

Prof. Guido Tabellini

Rector of Università Bocconi

Professor Mahbubani, Authorities, President and Board Members of Università Bocconi, Honored Rectors, Colleagues, Managers, Administrative Staff, Bocconi Students and Graduates, Ladies and Gentleman, thank you for being here today.

I would like to focus my report on what we are doing here at Università Bocconi from a general standpoint: what is the role of a University like Bocconi during this historical phase in Italy?

1. Economic development and social capital

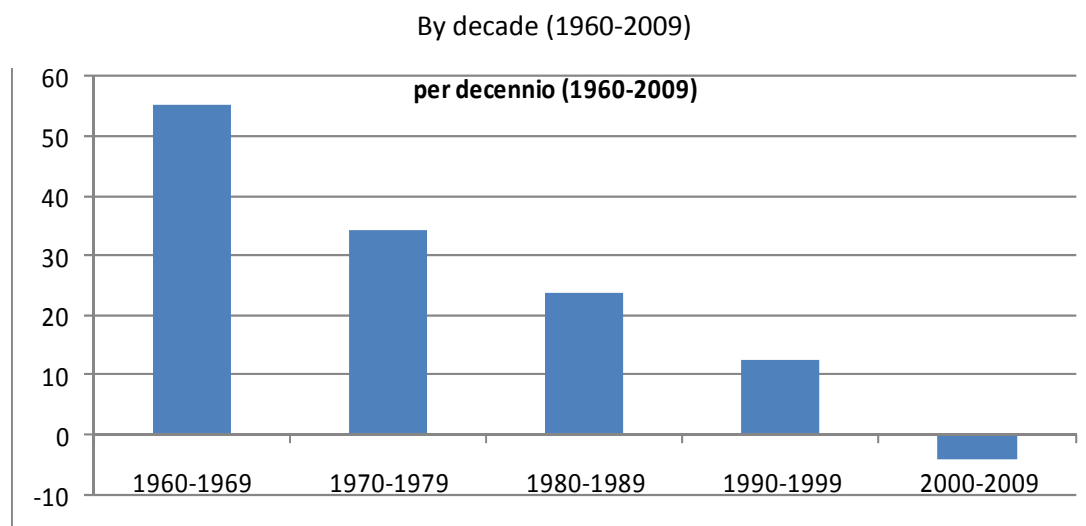
1.1 The challenge of economic development

Let me start with a hypothesis which reflects one of my personal beliefs: today, Italy's primary challenge is economic development.

Since the '60s, Italian growth has consistently decreased. Figure 1 outlines the accumulated economic growth of per capita income in Italy over the last five decades. During the economic boom, in one decade the average Italian's income grew by 55%. During the '80s, growth decreased by more than half, and over the last decade, accumulated growth is actually negative (except for the deep recession of 2009, the per capita gross domestic product between 2000 and 2008 has remained almost completely stagnant). Italy's economic slowdown has occurred not only on its own but also in relation to other countries. During the '70s and '80s Italy grew more than France and Germany. Since the mid 90s, however, Italy has grown less than our two neighbors (much less during the years of 2000).

Figure 1

Accumulated growth of the per capita GDP in Italy.



Source: WB National Account Data, OECD

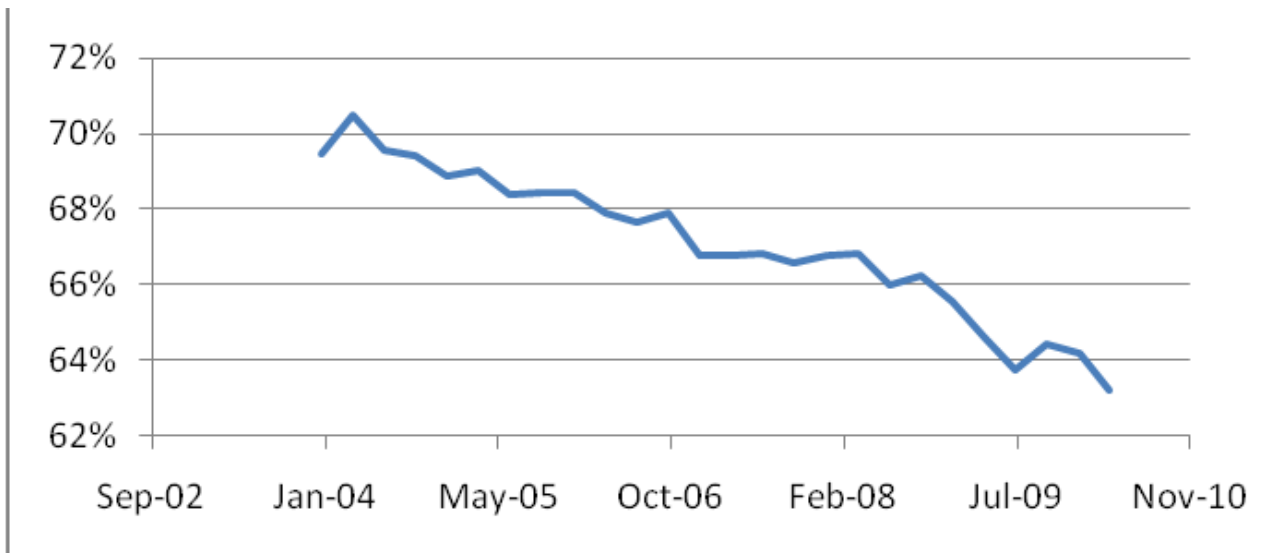
GDP at constant prices (US \$ 2000)

Our young people are the ones who, more than anyone else, are paying for the consequences of this economic decline, and the recent recession just makes things worse. According to Banca d'Italia estimates, secondary school and college graduates who entered the job market during the last 4-5 years received gross salaries that are more or less the same as salaries received when I graduated almost thirty years ago. Figure 2 outlines the proportion of employed young people between 15 and 34 years old, out of the total population of the same age group. For many young people, the age for entering the job market has gone up over the years, and the world recession has made unemployment for young people rise even more.

Figure 2

Job rate for young people aged 15-34.

Elaboration of ISTAT data.

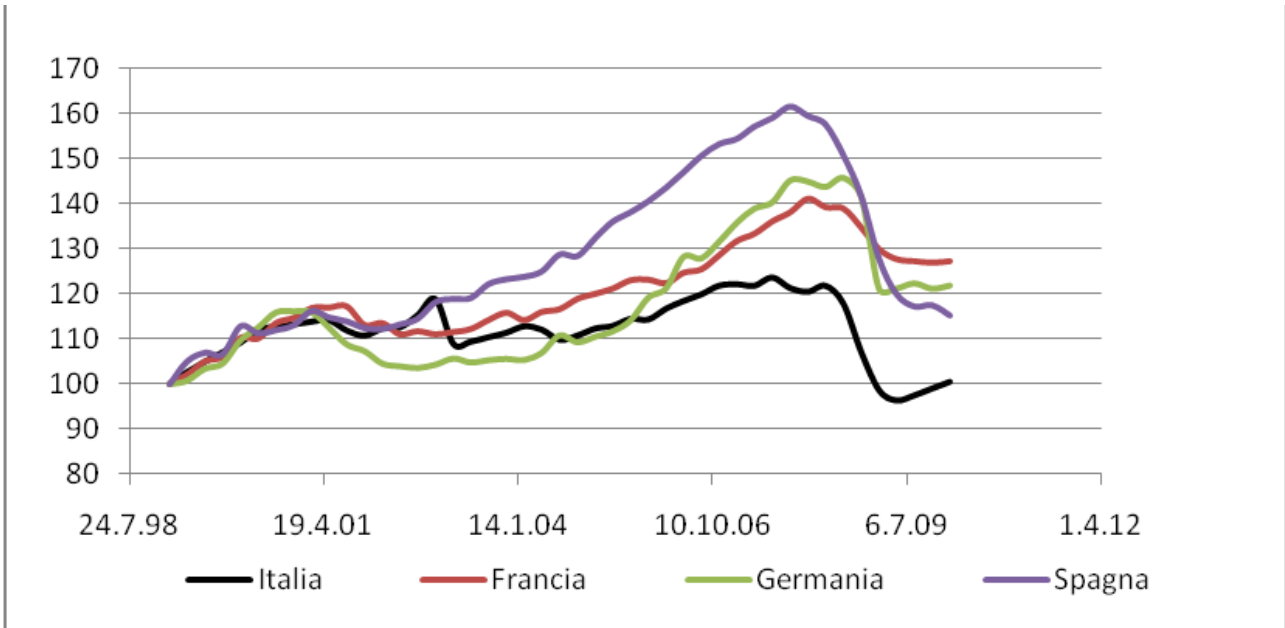


It takes no effort to continue the description of Italy's economic problems. The growth of job productivity practically stopped at the end of the 90s. This is a symptom of the difficulty to efficiently allocate resources, but also of a decreased tendency to invest as compared to the past. Figure 3 outlines the capital accumulation trend in several European countries. From 2002 on, Italy has invested less than the other large countries in the Euro area, and the recent recession has brought investments down to values dating back to the late '90s.

Figure 3

Accumulation of gross fixed capital. Index (1999 Q1=100).

Excluding the construction sector. Values at constant prices, seasonally-adjusted.

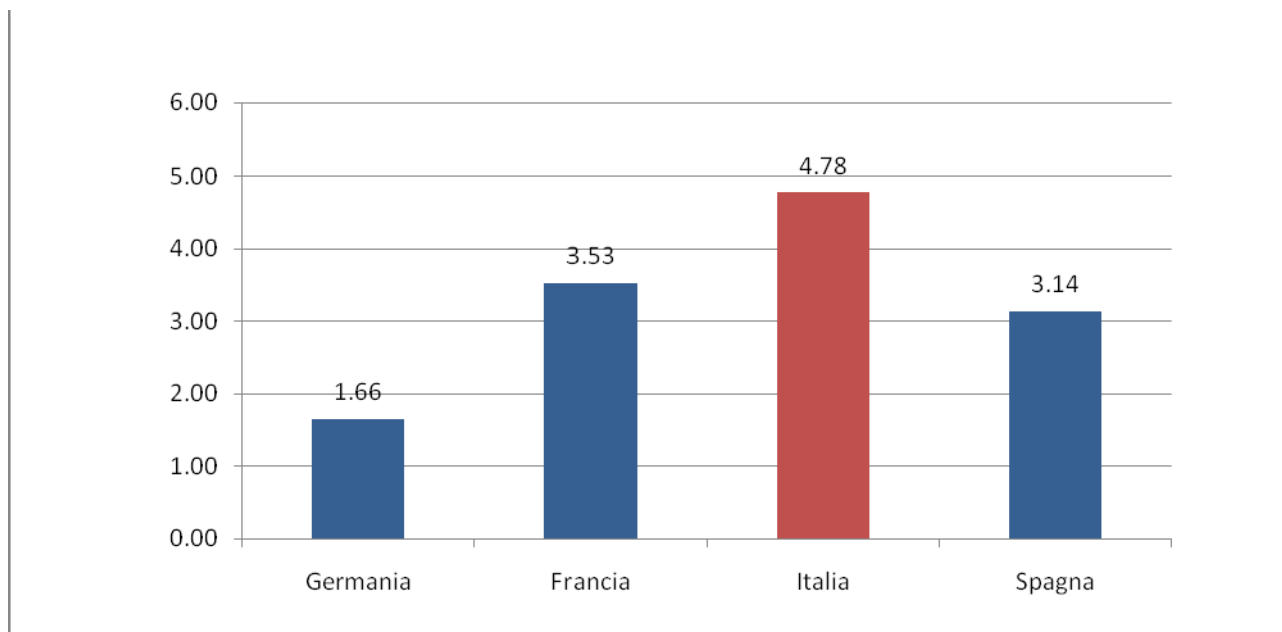


At the same time, Italy is having difficulty attracting resources from abroad. Investments directed from abroad towards our country remain at historically low levels (in 2009 Italy attracted only about 5% of foreign investments in the European Union – UNCTAD data). It is common knowledge that Italy does not attract the finest human resources from the rest of the world. In the meantime, many of our most talented young people emigrate abroad: as seen in figure 4, which refers to the U.S. emigration make-up, the percentage of graduates from Italy is higher than that of graduates from other European countries.

Figure 4

Percentage of Italian graduates who emigrated to the USA, in comparison to the percentage of graduates in their country of origin's population, 2007.

Source: ACS.



It is common belief that in order to relaunch our country's development, we first need economic reforms: investments in infrastructures, liberalization of services and in product markets, more modern employment legislation which is attentive to the needs of corporations which compete in international markets, fiscal reform in order to reduce the distortions which burden production factors today, and work, in particular.

All of this is certainly true. But I believe that Italy's economic problems today also reflect a more general problem, of a cultural nature. That is, the spread of values, attitudes, and beliefs which get in the way of a market economy's proper functioning in a constitutional state, and of public institutions' proper functioning in a free democracy.

It may seem strange that an economist attributes the cause of economic problems to culture. In reality, a growing number of economic studies follow precisely this path.

1.2 Institutions and economic development

As mentioned during a recent conference at our University, the point of departure is the observation that the typical rules of a constitutional state and the proper functioning of institutions are fundamental to economic development. The protection of property rights, the equality of citizens before the law, and protection from governmental abuse, explain the difference between rich and poor countries more than any other economic, social or geographic variable. This is one of the main conclusions reached by recent literature on comparative economic growth.

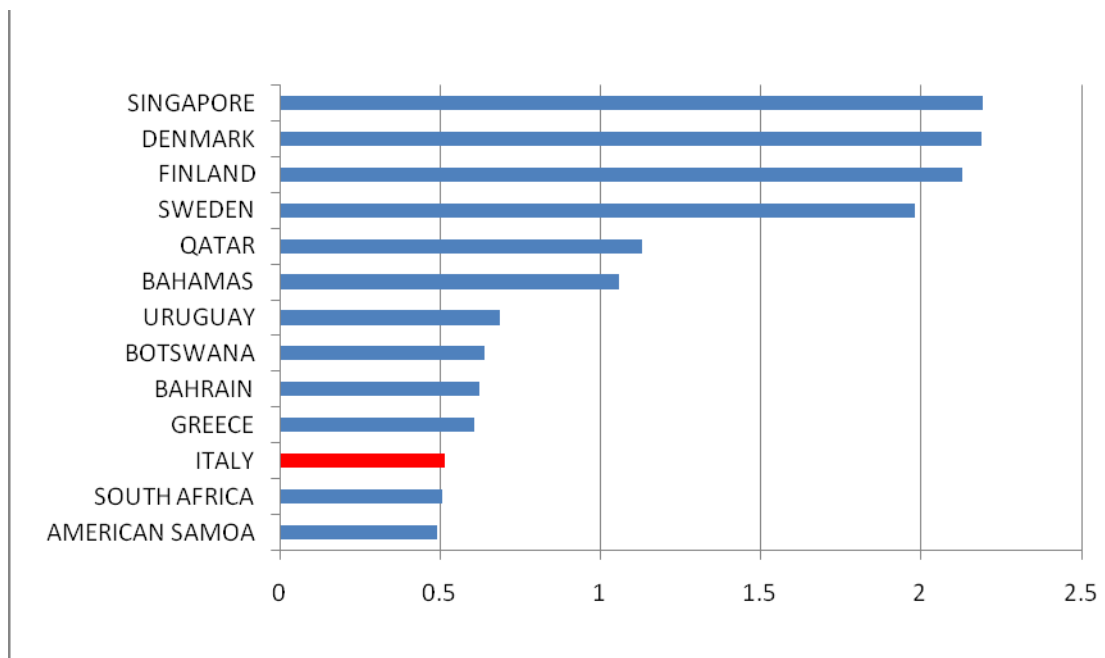
Institutions are crucial not only for reaching and maintaining high levels of economic growth. They are also a central variable for illustrating a country's productive specialization and international commerce flows. Empirical evidence and international comparisons have shown that proper functioning of institutions is an important source of comparative advantages, which are quantitatively more important than human capital and physical capital put together. Countries where the typical institutions of a constitutional state, and in particular the justice system, function better tend to specialize in more sophisticated production sectors, where contractual relations underlying production activity are more complex, and where there is then a greater need for good institutions which support and regulate economic exchange.

The results of these studies are not just of an academic interest, but are crucial to understanding and dealing with Italy's economic problems. Proper functioning of the public administration and effective government operations are certainly not a comparative advantage in Italy. Figure 5 illustrates perceptions regarding the effectiveness of government operations in various countries (intended as quality and independence of public and civil services, quality in public policy implementation, and government credibility in implementation).

Figure 5

Effectiveness of government operations. Index KKZ, 2009.

Indicator (-2.5, -2.5) Source: WB World Governance Indicators.



Italy is systematically way behind in international classifications, close to countries with an economic development level which is much lower than ours, like South Africa, and worse than African countries like Botswana. If we keep in mind the differences of per capita income between countries, in order to make these indicators easier to compare, Italy is at the 115th spot in the world, close to countries like Zambia and Saudi Arabia. Our country's inadequacies are especially pronounced in the justice sector: the average timeframe for civil justice (defined as days needed to prove a contract's validity) is four times longer as compared to the United States, and is more or less in line with that of countries like Trinidad and Tobago (source: World Bank 2010). Based on the empirical evidence described above, these characteristics of our country contribute to explaining Italy's productive specialization in sectors which are not very technologically advanced and are particularly exposed to the competition of emerging countries.

1.3 Social capital

However, proper institutional functioning also reflects citizens' cultural attitudes, and not just formal institutions or political conditions. A wealth of empirical and historical literature

underscores the role of social capital, intended as the spread of values and cultural attitudes like widespread trust, public spirit, respect for institutions, widespread morality (in opposition to clan loyalty or to a small circle of friends and relatives). Social capital intended in this sense facilitates social coexistence and transactions in a market economy or inside complex organizations, and promotes active political participation which is aimed at the collective well-being instead of individual interests.

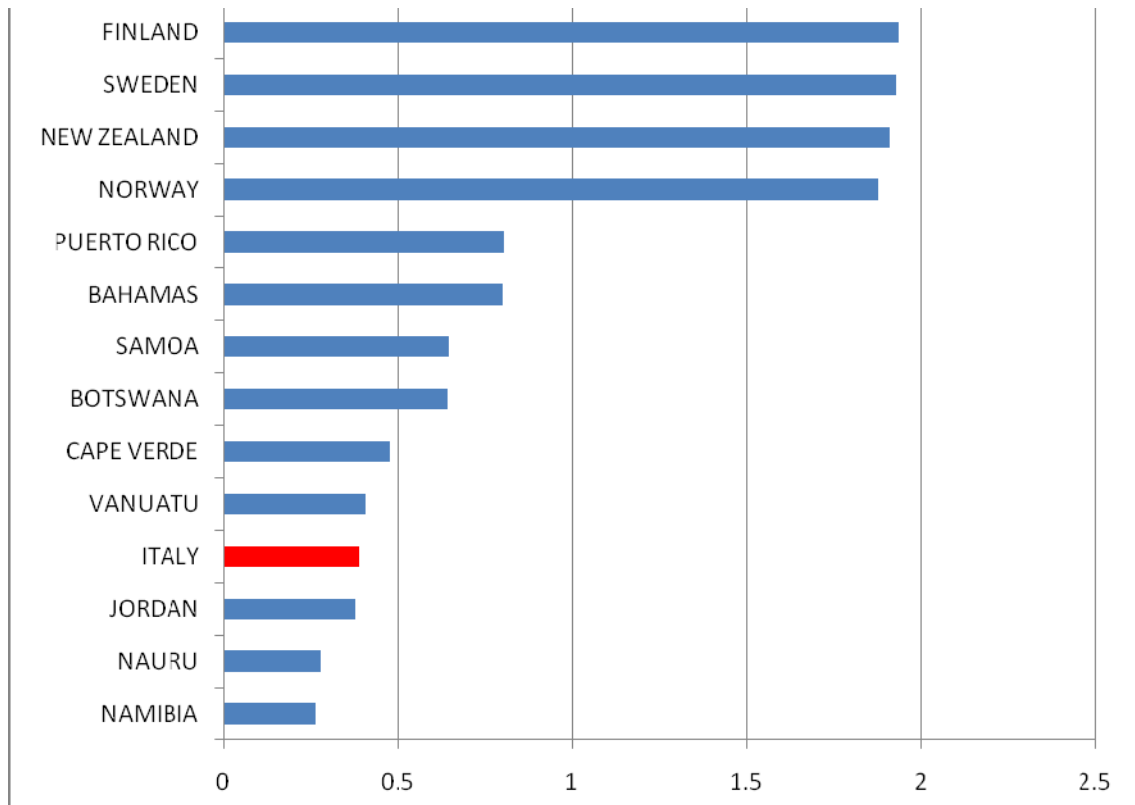
In international comparisons, there is much empirical evidence that public administrations and public institutions function better in countries where there is more widespread trust, more public spirit and more respect for others. These studies also tend to exclude the opposite causality, at least in its simpler form (from proper institutional functioning to social capital). In fact, cultural attitudes reflect pre-existing historical conditions, such as preceding generations' level of instruction, religious faith, or characteristics of political institutions that were prevalent several centuries ago. International comparisons are often difficult to interpret: differences between countries are so wide that there can be the suspicion that the correlation between culture and institutional functioning is due to omitted variables. In any case, the same results can be obtained by comparing homogenous areas, like the states of the United States, or European regions. In US states, where there is more social capital (especially states where the protestant religion is widespread), good government indicators that refer to state administration are higher. And in the European countries, economic development and growth are higher in regions with a longer tradition of democratic government, which today have more social capital. Finally, social capital helps explain productive specialization and international commerce flows, confirming that cultural attitudes also induce countries to specialize in more sophisticated production sectors, just like the proper functioning of the justice system. Social capital's effect on productive specialization is stronger in countries where the justice system is weaker, and where there is more need of reciprocal trust, suggesting that informal institutions take the place of formal ones in facilitating economic transactions.

Italy is not doing well from this standpoint, either. Several Italian regions are particularly wealthy with social capital, thanks to a tradition of participation in civic life which goes back to Italian city-states. However, trust and respect for institutions that are typical of a constitutional state are much less widespread as compared to other countries that have reached a comparable level of economic well-being. Figure 6 outlines trust in societal rules, with special reference to contracts and property rights, the quality of the police force and the law, and the probability for crimes and violence. Also from this viewpoint Italy is aligned with the typical values of African countries, and is far below other European countries.

Figure 6

Trust in the constitutional state. Index KKZ 2009.

Indicator (-2.5-2.5) Source: World Governance Indicators, World Bank.



These deficiencies in public institutions' functioning and little trust in the State fuel widespread lawlessness. The submerged economy in Italy is estimated to be about a fourth of the Gross Domestic Product, almost a triple as compared to countries like Switzerland and the United States. It is estimated that in 2007 fiscal evasion cheated the internal revenue of over 100 billion euros, equal to about 60% of the entire IRPEF yield.

Culture and social capital are also reflected in corporate organization. Several recent studies have compared managerial practices in a wide sample of companies located in a variety of countries. What has emerged is that, in areas that show greater widespread social capital, companies adopt organizational structures that are more decentralized and less hierarchical. This has significant economic consequences because decentralization is often the condition needed to allow for corporate dimensional growth. And the growth of more effective companies, in turn, is one of the main channels through which aggregate productivity can grow, as resources move from less efficient companies to more productive ones. In other words, social capital lowers the organizational costs for corporate dimensional growth and this is why it can encourage economic development. Furthermore, there is empirical evidence that organizational decentralization is complementary to new IT technologies: where more decentralization exists, it is easier to fully exploit the advantages new technologies offer. This can help explain the aggregate results mentioned above, which highlight how social capital is a comparative advantage which causes specialization in more advanced sectors (where typically new IT technologies are used frequently).

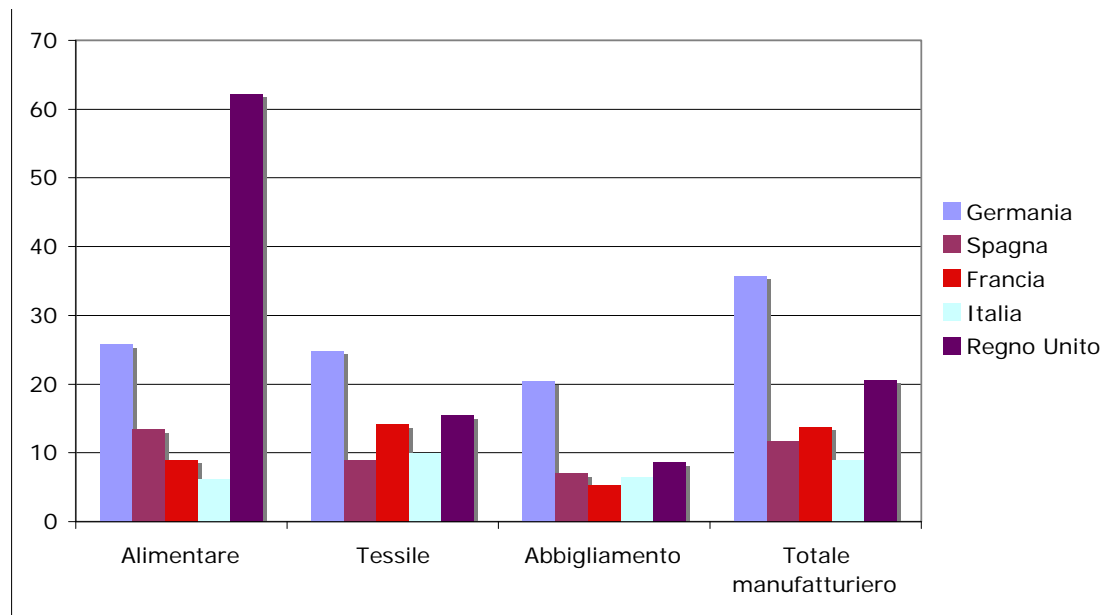
These empirical research results are also important for Italy, where small and medium enterprises prevail. Figure 7 outlines the average sizes of companies in several European countries. The small size of Italian companies is not due only to specialization sectors. Even in homogenous sectors, Italian companies tend to be smaller than those in the rest of Europe. There are many factors which can get in the way of Italian corporate growth, and therefore the reallocation of resources towards more efficient companies. Of these, it is likely there are also organizational advantages for smaller

companies, in a cultural, social and institutional context which discourages the decentralization of responsibility and makes industrial relations more difficult.

Figure 7

Average number of employees per company, by sector and affiliation.

Elaboration of Eurostat data.

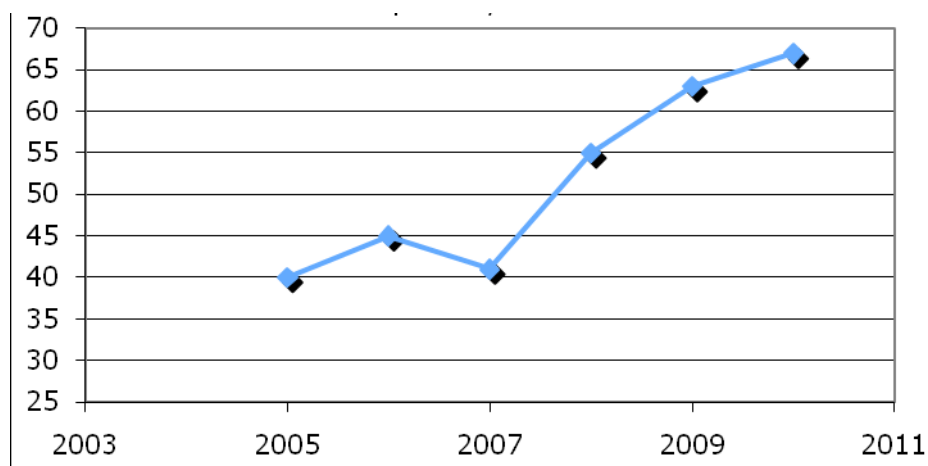


Social capital, intended as respect for and trust in others and institutions, has significant effects on the functioning of democratic institutions. A fundamental issue, in all democracies, is how to encourage political representatives to follow the general interest instead of partial or personal interests. In the last case, this especially depends on voter behavior. It is well documented how voters are more attentive, informed and more willing to join together to punish abuses where there is more social capital. This is also confirmed by our country's empirical evidence: in electoral districts where solidarity towards others is more widespread (measured for example by blood donations), voters are more inclined to punish episodes of political corruption or moral hazards on the part of their political representatives. It is probable that a voter attitude which is tolerant of corruption, along with the justice system's slow pace, helps explain why corruption is so widespread in our country. Figure 8 shows the progress over time of Italian rankings as compared to international ones, with reference to the perceptions regarding the spread of corruption. In the last few years the rankings have worsened even more, putting Italy at the 67th spot, behind Cuba and Turkey.

Figure 8

Corruption Perception Index, ranking of Italy.

Source: Transparency International.



1.4 An inefficient balance

It is no coincidence if, in an environment where there is widespread lawlessness, little trust in the institutions and poor functioning of the legal system, organized crime is able to control the territory in weaker areas of the country and perhaps expand its economic activity even in wealthier regions, despite the enormous efforts made even recently to oppose this (according to Confesercenti estimates, the volume of economic activity linked to organized crime in our country is about 7% of the GDP). Besides being a macroscopic phenomenon in which legal regulations are substituted with other codes of behavior, criminal organizations take advantage of widespread infractions of laws: for example, laundering income from criminal activities is easier to do when a similar demand for money laundering emerges from other, less extreme forms of lawlessness, like fiscal evasion or corruption. A number of tools for laundering illegal income have been developed in order to meet this widespread demand. Furthermore, criminal organizations offer their illegal services to companies, such as illegal disposal of industrial waste, or forgery. Finally, recent studies show how extortion and protection money are easier to impose if the shopkeeper or company, which evades taxes and work regulations, prefers to not seek legal redress for fear of undergoing inspections and controls.

All of these phenomena strengthen each other reciprocally. Using economist jargon we could say that we find ourselves in an “inefficient balance”, that is, in a situation in which individual incentives and expectations regarding others’ behavior are in alignment and push single individuals to act in ways that are counterproductive to collective well-being. Widespread lawlessness reduces the effectiveness of the legal system and the probability to be punished, thus making it easier to act illegally; fiscal evasion is a cushion which helps maintain inefficient situations and excessive fragmentation of the production system, reducing competitiveness in open markets; the fact that loyalty prevails over merit makes talented people leave the country.

In any case, this situation is not the only possibility. There is also a better balance, where it is better for an individual to respect the rules because everyone else does. To move from a poor balance towards a healthy one, there must be a collective transformation which induces a sufficiently large number of people to change their behavior. Typically, this transformation is accompanied by changes in cultural attitudes, social norms, and, in the long run, even changes in values.

There are historical examples of these social transformations. At the start of the last century, the United States was an extremely corrupt country, where local governments overpaid in order to purchase goods and services in exchange for payoffs, the economic scandals of the robber barons were the order of the day, and organized crime had taken over several cities. However, thanks also to a significant legal and legislative effort and attention from the media, gradually things changed and today the United States is often used as a model for public spirit and respect for the institutions.

From this standpoint, Università Bocconi can undertake an important role. Education is perhaps the most important tool for long-term influence on cultural attitudes, and in particular for encouraging the spread of sentiments such as respect for others, trust in general and in the institutions, and a sense of belonging and identification with the entire national community. Our University is in a privileged situation, from this point of view, due to the number and quality of young people who leave these lecture halls. We have about 13,000 students, coming from Italy and from all over the world. Many of them reach leadership positions in Italy and abroad. These young talents carry and spread their ideas and values to the society and economy. Furthermore, I like to think that Bocconi could increasingly become an institution which is a symbol of the founding values of an open, pluralist and innovative society.

2. What we are doing at Università Bocconi from this perspective

I would now like to describe several aspects of our normal activities and new initiatives which are currently in the starting stages, which can facilitate the accumulation of social capital in the way I have described above.

2.1 Meritocracy and valorization of individual abilities

Università Bocconi has always been committed to the development and valorization of individual abilities, in a context of meritocracy and social mobility. Our strategic intention is to make sure that Bocconi is always able to offer to all deserving individuals the best conditions and strongest stimuli for the development of its community's members. The recognition of merit and the valorization of individual abilities are central to creating a sense of belonging and identification with the society in which we live: we can share a sense of belonging only in a society which is correct, which offers opportunities to everyone, and where merit is recognized.

However, as a University we are careful to avoid that meritocracy is not so exasperated that it degenerates into excessive competition. In a way, competition is inevitable. It isn't that we choose competition, but rather it is the working world which imposes it. Not all work opportunities are the same, and the most dynamic companies are well aware that the primary source of their competitive advantage is human talent. The best companies are constantly searching for promising youth, and this inevitably has repercussions among students. However, in terms of what we intend here at Bocconi, the recognition of merit must be a push to excel and to give the best of oneself, and not an attempt to prevail over others. This is one of the reasons, though not the only reason, why we encourage our students to learn from one another, and attribute importance to teamwork.

Students

For us, the valorization of merit and the search for talents begins way before our students arrive in the lecture halls. For many years now, thanks to selection programs like “Discover Your Talent” and “Talent Scout”, the finest secondary school students start to learn about our University already during their fourth year. Today these programs ensure the selection of 17% of the total number of enrolled students, and constantly raise enrolled students’ profiles: today 48% of first-year students have an average that is 8 or higher and, overall, 95% of these students have an average over 7; in 2006/7 these percentages were, respectively, 39% and 82%.

Bocconi has also always been committed to improving selection for admission to the University. As everyone knows, admission to our degree programs is based primarily on the admissions test and on secondary school grades. Recently our attention has focused on how to improve the admissions test. Just 2 years ago the test’s structure was substantially revised. Last year new changes were included. Thanks to these efforts, now a student’s test results are better able to show what his or her performance will be in Bocconi programs. This has enabled us to increase the weight of the test as compared to school grades in the formulation of the admissions ranking (in the 2011/12 academic year selection, the test’s weight went from 35% to 45%, and the weight of school grades went down from 60% to 50%).

We are also reflecting on how to further enrich the study path for the most motivated students. In particular, we are trying to fine-tune an honors activities program, which are extra educational activities targeted at the most motivated and prepared students. For example, a hypothesis on which we are working is that students can attend several courses and take exams foreseen for structures that are higher than the degree program in which they are enrolled.

The valorization of abilities and attraction of talents should not privilege students coming from wealthier families. On the contrary, we want the most promising and motivated students to be able to access our programs without being discouraged by tuition costs. This is why this year Bocconi is investing a considerable sum of its budget to supporting its students, by offering scholarships, loans, exemptions, and services. In 2009 this amount was over 22 million euros, with a 10% increase compared to 2008. To these resources are added loan guarantees which Bocconi offers many students, so that they can also support themselves with study loans. Since 2002 over 20 million euros have been allocated for a total of 1,403 student loans. Furthermore, this year the number of housing spots has been increased even more: thanks to the Javotte Bocconi Institute’s support, a new university dorm has been opened, bringing the total number of housing spaces to 1,491.

The importance of these resources can be illustrated with a concrete example. Of the many students which could be identified, I would like to mention Qiang Fu, a Chinese student from Shanghai, whose family was not well-off. After having completed a Bocconi Bachelor program in English thanks to a scholarship, Qiang Fu turned down an offer to work in an investment bank in London and chose to continue to study in the Master of Science in Management program, and also in this case he was supported by a Merit Award scholarship. Now Qiang Fu is a Master graduate and works for UBS in Hong Kong.

Faculty

For Bocconi, recognition of merit is a guideline, a value to which we aspire in order to improve our institution at a global level. This is why it does not regard only our students, but first and foremost ourselves, the Faculty. From this standpoint, we are creating a new income model for Faculty which moves the focus from seniority to merit. It is being revised with three aims in mind: to strengthen individual motivation, facilitate the recruitment of new professors with important international experience, and keep the finest and more mobile professors. Because at this point the quality of our professors is such that many of them are being contended for by the finest European and American institutions. We must therefore give ourselves effective tools to counter the competition in the

academic job market, and to motivate our Faculty by recognizing their merit and excellence. On this subject, last year awards for excellence in teaching were introduced, adding to those that had already been introduced 8 years ago for research, and which can weigh up to 30% of a Faculty member's salary. In this way Bocconi is one step ahead of the activation of several guidelines that are foreseen by Minister Gelmini's university reform. The fact that several projects we are working on correspond to the university reform project which is being discussed in Parliament is a point of pride for us.

The new income model is not the only novelty in terms of Faculty management, evaluation and valorization. A culture of evaluation has been deeply rooted at Bocconi for a long time. Also from this standpoint Bocconi continues to be innovative and innovating. Departmental evaluation and the formation of a new resource allocation mechanism between Departments go in this direction, keeping us particularly busy over the past year.

In order to be able to evaluate the Departments' various activities, each year a wide mix of indicators that refer to research and teaching performance and to Faculty characteristics and composition are updated. This year the Departments have also identified several benchmarks with European and American universities which they will use to monitor their evolution over time, especially regarding research activities. Along with these evaluation tools is the external review of Departments, entrusted to different panels of Faculty coming from the most important international universities. The external review just ended for all Departments except one, and the results are particularly instructive and encouraging.

This benchmarking and evaluation exercise has guided the Departments in the formulation of a three-year plan for growth and use of available resources. To allow for and accompany the realization of departmental development plans, we needed to introduce other innovations.

Internal organization has been completed, with the creation of a new Department – Marketing – the first of its kind in an Italian university. Simultaneously, the Department of Management's mission has been to refocus, giving more space to the technology area.

Furthermore, the old rules that were based on a predetermination of available positions in the Faculty makeup of Departments, distinguished by level, did not allow for adequate flexibility in the management of hiring and promotion processes, and risked reducing internal incentives and prohibiting effective responses to opportunities which are open in the market. The available positions in the Faculty makeup of each Department have therefore been converted into equal units (2 units for a Full Professor and 1 unit for an Associate or Assistant Professor), thus allowing Departments to use equally allocated resources without predetermined role constraints. Furthermore, a part of the resources has been redistributed in order to rebalance the more imbalanced situations in the relation between Department Faculty and the teaching load. Finally, a share of resources can be used to support strategic and interdisciplinary projects according to the University's discretion.

In the future, we expect that the decisions regarding promotions and hiring in Departments will increasingly be guided by the criteria of quality, as well as by considerations of the strategic importance of several disciplinary areas, and not by the availability of vacant positions in the Faculty makeup. We must not risk losing good professors or promising researchers in a Department (whether coming from inside or outside the university) which is of strategic importance, just because there are no available positions in the Faculty makeup to hire or promote them. And at the same time, the quality criteria requested by Departments for promotion and recruitment must be sufficiently ambitious so that the University always has vacant positions because it is unable to fill them with Faculty who truly meet our adopted standards.

2.2 Research and teaching programs

The recognition of merit and the valorization of individual abilities are just two of the values that Bocconi aspires to when organizing its activities. In fact, Bocconi has always been committed to research projects on topics of great importance to institutions and to community life. Attention to social aspects and civil respect for institutions, and for the management of interpersonal relations in complex organizations, are also reflected in the teaching programs.

Research

An important distinction between universities and other research bodies regards the way in which research topics are chosen. In a company or body which produces targeted research, the research is often directed towards objectives chosen consciously by the organization's top leadership. In a university, this happens in a much more indirect way. Each researcher individually and freely chooses the research programs they consider most promising. If I want to direct the university research towards several issues or methodologies, I do it by choosing people, and hiring a good researcher who I know is working on such issues, but I do not dictate that he or she must work on a specific project. This intellectual freedom is one of the pillars on which modern universities are built, and which differentiates universities from other research bodies.

This does not mean, however, that the research topics and methodologies carried out in a university are random. A fine university knows how to choose the right people also based on an evaluation of what problems are the most important to work on, and which are the most promising ways to deal with them. And it knows how to guide research activity in an indirect way, creating research infrastructures that facilitate progress and the spread of knowledge in directions that are of top priority. In fact, it is no coincidence that much of the research conducted at Bocconi assigns central importance to issues dealt with at the start of my report, such as legality, social capital, public spirit, and respect for rules and institutions, analyzing these issues differently each time according to the disciplinary area. I would like to report on several significant examples here, though they are certainly not exhaustive.

The Department of Law is strongly committed to the study of issues related to the effective application of legal regulations in the economic area. What comes to mind is, for example, corporate criminal law and antitrust regulation. But I could mention many other examples.

Illegal financial markets, money laundering, offshore centers and the possibility to oppose these phenomena are one of the research interests of the Paolo Baffi Research Center, where scholars from the Department of Law and the Department of Economics collaborate.

One branch of the CReSV, the new Center for Research on Sustainability and Value, explores how codes of behavior and social norms impact on managerial behavior, the company's internal climate and its results; another branch focuses on the growth of social capital due to the presence of collaborative corporations and its impact on corporate and social results. The SDA Bocconi Organization Area is working on the identification of regulations and rights all over the world, on issues which include the application of labor law to union relations. Other scholars are working on research trends regarding the formation of social capital in networks and on effective application of meritocratic principles in companies. SDA Bocconi has also just concluded the research project "Collaborative Competition for Rebuilding Economic and Social Capital", whose results show that at the base of an economic model there is always a societal model, and it is there where one must work in order to obtain more long-term results.

Researchers from IGIER and the Department of Economics have obtained an ERC Grant, the prestigious European Research Council, in order to deepen understanding of interactions between

social capital and economic development. As a part of that project, they are studying problems related to corruption, selection of politicians, and the role of culture and social norms in facilitating the proper institutional functioning.

Several marketing scholars have also recently focused their interests around concepts like trust – and strategy scholars are studying concepts like reputation – which are linked to what we have said here so far. It is precisely reputation and its antecedents which have been analyzed in many ways in relation to auditing companies, by Bocconi Faculty who deal with accounting and budgets, in the study on the origins of the recent world financial crisis. The financial crisis has naturally given rise to a strong interest in regulations, also in the more technical sense which finance scholars give to the word, and more in general for the frameworks of corporate governance in large corporations and in the finance sector.

Teaching

Bocconi is a complex ecosystem for research and learning. And so the research topics mentioned above are reflected in the teaching programs as well. For example, in the business administration and management programs, students learn how fundamental it is to respect professional ethics and pay attention to the needs of the entire community; in particular, Bachelor program students follow compulsory seminars in business ethics and social responsibility; Master of Science in Management students are required to follow seminars on entrepreneurial values and managerial behavior. We also propose courses in social responsibility in corporations, in the public and non-profit sectors; corporate social responsibility and social entrepreneurship; accounting ethics; corporate governance and professional ethics; management of sustainability and social responsibility.

Bocconi was also the first Italian University to propose programs aimed at training effective and rigorous managers for public administration. This tradition continues at the graduate level also, with a Master of Science program in Economics and Management of Public Administration and International Institutions and with executive programs and Master programs in Public Management and in International Health Care Management, Economics and Policy offered by SDA Bocconi.

School of Law students follow a study path which, almost by definition, is built around the importance of respecting laws and lawfulness in the functioning of a modern market economy. The peculiarity which distinguishes legal studies at Bocconi is precisely the centrality of the relationship between the world of law and that of economics. Of course this is also reflected in the composition of law courses followed by economics and management students, to whom we propose, among others, courses in civil liberties and human rights, criminology, antitrust law, advanced courses in criminal law with a focus on economic criminality and constitutional law with special attention to the public law of economics.

In the subjects of economics, our students learn the centrality of institutions in economic development processes, and the role of values and cultural attitudes in explaining political and economic phenomena. For example, the Master of Science program in Economic and Social Sciences includes a compulsory course on institutions and many courses on economics and politics, economic development, and various aspects of economic policy in which the topics of respect for institutions and social capital assume a crucial role.

This year we have proposed an extracurricular activity in collaboration with the Associazione Libera, a course called markets and organized crime: a national issue which analyzes the economic, legal and policy aspects related to the spread of criminal organizations in the more developed areas of Italy. It intends to offer several tools and useful knowledge for understanding criminal dynamics.

A concrete sign of how these values and subjects are well received can be seen in the growing number of students who choose to commit themselves to these issues during their internships or “Field Projects”. Also in this case, I want to mention a particularly significant example of two of our brilliant MBA students who dedicated three months of their field project to a small hospital and obstetrics school in Kalongo, Uganda, rather than in a large financial institution or consulting firm. They wished to offer ideas for improving management to a reality that is supported by the Fondazione Ambrosoli and which despite very difficult conditions continues to save human lives.

Even if civic education in a broad sense has been a part of our University’s tradition for a long time, we would like to do even more. We want to be sure that all our students leave the University having assimilated basic values, and are aware of how important it is to be a good citizen, attentive to the rights and needs of others and desirous of offering their contributions to an open, pluralist and dynamic society. With this in mind, we wish to further strengthen the teaching and cultural initiatives in this field, thanks also to the collaboration with Roger Abravanel and Luca D’Agnese, who presented a new book on these topics just a few weeks ago here at the University: they donated the copyright royalties to the support of teaching activities which Bocconi will offer on these subjects.

2.3 Belonging to a community

A university should not just be a place where one can accumulate professional knowledge with the aim of finding a job. We want the years spent at Bocconi to also be a fundamental life experience, which contributes to an individual’s overall training through social relations, cultural stimuli, and the sharing of a scale of values.

To realize this intention, we are endeavoring to encourage the emergence of a sense of belonging and identification with our University. This need is even stronger now that Bocconi is making a special effort towards internationalization, increasing the diversity of its students and Faculty, as well as administrative staff. With the start of this academic year we began a new project, “Campus Life”, with the aim of giving a bigger boost to cultural, social and sports activities that are organized by various components of the Bocconi community.

We would like for students to be the main protagonists of these initiatives, and this is why the University has made a clear commitment to students for the promotion and support of student associations and university media. Along with the newspaper *Tra I Leoni* and *Radio Bocconi*, *webtv* and *BstudentsTV* were recently launched and today all of these initiatives are joined in the Student Media Center which engages over 200 students and alumni.

On a general note, 2010 was a year full of appointments and events in which the Bocconi community and especially students were protagonists both as organizers and participants. I would like to note the humanitarian work for Haiti which engaged us all on at least three occasions: *Blues for Haiti* and *Master for Haiti* (in aid of the *Fondazione Rava*) and the solidarity dinner (in aid of *Cesvi*). There were dialogue and exchange initiatives on issues regarding diversity promoted by the *Best* association which was started at Bocconi this year. There was *Jurist Day*, created by student representatives who are so proud of their Bocconi jurist identity. I would also like to note the day the university campus was open to all Bocconi students and alumni and to the city itself, during the inaugural evening of the *Bocconi Art Gallery (BAG)*. This was a special occasion in which the Bocconi community was able to experience the University in a new and different context.

My hope is that the efforts to consolidate the Bocconi identity will also help our alumni to recognize themselves as members of this community and to participate more actively in the University’s initiatives and life. With this intention, the University is investing resources and energy so that the *Bocconi Alumni Association* can operate with greater efficiency and with closer ties to

the University. These efforts involve the administration and Faculty body. Thanks to everyone's work, the occasions for interaction between the Association and the University have intensified even more, demonstrating how the university can be a positive force in society, able to mobilize the finest energies even after students have finished their studies here.

The more a community of individuals is diverse, as Bocconi is increasingly so, the more it is important to ensure that there are no discriminations to minorities, and that everyone has equal opportunities, regardless of their age, ethnic origins, gender, or cultural traditions. To reach these objectives, this year an Equal Opportunities Committee was established, made up of University Faculty, whose task is to promote and support initiatives and research activities on the issue of equal opportunities in the area of Bocconi Faculty. Furthermore, in order to facilitate the integration and professional progress of the youngest Faculty members, we have asked all the Departments to assign to each Assistant Professor a more senior professor who can act as mentor.

2010 also saw the introduction of another important innovation: the honor code. Over the past months the University has worked hard to make explicit its founding values, which I have already referred to previously but which I would like to recall again: Independence, Ethics, Transparency, Freedom of expression, equity, solidarity, promotion of diversity, sustaining merit and individual potential, professionalism and standards, and social responsibility. In order to support and protect these values, a committee comprised of Faculty and students has drawn up a text, "The Code of Conduct for Faculty and Students" which was put in operation at the beginning of this academic year. The code's aim is to transmit and strengthen the values of loyalty and correctness which are essential to the carrying out of study, research and professional activities inside the entire Bocconi community.

In all communities, from the smallest and simplest to the largest and most complex, a lack of respect for shared values includes sanctions, because incorrect behavior is damaging not only to the individual and to those who are directly involved, but also to the entire community. Therefore sanctions have also been identified in the code of conduct (applied to both Faculty and students) when the shared rules have not been respected.

The University has also decided to establish a new role, that of Student Ombudsman: this is an impartial person who examines requests for interventions from students on presumed violations of the code of conduct by Faculty. Professor Marchetti was appointed Student Ombudsman by the Faculty Council on 13 October 2010, and I would like to thank him once again for his important contribution to the development of this Bocconi project.

3. Other initiatives and projects

3.1 Internationalization

Bocconi sees itself as a springboard towards the rest of the world for its students. There were over 3,000 opportunities for study and work abroad this year (there were 1,386 in 2005), 1,200 of which were international opportunities for the Undergraduate School, 1,650 for the Graduate School, and over 170 for the School of Law.

Bocconi's excellent reputation in faculties of the best universities allows us to offer our students the finest opportunities. Today we have exchange or collaborative agreements with 194 partner schools (there were 130 in 2005). Student exchange agreements are being drawn up with the Economics Departments of Northwestern University, the University of Chicago, and the University of

Wisconsin, along with the same kind of agreements made last year with Princeton University, the University of Pennsylvania and New York University. At this point our students are welcomed on almost all of the best US campuses. Other agreements are being considered with Renmin University in China, National Taiwan University, EDHEC Business School in France, the New Economic School in Russia; and finally, with the Law Schools of the University of Southern California, the University of Notre Dame, Penn State University and the Chinese University of Hong Kong .

We have also signed agreements which allow our Master of Science students direct access to PhD programs. For example, this year a special agreement was made with the Yale Economics Department, which allows our Economic and Social Sciences graduate students to attend their PhD programs for one year. The program, aimed for students with exceptional profiles, included the selection of three Bocconi students this year, who are currently in the United States. Agreements are being drawn up using the same model with the University of Minnesota and with UCLA.

Double and Joint Degree agreements at the graduate level is an area in which confrontation with our competitors is more vibrant and innovative, thanks in part to the BRIC strategy which we followed from the start. We are one of few European universities to include Double Degree agreements in the graduate segment in India (Indian Institute of Management, Ahmedabad), Brazil (Fundaçao Getulio Vargas – EAESP), Russia (MGIMO) and China (Fudan University School of Management). Thanks to these opportunities, our students are exposed to the cultural and economic environment of the fastest growing markets.

During 2010 we reached new agreements with the aim of further qualifying our MSc programs and increasing opportunities for students. I am referring in particular to agreements reached in Canada with Queen's University, in Portugal with Universidade Catolica Portuguesa and in Sweden with the Stockholm School of Economics. They bring the overall number of Double Degree agreements up to 16 (there were 0 in 2005). We expect that these partnerships will continue to grow: new agreements are being evaluated in Europe and in the Asia-Pacific area.

We have continued our more than twenty-year commitment with CEMS, the consortium which brings together the finest management schools and over 60 multinationals. This year the globalization path which the alliance has taken – grouping together a growing number of schools in Europe, the Americas, Asia and Oceania – has allowed us to choose, for the CEMS MIM Master, a number of participants which is 50% more than the previous year, coming from Management and International Management tracks. The collaborative model started with CEMS was recompensed not only by the growing attention and increase of academic and corporate partners, but also by the constant presence at the top of rankings which the Financial Times dedicates to Global Masters in Management.

It is no accident that our students are welcomed to the best and most selective International Exchange programs. This happens because over the years students leaving Bocconi have demonstrated exceptional strengths and abilities, and have become leaders in their sectors. This is also confirmed by several recent statistics: Bocconi is at the 28th spot in the world of institutions whose alumni are currently CEOs of Fortune 500 companies (Professional Ranking of World Universities 2009, Mines ParisTech) and is the third University whose alumni are among the 100 best economists in the world (Worldwide Rankings of Economists and Economics Departments 1969-2000, Tom Coupé).

The International vocation of our students and graduates is confirmed also by work experiences abroad. Overall, Bocconians have had access to over 1,600 internship and work opportunities, a number which has grown 11% compared to 2009. This increase is a sign both of renewed

dynamism in the job market, as well as increasing attention from international employers to our University. This can also be seen by the number of our graduates working abroad: 20% of new graduates begin their careers in international positions. For several programs held in English, this percentage goes over 40%. There are also excellent evaluations which our University receives from international recruiters: according to the study conducted by QS, the over 5,000 employers who participated in the survey in 2010 put Bocconi at the 21st spot in the world as target universities for recruitment activities.

Internationalization also regards the Faculty body in a significant way. By now, almost all of our Faculty are recruited on the international market (exceptions regard areas like law, where the market is primarily – though not exclusively – national). Once again this year the Faculty body has been enriched by new entries. As Full Professors, we are particularly pleased to welcome Massimo Guidolin, Professor of Finance, coming from the Manchester Business School, and Nicola Pavoni, Professor of Economics, who left the same position at the University College London. As Adjunct Professors, we also have added to our Faculty body professor Stan Baiman (Professor of Accounting at Wharton), and Professor David Mazursky (Professor of Marketing at Hebrew University). Both of them will spend a number of months each academic year at Bocconi, for the next few years. To these more senior entries we welcomed 11 Assistant Professors recruited from the international market in various disciplines this year. Of these, 9 have a PhD from non-Italian universities and 5 are foreign citizens.

Finally, the number of Visiting Professors coming from prestigious international institutions has increased again: this year there were 57, against 43 in 2005.

The strong internationalization of faculty (today 8% of the Faculty are foreigners) and the constant improvement of its quality – in 2005, 49% of professors had PhDs, while today it is 55% – have allowed us to raise the overall hours of teaching in English offered to our students to 31%, up from 17% in the same period.

This has been a considerable effort, which was recompensed by the international students who chose to enroll at Bocconi: foreign students went from 7 to 10% of those enrolled between 2005 and 2010. These percentages become even more significant if we just take into consideration the structures with teaching in English: for Bachelor programs, in fact, 12% of the students are foreign; for Master of Science programs, they were 10% and in PhD programs, 48%. An even higher presence of international students can be found in the SDA Bocconi Master Division where the average of foreign students is about 70%, attending 9 programs held in English including MBAs and several master programs, some of which are carried out in collaboration with other prestigious Business Schools like ESADE, UCLA, Fudan University and CBS.

To these we can add over 1,300 exchange students coming from other partner universities, who spent a semester at Bocconi over the past year.

3.2 Research

The efforts made in these past years to raise research quality are beginning to show results. To demonstrate the growing interest in our work on the part of the academic community I would like to mention a piece of data, the citations made by the ISI, Institute for Scientific Information. During the three year period 2007/09, the citations of Bocconi faculty increased by 75%, raising the per capita citations from 6.48 to 11.34.

In the natural sciences, laboratories are the gyms in which young researchers learn how to do research. In the economic and social sciences, this function is carried out by seminars in which the results of the latest studies are regularly presented and where the issues which the scientific community is working on are discussed. This is why we are boosting the series of Departmental and Research Center seminars. Overall, during the two year period 2008-2009 over 1,000 scientific events were organized including seminars, conferences and workshops. As speakers, there were 3,236 researchers, 709 of which were from Bocconi, and 1,105 Italian professors and 1,422 foreign professors.

During 2010 we were co-organizers of 7 conferences in which an overall number of 3,000 scholars coming from all over the world were involved. I would especially like to recall the SMS Annual International Conference promoted by the Strategic Management Society, the greatest association of strategy scholars in the world, which for the first time this year accepted another University as co-organizer. This presence of speakers and researchers at seminars and conferences organized at Bocconi is another sign of our University's vitality.

One of the characteristics of research carried out at Bocconi is its relevance regarding the economic and social problems in the world around us. To underscore this aspect, during 2010 the University started an important project aimed at increasing the spread and divulgation of research produced by our University. I am referring to the Bocconi Knowledge project, a multimedia, bilingual website through which Bocconi spreads its research to a non-specialized audience. When they go to the site www.knowledge.unibocconi.eu, visitors have direct access to issues and ideas which our professors are working on, as well as the results of their studies. This is another way to contribute to creating the foundations for a better human society.

Thanks to collaboration with Egea, Bocconi's publishing house, in 2010 we signed two important collaborative agreements with other international scientific publishers, Palgrave Macmillan and Springer, who will allow us to spread, at an international level, research and knowledge in the fields of management and economics with the Bocconi University Press brand. In particular, the Bocconi On Management series came about thanks to the collaboration between CROMA Bocconi, the Center for Research in Organization and Management, Egea and Palgrave Macmillan; while the Bocconi & Springer Series was created from the idea of developing an English series of advanced manuals and research essays which deal with a wide variety of topics in the fields of mathematics, statistics, finance, economics and financial economics. Also during 2010 SDA strengthened its capacity to spread its competencies by launching, in collaboration with Egea, the Leading Management series, whose objective is to make available to a wider audience the results of the research and experimental activities carried out by SDA Bocconi professors and researchers, offering managers and professionals elaborations on management topics and the most advanced managerial techniques.

A last fact helps us understand how Bocconi's research activity has grown in quality, and it regards funding. In 2005, the number of international research projects in which we were involved was 35, with an overall budget of about 3 million euros. In 2010 the budget went over 10 million euros for 46 projects including significant ones like the 4 Grants from the European Research Council, the European body which funds frontier research projects.

3.3 Teaching

The current teaching offer is the result of a formidable effort of programming and revision concentrated over the past few years. It does not require new and radical changes, but rather careful maintenance in order to further improve teaching quality and content.

Of the four pre-experience schools in which Bocconi's educational offer is organized, the school

which contributed to the most significant changes and recorded the best performances in terms of admissions requests in the academic year we are opening is the PhD School. Though it has a small number of students, the PhD School is very important in the strategy to strengthen research and the international visibility of the University. Just two months ago the new PhD in Economics and Finance was launched, a multidisciplinary program which is the product of a fusion of the two respective PhD programs. For the entire PhD school, the number of applications has grown by 42% compared to the previous year, and it was the new program which registered the greatest increase, going from 121 candidates in 2009/2010 for the 2 programs, to 230 for this year. This increase in applications is not just a reflection of numbers but also saw an increase in the quality of candidates who enrolled.

The PhD School's reputation is constantly increasing not just among candidates but also and above all among universities and institutions which represent the employers of our PhDs, 25% of whom are on tenure track. The most important universities where our PhD students have found employment in the last few years are: Harvard, Warwick, University of Texas, HEC, Carlos III in Madrid, Cass Business School, Penn State, Imperial College Business School, Aston Business School, Tilburg University, Michigan State, University College London, ESSEC International Business School, Concordia University, University of Bristol, University of Dublin, University of Technology Sydney, and Queen Mary's College. The most important non-university institutions are: World Bank, International Monetary Fund, European Commission, Eurostat, Santander Bank, HSBC London, McKinsey & Co., ENI, European Central Bank, the central banks of England and Italy, Goldman Sachs, and OCSE.

While for this academic year there is the same number of pre-enrolled students for the Undergraduate School and the School of Law as the previous year (which however had a strong increase compared to 2008/09), the Graduate School registered a peak in admission applications for 2010/11, with a 9% increase compared to the previous year and a 33% increase compared to 2005/06. In particular, international applicants have increased (they represent 15% of the total, against 5% in 2005/06). The overall selection indicator is 33% (last year it was 27%) while the rapport of external applications (that is, non-Bocconi) of available places went from 1.5 in 2005/06 to 2 in 2010/11, with peaks of 4.4 for International Management.

Enrollment applications

Pre-enrollments	Undergraduate School	School of Law	Graduate School
2010/11 Year	5,435	800	3,539
2009/10 Year	5,467	800	3,240

Regarding placement and corporate relations, we were able, despite the serious economic crisis, to guarantee numerous internship and work opportunities to our students: during 2010 we exceeded 9,000 proposals against the 8,500 of last year. Just recently we finished a study which monitors the job market of our graduates and studies their work conditions. The data shown below illustrates the timeframes for entry into the job market for graduates of the three schools for the 2007/08 academic year, one year after graduation. The fact that there have been no significant variations, despite the strong cyclical worsening of the job market, is a further confirmation of the quality of our graduates.

Wait times for professional employment

School	Placement Report 2007/08 graduates	Placement Report 2006/07 graduates
Undergraduate School	1.6 months after graduation (90% continued with a graduate path)	1.8 months after graduation (90% continued with a graduate path)
Graduate School	1.4 months after graduation (55% already had a job on graduation day, 20% of which were abroad)	1.1 months after graduation (60% already had a job on graduation day, 19% of which were abroad)
School of Law	1.8 months after graduation for Law graduates. The percentage of those passing the state exam for access to legal professions is 80%, against the national average of 40%.	0.9 months after graduation for Law graduates

3.4 SDA

The SDA Bocconi School of Management deserves special attention, both due to the importance which it traditionally has had for our University, as well as for the deep changes currently underway. In order to embrace the Strategic Plan's indications, in the past few years SDA has realized a series of important changes regarding internal organization as well as extremely important initiatives in the field of research and post-experience education.

The constant change which characterizes the School's teaching offer is based on intense and growing research activity and on the development of new teaching methods. Interaction with companies is one of SDA's traditional strong points. For some time SDA has realized highly structured programs, created in collaboration with specific companies and reserved for an internal target (examples are the Emerging Talents projects created with Intesa Sanpaolo and the Leadership for Energy Management Program, realized in collaboration with IESE for Enel University). This year the Academy formula was launched, which are specialist programs elaborated in close collaboration with companies that are leaders in their sectors but are aimed for the market. Examples are the newly-created Academy of Health Care Economics and Management, in collaboration with Novartis; Sport Business Academy, in collaboration with RCS Sport; Channel & Retail Academy international, in sponsorship with IBM.

On the teaching offer front I also want to mention the International Think Tank, the first Bocconi initiative realized in China without a local partner, aimed at Chinese and international managers in Shanghai. The School has been present in over 15 countries with its research studies, such as the United States, France, Germany, England, Spain, Romania, Austria, Poland, Turkey, and the Arab Emirates.

In the near future, SDA will be working on two particular challenges. Regarding teaching, the internationalization processes which have been started will be consolidated through a greater presence in several target regions (China and India, the Mediterranean, Russia and Brazil); new innovative initiatives regarding content, format and teaching methods are also underway (including

the use of technology-based projects developed at the School's Learning Lab). Regarding the Faculty, the Faculty recruitment and detainment processes will be further boosted in a context of increased international mobility, and the School wishes to improve research production both in terms of academic research as well as impact research, especially through the strengthening of the policies of certain Observatories (currently there are 8 active Observatories).

The innovative ability and quality of SDA programs are also confirmed by several recent recognitions. In the last two years the School of Management has obtained once again full accreditation from the most important bodies of world accreditation (EQUIS and AMBA), and just a few days ago we received news that the SDA was included in the prestigious Business Week ranking (the only Italian school), classified at the 18th spot in the world for non-American Business Schools.

4. Acknowledgments and concluding remarks

In 1986 the space shuttle Challenger exploded because of a breakdown in a small component, an O-ring. Michael Kremer, an economist of development at Harvard, took a cue from this episode and came up with what we now know today as the O-ring Theory, the theory that shows the complementarity between different components and the input of a productive process.

If we apply this theory to an institution, we see that in order for everything to work well, all the parts must operate in harmony and perfectly, because even the smallest and apparently marginal ingredients are crucial to the institution's success. Bocconi is the demonstration of the validity of this theory. It is no accident that in many parts of this report I have talked about our University as a complex ecosystem. Everyone contributes to the success of this institution we are a part of, no one excluded. We should all be equally proud when a student graduates with success and begins a brilliant career, because each one of us has contributed to realizing that student's dream, to making their experience at Bocconi special. The various components of the Bocconi community are complementary and all equally indispensable. Should just one small gear not work we would risk a failure like the one that occurred the morning of 28 January 1986 to the Space Shuttle.

This is why I want to thank the entire Bocconi community for the commitment, passion and collaborative spirit which are so profuse every day. I would also like to take this opportunity to remember with affection and gratitude three of our colleagues who passed away prematurely this year: Innocenzo Del Grosso, Vittoria Meini and Sandro Roventi, who during their long careers here at Bocconi gave so much to all of us and to numerous generations of students.

I wish to thank the entire faculty body, the staff, students and their representatives in the collegial bodies and associations.

A particularly heartfelt thanks, on behalf of the entire University, goes to the members of the Rectoral Committee, the Heads of Departments and the top managers. In particular, I thank our colleagues who finished their mandates: Professors Piergaetano Marchetti and Guido Corbetta, Vice-Rector for Academic Governance and Institutional Relations and Dean of the Graduate School, respectively; Professors Federico Ghezzi (Head of the Department of Law), Donato Masciandaro (Head of the Ettore Bocconi Department of Economics), Francesco Saita (Head of the Department of Finance) and Salvo Vicari (Head of the Department of Management).

In conclusion, I am personally grateful to the members of the University Board and of the Executive Committee, to President Mario Monti, to Vice President Luigi Guatri, to Chief Executive Bruno Pavesi, and to Professor Antonio Borges, who have guided me with their experience and advice.

With this I declare the opening of the academic year.