategic consulting companies. Furthermore, the company calls for training and updating plans on the most innovative development of organizational and growth models. To this extent, in 2014 the company has granted 350 hours of training with some of the best schools, such as Tecnobios. The workforce is distributed as follows: 7 females and 122 males. Rummo's human capital includes 7 disabled people as per L.68/99 art. 1 and 2 legally protected status employees as per L.68/99 art. 18. The company has always paid particular attention to "individuals with disabilities" as a resource, facilitating employment for them in their company. Integrating employees with disabilities is seen by the Rummos as a chance for enrichment of the working environment while at the same time being an ethical choice based on the universal principle of resource destination (Scarci, 2014). The national collective agreement applied is the food industry agreement. Rummo grants its staff the right to adhere to workers' unions and to carry out any activity related to them. In fact, within the company there exists a FLAI-CGIL union office. One of the main principles of the company is freedom of association, protected by art. 39 of the Italian Constitution Act. The trade union is the object of the constitutional recognition, intended not only as an activity carried out in collective form and involving a number of organized subjects, but also as the drive to create a trade union.

**Graph 4. Human Capital in Rummo S.p.A.**

Workforce	31/12/2014	31/12/2013
Supervisors	4	5
Clerical staff	37	35
Workers	84	80
Apprentices	-	-
<b>Total</b>	<b>129</b>	<b>125</b>

Source: This chart is taken from Rummo S.p.A.'s financial statement and related attachments

Furthermore, Rummo has always paid particular attention and dedicated great efforts to workers' health and safety, spreading the safety culture within the corporation, by minimizing risk exposure in any activity and carrying out control, prevention and

risk exposure protection activities. Rummo has always complied with the safety regulations and has nominated an external consultant to be the workforce's health and safety manager. Human resources are the real wealth of this Pasta Factory, which can count on people that, with their commitment and their abilities contribute to the company's growth. This enterprise gives particular attention to psychological and physical wellbeing as well as to the financial need of its employees, by involving them in the company's co-governance. Indeed Rummo respects whoever participates to its success.

### **3.6 Research and development activity**

The Rummo Group has increased investments in research and development in order to constantly renovate its production processes; therefore it has adhered to the following projects:

National Operating Program "Ricerca & Competitività" (Research and Competitiveness) 2007-2013 (PON "R&C) – D.D. n.1/Ric. of 18/01/2010 - PON01\_01000 – entitled "*Innovazione di processo e di prodotto nella produzione di ingredienti e di paste alimentari di grano duro, di paste funzionali (nutraceutiche), di paste speciali e di prodotti secchi da forno funzionali*". (Process and product innovation in the production of durum wheat regular pasta, functional pasta (nutraceutical), special pastas and functional dry baking products). Campus Project for Industrial Research and Experimental Development entitled "*Introduzione e Valorizzazione di alimenti salutistici e razionalizzazione produttiva nelle filiere tradizionali della Regione Campania*". (Introduction and Development of healthy foods and productive rationalization of the Campania Region's traditional production chains).

(Bio.Pas.Ta) Project for the NOTICE OF IMPLEMENTATION OF MEASURE 124 "*Cooperazione per lo sviluppo di nuovi prodotti, processi e tecnologie nei settori agricolo e alimentare e settore forestale*". (Cooperation for the development of new products, processes and technologies in the farming, food and forestry sector). All the projects the company takes part in tend to satisfy stakeholders food requirements (Freeman, 1984). Rummo pays high attention to innovation. Indeed, realizing new projects, investing in research and development, are winning features to a company that wants to compete in global markets.

### **3.7 Stakeholders**

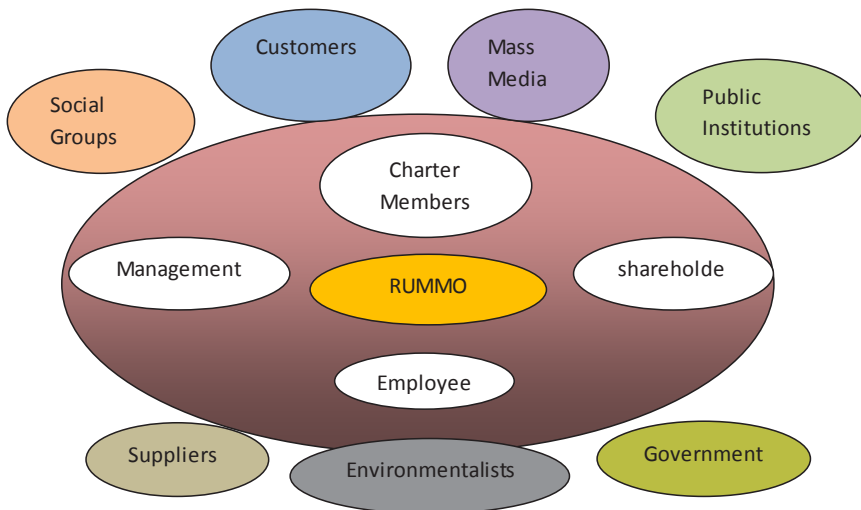
For "Stakeholders" Rummo S.p.a. means any group of people bearing interests and expectations in the organization and that affects and is affected by its actions in various ways (Scarci, 2014). The main stakeholders are represented by the following categories:

- Charter members
- Employees
- Shareholders
- Suppliers

- Customers
- Public Offices
- Trade Associations (Unions)

The stakeholders' relationship network may strongly affect the company's performances. For this reason, management must continue to interact and be in synchronicity with the stakeholders. Indeed the dynamic interaction with customers, suppliers, employees, investors etc. is an essential requirement to increase the company's ability to create added value. Stakeholders expectations are: business continuity, improvement of work conditions, respect of regulations even in environmental, health and safety matters. Reciprocal trust between Organization and Stakeholders is essential to create long term value added. Rummo has created a very strong stakeholder engagement in order to gather all suggestions and proposals that are useful to the creation of targeted strategies. Indeed, communication with stakeholders is an important occasion to obtain consensus or to review scheduled actions.

**Graph 6. Stakeholders**



Source: Personal elaboration

#### **4. Qualitative empirical ethical considerations from the study**

The reason of Rummo's continuous successes is to be found in the constant search for product excellency: from the milling of the first grains to the present production. The history of the company cannot be separated by the social responsibility Rummo has wanted to take on in order to contribute to environmental protection and the company's progress. The quality of the products is the result of the choice of the best wheat and of accurate checks which demonstrate the attention the company gives to its stakeholders. Rummo's virtuous management is a free choice, free from rules and standards, linked exclusively to a high sense of responsibility which has always characterized the Rummo family. Consolidation of Rummo S.p.A.'s international



presence through its distribution network, the unwavering consistency toward the characteristics which have always made the product differentiation stand out, the ability to adapt to the changing needs of the socio economic context and to adjust its strategies and management practices, comply with the challenges imposed by globalization in the new millennium and make us hope that such company will be one of the symbols of the “made in Italy” trademark. The Rummo family has managed to transform its passion and its abilities in a solid, structured and competitive Group able to successfully compete in the international markets, while staying true to its origins. The history of Rummo S.p.a. teaches us that, despite its happenings and its past having been strongly affected by the environmental context and characteristics, its foundation and its success depend almost exclusively on the passion and ability of its creator. Italy is by nature and by history a land of enterprises and entrepreneurs, a land of people able to mix passion, creativity and competence with managerial skills in order to make its companies grow and expand. The case of Rummo demonstrates that managerial skills and financial resources may well be maintained and passed from one generation to the other, despite analysts criticizing our family run business model, defining it a weakness point of our industrial system (Burkart, 2002). There will surely still be many challenges for Italy in all sectors, from markets globalization to new producing countries emerging, which might create a lot of difficulties for economies more traditionally evolved; nevertheless, the case of Rummo demonstrates that the ability of our enterprises to compete is inextricably linked to product quality and innovation and to the excellent abilities of managers to be able to communicate a unique image of responsibility and entrepreneurship. These are the factors that Italy will have to keep developing in the future in order to maintain a primary role in the “Global Village” of the third millennium economy.

## **5. Conclusions**

The Corporation may no longer carry out its business without taking into account its own actions. The image projected to the public has become more and more important, so much that in many cases it may determine either defeat or victory. As analysts request more and more crystal clear technical information so as to evaluate the financial and capital situation, the more ample consumer market sees this as a positive effort toward clarity on the company’s side, recognizing in it an ability to handle the truth but also the added value related to the certainty to face a subject to negotiate on while reducing information asymmetry. Transparency is not just external to the company, but also internal, so much so that many are the cases of change of governance so as to make more simple and clear the relationships between the various actors that operate within the organization and all the stakeholders. The fundamental principles of business-economics analysis give an essential meaning to time and systematic vision to analyze the company’s vital processes. In this context, ethical values are crucial, since they spread trust and honesty, which are necessary to realize any long term relationships on one side, while on the other hand they determine the conditions that are essential to reproduce, within the company, those technical knowledge accumulation processes and organizational abilities which, overtime, become financial capital. Within this background, Rummo S.p.A.’s socio economic

excursus leads to the conclusion that social balance must be able to communicate the ethical mission that inspires the company's performances and it is appropriate for it to maximize the involvement of the stakeholders, making them actors and not just simple spectators, because among them are the consumers who have the right to know in order to choose. This is the logic that should guide the drafting of a social balance and all companies should comply with it. To account for the social intangible value of one's own actions is the answer that every enterprise should give its stakeholders. The balance sheet, mandatory and strictly accounting related, describes with numbers, comprehensible only to operators in the sector, the company management. Social balance, instead, is an ethical option that, in a very clear and transparent way communicates the values brought forward in the fulfillment of the company's mission and the results reached in relation to the schedule. Social balance can be intended as a form of management control. Indeed in Italy, some recent regulative evolutions recommend companies to respect accountability, which generates added value and competitive ability in a context that is always more careful to social and environmental values. Several companies, even public ones draw a social balance spontaneously in order to obtain credibility and consensus in their operations. A particularly socially responsible company manages to conjugate profit and ethics. Man can influence economy and make it more "human". The road is still long and winding and it is not accepted by many because it does not lead to an immediate economic result, but it does project toward certain benefits that will actualize in time. Therefore, it is an absolute necessity to link economy to man because, as Zappa used to say: "Man is at the same time the objective and the condition of the corporation" (Zappa, 1957).

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