The background of the entire page is a vibrant green. Scattered across this background are several red alarm clocks. Each clock has a white face with black Roman numerals and black hands. The clocks are shown from various angles, some in the foreground and others in the background, creating a sense of depth. The lighting is bright, casting soft shadows from the clocks onto the green surface.

Sustainable capitalism is increasingly a common goal. Companies and the financial sector are now called on to modify their business models. Here is the contribution of Bocconi researchers to this paradigm shift

ESG For whom the alarm clock rings

Bocconi

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CLARITY IN A MESSY WORLD

Now you can listen to Bocconi academics talking about their most fascinating research topics whenever and wherever you like, for free.

Welcome to **CLARITY IN A MESSY WORLD**, the podcast that looks at the causes behind some of the most confounding issues of our time, produced by Bocconi.

Host David W. Callahan talks with world-class experts who share their knowledge and insights in plain language and help listeners untangle a seemingly chaotic world.



Fabio Vaccarone, Vice President at Google



"Agility is the new mantra as companies have to keep up to speed with how customers are experimenting and using technology."

Aldo Bisio, CEO of Vodafone Italia



"Covid has given an extraordinary push to the digitalization of our society. All the world now thinks a digital society is possible and desirable."

If Prof. Keating Had to Teach Remotely

// It is precisely when you think you know something that you have to look at it from another perspective (...) Look around you! Dare to change. Look for new ways." This is one of the many teachings that Professor John Keating (Robin Williams) imparts to his students in the film *Dead Poets Society*.

In this year of distance learning as a professor and as a parent I have repeatedly thought about what Professor Keating would do or say to his students about Zoom and how they would react.

The relationship that is created between teacher and student is part of the learning process, a fundamental part that can influence choices and fields of interests (the same thing happens in the working world between leaders and their co-workers). What student hasn't had the experience of saying that they like a certain subject because of the way the teacher explains it?

The problem of online teaching is not the means itself but the ability to use it and integrate it into the teacher-student relationship. Returning to Keating's words, for years as teachers and students we believed we knew how to teach and how to learn. Now that conditions have changed, it is time to look around us and find a new path.

We already know that the new path does not imply the abandonment of the old one at all. Physical classrooms will not disappear but rather will be enhanced and made free and more suitable for dialogue and exchange between professor and students and among students. Today, you could say we are in the middle ground, laying the foundations for an epochal change. We are pioneers, builders of a new paradigm. We innovate and in doing so we make mistakes and then make

improvements and continue to innovate. Professors and students do it together, and we must all be proud of this. We do it in our university classrooms, but we also look for solutions to help the youngest and most vulnerable students in Italian schools. This is the case of TOP - Tutoring Online Program which, starting from a research project by **Elia La Ferrara** (Bocconi) and **Michela Carlana** (Harvard Kennedy School), has created a tutoring system that today involves 800 university students (mostly Bocconi students) who work alongside the same number of junior high school kids. The experiment conducted during the first lockdown returned exceptional results: three hours of online tutoring per week proved to be sufficient to produce significant effects on students' academic results (+ 4.7%), well-being (+ 26%) and on socio-emotional skills (+ 21.1%). An intensive six-hour-a-week program doubled the improvement in academic achievement. The project has also been adopted in some countries of South America and we hope its success will also be a stimulus in Italy to extend it nationally and help students and families in difficulty.

The short-term goal for everyone is to return to attending school and university classrooms regularly and without interruption, to regain the aspects of socializing and exchange that have characterized the learning process since the times of Socrates and Plato. But in the meantime, we must not give up on "creating new paths". And to our students who recently graduated online or are starting to attend classes again, I say "Carpe diem, seize the moment guys! Make your lives extraordinary."

Gianmario Verona, Rector

Bocconi

LUCA DID A LOT FOR OTHERS.
TOGETHER, WE ARE DOING
SOMETHING IN HIS MEMORY.

“

Luca's memory will not fade away.

ANDREA M

“

Studying and working to try to understand the world.
May your example always guide us.

SERGIO A

“

Luca, your legacy has been outstanding
and it is our honor to carry it forward.

LUCIA A

THANK YOU



FIND OUT MORE

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8 days to resha

150 challengers shared ideas and knowledge with 40 experts, including Bocconi professors and alumni, journalists of the Financial Times, and managers during the second edition - the first virtual one - of the FTxBocconi challenge

pe the world

Innovation Is a Vocation T

As a professor, Markus Venzin has always tried to promote an entrepreneurial spirit among his students. Today he's focusing on startups as Bocconi's Dean for Innovation and thanks to his leadership roles in the B4i accelerator and SDA Bocconi's Innovation and Corporate Entrepreneurship Center. Where's the flaw in the Italian ecosystem? There's a need for more Deep Tech companies, true innovation and a little courage

by Emanuele Elli and Francesco Elli @

// When I ask students about their professional goals, a lot of them answer that they want to launch a startup. And even students who hope to become managers in a large company have a strong ambition to drive change. In short, entrepreneurship is a common and increasingly shared vocation." No one could be happier to see this than **Markus Venzin**, Full Professor of Global Strategy, Dean for Innovation and Director of the Innovation and Corporate Entrepreneurship Center at SDA Bocconi. In fact, his role is precisely to fuel students' desire for entrepreneurship by organizing new initiatives and specific projects, such as the B4i incubator or the [FTxBocconi Talent Challenge](#). "As an instructor," says the professor, "I have always tried to respond to this demand by bringing any innovations I've absorbed from field research or consulting activities to the classroom."

→ **How would you assess the Italian startup scene? Do enough of them get founded to imagine that any will grow into an important international company?**

The number of startups is important, but there are still too many marketplace initiatives, i.e. using digital platforms to bring together supply and demand, and not enough Deep Tech. The innovative element today is fundamental for success. There's a huge difference between the idea of renovating a farmhouse to turn it into a B&B and a new technology

for creating super powerful microscopes!

→ **What is your explanation for this Italian struggle to produce innovation in the digital age?**

I believe that the cultural aspect is crucial. Young people learn in part by example and there aren't many Italian entrepreneurs who really take risks. I happen to notice it even when we analyze internationalization processes: in Italy the typical approach towards new markets consists of some export incentivization, then investing a little in marketing, finally creating a small branch, in a sort of progressive evolution. In Switzerland or Germany, the scheme is different: a strategic plan is made and a significant share of capital is immediately allocated to attack the new market with determination.

→ **Is it more difficult for a startup in Italy today to find capital or a quality advisor?**

With the crisis, lots of managers have left companies to work as advisors, but without really having the right experience. Having a professional network such as the one we offer at Bocconi is therefore an added value for those in acceleration, pre-acceleration or even in the scale-up phase. The real difficulty for young entrepreneurs is finding an experienced startupper who wants to invest 100% of their time in a new company. As for capital, in Italy fundraising is less aggressive than elsewhere, funding of €10mln

What Should Be Encouraged

MARKUS VENZIN

Born in Switzerland and with a PhD from the University of St. Gallen, Markus Venzin was the first non-Italian Assistant Professor at Bocconi. Today he is Professor of Global Strategy, Dean for Innovation and Director of ICE at SDA. "In 2001 I decided to move to Italy," says Venzin. "I had a good career prospect in Switzerland ahead of me, but Bocconi's proposal was very enticing, and I also intended to marry a Sicilian woman, so I made a "foreign investment" in Italy. I must say that the choice has paid off. At the beginning, it wasn't easy, however: in Milan my car was immediately stolen, and it was also difficult to rent an apartment without speaking much Italian. At Bocconi, on the other hand, thanks to the help of Professor Guido Corbetta, I integrated quickly." Formerly founder and Director of the Master in Science in International Management, Venzin was also Director of the Department of Strategy and Entrepreneurship and the Research Department at SDA. "I believe that my greatest contribution in that role was to direct the school towards action research, moving away from advisory a bit. It's great that teaching and consulting activities remain separate, even though they are two complementary activities. Teaching is wonderful and relationships with students every day is an enriching experience, while consulting is essential to bring new knowledge into the classroom."

B4i, Bocconi for innovation The House of Startups

16 accelerated startups or acceleration courses and 50 startups accepted for the pre-acceleration phase: these are the numbers of the first three years of B4i - Bocconi for Innovation, the accelerator at Bocconi University. B4i is under the leadership of the Dean for Innovation, **Markus Venzin**, and Operating Director, **Nico Valenti Gatto**. It relies on important institutional partnerships, including the Italian Institute of Technology (IIT), Politecnico di Milano, Università degli Studi di Milano, and operational partnerships with Plug and Play, Invitalia and Kilometro Rosso. As an accelerator, B4i helps startups interact with mentors, expert consultants and companies working in their fields of interest. At the end of the four-month acceleration program, accelerated startups have the opportunity to introduce themselves to angel investors and venture capital funds to raise funds for the next phase of their business. As a pre-accelerator, it welcomes entrepreneurial ideas still in the embryonic phase, to support them until they have a minimum viable product.

here is already a great result, but it is equally true that the market isn't as liquid and there aren't as many opportunities.

→ What are the first aspects you assess in a startup?

The first thing I look at is the mission statement. I ask myself: does this initiative create value for society? Secondly, I want to get to know the team and study their backgrounds because I try to understand whether they are also prepared to eventually reorganize their business if faced with new demands. Finally, I assess whether they know their customer well, if they already have market feedback and an MVP of what they offer.

→ If you were one of your students who dreams of becoming a startupper, what areas of innovation would you focus on?

I don't know what I would have done as a student, but I can say that in Corporate Hangar, the Venture Builder I created with Prysmian, we already have three startups. One produces a device that attaches to cable reels and remotely provides indications of location, consumption, movement and other parameters. The second works in vertical farming and has developed a cabinet that allows you to create a small private garden for vegetables or other plants even in closed spaces, for example in an office. This is an idea that I really like because it helps address excess Co2 by increasing the number of plants that can absorb it even in environments where there normally aren't any. The third area that fascinates me is that of materials science linked to waste management, so we activated a project with Comieco and Assocarta to create a new ecological plastic from the waste of paper disposal. This is about true innovation, not improving something that already exists, but rather bringing to life something new. ■

Entreprene

From the creation of a high-resolution micro startups that have passed through the pre-

ALKI-VIO

New Life for Paper Residues. As Alternatives to Plastic

One of the most important challenges of our time is safeguarding the environment in all its aspects. Among these, there is certainly the fight against pollution caused by plastic, a field to which the [Alki-vio](#) joint lab is making its contribution. The lab was born from the collaboration between the Smart Materials group of the Italian Institute of Technology and the multinational Novacart, world leader in paper food packaging. Alki-vio researchers were able to discover how to transform the paper residues coming from Novacart production processes into new biodegradable and compostable materials that are an alternative to plastic packaging. Now, after years of research, the technology is market-ready, even if the startup in charge of doing so has not yet been established. "The challenges we therefore have to face," says **Alex Davis** of Alki-vio, "are many; first of all, from a technical point of view, to understand how to efficiently transfer our technology from the laboratory to an industrial scale." As regards the business idea, however, support came from the pre-acceleration phase of B4i, which helped Alki-vio develop the idea and analyze the potential of the technology from all angles. "We have learned interesting insights from the Lean Startup method, an approach that seeks to reduce as much as possible the time taken to optimize a product or make decisions on one's business through rapid confirmation or refutation of relevant hypotheses. In particular, we try to have our minimum viable product tested by partners and potential customers, to really understand what their needs are and propose tailor-made solutions". The battle against plastic has just begun.



DOCTORSINITALY

Somebody Call a Doctor Who Speaks My Language

Before leaving, you never think about it, but when you happen to get sick during a trip abroad, you always remember it. The anxiety of needing a doctor and not knowing who to contact is common in all tourists, including those arriving in Italy, and it is from this awareness that **Nadia Neytcheva** and **Francesco Maria Serino** have created [DoctorsInItaly](#). It is a platform that helps find a doctor with the linguistic and

urship in 10 Stories

scope, to the hunt for the most hidden Made in Italy products or helping foreign patients: ten acceleration and acceleration paths of B4i - Bocconi for Innovation

BRYLA

A Photovoltaic Patch to Treat Chronic Wounds

Bryla was born from the decision of three researchers from the Tissue Electronics group of the Italian Institute of Technology in Naples,

Francesca Santoro (Principal investigator), **Ottavia Bettucci** (Postdoc) and **Valeria Criscuolo** (Technician), to bring a basic research project to an entrepreneurial level. They are developing a wearable photovoltaic patch with a built-in 24-hour monitoring system, to treat skin wounds and improve the quality of life of many people suffering from chronic injuries.

Coming from research, the first difficulty encountered was to enter the dynamics of the business. Ottavia Bettucci says: "We had to study a lot and question our idea many times to be able to adopt an entrepreneurial perspective, and in this sense Bocconi 4 innovation was a program that literally opened our minds. Thanks to the lessons held by highly trained and stimulating people, we were able to examine Bryla's weaknesses and strengths, work on it and, with the mentor assigned to us, define ad hoc strategies for the project. It was truly a qualitative leap." Now Bryla's pre-acceleration process has ended, with a Demo Day that allowed the three researchers/entrepreneurs to get in touch with investors and experts in the sector. The road is still at the beginning, but the trust and awareness accumulated enable them to look to the future with enthusiasm: "Now," concludes Ottavia, "we are focusing our efforts on finalizing the proof of concept so as to start the actual round of fundraising before the summer."



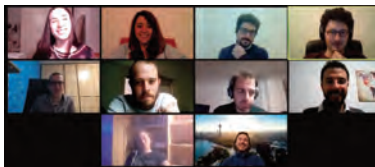
cultural skills necessary to assist people who are in Italy but do not know the language or understand the national health system. This is an ambitious project also because, as Nadia underlines, "With the transition to remote work and the return of tourism, Italy will see an increase in the presence of digital nomads who will move to our villages and expect high-level medical assistance. Initially, with a first nucleus of doctors in a single city and in the most important specialties, we focused on the demand, which



CARGOFUL

Running a Small Fleet of Vehicles as Smartly as Large Logistics Companies

"B4i is a fantastic community of people that have the desire to experiment and get involved. Working in this dynamic environment allows you to grow and make other people grow." It is with these words that **Erica Pezzica**, Co-Founder of **Cargoful**, underlines the importance and pleasure of the experience lived within the B4i program. An experience that lasted about 4 months, during which the startup founded together with **Filippo Tamburini** expanded the team from 4 to 10 people. Cargoful is a digital application that allows small and medium-sized transport companies to have the advantages and technology usually reserved for large fleets of trucks and vans. The application allows users to track vehicles via GPS, offers a platform to digitally manage loads and documentation, and uses algorithms and advanced analytics to plan and increase the utilization of load capacity of vehicles. The idea was born from the previous experiences of the founders who, upon coming into contact with the varied world of logistics and transport, discovered the problem of low utilization of fleet capacity in small and medium-sized companies. "We decided to create a platform that would allow these companies to exploit the advantages of technology and digitization in a simple and effective way to optimize loads. B4i has helped us from many points of view," continues Erica. "The funds received allowed us to give a decisive boost to the development of



the beta version of the platform, while the B4i team helped us by setting the right pace in terms of the timeline of objectives to be achieved and advising us in all areas of business."

has grown steadily since the very start. Now our focus is on the growth of the supply side: the selection of doctors and health facilities throughout Italy."

DoctorsInItaly was selected for the B4i acceleration program: "A perfect context for those who have already completed part of their project and are entering a new phase of growth. The search for product-market fit is a constant cycle and it can happen that you change your initial idea a lot. B4i gave us the tools, the network and the support we needed to quickly explore different options that we had not considered."

GENOA INSTRUMENTS Super-Resolution in a Microscope

If you are looking for an organization that takes shape during the years of university study, grows in the field of research and then seeks to take off in the business world, the history of [Genoa Instruments](#) is a perfect example. As told by **Simonluca Piazza**, one of the 5 founders together with **Marco Castello**, **Paolo Bianchini**, **Giuseppe Vicidomini** and **Alberto Diaspro**, the idea comes from their doctoral projects: “Our research and development work has always been oriented towards the creation of new techniques of biomedical imaging, new sensors and image processing algorithms. With Genoa Instruments we have decided to launch the first Italian company of super-resolution optical microscopy. Our instruments find applications in fields of the life sciences such as molecular and cellular biology, diagnostics and the development of new drugs”. The research project started in 2014. Then, five years later, Genoa Instruments was founded and at the same time the development of the first prototype of the PRISM super-resolution microscope began. The business venture is still in its infancy, but there has been no shortage of awards, the last of which is the entry into the B4i acceleration path: “The B4i team immediately proved to be extremely collaborative, offering expertise and support on every aspect, from fundraising and investor research to legal

support, planning and enhancement of intellectual property, and networking”. At the end of the process, the startup presented itself to potential investors during the Demo Day: “To date, Genoa Instruments has collected about €370,000. And the B4i team and the Bocconi network will certainly support us in the next steps of our adventure.”



GREEN GAMES Environment Education Through Play

You can learn and have fun through (sustainable) play. This is the idea on which **Alessandro Puppo** and **Davide Cifarelli** founded [Green Games](#), a startup that aims to “develop communication and environmental education video games for businesses.” After an initial attempt focusing on mobile video games for the consumer market, the two changed their strategy, exploring alternative ways to make the startup a business enterprise capable of expanding worldwide. This is when the B4i pre-

acceleration program came into play. Through the program, Green Games has gotten in touch with companies with a focus on environmental issues, and has realized how they invest thousands of euros in communication and environmental education using tools that fail to attract the attention of young people. Green Games

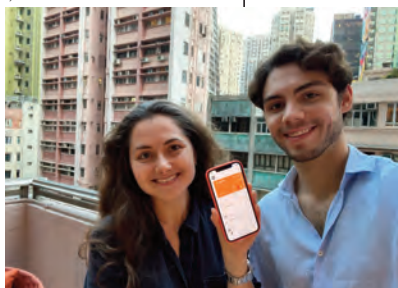
thus decided to provide a B2B web, mobile and desktop video game development service for environmental education: “That way,” explains Puppo, “the startup creates value for its customers, directly linking fun to a greater awareness of environmental issues. During the pre-acceleration process we met several experts and figured out how to make the idea of the project a reality.” But it didn’t stop there, because Green Games was also selected for the acceleration program.

“This is one of the best opportunities for startups in Italy. We just finished the program, but the support we have received is invaluable.” Today, Green Games wants to grow to be able to educate more and more people, so it is looking for determined and ambitious young people who have an academic background in sustainability to include on its team.



JIPAY Paying Household Help by Credit Card

Keep track of household expenses and offer domestic help a way to manage their finances. This is the idea behind [JiPay](#), a startup launched by **David Linsey** and **Dayana Yermolayeva** based on their experience as students in Hong Kong. There, like in other parts of Asia, the domestic work industry is highly developed, but there are no alternatives to cash when paying household help and collaborators and allowing them to shop on behalf of their employers. The JiPay system remedies this situation, thanks to cards issued in the name of the owner or worker, that can be easily recharged and used on



the Mastercard and Apple Pay circuit. Says Dayana: “In less than a year we have raised \$300,000 by establishing partnerships with a backend company and a distribution company.” All this despite the pandemic causing a long hiatus in the two partners’ travel to Hong Kong and Singapore, the first two countries where the system will be launched. Between permits and quarantines, now things seem to be going in the right direction, thanks in part to a sure boost from participating in the B4i program: “David and I have believed in our idea since day one, but having tangible proof that even my university supports JiPay has allowed us to act more confidently when meeting external partners. We didn’t receive funds directly from B4i, but we did take part in the Pre-Acceleration Demo Day, where we got in touch with very interesting potential investors. We also really appreciated the constant support from our mentor at B4i, Sabino Costanza, who provided us with lots of advice based on his own entrepreneurial experience.”

QUICK ALGORITHM

Data Analysis Just Like Big Tech

The algorithm is something indecipherable to most, but familiar to all as the mysterious engine of outfits such as Facebook, Google, and many other Big Techs. In fact, the possibility of using algorithms of a certain type, which process enormous amounts of data in real time, is the prerogative of a few large companies. This is the situation that **Jacopo Piana** set out to change when he created [Quick Algorithm](#), born from the idea of “democratizing the use of advanced data analysis, making it available to all companies.” To do this, Piana designed the Scops software and created a platform with a simple interface, in a social network style. Through these tools, companies, especially in the industrial and manufacturing sectors, can collect data that would otherwise be lost, analyze them, and identify waste, areas of



intervention, anomalous trends, and anything else that can help improve production processes and save time and resources.

Quick Algorithm was already an active company when it entered the B4i acceleration program and had arrived at the right moment in which, “from the pilot phase we were preparing to move into large-scale production.” The aid provided by the Bocconi program proved to be substantial, “from the point of view of stimuli for product improvement, management of the work process and, above all, the constant feedback received from the B4i team and other startups. In particular,” Piana points out, “we benefited from the legal support offered by the partnership with the prestigious Orrick law firm, which proved to be fundamental for us.” Now that Quick Algorithm is “ready to scale” the next steps are the release of version 1.0 and, probably in June, the first round of capital increase.

VIAMADEINITALY

The Platform That Brings Italian Artisans out into the World

Made in Italy is a recognized and sought-after brand all over the world. For large companies such as those in fashion, these three words are synonymous with real possibilities of million-dollar business. However, for many artisan companies, which constitute the backbone of the Italian economy, they are often just pretty words. What more stimulating mission can there be, then, for a young startup, if not that of helping these businesses to reach an international audience? This is the commitment that **Tommaso Zanin, Marco Reiter and Marco Mutto** made when they created the B2B digital platform [viamadeinitaly](#). Not a software that requires digital experience to be used, but an easy-to-manage system that is able to bring concrete contacts from around the world. When the startup entered the B4i accelerator, it was perhaps the most advanced among the selected projects, but the Bocconi program was no less important for this reason: “First of all,” says Zanin, “it was very satisfying to be selected. After that, B4i has certainly refined our approach to our work, so much so that we still today use tools and methods we learned there. Furthermore, it has given us great credibility: I cannot deny that after the first Demo Day we were able to talk to various investors that we might not otherwise have reached.” But the program also left a more personal legacy, namely “the relationship created with the B4i team, not only in terms of mentorship



for our business, but also in terms of harmony and synergy among the people we met.”

TIPICALITY

Hunting for Regional Specialties



Who doesn't like traveling around Italy in search of the most authentic flavors? This is a rhetorical question, which generally results in a predictable answer and a weekend trip. Not for **Clarice Buonsante**, who, along with two friends, founded a new company based on this hobby, [Tipicality](#). “When we

travel around Italy, we love to get lost in the country lanes in search of small producers of local delicacies. We realized that many of these excellencies are unknown at the national level, some even risk disappearing due to small producers struggling to reach the general public. Hence the idea of describing authentic local products and letting consumers try them through regional boxes.”

A great idea was there, but first it all needed to be transformed into a business model before launching. Key assistance came in the form of the Bocconi for Innovation pre-accelerator, which provides young entrepreneurs with the tools to transform an idea into an MVP. Clarice continues: “At the beginning we were guided in validating our customer problem, and this allowed us to refine the target through interviews with potential consumers. In addition, thanks to the pre-accelerator team, we had the opportunity to give our first prototype to the mentors and speakers of the course, a valuable opportunity to get feedback and continue to improve our product.”

Today, the pre-acceleration program has just ended: “In the coming months we will focus on selecting the best small regional producers and we will continue to refine our value proposition, in order to be ready for fundraising and for the launch of the business in the second half of the year.”

Small States, Smart

From Estonia to Barbados, states with fewer than 3 million inhabitants are real laboratories of good governance which even the largest states can learn from. Because the problems governments face, from climate change to globalization, are the same no matter the country size. And smaller states employ smarter strategies

by Marlene Jugl @

Small states are often overlooked in research and in public debate. The experience of Estonia, Luxembourg or Barbados may seem irrelevant for mainstream public opinion in Italy, Germany or the US. However, small states offer some interesting insights and lessons for problems that larger states and societies must face as well. We could consider small states, those having a population below 3 million or even 1 million, as political laboratories. Small states have been exposed to the vagaries of world markets since before globalization became a ubiquitous buzzword, and small island-states are among the first experiencing the existential threat coming from climate change. Small states are also characterized by chronically limited resources: fewer people, fewer industries, comparatively little money and small budgets. Sociologists have identified the so-called “paradox of vulnerability,” namely that small states have developed intelligent strategies to adapt to these challenging circumstances. They not only cope and survive, but may even thrive. Since globalization, fiscal pressure, and climate change are increasingly



MARLENE JUGL
Assistant Professor
of Public Administration,
Bocconi University



pressing issues for larger states as well, they may learn from the coping strategies of small states. Unsurprisingly, the number of government employees mirrors the population size of states. Small states in Europe have far fewer government employees than larger EU or OECD states. This is intuitive for police officers and teachers, whose demand depends on the size of the population, but it also reflects the fact that there are fewer public servants in government departments and administrative offices. Small states' public administrations have less manpower and cannot specialize as much as bureaucracies in larger states.

Despite huge discrepancies in resources, small states are able to govern effectively. Their citizens expect that basic state functions are fulfilled and public services delivered just as in larger states. Of course, governance quality differs among small states, let us say between Cyprus and Estonia, but on average smaller states reach government performance levels comparable with those of larger EU and OECD countries. How do small states get comparable levels of effectiveness from their smaller absolute size, resources and capacities? The answer lies in the actual governing and administrative practices that turn these inputs into outputs. Small states employ a variety of coping mechanisms. Firstly, small size does not allow for much specialization but it allows for informal communication and coordination. Compared to larger states with large, specialized and highly formalized bureaucracies, the small-state approach of governing is more pragmatic, focusing on “the bigger picture” and few central tasks out of sheer necessity. Secondly, and in line with the paradox of vulnerability, the feeling of “everyone being in the same boat,” and awareness of external challenges drives internal solidarity among political, administrative and societal actors. For example, the successful coping of several small European states with the global financial crisis has been linked to their historical experience of external threats and challenges that ingrained a routine of

Solutions



THE ACADEMY

The Government Academy, a flexible and customizable management training program, launched by SDA Bocconi for managers, directors and employees of public bodies and companies

internal cooperation and resilient institutions. Thirdly, because of their limited resources, small states have a track record of achieving organizational synergies. For example, the small island states of the Eastern Caribbean routinely pool their limited resources at the supranational level. The Organisation of Eastern Caribbean States offers specialized training for civil servants that these small states could not afford individually. Highly technical monetary policies and the regulation of telecommunications are outsourced to a regional central bank and a communications authority, respectively. Of course, small states are different from larger ones. However, we can draw important lessons from these governance laboratories: smart government does not necessarily need large resources. It requires ideas, flexibility and the right mindset. Understanding their specific vulnerability and learning from the experience of small states can help public managers in larger states adapt their organizations to emerging challenges. ■



THE BOOK

The underlying thesis of *Filosofia e governance pubblica* by Edoardo Ongaro (Bocconi Editore, 2021, 304 pg, €29.50, in Italian) is that philosophical thought can provide a decisive contribution to the understanding of public governance. The book examines the disciplines that study public administration - from management and economics to political science and law - from the perspective of foundational philosophical questions.



The Victory Explained by Three Factors

Economic shocks, voter disappointment, and candidate behavior in the electoral competition are the elements that have allowed populist parties to advance. This is what emerges from a Bocconi study

by Fausto Panunzi, Nicola Pavoni, Guido Tabellini @

The sometimes tumultuous growth of populist movements is undoubtedly one of the most significant political phenomena of recent years. The link between the emergence of populists and adverse economic shocks now seems clear: the emergence of China as a world economic power and the Great Recession, with their impact on employment, were decisive factors in this regard.

But there is a surprising element: if economic shocks have spread skepticism among citizens towards the functioning of markets, why have voters rewarded populist movements and parties that supported conservative economic platforms? For example, Trump won the US presidential election in 2016 by promising tax cuts that would reward the richest above all. Why did so many workers and unemployed people vote for Trump, despite his proposals to downsize welfare programs? In our paper “Economic Shocks and Populism: The Political Implications of Reference-Dependent Preferences” we try to answer this question. The salient feature of populist parties is, in our opinion, that they are riskier than traditional parties. They are for various reasons: their leaders are less experienced and therefore less tested in their ability to make decisions; and they are typically anti-establishment and supporters of



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unorthodox and often radical policies. But why should being riskier be a pull factor for a political party? Most citizens and voters are usually risk averse. To understand this, we must consider another element of our analysis: in determining the satisfaction of individuals, the final result is not the only thing that counts - the individual reference point is also important. For example, if our team draws 3-3 in a match, we will typically be very happy if that happens after they were down 3-0 earlier, because at that point we expected them to lose. On the other hand, we will be very unhappy if this happens after our side had been ahead 3-0, given that at that



THE BOOK

From Brexit to Donald Trump to rising extremist parties in Europe and the developing world: populism dominates the news of late. But what accounts for the rise of leaders stoking nationalist anger in their countries, from Le Pen to Erdogan? How long will the populist wave last? Ian Bremmer, CEO of Eurasia Group and Time columnist, discusses this in *Noi contro di loro* (Egea, 2018, pg.224, in Italian, €13.90).



point we had the idea that our team would win (this really happened some time ago, on opposite sides, to two of the authors of this article).

A well-established fact in the literature is that individuals become more likely to make risky decisions when they are disappointed, that is,

when the outcome is below their expectations, their individual reference point. Putting the elements together, adverse negative shocks lead some individuals not to get what they expected and therefore push them below their benchmark. Such individuals then find risky decisions attractive. In the political sphere, they can become supporters of populist movements precisely because they are more risky than traditional parties.

At this point a final element of our analysis comes into play: the behavior of candidates in the electoral competition. We imagine that voters differ both in terms of their dissatisfaction and in terms of their desire for fiscal redistribution. Some of them, the poorest and the middle class, are in favor of high taxes because it is mainly in their favor. Others, the richest, are instead opposed because they are the most penalized. What fiscal policies will populist candidates offer then, and what will moderate ones propose? Suppose, for simplicity, that the poorest are also the most disappointed. They will then vote for the populists, even when they offer little redistributive fiscal policies. Political competition between populists and moderates is then primarily for the middle class and the rich. The middle class is larger and more risk averse. For this reason moderate candidates focus on attracting the middle class by offering a high degree of redistribution, while populist candidates aim to win the support of the rich by offering tax cuts. Thus, the populists end up uniting an unlikely coalition of the rich and the disappointed, as happened in the United States in 2016. How stable this strange alliance is will only be established in the next few years. ■



THE PAPER

Economic Shocks and Populism: The Political Implications of Reference-Dependent Preferences, by Fausto Panunzi, Nicola Pavoni and Guido Tabellini



ESG New Deal

by Francesco Perrini @

Sustainability and ESG factors are increasingly at the center of the agenda of policy makers, managers and finance. The pandemic has only increased attention to sustainability: it is an acceleration of history, as the Israeli historian Yuval Harari defines it. Green, social and digital issues have become central elements on which to base the restart. At the institutional level, a great deal has been said about EU and national funding that is needed to manage the gradual recovery from the crisis. A turning point has been implemented in Europe thanks to the concentration of the flow of funding available on the green new deal, with the approval of the 2019 Action Plan. This plan provides for an allocation of approximately 1,000 billion euros over a decade to transform the climate and environmental challenge into an opportunity, ensuring the development of a more just, prosperous and sustainable society. This trend was then accelerated with the agreement to finance the "Supporting the Green Transition to a Climate-Neutral Economy Via Funds from Next Generation EU" with 750 billion. Italy will be the largest beneficiary with around 210 billion euros. Finally, Biden's recent success in the American elections has revived the issue of combating climate change and sustainability, with the idea that these challenges could become the common pivot of the international political and economic agenda for the next decade. This raises hopes for global agreements at the next G20 in Italy and at COP26 organized in November in Glasgow by the UK in partnership with Italy.

On the business side, it is now clear that the global business community increasingly considers environmental and social issues. Also, under the pressure of stakeholders, companies have adopted



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some social causes, in many cases even before these requests were accepted by the individual countries or the legislation in force. In recent years, the international business community has increasingly perceived the seriousness of the negative impact of environmental and social risks on its activities. In 2019, the main US multinationals signed the *Statement on the Purpose of a Corporation*, which highlights the centrality of stakeholders, adopting a long-term approach to value creation processes, according to which, alongside profit for shareholders, companies must "have a sustainable purpose for all stakeholders."

Today citizens and business leaders are calling for a change of mentality in favor of sustainable capitalism. In addition to traditional economic and financial risks, companies also face Environmental, Social and Governance (ESG) risks. New risks ranging from natural disasters to viral epidemics, price volatility and sudden shocks in demand can lead to an epochal crisis.

Innovative solutions are needed to combat the destruction of natural resources, climate change, inequality, social conflict, etc. (not to mention that the ongoing digitization consumes more energy). Among the many things needed today, it is essential to rethink doing business according to a new sustainable and circular model flanked by an ecological energy transition and infrastructures for sustainable mobility. To achieve all this, it is necessary to develop new managerial excellence capable of combining corporate growth with social and environmental concerns. By integrating sustainability into the logic of governance and innovation processes, business models and supply chains, we can promote the development of excellent sustainable businesses. Finally, a necessary condition



There is a unanimous chorus of citizens and business leaders calling for a change of mentality in favor of sustainable capitalism, the only kind capable of responding to the new risks to which the planet and society are increasingly exposed. To respond to climate change, social inequalities, health crises and the depletion of natural resources, innovative solutions are needed. Starting from a new model of circular business and sustainable finance



THE MASTER

Sustainability, climate change and energy are globally recognized challenges for the 21st century, calling for a strong commitment to change by governments, companies and civil society. The Bocconi Master in Sustainability and Energy Management (MASEM) addresses tomorrow's challenges related to sustainable development, energy and the environment.

is to align corporate sustainability and ESG finance. The concept of sustainable finance, or the meeting between financial activity and the growing need to make doing business sustainable, is armed with innovative tools, both in the market and within the European Union. Sustainable finance evaluates ESG factors when making investment decisions in the financial sector, leading to an increase in long-term investment in sustainable economic activities. A sustainable or responsible investment strategy (so-called Sustainable Responsible Investment, SRI) integrates financial analysis with analysis of environmental and social factors and good governance, in order to create “shared” value for the investor and for society as a whole. This framework also includes impact investing which is the private capital investment strategy that aims to create positive social impacts and, at the same time, economic returns. There is also a commitment by larger investment funds to integrate their investment strategies with ESG factors. Among them, BlackRock, whose CEO Larry Fink has long stated that a company cannot make long-term profits without pursuing a purpose and without considering the needs of a wide range of stakeholders. The growth of sustainable investments once again demonstrates the transformation that the global economy is experiencing: ESG investments that amounted to approximately 31 trillion USD at the end of 2019, up 34% compared to the previous two years, would have reached a third of the total, according to the latest estimates updated at the end of 2020. In addition, some of the largest institutional investors globally have committed to transform their investment portfolios, with the aim of achieving net greenhouse gas emissions of zero by 2050, in line with a maximum



temperature increase of 1.5° C compared to pre-industrial levels.

The dimensional growth of ESG finance is, however, limited by a general lack of knowledge of what sustainable investments are and the benefits they can bring. Greater knowledge of the subject can help not only to affirm sustainable practices in the financial sector, but also support the transition to production, consumption and investment models that are more compatible with the achievement of the SDGs of the UN 2030 Agenda on sustainable development. For a radical change in the world of finance, the real result will be obtained if a convergence of existing corporate non-financial disclosure frameworks is promoted for companies to create a globally accepted and shared set of standards for non-financial sustainability reporting, while setting “sustainable capitalism” as an overarching perspective. And if investors have an approach that not only delves into the corporate dimension of sustainability but also and above all the financing channels of sustainability and the issues that make it true and impactful through standards of identification and verification of investability. Only in this way can investors channel resources in a virtuous way towards industries that really change the planet (circular economy, agribusiness, energy transition, smart mobility, etc.). The idea of ESG finance must not be speculative, it must serve as a lever for the real economy. Portfolio returns on performance are a consequence, not a priority. ■



THE MAGAZINE

The cover story of the latest issue (January/March 2021) of *E&M - Economia & Management*, the quarterly magazine of SDA Bocconi School of Management published by Egea, is dedicated to sustainability in all its forms and to the topic of ESG. The magazine, founded in 1988 by Claudio Demattè as an innovative channel for the dissemination of knowledge and the most advanced practices, is directed by Fabrizio Perretti.





KPI and Language: Why They Have to Change

The macro world of sustainability needs new metrics to measure and evaluate it. It is not enough to readjust existing ones

by Stefano Pogutz @

In recent years, the expression ESG, Environmental, Social and Governance, is recurrent in managerial and investor language. However, from the management and finance community we very often hear criticism about these metrics, their poor reliability and lack of standardization. The comparison is made with the typical accounting and financial figures the same community has been accustomed to using for decades. What we forget when we tackle the issue of sustainability is its intrinsic complexity, which affects our ability to measure and evaluate risks, opportunities and ESG impacts.

→ **BREADTH** Climate challenge, protection of biodiversity, efficient use of resources, human rights, gender equality, corruption, product safety, corporate welfare are just some of the aspects that fall within the ESG architecture. The most widely used international reporting and risk assessment standards include hundreds of metrics, organized into multiple impact categories. Despite the principle of materiality, which must lead to concerted attention on the relevant indicators for a business or industry, the measurement of sustainability requires an extensive and multidimensional analysis.

→ **DEPTH** Each individual metric has specific characteristics. For example, on environmental issues, the logic of evaluation refers to hard sciences, where there is a deep tradition in measurement. Over the years, protocols and guidelines have been developed that help normalize information and make it comparable and consistent. On the other hand, the question of measuring



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social and governance variables is more difficult, where less “objective” parameters exist, and elements that can be measured quantitatively cannot always be found. In any case, multiple data and information are required for each indicator, which must be produced and verified, and which require specific knowledge.

→ **MULTIPLICITY** As much as sustainability has been talked about for decades, the ESG measurement industry is still in its infancy. As in the case of technological innovations, here too we have a plurality of standards, born spontaneously according to bottom-up logic, which populate the market. On the reporting, risk assessment and rating front, we have dozens of data providers (for example, GRI, SASB, Refinitiv, Sustainalytics, MSCI, RobecoSAM, CDP) which offer solutions that are not always homogeneous, and are sometimes complementary.

→ **KNOWLEDGE** However, the aspects briefly described above must not lead to superficial conclusions with respect to the ESG world. In fact, there is a strong asymmetry of knowledge between those who prepare and process the metrics and those who use them. The ESG



THE LAB

The eSG lab - Excellence in Sustainability and Governance for SMEs is a project by SDA Bocconi School of Management and Fondazione Sodalitas in collaboration with Fondazione Enel and Falck Renewables to support the sustainable development of companies through the full integration of ESG issues in decision-making and governance processes. The eSG Lab is part of the SDA Bocconi Sustainability Lab.



application requires specific know-how linked to contexts that are also very different and removed from those of investors and managers. Today, this knowledge is almost completely absent in businesses and finance, where analysts attempt to trace back to their own types of analysis quantities that come from different contexts whose characteristics and implications they often do not fully understand.

→ **LANGUAGE** One of the main challenges to making our capitalism more responsible is linked to the creation of a common language, which acts as a bridge between those who build ESG metrics and those who use them for decision-making processes. Education on these issues, starting from universities of economics, management and finance, is fundamental to establishing a path which in the coming years must lead to a paradigmatic change in the methods of managing and measuring the value created by a company or an investment fund. ■



THE BOOK

More and more, the world of investors and companies themselves are looking with great interest at ESG issues as variables with a growing impact on the cost of capital and risk in general. Company valuation is therefore moving in a new direction, after years of generalized alignment, as Maurizio Dallochio, Carlo Bellavite Pellegrini and Enrico Parazzini explain in *Valutazione d'azienda nel mondo ESG* (Egea, 2020, in Italian, 144 pg, €22)



BAGDADLI AND CAMUFFO Bridging the D

Research on human and social sustainability has flourished in the past decade, but the role that Human Resource Management departments plays (or could play) in facilitating more socially responsible and sustainable organizations has not been examined closely. In fact, there is a big divide between the two areas, according to *The HR Role in Corporate Social Responsibility and Sustainability: a Boundary-Shifting Literature Review* by Federica De Stefano (Assistant Professor at HEC Paris), Silvia Bagdadli (Associate Professor Dept. of Management and Technology) and Arnaldo Camuffo (Full Professor, Dept. of Management and Technology).

The literature review, published in *Human Resource Management*, developed a framework for looking at the role the HR function could play in Corporate Social Responsibility (CSR) and Sustainability. De Stefano, Bagdadli and Camuffo identified 4,000 articles and then restricted the sample to 1,000, which were categorized according to a typology to classify the articles into four quadrants.

Most of the literature reviewed looked at what HR could do in terms of systems (HR for CSR quadrant) to move the organization towards sustainability in areas like training or

BELTRATTI AND BEZZECCHI Getting the Bi

How do Italy's top asset managers see Environmental, Social and Governance (ESG) issues? What are the latest trends and developments? Andrea Beltratti, Full Professor at the Department of Finance, and Alessia Bezzecchi, Associate Professor of Practice Corporate Finance & Real Estate at SDA Bocconi, found out when they interviewed around 40 asset managers in Italy for their book *ESG – Investing, Tecnologia e il Nuovo Paradigma della Centralità del Cliente* (Egea).

The survey found growing evidence that asset managers are using ESG not only to produce products that are compliant (like excluding tobacco stocks), but also showed an increasing interest in using ESG to select all of the companies in their entire portfolio. When asset managers select their portfolios, they use ESG as a criterion to pick the manager.

"Climate change is a good example, it is a relevant factor, and it is affecting companies more and more across all sectors," he said. "Simply adding a few products that are climate change-compliant doesn't really help. You need to show you have done your homework. Asset managers need to think horizontally about the impact of climate change and ESG and sustainability for all the companies you put in your portfolio regardless of whether they are in an ESG portfolio or not." The survey included interviews with CEOs at both Italian and foreign asset management companies, who said across the

Divide Between Human Resources and Corporate Social Responsibility Functions

in other HRM systems like compensation. Much of the literature was focused on sustainable human resources management (Sustainable HRM quadrant) and overlapped with the topic of work-life balance. There was a relative scarcity of articles on the external role of HR for the development of sustainable local and global community (HR



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for community sustainability quadrant) compared to other areas. And few articles made the connection between HR and the development of sustainable enterprise ecosystems (HR for ecosystem sustainability)

"We found less on the role of HR for the community, probably because the CSR function is the dominant one for initiatives to sustain the external community," said Bagdadli in an interview. "So HR has to find a role to empower this function."

Bagdadli said the research led them to several conclusions. "One was that HR should claim a more active role in the area of sustainability, especially in terms of a stakeholder approach," she said. "We said HR should abandon a conservative internal focus and engage more with external stakeholders to increase the credibility of HR as a sustainability partner."

Closer teamwork between the HR and CSR functions could also be an opportunity to help HR transition to the multistakeholder perspective, looking not only at internal staff and shareholders, but also at the community perspective, she said.



THE PAPER

The HR Role in Corporate Social Responsibility and Sustainability: a Boundary-Shifting Literature Review,
by Federica De Stefano, Silvia Bagdadli, Arnaldo Camuffo

Picture from Top Asset Managers

board that the regulatory efforts by the European Commission are useful and could provide a competitive advantage compared to other areas of the world. "As the interest of ESG investing is growing throughout the world, having European asset managers at the forefront of the procedures and investment processes could be potentially very important competitive advantage," he said. "To me that was interesting where you see regulators and private players agreeing on the business strategy."

The EU's Sustainable Finance Disclosure Regulation (SFDR)

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rules came into effect March 10, requiring institutional investors to publish ESG-related risks and impacts by classifying all their investment funds into three categories of sustainability level – grey, light green and dark green – and to adjust their documentation to reflect this. EU Taxonomy Regulation establishes the criteria for determining whether specific economic activities contribute to environmental objectives. The EU will revise the Non-Financial Reporting Directive (NFRD), which made it mandatory in 2018 for certain companies to disclose non-financial information, to support implementation of the EU Taxonomy and the SFDR.

"This is just the beginning of a trend," said Beltratti. "It is not a fad that will go away in a couple of years."



THE BOOK

The world is changing rapidly also for asset and wealth managers. The experience of Covid19 has accelerated the pace of change, but also highlighted the importance of growth that is stable and sustainable over the long term. This is discussed in *Asset/Wealth Management Next. ESG - investing, tecnologia e il nuovo paradigma della centralità del cliente* by Andrea Beltratti and Alessia Bezecechi (Egea, 2020, pg.180, €24, in Italian)



CAGLIO AND GROSSETTI The Most Value-Enhancing ESG Disclosures Are Short and Focused

The number of firms that release non-financial information is growing, and so is the debate about the effectiveness of these reports. Some critics argue that these Environmental, Social and Governance (ESG) reports are often simply boilerplate and are not useful for making investment decisions.

On the contrary, ESG disclosure is informative, and it is definitely value-enhancing because it does correlate to value, according to a study by two Bocconi professors.

Do Firms Speak ESG and Do Investors Listen? Information Content and Market Effects of Mandatory Non-Financial Disclosures uses machine learning technique to identify the thematic contents of ESG disclosures and evaluate their market effects.

Ariela Caglio (Associate Professor at Bocconi's Department of Accounting), Francesco Grossetti (Assistant Professor, Department of Accounting) and Gaia Melloni (Department of Accounting and Control, University of Lausanne) focused on the materiality of ESG information of integrated reports issued in South Africa, where they have been mandatory since 2010.

"Regulators are often criticized for failing to mandate sufficient disclosure regarding firms' non-financial dimensions. Therefore, it is

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important to document whether non-financial disclosures convey information that is useful to investors," said Caglio. "We found that investors incorporate some specific ESG topics, mainly linked to the Governance dimension, in their decisions, as shown by the related incremental market effects in terms of firm value as well as stock liquidity."

A second study found *Informational Content and Assurance of Textual Disclosures: Evidence on Integrated Reporting* by Caglio, Melloni and Paolo Perego found that both the textual attributes and the external assurance of integrated reports matter.

"You can see more pronounced market effects and higher economic benefits when companies issue reports that are readable, short, and focused," said Caglio. At the same time, investors attach value to assurance, a document provided by a competent third-party that draws an independent conclusion on the accuracy of an ESG report's information. "Assurance acts as a credibility-enhancing mechanism and can moderate or in some cases offset a market impact from low-quality textual attributes," said Caglio. "Assurance acts as a credibility enhancing mechanism for financial analysts."

The takeaway for companies is that their ESG disclosures can be value-enhancing, but it is important to understand that not only what you disclose, but also how you do that will have an impact on investors.



THE PAPER

Informational Content and Assurance of Textual Disclosures: Evidence on Integrated Reporting.
by Ariela Caglio, Gaia Melloni and Paolo Perego

CASTALDO AND MISANI An Emerging CSR Phenomenon: the Benefits of Doing “

During their many years of research, Sandro Castaldo, Full Professor, Department of Marketing at Bocconi, and his colleagues have established a clear relationship between Corporate Social Responsibility (CSR) and performance in terms of higher level of customer loyalty, higher level of word of mouth. Along with Bocconi's Nicola Misani and Antonio Tencati, Castaldo decided to look at an emerging phenomenon: companies that decide to benefit stakeholders in an innovative way that goes beyond commonly used rationales such as win-win opportunities, creating shared value, or corporate philanthropy.

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Some firms are initiating pro-stakeholder activities and policies that transcend conventional CSR conceptions and seem inconsistent with their business interests or economic responsibilities. These initiatives, which are neither legally nor morally obligatory, are responding to calls for a more active role of business in society and for a broader interpretation of CSR.

In *A Qualified Account of Super Erogation: Toward a Better Conceptualization of Corporate Social Responsibility*, published in *Business Ethics Quarterly* of the Cambridge University Press,



THE PAPER

A Qualified Account of Super Erogation: Toward a Better Conceptualization of Corporate Social Responsibility,
by Antonio Tencati, Nicola Misani and Sandro Castaldo

ANDREA DOSSI

Linking Executive Compensation and CSR Is Increasingly Effective Over Time

Companies are increasingly linking part of executive compensation to achieving Corporate Social Responsibility (CSR) targets, leading to a debate in management and academic literature about the technical problems involved. Linking pay to financial targets is relatively straightforward. But achieving a common definition of CSR targets is more challenging because of a lack of clear methodology, points out Andrea Dossi, Associate Professor at Bocconi's Department of Accounting. The paper *Corporate Social Responsibility Performance, Incentives, and Learning Effects* published in the *Journal of Business Ethics* by Dossi and co-authors looks at the effectiveness of linking executive compensation CSR goals across US firms through an empirical analysis of a cross-industry sample of 746 listed companies for the period 2002–2013. Dossi and co-authors Laura Zoni (Università Cattolica del Sacro Cuore) and Giovanni-Battista Derchi (EHL) had two findings, both relevant for companies. Firstly, there is a correlation between CSR-based compensation for top management and CSR performance. It is an effective mechanism for stimulating CSR performance. Secondly, and more importantly, the study documented an improvement over 11 years. Linking compensation to CSR performance goals

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THE PAPER

Corporate Social Responsibility Performance, Incentives, and Learning Effects, by Giovanni-Battista Derchi, Laura Zoni and Andrea Dossi



is likely to produce positive effects starting from the third year after adoption, as firms accumulate experience and learn how to use the system over time, the study said. "We found that the impact on CSR performance increased with the learning of how to use these mechanisms," Dossi said. "The higher the number of consecutive years you are using the measures, the higher the impact." These results have implications. Companies seeking to generate CSR performance should start as soon as possible, said Dossi, because the learning curve is a long one and the targets need fine-tuning. The trio also looked at CSR reports, CSR advisory committees, and external audits. The simultaneous use of other CSR-focused governance systems moderates this relationship, with the effect of CSR incentives being strongly significant only when a CSR committee at the board level is established or a CSR report is produced and released. They found that CSR external audit did not seem to be positively associated with CSR performance. The audit would seem to be effective only if there were a clear methodology, and this is often not the case, said Dossi. The complexity of linking executive compensation to CSR linked targets should not discourage companies from starting, he said, because the benefits are clear over time. The important thing is to start. "If you do not start this journey, you are losing CSR performance," he said. "And we can't afford to lose this."

More than Required"

Castaldo, Misani and Tencati borrowed from ethical theory to develop the concept of "supererogation" to look at examples in CSR and marketing case histories where companies did "something more" without expecting any kind of immediate payoff and even acted against what would seem to be their own interests.

"We created a model of qualified 'super erogation,' which in Latin means 'more than required,'" said Castaldo. "We are able to understand that some companies are pushing to change their goal system to achieve something more than the usual CSR done by profit-oriented firms. This changes the company's business model."

The paper illustrates this emerging phenomenon by describing initiatives at five companies: Coop, Patagonia, REI, General Motors, and Interface. Patagonia's 2011 ad campaign "Don't buy this jacket" would seem to be against the firm's own interests at first glance. It ran an ad campaign leading up to

the Christmas shopping season asking consumers to join its "Common Thread" initiative to reduce sales of new clothing. Coop did something similar with bottled water, inviting customers not to buy bottled water but to opt for a water purification system instead.

General Motors, instead, made a "supererogation" to its 48,000 union workers in 2015 with an unexpected bonus. Each worker received \$9,000 in profit sharing, or \$2,400 more than General Motors was contractually obligated to pay. Supererogation has visible positive impacts on the business community in terms of raising the bar and activating new learning processes, the study concluded.

In terms of practical applications, a better understanding of how supererogation affects long-term results would be useful in defining management goals, said Castaldo. In future research, he aims to demonstrate a direct link, helping companies shift away from a short-term approach.

ANNE JACQUEMINET How Headquarters Can Best Achieve CSR “Buy-In” from Units

Assistant Professor at Bocconi's Department of Management and Technology Anne Jacqueminet has published two studies that examine why adoption of Corporate Social Responsibility (CSR) practices at multinational companies can vary between headquarters and units. In her pre-academic experience as a CSR consultant, she found that units at companies sometimes did not “buy in” to the sustainability policies at headquarters. Her academic research discovers why. *Practice Implementation Within a Multidivisional Firm: The Role of Institutional Pressures and Value Consistency* published in *Organization Science* in January 2020 looked at data from a large European utility to better understand the interplay between headquarters and units in CSR policy. She found that implementation is influenced by a combination



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of three factors inside the firm: obedience to the pressures from the headquarters; imitation of other units' behavior; perceived consistency of the practice with the unit values.

“In terms of takeaways, I would suggest that putting pressure on sub-units to implement a practice is not enough,” she said. “Firstly, prior implementation by other sub-units, as it represents social proof of the practice's legitimacy, has significant impact on a sub-unit's adoption of the practice, suggesting that emulation is a strong lever for practice implementation. And second, the perceived consistency of the practice with sub-units' values play such a crucial role in its adoption that there has to be an effort to educate or communicate that the practices are important for strategic reasons and will have an operational impact on the sub-unit.”

A follow-up paper *Ups and Downs: The Role of Legitimacy Judgement Cues in Practice Implementation* (with Rodolphe Durand published in *Academy of Management*) is a qualitative comparative analysis of the extent to which 65 subsidiaries of a multinational enterprise implemented three CSR practices. The study tries to map “different profiles of subunits that would increase or decrease implementation over time based on a number of conditions that we know are relevant together,” said Jacqueminet. In this paper, she expands the explanation beyond the boundaries of the firm.

She finds that the endorsement of a CSR practice in the unit's environment is actually more important than what headquarters says in driving the practice of implementation. “Headquarters should have an understanding of the context where the unit works and provide incentives,” she said.



THE PAPER

Practice Implementation Within a Multidivisional Firm: The Role of Institutional Pressures and Value Consistency, by Anne Jacqueminet

MARRA AND MOMENTÈ CSR Destroys Value When Firms Stop Leading by Example

The financial economic literature has described Corporate Social Responsibility (CSR) as a sort of panacea, capable of invariably providing an insurance-like stock price protection to firms against the effects of negative news events. New research by Bocconi Department of Accounting scholars Antonio Marra and Francesco Momentè, along with Eli Bartov (NYU - Stern School of Business), shows that higher CSR performance may exacerbate, rather than alleviate, the market response to negative events and destroy firm value, if the event is due to fraudulent management conduct that contradicts CSR principles.

“CSR performance translates into a hard-earned reputational premium in a company's stock,” Professor Marra says. “And once the trust is broken, investors are no longer willing to pay such a premium, as we see analyzing hundreds of restatement cases in the US.” A restatement is the revision of one or more of a company's previously released financial statements and may be caused by either an inadvertent error or by a



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fraudulent misstatement resulting from misappropriations or intentional accounting violations. In their article published in *The Accounting Review*, the three scholars analyze a broad sample of 560 restatement announcements spanning the 12-year period, January 2005 to December 2016: 461

inadvertent errors, and 99 fraudulent misstatements. “We find that when the restatement is due to an inadvertent error, the announcement return relates positively to the restating company's CSR performance.



THE PAPER

Corporate Social Responsibility and the Market Reaction to Negative Events: Evidence from Inadvertent and Fraudulent Restatement Announcements, by Bartov, Marra, Momentè



Moreover, “what I found particularly interesting,” she said, “is what I called the interplay of two dimensions in the subsidiaries’ judgment of the CSR practice’s legitimacy. I saw that once value consistency and strategic importance are there, the units will increase implementation, but that, conversely, there is a risk over time that the practice will be gradually abandoned if units don’t perceive that the practice is both important and consistent with their values.”

When the restatement stems from accounting fraud, on the contrary, the higher a company’s CSR performance is, the more negative the stock price response to the restatement announcement,” Professor Momenté says.

The immediate stock price response (in a three-day window) in the fraudulent sample (-3.2%) is stronger than the response in the inadvertent sample (-1.8%), and the difference is highly significant. Dividing the companies into CSR levels, the authors observe that in the inadvertent category high CSR firms exhibit a lower stock-price decline than low CSR ones (-1.4% vs -2.1%), while in the fraudulent category high CSR performance amplifies the loss (-4.2% vs -2%). Interestingly, when considering the whole sample, CSR performance seems to invariably alleviate the negative stock price effect of restatement announcements, thus confirming conventional wisdom. “But this is due to the fact that inadvertent errors are much more frequent than fraud,” Prof. Marra explains, “and their positive effect overwhelms and hides the negative effect of CSR performance in case of fraud.”

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ANDREA FOSFURI Communication and Coordination with Local NGOs Can Help Align Headquarters

In 2010, a wave of suicides among young workers exploded at the Chinese subsidiary of the Taiwanese multinational Foxconn. The electronics contractor makes products for clients including Apple and Hewlett-Packard. The case highlighted how behavior at a subsidiary (in this case, labor abuses) could impact the headquarters of global brands thousands of miles away.

In *Orchestrating Corporate Social Responsibility in the Multinational Enterprise*, Andrea Fosfuri (Bocconi University) and Christian Geisler (King’s College London) create a mathematical model and use game theory to understand from a theoretical point of view how situations like the Foxconn case are generated and what companies can do to avoid them. “This is a well-known phenomenon from a management point of view,” said Fosfuri. “The goals of multinationals in terms of Corporate Social Responsibility (CSR) and a subsidiary might be different. Subsidiaries might be looking at their own performance in the local market, whereas the headquarters cares about having a strong brand and investing in the brand.” The research found that there might be cases in which a headquarters that talks a lot about sustainability helps the rest of the organization to “walk the talk,” particularly when the multinational is smaller and in fewer markets. In that case,

spending resources and communicating they are very committed might make it difficult for the subsidiary to deviate. “Sometimes talking can be good,” he noted. “This surprised us, because in some contexts it can be seen as greenwashing. But it can help create a commitment in the organization for sustainable behavior.”

Another important mechanism to increase subsidiary engagement is to work closely with NGO and activist groups and pressure groups that might encourage the subsidiary to behave in the right way. One of the problems for multinationals, in fact, is a lack of monitoring tools on the ground. The NGO can help identify any misbehavior. Lastly, hiring a top manager that can act altruistically (as opposed to a laser focus on the bottom line) can be a benefit when it comes to dealing with subsidiaries.



THE PAPER

Orchestrating Corporate Social Responsibility in the Multinational Enterprise, by Christian Geisler Asmussen and Andrea Fosfuri



CHIARA MOSCA

Filling in the Materiality Gaps in Non-Financial Disclosure

Non-financial disclosure is the starting point to understand a company's policies for investors interested in Environmental, Social and Governance (ESG) topics. Since 2018, the EU's Non-Financial Reporting Directive (NFR Directive) has required member states to make these reports mandatory for large companies. But comparing these documents to make investment decisions is difficult, because of the discretionality left to Member States and to the minimum harmonization approach taken by the Directive. The notion of "materiality" is a source of uncertainty. The paper *Making Non-Financial Information Count: Accountability and Materiality in Sustainability Reporting* by Chiara Mosca (Associate Professor in Company and Business Law) and Chiara Picciau (Academic Fellow in Business and Company Law) argues that the concept of materiality in non-financial disclosure cannot and should not be a duplication of materiality in accounting, auditing and financial markets regulation.

"The problem now is to find a notion of materiality that addresses ESG problems," said Mosca. "Materiality has a long-standing tradition with short-term financial information, but not with the long-term effects of companies' behaviors and externalities. Materiality theory can be adapted to

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non-financial disclosure. To move the focus, we need to be very clear about what we need to disclose."

The topic of standards in ESG investing is fast-moving and difficult to tackle, Mosca noted. "Companies could engage in greenwashing" in their non-financial disclosure, and do not calculate the costs of negative externalities of their businesses that are borne by society as a whole. In this respect, the European regulatory framework is evolving quickly, but there is still a lot to be done.

The first part of the paper looks at the link between Corporate Social Responsibility (CSR) and sustainability, and the second part examines the legal strategies employed by the European lawmaker to foster sustainability, considering to what extent the European regulatory framework effectively shifts the focus of corporate governance from shareholders to other stakeholders. The third part argues that materiality in non-financial disclosure should go beyond the benchmark of the "reasonable investor," to pay attention to the effects of social and environmental issues and to long-term risks and opportunities.

Mosca and Picciau come to two main conclusions. The first is that further EU legislative intervention governing comparable and standardized non-financial information is necessary to support ESG investing choices.

"The combined impact of the SHRD II, the MiFID II and the Non-Financial Disclosure Directive is that of enabling and inducing institutional investors and financial intermediaries to take ESG factors into account in order to make sustainable investment choices. A stronger regime of non-financial disclosure at the European level facilitates this result," the paper said.

Secondly, corporate governance still ultimately relies on shareholder (not stakeholder) interests as the fundamental benchmark against which non-financial disclosure should be assessed, even though in a new socially and environmentally responsible dimension. If companies want to be more responsible, they require the active contribution of shareholders.



THE PAPER

Making Non-Financial Information Count: Accountability and Materiality in Sustainability Reporting, by Chiara Mosca and Chiara Picciau

NICOLA MISANI

The Relationship Between Sustainability and Implicit Contracts

Shareholders are protected in their relationship with a firm by a series of legally binding obligations. Stakeholders are not. Their relationship with firms is governed by a web of implicit contracts, or “invisible handshakes” that are not legally binding but are grounded in mutual understanding between the parties of what they expect from each other. Given that sustainable business practices involve an increase in the role of stakeholders in management decisions, the topic of implicit contracts in relation to sustainability is under researched, said Nicola Misani, Researcher at the Department of Management and Technology. “Everyone knows we have implicit contracts,” he said. “You find it in all economic textbooks. But no one thought of applying it to sustainability. We should explore the topic more with empirical studies and not just theory.”

In *Sustainability and Implicit Contracts* published in 2020 as a chapter in *Sustainability (in Business and Society 360 book series, Vol. 4)*, Misani argues that the adoption of sustainability is directly related to industry- and firm-level variables that make implicit contracts important to a firm's strategies regarding all types of stakeholder relationships, from employees and suppliers to customers and regulators.

Misani used implicit contracts as a way to explain why companies decide to engage in sustainability even when there is no financial benefit. The implicit contract has a value to a firm because it can make them seem trustworthy. If a firm is seen as sincere, stakeholders are more willing to make investments that are valuable to the company.

Sustainability fulfils existing implicit contracts (including a broad social contract with society at large) and helps a firm enter new implicit contracts by improving its trustworthiness. Firms can use these contracts to demonstrate their trustworthiness.

“Demonstrating sustainability through implicit contracts makes people think you can keep your word,” he said.

There is another important connection between sustainability and implicit contracts. Firms that invest in sustainability do so with a long-term horizon, investing in R&D, entry in new markets at an immature stage, or building resources with no clear short-term worth. “This long-term orientation implies that a sustainable firm will want to honour implicit contracts,” the paper says.



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Mapping the Impact of Boards on ESG Performance

The correlation between a well-developed corporate governance framework, a company's market value and its financial performances has been documented in empirical research. But what about the relationship between board of directors and ESG performance? Studying this relationship seems more useful than ever as ESG investing becomes mainstream.

In the paper, *What About the Future of European Banks? Board Characteristics and ESG Impact*, Maria Lucia Passador and Brando Maria Cremona, respectively Academic Fellow and PhD Candidate at Bocconi, looked at EU listed companies to study (i) the distinctive traits of

the board of directors, and (ii) the relationship between ESG performance and the financial performance/company value together with the number of M&A transactions undertaken in the banking field.

First, Passador and Cremona screened 1,194 EU listed companies' non-financial disclosure reports (around one-quarter of which from the financial sector) published in 2018. Then, given the results achieved, they focus on the banking sector specifically in order to establish the extent to which ESG performance impacts on some key corporate factors (performance, firm value and M&A transactions). The study suggests that boards should promote the presence – among board committees – of an ad hoc sustainability committee, the proportion of women within the board, the mid-range attendance at meetings, the board tenure, and all these factors tend to good ESG performance, whereas directors' compensation and ESG-sustainability indicators have a positive although less appreciable effect.

“It seems like we are heading in the right direction, that of diverse (both in terms of gender and background), sustainability-driven boards, increasingly committed, trying (at least) to take care of (and get concrete about) stakeholder needs,” said Passador.

More specifically on banks and ESG, a whole section of the study is dedicated to the relationship between ESG performance of the target company and the premium price paid in an M&A transaction. The ROA (return on assets) of European banks and ESG performance have a significant positive correlation, with a leading social element in its calculation. Making investments in projects that have a beneficial influence on the environment, shareholder/stakeholder relationships, and internal governance mechanisms will allow banks to perform better. Unexpectedly, no correlation between a company's valuation and its ESG performance has been observed in the study of the European sample considered.



THE PAPER

Sustainability and Implicit Contracts, by Nicola Misani

FRANCESCO PERRINI Picking the Right Method to Measure Social Impact

The number of social enterprises around the world is growing, but measuring their actual impact is often difficult because of the wide range of methods available. How to choose the right one? Francesco Perrini, Full Professor at the Department of Management and Technology, and co-authors Laura A. Costanzo and Mine Karatas-Ozkan (University of Southampton UK) wanted to contribute to filling in conceptual gaps in as well as equip the social entrepreneur with better knowledge of the methodologies available.

The paper *Measuring Impact and Creating Change: a Comparison of the Main Methods for Social Enterprises* has three aims: a literature review; to analyze how measurement is actually undertaken in practice; and to compare the four main methodologies developed so far analyzing advantages, disadvantages and application fields.

The social return on investment method (SROI) is more popular than the other three alternatives, the authors found. The existing literature and large number of approaches creates confusion for social entrepreneurs and often discourages them from trying to measure their impact, the authors concluded.

"We argue that SEs should be directed towards a limited range of formal methods that can capture the diversity of the various application cases, thus making it possible to compare different situations. We propose a limited range of formal methods that capture the diversity of the SEs alongside the diversity of the impacts that they will generate," the paper said.

Focusing on the Fashion Industry

The impact of the fashion industry on the world's oceans is the topic of [Business for Ocean Sustainability – Focus Fashion Industry conducted in 2020 for the One Ocean Foundation by the SDA Bocconi School of Management Sustainability Lab](#), where Perrini is Scientific Director. It is the third in a series called *Focus on*



THE PAPER

Measuring Impact and Creating Change: a Comparison of the Main Methods for Social Enterprises, by Francesco Perrini, Laura A. Costanzo and Mine Karatas-Ozkan

the Mediterranean and A Global Perspective, published in 2019 and 2020 respectively, developed thanks to the contribution of SDA Bocconi Sustainability Lab, McKinsey & Company and CSIC.

The report is in-depth analysis of the sustainability reports of 28 fashion companies along with multiple sources: academic publications, statistical data, government reports and practitioner-based literature. From an environmental point of view, the fashion industry presents several challenges and is considered one of the most polluting industries in the world according to studies by the United Nations and the Ellen McArthur Foundation.

Fashion companies create a huge amount of marine litter in the form of microfibers, or tiny fibers that are shed when clothes are made or washed. Manufacturers should start tackling the issue of microfibers in a concrete and scalable manner during production and consumption, the report recommended.

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STEFANO POGUTZ Connecting Ecological

Management theory and ecological research very rarely meet. Two papers by Stefano Pogutz, Researcher at the Department of Management and Technology, and co-authors aim to bridge this gap by providing a theoretical foundation for better integrating complexities of ecological and social systems into managerial and organizational strategies.

"The question is, are managerial theories really able to address these challenges of sustainability theories? It's like wearing the wrong set of glasses and you can't see things properly," said Pogutz, who began this stream of research in 2013. Pogutz said he started reading scientific journals on nature during a sabbatical in Barcelona, and "a light went on." Since then, he has been trying "to permeate managerial theory with these ideas, to equip managers with a more consistent capacity to view phenomenon and to give them some tools and some channels to incorporate knowledge."

In the first paper *Understanding Nature and*



Science and Management Theory

Organizations as Linked Social-Ecological Systems: Expanding the Foundations of Management Research for Sustainability, Pogutz and co-author Monica Winn draw on research on social and ecological system from the natural science-based fields of ecology to expand current knowledge and call for a broader systems perspective in organizational studies. Despite major inroads, complex systems theories have found relatively little traction in management studies to date, in part due to different



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languages and concepts, in part due to very different foundational assumptions. The paper develops a conceptual framework of seven first- and two second-order properties of social-ecological systems more familiar to management researchers, namely system resilience and adaptive capacity.

Managers in companies in the agriculture, energy, forestry and tourism sectors should adopt advances in ecological science that map the complex interactions of the natural world directly into their theoretical models, argues Pogutz.

In *Paving the Way for Social Innovation: New Conceptual Foundations for Organizations and Nature Research*, Pogutz, Winn and Saeed Rahman (University of Fraser Valley) call for more research into understanding the relationship between organizations and functional ecosystems. Much of the literature on organizations and the natural environment since the mid-1990s focuses on how organizations can reduce their adverse impacts on natural systems. "Far less work guides managers on how to respond to the massive effects of changes in nature and ecosystem functioning on their business," the paper says.

How Investors Accountable fo



The key point is that companies must have a clear standard of reporting on CO₂ emissions, explains alumnus Davide Serra, founder of Algebris Investments, a company that is launching a private equity fund focused on reducing carbon dioxide emissions. His turning point? When he met Al Gore eight years ago

by Jennifer Clark @

Boconi graduate **Davide Serra** founded Algebris Investments, an independent asset management group with \$18 billion under management, in 2006. Serra's investor activism has earned him an international reputation. Algebris has joined the Task Force on Climate-Related Financial Disclosures, CDP, and the Say on Climate campaign founded by Sir Chris Hohn of the Children's Investment Fund Foundation. As a member of the Net Zero Asset Managers Initiative from 2021, Algebris is committing to reach net zero carbon emissions in investee companies by 2050. Serra will launch a private equity fund focusing on CO₂ reduction this year, led by Valerio Camerano. And he is planting one

million trees in the next three years.

→ *Personally, did you have an “aha!” moment when you realized the importance of climate change?*

One “aha!” moment was about eight years ago at an event in Miami where I met the former US Vice President Al Gore. He gave a talk, and from that day I studied the science behind it, and started engaging.

→ *What do you look for in ESG investing today? What guides you?*

Eighty percent of our portfolio is invested in banks and insurers. We see banks and insurance as the gatekeepers of transition to a greener and more sustainable economy because of the key role they play in lending. We look at CO₂ emissions and exclude any company that has significant investments in coal-related industries. There is still very little disclosure on bank lending, particularly on anything that has to do with carbon fossil fuel lending and assets.

→ *ESG investing is undergoing a boom. How do you figure out if a company is greenwashing?*

The most important thing is to have a clear standard for disclosing CO₂ emissions. It's as simple as that. Right now, this is what we don't have. Most companies are misrepresenting what they are going to do in 2050, and by then we will already all be dead! What we need is full CO₂ disclosure.

→ *How can CO₂ emissions disclosure be improved?*

Right now there are Scope 1, 2, and 3 emissions categories. Disclosure of these emissions needs to be mandatory so that investors can gauge a company's CO₂ reduction plan. Publish it, and then people can do their homework. And mainstream finance will walk away from polluters, creating a competitive disadvantage. Until you provide that disclosure, this can't happen.

→ *How can companies be held accountable for their CO₂ emissions?*

In 2020 we joined Sir Chris Hohn's Say on Climate Initiative. This year we will send every company in our portfolio a letter asking for the board to present a climate transition action plan at the AGM. The board needs to tell investors how the company will get to net zero carbon emissions in 2050. We can put pressure on them as a shareholder. And put pressure on other shareholders.

→ *How can greenwashing be stopped?*

Can Hold Companies r Greenwashing

To be honest, the same thing that happened with the triple A rating debacle in the United States during the financial crisis is still happening with greenwashing. That's why "bottom up" activity is important.

→ Can this ratings system be improved? How?

There is a fundamental flaw in ratings agencies. Each investor needs to do their own job. I never looked at ratings and I never will. That's why we prefer to work with NGOs. They are the ones who dig out the dirt. They are not paid. All the best global data are all funded by private sector people like us to get a better picture, particularly on banks and insurance. Deal by deal, loan by loan.

→ How can non-financial disclosure be improved?

Make sure that the full CO₂ impact Scope 1, 2, and 3 is published, and benchmarked both against the sector and against absolute metrics. That way I can know how much I am polluting when I invest in a unit or dollar of profit. Make sure that the total CO₂ emissions are disclosed, so you can have a clear idea of the total and how the company plans to shrink emissions. Moreover, 80% of CO₂ emissions happens in cities. So it should be done on a city by city level. Mayors should be doing it.

→ What is your view of the EU's new Taxonomy Regulation for ESG investing? Is it important? What will it mean for you as an investor?

The EU is at the forefront on ESG regulation. The Taxonomy is very welcome. As an investor, we try to exclude any bank or financial institution that has a significant role in funding fossil fuels. Hopefully the Taxonomy will make our life easier because it will kind of standardize this disclosure and provide more easily accessible data, which ultimately is what we need to allocate capital. It will mitigate the weakness that currently exists in the ESG data industry. In the meantime, in 2021 we will ask all our investee banks to report the carbon intensity of their corporate loan book, where they have the data, in a manner consistent with the Partnership for Carbon Accounting Financials (PCAF) framework. We will also ask them to report a strategy for (1) increasing the nominal value of loans whose emissions are disclosed and (2) achieving annual reductions of the carbon intensity of their loan book and underwriting.

→ Is it important to tie executive compensation to ESG criteria?

I wouldn't link pay to anything but performance. But in my view the science of climate change is strong enough to

DAVIDE SERRA
Algebris CEO, he earned a Bocconi degree in Business Administration and Management in 1994 followed by a CEMS Master that took him to Norway and Belgium. He recalls being fascinated by his first taste of overseas life during the exchange program, where with a professor in Norway he had a chance to study the George Soros attack on the Swedish Krona. This sparked his interest in global finance. Any advice for a first-year student? "My daughter is in her first year at Bocconi. What I tell her is, 'Take every opportunity.' Bocconi is unique because it gives you access to pretty much anything you want to do, both in terms of foreign exchange, courses, ideas, and how multicultural it is," he says. In 2017 Algebris Investments launched a scholarship fund at Bocconi, and in 2019 it created at Algebris Chair in Longterm Investment and Absolute Return at Bocconi as well as a 10-year scholarship program.

warrant a net zero transition as part of compensation. Specifically, what is the commitment of Algebris?

In February we announced the launch of a dedicated unit led by Valerio Camerano to invest in companies that reduce CO₂. For the time being, though, I have been offsetting for the past 15 years. The simplest, scalable way to do carbon capture is to plant trees. Each tree absorbs one ton of CO₂ over a lifetime. For the next 3 years we will be planting 1 million trees. And this is going to be my contribution. The message I would give to everyone is if you can't be CO₂ neutral, you should plant 5 trees every year. Each year. Per person.


→ What in your mind is an impediment to a greener future?

It's not regulatory, it's economic interest. Russia, the US and Saudi Arabia are aligned to have us keep using fossil fuels. It is only a question of money. Anything else is just hypocrisy. ■





The Civil Code has come into force in the People's Republic. Strongly influenced by the German and French models, the Code is innovative while maintaining some traditional Chinese moral values. That is why it is a novelty that also concerns us

by Hao Jiang 



THE PAPER

The Making of a Civil Code in China: Promises and Perils of a New Civil Law, by Hao Jiang

What Do We

The first ever Chinese Civil Code since 1949 just took effect on January 1st. Legal scholars from around the world rushed to study the Code. China is far away and the Chinese Civil Code is the domestic law of a foreign country. Does the Code matter at all to our community here in Milan and at Bocconi? What do we make of it? The short answers are: yes, it matters very much to the business community everywhere; also, the Code is very similar to what one might expect from the typical European civil codes, only with some features unique to China.

There is little doubt, in the eyes of any educated Westerners, that China has a powerful economy. Despite the lockdown in early 2020 to curb the pandemic, the Chinese economy still managed to grow by 2% and overtook America for the first time as the largest recipient of foreign direct investment. Another 8.1% economic growth has been projected for 2021.

As far as Chinese law and legal infrastructure go, learned Western lawyers are generally suspicious, and the general public has been accustomed to a simple narrative that there might be no law in China because the country is not a liberal democracy. One thing we can't really overlook perhaps is the fact that Roman law, the foundation of Western private law, did not grow out of a liberal democracy either. Still, there were private ownership, a market and various complex transactions, all of which need to be protected by private law rules. It would be odd if an economy as big as China's were not already run by a highly sophisticated body of private law rules. In many regards, the codification process was only an orderly compilation of the existing laws.

Our business minded students and alumni at Bocconi understand the inevitable encounter with China when they grow their businesses. While there is no need for a detailed and technical command of the Code, a basic understanding is relevant and essential to any business planning.

Just like the Codice Civile Italiano, Chinese Civil Code is a product of legal transplants, which is heavily influenced by French and German civil codes. For example, the German invented term "civil juristic act" (Rechtsgeschäft) has been a basic building block of Chinese civil law for decades and



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the French style open-ended scope of rights protected under tort law has also been adopted by the Code. Moreover, being the last major civilian jurisdiction to enact a civil code, Chinese Civil Code is less constrained by tradition and able to adopt the best international practice. In China, contract law was extremely paternalistic during the planned economy in the 1980s and early 1990s when the private sector was only a supplement to the state sector. In the new Code, the once fragmented contract law rules have been unified and streamlined to promote freedom of contract and safeguard the safety of transactions. Moreover, there is no longer any distinct treatment between state and private interests. However, as pro-transaction as the rules are, this practice can be problematic. One third of the economy is still run by state-owned enterprises that are not entirely driven by profit. When such enterprises cannot be held accountable by the market and to the shareholders as private enterprises would, it creates room for opportunistic managerial behaviors to strip state assets. There are administrative rules regulating such transactions related to the state enterprises, however, such regulations are not enforceable against private parties. As a result, courts overwhelmingly enforce the contract and protect the business interests of private parties despite the violation of government valuation and approval procedures. Freedom of contract wins almost every single time. The only sensible solution, in my view, would be for the state-owned enterprises to withdraw entirely from any competitive industries and, to only exist to implement a very specific state policy agenda. In addition to the reception of the Western legal doctrines, the new Code is innovative. It added a book of personality rights outside tort law to better protect one's reputation, honor and data privacy, etc. Meanwhile, certain doctrines that reflect Chinese traditional moral values are kept. For example, liability in equity would allow a defendant who is not at fault in causing a harm to pay partial damage if he is financially capable. Also, to encourage people to preserve the Chinese tradition that lends to people in need a helping hand, a rescuer is immune from liability even if he was grossly negligent during the rescue. The success of the law depends on how well it is carried out. Both the reception and the innovation need to be carefully clarified and interpreted by the drafters and judges. ■

Make of the Chinese Civil Code?

Losers and Winners in the New Geography of Work

Offshoring strategies have a positive, or in any case not negative, effect on the country of origin. However, geographical areas characterized by mature industrial structures and unskilled jobs stand to lose. The gains are going instead to areas with innovative manufacturing systems with a rising number of cognitive workers

by Luisa Gagliardi @

A multinational company's strategic choices regarding where to locate manufacturing activities visibly change the geography of work. The issue is as current as it is controversial: there has long been a perception in public opinion of industrialized economies that the strategies of productive relocation and foreign investment of multinational companies have contributed to the downsizing of employment, especially of routine and unskilled jobs. Academic research on the subject tends not to support this view. Recent studies emphasize how the progressive geographical and functional fragmentation of production, which has led companies to offshore functions with low value added while maintaining those with the high knowledge content in the countries of origin, has made it possible to optimize industrial processes, with consequent increased investment and creation of new jobs in the countries of origin. In the aggregate, the net outcome is therefore positive, or at least non-negative, although the heterogeneity of the effect for various classes of individuals is usually not taken into account, even if we expect that the impact is differential for workers who perform tasks of different natures. The study I conducted with Simona Iammarino and Andr  s Rodr  guez-Pose (London School of Economics) tackles this topic. It aims to analyze the reasons underlying the misalignment between public perception and academic research on the effects of the offshoring and foreign direct investment strategies of multinational companies on the labor markets of their



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respective countries of origin. Using data on the number of jobs created/destroyed, classified according to the knowledge content of the jobs in question, and on the amount of outgoing foreign investment by micro geographical area and sector of reference for Great Britain, the authors have focused on the geographical dimensions of business decision-making vis-à-vis that of the effects on the labor market, in order to reconcile public and academic debates on the issue.

The consequences of the decisions of outsourcing and foreign investment by multinational companies are in fact predominantly felt at the local level. This is because every local labor market, even within the same national context, is marked by specific sectoral and functional specialization. Consequently, the areas in

which jobs are lost as a result of offshoring processes rarely coincide with those in which new opportunities emerge downstream of the geographical reorganization of production and related productivity returns.

Therefore, although the aggregate effect at the country system level is positive, or in any case not negative, in the medium to long-term the geographical distribution of the costs and benefits associated with these processes remains highly unfair.

The study shows how the negative effects on the countries of origin of the outsourcing and foreign investment strategies of multinational companies are concentrated in geographical areas characterized by industrial maturity and disproportionately affect workers who perform low-value-added routine tasks. On the contrary, the benefits in terms of greater investment and new jobs mainly involve areas that feature innovative production systems and, within these areas, categories of workers with high value added who perform tasks of a non-routine or cognitive nature. This evidence requires a profound reflection on the social consequences of strategic business decisions and on the distribution of the associated costs in individual and geographic terms. ■



THE PAPER

Exposure to OFDI and Regional Labour Markets: Evidence for Routine and Non-routine Jobs in Great Britain,
by Luisa Gagliardi, Simona Iammarino and Andrés Rodríguez-Pose



Lessons

In addition to technical knowledge, the new generations of professionals increasingly need the ability to evaluate alternatives and to know when the accounting rules are wrong or are leading to bad outcomes.

by Mara Cameran @

The academic experience should ensure that aspiring professionals are made aware of the complexity entrenched in their future career, which is far from limited to numerical problems and formula applications. Indeed, the main problem that employers observe among recent graduates is not the lack of technical competences but the lack of critical thinking.

Focusing on the accounting profession, at the end of the day, an accountant is paid for his judgment. Knowing all the accounting standards does not make for a good accountant. Professional accountants are expected to act in the public interest: honor the public trust, and demonstrate commitment to professionalism. [In a survey conducted with Ariela Caglio among 2,000 Italian students](#) attending university and younger accounting professionals, results show a call for transparency and accountability as part of the accounting profession's ethical responsibilities and its role in serving the public interest. Aspiring accountants should be able to know when the accounting rules are wrong or are leading to bad outcomes. They will certainly face some ethical dilemmas during their working life. Critical thinking skills are of utmost importance in identifying and evaluating alternatives.

There are characterological components that are related to a person's inclination to use critical thinking such as people's confidence, inquisitive nature, and an individual's response to stress, time pressures or conflict. According to psychologists, younger individuals become stressed when



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they receive ambiguous signals from the environment: they are perfectionists and apprehensive and show low self-reliance. All these traits make them ill-equipped to deal with the dilemmas typically encountered during a career in accountancy. Furthermore, critical thinking strategies are not extensively developed or practiced during primary and secondary education. Students who are independent and express personal opinions different from teachers could be regarded as showing disrespect. Both students and teachers may find critical thinking discomforting, because it requires personal reflection while, at a basic level course, the general expectation is that instructors solve the problems and students take notes about the solution. Thinking critically does not always end with a right answer but - more often - it results in more questions or contrasting opinions about a topic. Nowadays, standardized measures of student learning outcomes are used as they allow us to compare the effectiveness of different educational providers. Moreover, due to the characteristics of the labor market, students are marks-oriented if not marks-obsessed. They can enter into the so-called 'right-answer syndrome', which is associated with a passive, non-thinker attitude which, paradoxically, may become more fruitful for maximizing the possibility to find a good job. In the era of big data, the lack of a critical mindset may lead to simplistic analyses and individuals may take a default position of accepting evidence as reliable without sufficient efforts to express an unbiased opinion on it. In this framework, it is of utmost importance to reflect on how to foster the development of aspiring professionals' critical knowledge and appropriate professional values. Excessive focus on technical competences could be an issue. To learn theories and business principles are prerequisite for those meta-competences that enhance the ability to think critically. Professional accountants have not only the responsibility to meet the needs of an individual client or employing organization, but also to act in the public interest. The implementation of a comprehensive accounting education, with the aim of serving the public interest, should be a partnership between higher education institutions, employers and regulatory bodies. The accounting profession needs people with curiosity and a continuous improvement mindset: continuing education for an accountant is a must. ■



THE COURSE

Today we live immersed in a cultural context that tends to numb our ability to distinguish true from false, correct from incorrect, effective from ineffective. Proof of this is the increasingly easier spread of fake news in the world of information. "Universities have felt the need to stimulate critical thinking skills among their students, just as a reflection of this development of our society", explains **Damiano Canale**, Professor of Philosophy of Law and among the creators of the critical thinking courses at Bocconi University. "The public debate has been transformed, insults take the place of reasoning and reduce the ability to distinguish true from false - or a good thesis from a bad thesis." To cope with this situation, Bocconi offers critical thinking courses to 18 classes of Bachelor of science programs and last year created a series of seminars for graduate students. SDA Bocconi also dedicates a specific course to critical thinking, directed by Canale.

in Critical Thinking

Make That Head Move

Among the most sought-after soft skills at the time of hiring, critical thinking is fundamental in consulting, explains alumna Tiziana Brkan, partner at Deloitte Business Solutions. Teamwork, curiosity and the habit of confronting complexity are the ways to learn it

by Andrea Celauro @

Critical thinking. An important skill in every aspect of our professional life, but which becomes a key element when you need to talk about the numbers of a company and draw conclusions, as in the case of consulting. **Tiziana Brkan** is convinced of this. She graduated in Administration, Finance and Control from Bocconi in 2002, and is now a partner of Deloitte Business Solutions (the arm of the group that deals with providing services to the finance world or a company's CFO office). "It is more decisive than specific technical skills," explains the alumna, who at Deloitte is responsible for accounting and bookkeeping services.

→ **How important is critical spirit in the consulting business?**

Very, very important. Through study you learn accounting principles, but these must then always be interpreted to move from theory to practice, analyzing the case and the context within which they will be placed. In real and professional life, things are not only black and white. Only by applying critical thinking, that is, the ability to analyze the data and ask the right questions, can a situation and the context of reference be fully understood. For us it is essential to provide a truly personalized consultancy service in line with the client's needs. In short, critical thinking is what makes the difference between a standard service and an excellent and innovative approach.

→ **Is this also what you look for at the time of hiring?**

The focus is more on these soft skills, compared to bare and raw skills. The consultant must always reinvent himself, every time. Since each customer is a case in itself, the methodology must be calibrated for each individual project. What you did in a previous project may not be good for the next, even if the first was a success.

→ **Can critical thinking be trained in companies?**

Yes. On the one hand, it is connected to the spirit of competition that for better or worse is intrinsic in societies like ours; on the other

TIZIANA BRKAN who graduated in AFC in 2002 from Bocconi with a thesis on football balance sheets, developed her entire professional career in the field of consultancy, first in Arthur Andersen Consulting, then moving to Deloitte. Of the years at Bocconi she remembers in particular the courses of Professor Amigoni and "the method, but above all that everyone was given an opportunity, and the organization of lessons and exam sessions, which also allowed those who were already working, as I was, to be able to follow them. And how can we forget the entrance and the legendary Bocconi lions?"

hand, however, you can with teamwork, with continuous debate, with tutoring and stewardship. And then you need a lot of curiosity and a desire to make a difference.

→ **How do you judge the new generation in terms of critical ability?**

I don't always see them curious or "hungry", as Steve Jobs would say. I notice that sometimes they need to follow a pattern, even though they think the pattern restricts them. They ask for rules and procedures, but perhaps, if you ask them to do something according to a certain logic, they experience it as a brake on their creativity. They can't always accept that sometimes companies like ours must necessarily follow procedures to limit risks and exposure to responsibility. Above all, the youngsters have to ask themselves questions, understand why they are doing a certain activity or analysis. And they have to ask, if they are not convinced or have not understood. It may be that, in not doing so, there is also a psychological component.

→ **What do you mean?**

The fear of exposing oneself, the difficulty of expressing what they think in a professional environment. It is precisely on this that companies like ours are working a lot: in strengthening the awareness of freedom of expression, diversity, inclusion. A sign that perhaps in companies people find it difficult to express their opinion, also for fear of repercussions on their career.

→ **In light of all this, in your opinion is the teaching of critical thinking useful in schools and universities?**

Absolutely yes, schools must increasingly facilitate entry into the world of work, and the institutions that adapt first are the ones where it will be easier for the new managers of tomorrow to be born. Practical exercises, moments of corporate participation, team building are just some of the activities to focus on and that allow this new generation to express their comments not only on social networks, but with real dialogue, accepting criticism in a constructive way, if necessary. ■



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The Res

A study on sector crises and the propensity of companies to resort to early retirement to cope with them helps us to understand what could happen in Italy when the block on firings introduced to stem the crisis caused by the pandemic is lifted

Response to Shocks

by Vincenzo Galasso @

Besides its unprecedented health consequences worldwide, the Covid19 pandemic has had equally dramatic economic effects. During the initial months of the pandemic, the global supply chain was slowed down or interrupted in many sectors. In others, the strict lockdown implemented in some countries largely collapsed the demand of goods and services. In some sectors, such as tourism, traveling and live entertainment, economy recovery is still far and uncertain.

The Covid19 pandemic has clearly represented a sectorial shock - hitting firms according to their sector and regardless of their productivity. A large debate is taking place on the temporary or permanent nature of this shock. Will business travel go back to its usual level? Or will it be substituted by online meetings? Airlines, hotel chains and car rental companies are holding their breath.

Sectorial shocks force several adjustments. Restructuring processes typically affect the labor demand, as firms may need to modify their labor force composition. The Covid19 shock will be no different. A recent paper, published in *International Tax and Public Finance*, shows that firms are keen to exploit retirement programs to adjust their labor force after a sectorial shock. This study analyzes the introduction of bilateral trade agreements between Switzerland and the EU, which enhanced foreign market access for some Swiss firms. Trade liberalization episodes are known to induce important reallocation effects. Improved access to foreign markets leads existing and newly created firms to exploit this new opportunity to improve their competitiveness. Firms may choose to undergo a restructuring process that modifies their labor demand. Typically, firms seek more skilled workers and may dismiss elderly workers, who



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show skill obsolescence and lower adaptability. The EU-Switzerland Bilateral Agreements I, signed in 1999 and implemented in 2002, included a mutual recognition agreement (MRA), which reduced technical barriers to trade between Switzerland and the EU. The MRA introduced the mutual recognition of conformity assessments of standards, such as certificates, tests, product authorizations, across a wide range of industrial products, thereby simplifying procedures and reducing costs for producers in both markets. However, the agreement did not affect all the industries in the manufacturing sector, but only those typically covered by conformity agreements, because of compatibility or interoperability requirements, such as telecoms equipment, good manufacturing practices for medicines and electronic goods. Since only firms operating in the sectors covered by the MRA gained a more simplified and less costly access to the EU market, it was possible to compare the organizational behavior of these firms with that of firms in sectors not covered by agreement. The empirical evidence shows that firms in the affected manufacturing industries began to adjust their labor force immediately after the announcement of the agreement in 1999. They mostly exploited early retirement programs. Elderly workers in these industries were 7 percentage points more likely to retire early, which corresponds to 49 thousand more retirees over an elderly population (aged 56-64) of almost 700 thousand individuals. Responding to economic incentives, these adjustments were more pronounced in large firms, in exporting firms and in firms featuring large wage differences between young and elderly workers. Despite the different nature of the sectorial shock, the findings from this study may help us understand the adjustments that lie ahead for many firms, especially in Italy. So far, employment has dropped almost exclusively for the expiration - and the lack of renewal - of temporary contracts. When the block on terminations is lifted, new labor force adjustments will take place and early retirements will be on demand. ■



THE PAPER

Old Before Their Time: The Role of Employers
in Retirement Decisions, by Piera Bello and Vincenzo Galasso



The List of Others

The possibility for an outgoing Board to propose candidates for the incoming one could be viewed with suspicion. For this reason, in order to achieve shareholder democracy, the Italian stock market regulator will need to intervene to provide certainty to rules

by Marco Ventoruzzo @



Is it desirable that the members of the Board of Directors in Italy's major listed companies be chosen (proposed) by the executives themselves in office, or should the choice of the members of the company's governing body be left to shareholders alone? The first solution presents evident risks and equally apparent advantages. On the one hand, it can cause CEOs to be self-referential and pay less attention to shareholders' preferences; on the other hand, it can allow those who best know the needs of management to contribute to the selection of a competent and effective team, plus ensuring greater independence and autonomy of the top executives.

This debate, which exists in all countries with advanced corporate governance systems, has seen recent developments in Italy, which are followed with great interest by companies, investors, scholars, and policy makers.

For a number of economic, historical and legal reasons, starting with the prevalence of diffuse ownership structures, for some time in the United States it has been the CEOs who get to nominate who will sit on the board. The practice has attracted criticism because it allows those who should be "controlled", i.e., the chief executives themselves, to choose those who should do the "controlling already", i.e., the other board members. A few years ago, the US federal legislator thus introduced rules aimed at facilitating proposals for candidates coming directly from partners.

In Italy, where ownership structures are more concentrated, the main agency problem concerns not so much the relationship between managers and shareholders, but rather the relation between a few powerful shareholders and small investors. With simple majority rules, controlling shareholders are often able to unilaterally elect the entire Board of Administration. Thus, to give shareholding minorities a greater voice, in 2007 the Italian legislature (by extending a rule already applicable to the board of statutory auditors)



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introduced the so-called list vote. It is a relatively simple and innovative system that adds a proportional corrective to the election of the board. All shareholders who meet the minimum threshold of shares can present a list of candidates, which will be voted on at the shareholders' meeting. A certain number of seats on the Board must then be reserved for the candidates on the list that comes second. For example, to elect a board of 9 people, the controlling shareholder presents a list of names, but also an investment fund or a collection of funds may propose their own candidates. If the former list receives 55% of the votes, and the second list 7%, at least one board member will be drawn from the latter.

In recent years, also due to the growing fragmentation of stock ownership, the statutes of numerous listed companies have also empowered the outgoing board to also propose its own list, which can therefore compete with the lists presented by shareholders. The choice is certainly legitimate, but there are fears that lists of the board may win seats at the expense of shareholders' candidates. Another concern is that they may actually be the expression, behind the scenes, of a few powerful shareholders who want to retain influence in the board.

These risks can be contained with statutory clauses which in certain cases give priority to candidates proposed by the shareholders and ensure autonomy in the selection of the candidates for the board, for example by having them chosen by independent administrators, as many statutes already provide for. In this way, the list presented by the board can facilitate the formation of consensus decisions and contribute to a more managerial approach in selecting the Board of Administrations. The next few years will allow us to assess whether this objective is achieved, but an intervention by CONSOB (the Italian stock market regulator) that gives certainty and balance to the rules could reconcile the role of the board with shareholder democracy. ■

A study refutes the famous phrase by fashion stylist Karl Lagerfeld to highlight instead the influence of fashion critics in determining the evolution of style and the level of innovation in new collections

by Paola Cillo,
Emanuela Prandelli @

Fashion Designers Are (Not) Dictators of Taste

Most of the literature on innovation develops in the context of technology, where the degree of radical or incremental change in terms of functionality of the product can be evaluated according to objective and predictable models. In creative industries, a valuable source of competitive advantage lies in aesthetic innovation. In the world of fashion in particular, innovation is reflected in the way and the intensity with which styles change, so it is much more difficult to determine what is truly new.

Consequently, over time, fashion critics have taken a key role in evaluating the quantity and quality of innovation introduced into the fashion market, since their experience allows them to evaluate the contribution of a specific designer in the context of what preceded him/her and what other stylists do. Each season, fashion critics examine the new collections that leading fashion designers present, evaluating what is authentically original versus what is simply reworked, thus playing a fundamental role as gatekeepers of taste within the market.

This is the phenomenon on which we have focused our attention. We studied the patterns of innovation and the influence exerted on them by opinion leaders in printed media in an industry where innovation is least codified in terms of the dynamics of development and launch of new products. In this research paper we document how stylistic innovation, with respect to styles that major fashion brands introduce each season, is influenced by the specific exogenous factor of the critical assessments made on the past work of a given designer.

The work spans a period of ten years, from 1998 to 2008, and examines every season's collections (spring/summer and fall/winter) developed across that timespan by all prêt-à-porter brands present in the official fashion show calendars provided by the National Chamber of Fashion in Milan and the Fédération Française de la Couture et du Prêt-à-porter in Paris.

The result is a sample made of 42 companies, 22



THE PAPER

Changing Style in Style-Changing Industries: The Role of Critics as Gatekeepers in High-End Fashion, by Paola Cillo, Joseph C. Nunes, Emanuela Prandelli, Irene Scopelliti



THE BOOK

What's Fashion? It's Method! (BUP, 2018, 112 pages, €18) examines the indispensable factors for the launch and management of a new creative process: Turinetto, Lunghi and Rinaldi provide truly effective tools leveraging research & edutainment. The results of recent studies have in fact acknowledged the existence in people, institutions, and businesses of every size and sector, of a noticeable tendency towards changes in processes (of products and services). This publication aims to group together around a single concept, change for growth.



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present on Milanese catwalks and 20 on the Parisian ones. Of great interest are the results that emerged from the analysis of their innovative behaviors, described in the article *Changing Style in Style-Changing Industries. The Role of Critics as Gatekeepers in High-End Fashion*, published in the special issue of *Advances in Strategic Management* titled *Style in Strategy and Strategy of Style: Theoretical Developments, Empirical Results, and Research Agenda*. For each of the fashion brands considered, all the items for each collection were analyzed as part of their respective communication campaigns. Using a grid of five parameters (cut, color, length, fabric, decoration) each garment was coded and compared with a similar garment proposed in the previous season, in order to build an innovation index for each type of product, collection, and brand. The average therefore makes it possible to identify an overall innovation index per season with reference to each single brand. At the same time, all the reviews produced downstream of fashion shows

by opinion leaders in international media considered particularly authoritative sources (*International Herald Tribune*, *The New York Times*, *WWD*, *Style.com*) were collected and classified to obtain a synthetic index of evaluation for each collection. The evidence that emerges from the analysis suggests that designers are by no means path-independent in their decision to bring new designs into the Karl Lagerfeld's famous dictum according to which "fashion designers are dictators of taste", since they tend to be sensitive to their past successes and failures. Not only that, but they also consider the past work of competitors and how their own innovations were rated by critics in various fashion seasons. In summary, our work reveals how much designers are sensitive to critical evaluation and the way this influences the evolution of their style; the innovations they propose tend to be close to what was praised earlier and far from what was not particularly appreciated in the past. Executives in creative industries should, therefore, take note of how designers integrate critical feedbacks and how stylistic innovation occurs incrementally based on what critics are willing to accept. In industries where technological innovation drives product innovation and functional requirements matter most, the fact that change is incremental or disruptive depends on the capabilities of the company. In fashion, change could be implemented much more easily in principle, as there are fewer operational constraints. However, how much innovation actually occurs is rooted in the response critics provide to past innovations.

In conclusion, this study not only documents the strong correlation between style dynamics and critical feedbacks, but also has important implications for any company seeking to strike a balance between autonomy and conformity in defining its unique positioning on the market. ■



THE MASTER

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Kung-Fu Panda Has

Zoos are among the victims of the pandemic. But the case of the Hongshan Forest Zoo in Nanjing, China, is a positive example of resilience and recovery based on an effective and transparent communication strategy. And it can be an example not only for zoos.

by Xiaoxi Wu @

Covid19 has caused devastating disruptions to the global economy and our society. While the serious consequences of Covid19 are now discussed on a daily basis, certain aspects are sometimes overlooked - for example, how the pandemic is pushing zoos into crisis. Zoos are not only a destination for holidays, they also play an important role in our society with scientific and educational goals. One main goal is to preserve wildlife and conduct research and breeding programs to reintroduce endangered or extinct species back into their natural environment. Zoos also aim to educate the public about environment, animal species and their habitats. With lockdowns and interaction restrictions, zoos around the world have been experiencing continuous reductions in the number of visitors, leading to almost no income generated for almost a year. Even though no cash is flowing in, zoos cannot cut many costs because wildlife requires dedicated care. Many zoos had to lay off employees, while some zoos were even sold off. How can zoos respond to such a crisis and survive, while still fulfilling their



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scientific and educational goals?

Hongshan Forest Zoo in Nanjing, China has explored various crisis communication and response strategies that are effective. Hongshan Forest Zoo is one of the best zoos in China. It is dedicated to preserving local wildlife and raising public awareness. During the past decade, it invested heavily in research and breeding programs, as well as world-leading facilities and infrastructure for a variety of wildlife. Despite the large investments and daily costs, it insisted on not raising the ticket price over the past decade, so that more people could experience the beauty of nature and wildlife. Due to Covid19, the zoo suffered a loss of 30 million Chinese Yuan in 2020. Staying true to its missions, the zoo refused to host animal shows as these shows cause animal suffering. At the onset of Covid19, Hongshan Forest Zoo received government support and donations from local corporations. However, given the long-term consequences of Covid19, onetime help is not a solution. The zoo's main source of income came from selling tickets. With very few visitors, the zoo had to be innovative to solve the crisis in the long run. The zoo responded in a proactive manner with effective crisis communication. The director of the zoo gave a public speech entitled *The Pursuing of a Zoo*. Apart from making the audience aware of the financial problem, the director used this opportunity to emphasize the true missions of zoos - wildlife preservation and education. His speech went viral on social media, as many people were moved by how the zoo is holding fast to its missions even in such a difficult time. The speech received great media attention at a national level and was endorsed by professionals such as zoologists. As a result, public awareness of the zoo's crisis was enhanced effectively. Another communication strategy employed by Hongshan is to use social media. The zoo has set up official accounts on multiple platforms. All accounts

Covid

are updated on a regular basis. The zoo also collaborates with social media platforms to host special events that are free to everyone. The content is mainly about daily life of animals in the zoo and the zoo's various research and preservation programs, providing a channel for the public to learn about nature and environment when they cannot visit the zoo physically. With more and more followers every day, Hongshan reinforces public awareness on wildlife successfully. This communication strategy also enhances the reputation and legitimacy of the zoo as caretaker for wildlife.

Apart from effective crisis communication, Hongshan also implemented new income-generating and cost-cutting methods to solve the financial crisis. The zoo has broadened its animal adoption program, which contributes to cost reduction. Ranging from schools and corporations to common citizens, many organizations and individuals have adopted animals in the zoo. Adopting an animal at the zoo has become the newest trend. To generate income, the zoo developed a variety of innovative souvenirs and products for sale. By advertising its online story and souvenirs through social media, many items were sold out immediately.

The key to Hongshan Forest Zoo's successful crisis response is effective and transparent crisis communication. The public showed great sympathy and passion after learning about the zoo's missions and daily operations. With increasing awareness for environmental issues and sustainability at a global level, Hongshan Forest Zoo's crisis response strategies can be learned, adjusted and implemented by zoos and even other types of organizations around the world. ■





All Forms of Leadership Commitment

Emerging countries are plagued by institutional gaps including weak education systems, low literacy rates and limited access to quality education. A study analyzes the reasons and methods of investment in education by business leaders in emerging economies

by Valeria Giacomini @

Education has historically been a primary target for philanthropic activity. However, insofar as education has been discussed, the literature suggests that it may represent, at least in the contemporary era, a lower risk and cheaper social investment for business leaders compared to alternatives, such as the provision of vaccinations or birth control.

Most of the scholarly work on philanthropy rarely disentangled education from the broader bundle of initiatives, and focused on the large-scale endeavors of super-wealthy, often celebrity-like, business leaders. Literature on business philanthropy and CSR has also gravitated towards the experience of Western economies and developed countries, where public or semi-public institutions ensure widespread quality education, supporting and fostering economic growth. The developing world has historically been penalized by the lack of access to various forms of education, so business investment in this sphere played a crucial role for local communities, and, in some cases, entire regions. In emerging markets, business investment in education developed according to the local tradition, responding to specific needs and urgencies. This study explored for the first time how and why business leaders have invested in education across these very diverse geographies.

We based our inquiry on text analysis of interviews from the Creating Emerging Market (CEM) project, established by Harvard Business School in 2007. The database today comprises more than 150 interviews with senior business leaders, who spent at least three decades operating in emerging countries. We analyzed a subset of 110 leaders from 22 countries and measured the type and impact of charitable activities as well as how business leaders narrated, explained and made sense of their investment in education.

More than three-quarters of the sample of the 110 interviewees invested in education as a non-profit activity. We identified three main drivers for education investment in emerging markets. First, business leaders explained their engagement in education as linked with family tradition, moral and religious codes, and general compassion and desire to “give back” to people in need. In other cases, investment was explicitly “firm-focused,” namely it



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was aimed to foster and enhance business reputation and competitive advantage, and so directly benefit the firm. Finally, in some other cases, business leaders connected their initiatives with “context-focused” goals, describing an action-oriented approach to solve educational failings in their society, create the bases for future development, and benefit the local and national community beyond the firm’s confines.

Investment tended to increase with the size of the business. Analysis of the initiatives across countries found significant regional variations in terms of execution strategies, structure, and impact of this investment. In South and Southeast Asia, there was a preference for long-term expenditure in primary and secondary education. In India, major family business groups addressed education through a comprehensive approach including a broad array of initiatives, from basic literacy, building of schools, large scale scholarship programs, and foundation of universities. In Africa and Latin America, some projects had a shorter-term connotation, but with high-profile activities in partnerships with international organizations and foreign universities. In Turkey, there was heavy focus on training and the creation of universities, often linked to large business groups. As for execution, foundations emerged as a preferred way of structuring investment in education across all geographies, but specifically among large family business groups. Together with the fiscal advantages that foundations often enjoy, interviews showed that they helped enhance reputation and preserve family legacy across generations.

The study concludes by reviewing the impact of this investment. This turned out to be difficult to measure, which is worrisome given the large amounts of money being spent. The paucity of financial data and the challenges of comparing different types of educational spending, made robust conclusions elusive. A rich future research agenda awaits in this area. Data however do show that millions of people have been touched by this spending between the 1960s and the present day, from plantation workers in India and refugees in camps in Jordan, to people granted scholarships to elite universities in Chile and Turkey. Among the many projects were experiments with innovative pedagogies, and there were important attempts to help those disadvantaged by political elites and social and gender norms. It seems fair to advance the hypothesis, as a result, that this business investment in education in emerging markets represented a significant social contribution which has been largely ignored until now. ■



THE PAPER

Business investment in Education in Emerging Markets Since the 1960s, by Valeria Giacomini, Geoffrey Jones and Erica H. Salvaj

Broken Ties

The attachment to commercial places, full of their own characteristics and atmospheres, helps to create the personal identity of the consumer. Detachment, voluntary or forced, also has the same role. All the more so in times of Covid19

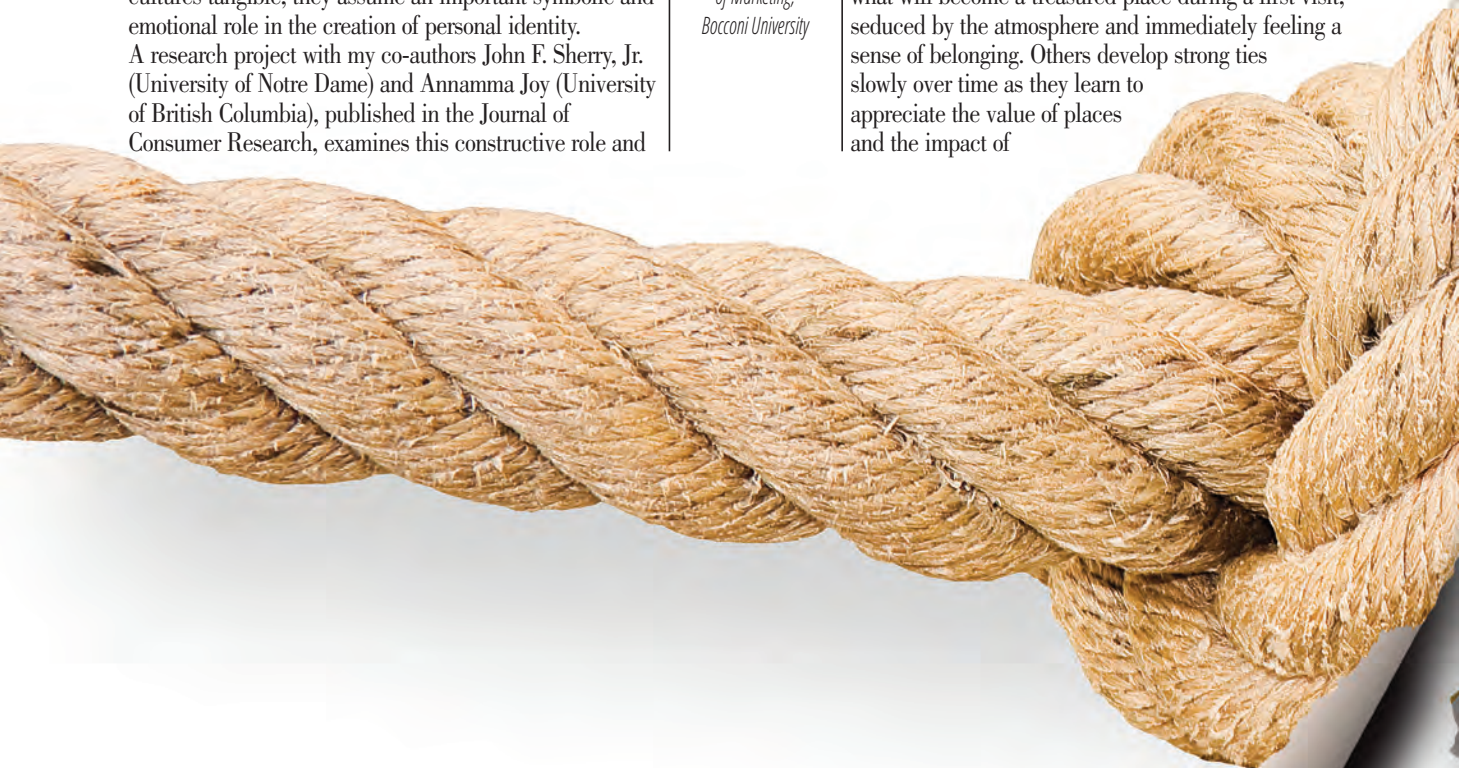
by Stefania Borghini @

For many people, Covid19 has brought the negative consequence of closing a treasured commercial space, whether a bar, restaurant, or some kind of store. In fact, the pandemic has abruptly ruined many small businesses, thus severing long-lasting relationships with loyal and affectionate customers. Like homes, neighbors, and cities, retail spaces give meaning to everyday experience. By making values, ideologies, and cultures tangible, they assume an important symbolic and emotional role in the creation of personal identity. A research project with my co-authors John F. Sherry, Jr. (University of Notre Dame) and Annamma Joy (University of British Columbia), published in the Journal of Consumer Research, examines this constructive role and



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the multiple ways in which consumers can establish these bonds. Employing a longitudinal study, we discovered how the features of retail spaces inspire attachment and detachment in customers and how those attachments evolve with personal biographies. Significant ties can develop through both slow and immediate processes, stimulated by the sensual, symbolic, and cerebral elements of a space. Some people may fall in love with what will become a treasured place during a first visit, seduced by the atmosphere and immediately feeling a sense of belonging. Others develop strong ties slowly over time as they learn to appreciate the value of places and the impact of



commercial settings on their lives. In favorite spaces, individuals learn how to consume, find sources of inspiration, and develop new affective and practice repertoires stimulated by the socio-material elements of the spaces, ultimately reinforcing a new sense of self. Attachment gives people emotional stability, feelings of affection, and increased knowledge and self-awareness, and the research shows that detachment - whether forced or voluntary - must be considered an integral and complementary component of attachment. Voluntary detachment benefits consumers because it affirms personal biographies by reflecting the desire for change. Such detachment is rarely sudden. Rather, a bond's dissolution is typically gradual in response to any of a number of factors. According to the theoretical tenets described in the article, which are grounded in affordance theory, this evolution can be explained by the dynamic and fluid relationality of the bonds between the environment and individuals. Affective ties between individuals and spaces reflect ongoing processes of becoming in which personal biographies entwine with the trajectories of the bond. Voluntary detachment thus

becomes a way to rejuvenate one's identity. People need to change and thus need to detach from loved spaces.

In the case of forced detachment, bonds with favorite places can be disrupted for reasons entirely independent of individual will,



THE PAPER

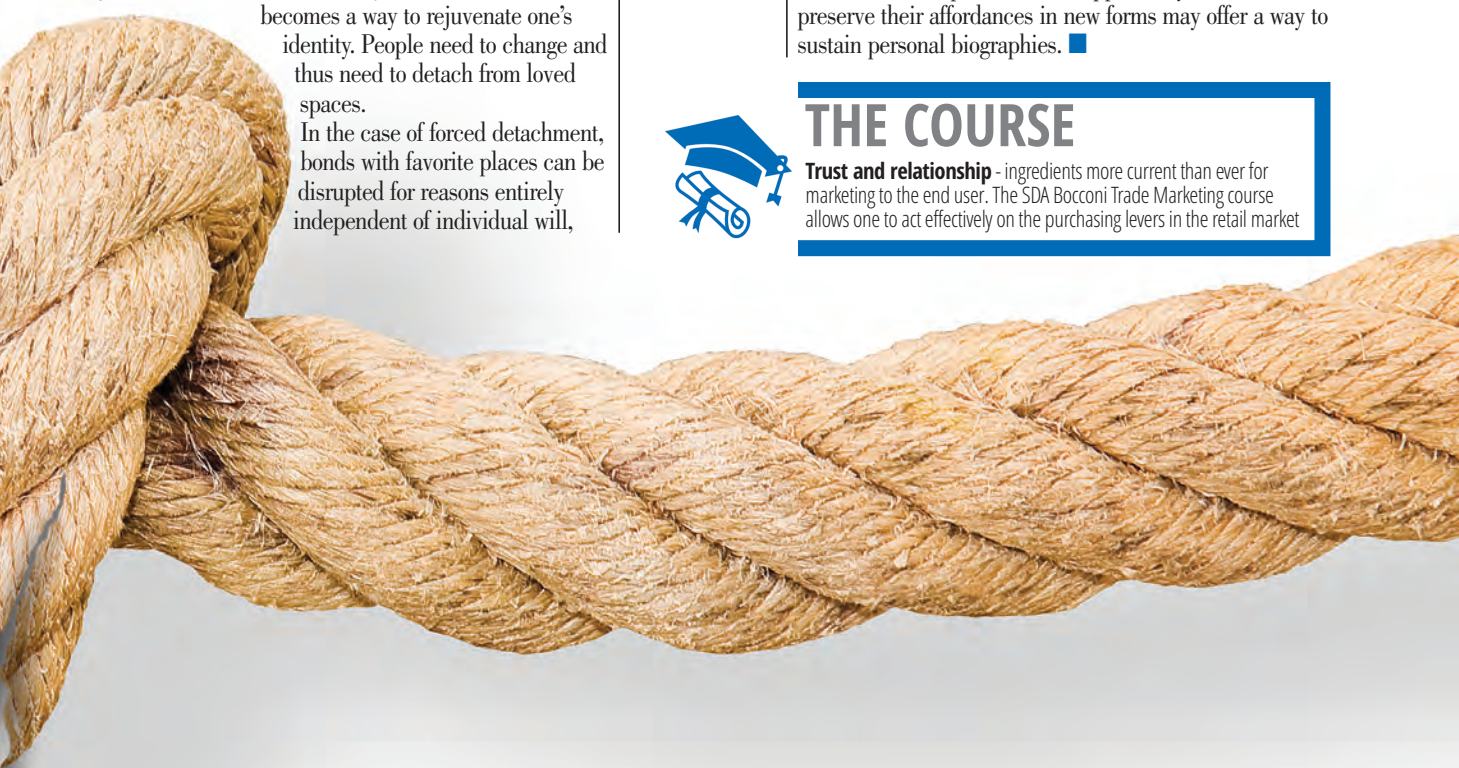
Attachment to and Detachment from Favorite Stores: An Affordance Theory Perspective, by Stefania Borghini, John F Sherry, Annamma Joy

and the loss can affect consumers in various degrees of intensity. Individuals may use a variety of coping strategies to recover from a forced detachment or may take no action at all. While some consumers may accept forced displacement without a resolution, others discover in it a source of motivation or an opportunity to form new bonds. In most cases, the socio-material affordances of lost loved places have the power to shape consumers' new relationalities. In fact, people commonly look for the same anchors, design elements, kinds of servicescape, and other elements that characterized their loved retail setting. In the near future of increasingly frequent store closures - even if only temporary - it will be important to consider not only the loss of functional benefits but also their impact on consumers' sense of self, symbolic meanings, and emotional repertoires. The opportunity to save and preserve their affordances in new forms may offer a way to sustain personal biographies. ■



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COVID19

Research by
Mario Daniele Amore
Stefano Baia Curioni
Valentina Bosetti and Massimo Marinacci
Guido Corbetta and Fabio Quarato
Elena Gramano
Mariateresa Maggiolino
Donato Masciandaro
Marco Percoco
Raffaella Piccarreta, Alessia Melegaro,
Daniele Durante and Sirio Legramanti
Selin Köksal

The Strategies of the Republic of Venice in Times of Plague

Politics and helicopter money in the 1630s led to excess debt resulting in price instability and devaluation. The difference with today? Central bank independence which, hopefully, will be a sufficient barrier

by Donato Masciandaro @

When a pandemic recession comes along, a mix between politics, excess debt and helicopter money can occur. This was the case in the Republic of Venice, during the 1630 plague. Can we draw any lessons for today from La Serenissima?

In economic thinking, the Covid19 pandemic forces swept away some of the conventional taboos, such as the radical idea of helicopter money. The term uses the fanciful imagery that was originally invented by Milton Friedman. But what is helicopter money? In the literature helicopter money has frequently been defined as any policy mix under which expansionary fiscal measures are financed by creating a monetary base. The helicopter money concept became more precise when the analyses tried to identify when an expansionary monetary policy can be defined as an extraordinary one. In this perspective, helicopter money is in action when a fiscal monetization produces systematic losses in the central bank's balance sheet, reducing its net worth. In turn, the fiscal monetization can depend on the need that the government in charge has to maintain its consensus. And the nexus between politics and fiscal monetization can become particularly significant during a pandemic recession. This is exactly the situation that occurred in Venice during the years 1629-1631, when the Republic fought first a famine and then a plague pandemic, events that have been analyzed in a recent CEPR working paper with my colleagues Charles Goodhart (LSE) and Stefano Ugolini (Toulouse University).

Venice implemented its first legislation to address a plague epidemic in 1423 and a Health Office was established in 1490. Over the years Venice developed a regulation on plague with three aims: to prevent its



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originating in Venice, to impede its importation and to check its spread should it break out in the city. During plague episodes, the Republic imposed a general blockade on all neighbors suspected of the plague. The containment measures were put into effect on a colossal scale with the full resources of the state, and a trade-off between health and economics emerged. A textile merchant pleaded for the quarantine to be lifted, given that "an incomparable greater number of people have died purely as a result of unemployment than of typhus or any other contagious disease." It was argued that the Republic territory was suffering more from the ban than from the disease itself. Bribery episodes were registered, as anxious merchants tried anything to get their goods into Venice.

How to address the losses in political consensus? The government bought necessary goods from merchants to distribute them among the citizens. When city districts were put in quarantine the inhabitants were provisioned by the State. Poor laws were promoted to reduce the risk of disease; "poor should be taken from their wretched housing (...) and camps for the purpose should be maintained until the end of the epidemic." Moreover, the Venetian government influenced employment and nominal wages in the sectors under its total or partial control. Regarding for example wages at the Arsenal, the government, "in its anxiety to prevent such vital trades from decaying, was accustomed to paying its workers something, even if there was nothing for them to do".

But how to finance the public transfers? Printing money was the solution, using the Giro bank, the Venetian central bank, which was completely in the hands of the government. In normal times the Republic defined an issuing target: the Giro balance sheet should not exceed 800,000 ducats. But then, the Giro balance sheet was worth 2,071,168 ducats in April 1630 and kept rising to a peak of over 2,666,926 million ducats in June 1630. The over-expansion of



THE PAPER

Helicopter Money in Another Pandemic Recession: Venice, 1630, by Charles Goodhart, Donato Masciandaro, Stefano Ugolini

the money supply triggered a monetary depreciation, forcing the government to reform its monetary policy setting. On July 1630 a monetary board (Giro bank Inspectors) was established. The aim of the monetary action was the reduction of the Giro bank liabilities, whose parallel effect had been the reduction of the gold bullion in the hands of the Republic. During these operations, “100,000 ducats in small change in copper shall be minted and distributed, especially to members of the silk and wool trade who needed it, to repay the (public) debt.”

The new monetary policy strategy brought down Giro balances to 1.4 million ducats at the end of 1630, but

it was not sufficient to avoid the collapse of the convertibility promise of the Giro bank; it happened in the same year, with a suspension of payments. All in all, the monetary policy implemented during the pandemic recession to avoid riots and tumults produced an over-expansion of convertible money coupled with losses in issuer capital. Price instability and currency devaluation were the final macroeconomic outcomes. The mix of political needs, debt and money was really toxic. From yesterday to today, the big institutional difference is the independence of central banks as a device to avoid the political excesses. Hopefully it will be enough. ■

MARIO DANIELE AMORE

The Importance of Being Optimistic in Times of Crisis

In a pandemic, optimistic entrepreneurs' proactivity weathers their tendency to fail to interpret negative signals, making them more likely to engage in both product innovation and organizational changes, research by **Mario Daniele**

Amore on the reaction of 1,642

British firms to the Covid crisis concludes.

“The paper shows that a psychological trait such as dispositional optimism is an important driver of the heterogeneity in the reaction of entrepreneurs to the Covid crisis,” says Amore, an Associate Professor at Bocconi Department of Management and Technology.

The research team, including **Orsola Garofalo**

(Copenhagen Business School) and **Victor Martin-Sanchez**

(King's College London), observed a 37% revenue drop among their sample firms during the spring lockdown. Many entrepreneurs made significant steps to attenuate the impact of the pandemic on their business. In



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THE PAPER

Failing to Learn from Failure: How Optimism Impedes Entrepreneurial Innovation, by Mario Daniele Amore, Orsola Garofalo, Victor Martin-Sanchez

particular, 30% of them made product or process innovation, whereas 25% made organizational changes, such as the introduction of more flexibility on the workplace. However, there are large variations in the likelihood of undertaking these actions.

Dispositional optimism can be defined as a general expectation that more good things, rather than bad, will happen in the future and can be measured through standard tests that the authors administered to the entrepreneurs in the sample through an online survey. The likelihood of engaging in product innovation and organizational change is, respectively, 7 and 5 percentage points higher for entrepreneurs classified as highly-optimistic. These differences with the rest of the sample are large and significant, and do not depend on individual variables such as age and education, nor business characteristics such as size or industry. Optimistic entrepreneurs also display better financial performance, with revenue dropping ca. 8 percentage points less than the full sample. While it is challenging to interpret this evidence as causal, the general message surfacing from the study is that entrepreneurial optimism is clearly associated with actions that facilitated business recovery during Covid19.

“The management literature has highlighted both pros and cons of optimism for entrepreneurs. With this study we show that optimism prompts a stronger reaction to a crisis,” Professor Amore concludes.

STEFANO BAIA CURIONI Enhance Attendance, and Learn

As happened in many other sectors, in the area of management of cultural development the pandemic has accelerated some of the ideas already underway, and even enriched them to some extent with new elements. In his role as President and Director of the Palazzo Te Foundation, **Stefano Baia Curioni**, Associate Professor of Economic History, has a paradigmatic experience having gone through very different phases, from the opulence of Mantua, capital of culture 2016, to the current depopulation. In the study *What Awaits Us? Notes on the Management of Culture and on the Cultural Development After the Pandemic*, written with **Stefania Gerevini** and published in *Il Capitale Culturale*, the professor summarized a part of his analysis around the theme of presence. "As cultural institutions we were thinking about how to learn to value it", the professor begins. "For a long time, in fact, the public of an exhibition or museum has been managed as an indistinct

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flow, a river to be channeled into the visitor paths, focusing all attention on the collections, objects or architecture. Today the world suggests to us that we must invent a new curatorship, capable of creating true and ongoing relationships with visitors, paying attention to every moment, from the purchase of a ticket to the hospitality of the dining room staff. It is a change that requires not only a new allocation of priorities, but also a revision in the allocation of resources and in the selection of professionals". The pandemic has not erased this need but has added one of the opposite kind: how is culture done at a distance, that is, when it is necessary to avoid presence? "In Mantua, in 2020, we made 80 video productions, starting from 0 the previous year", exemplifies Baia Curioni. "It was a way to start learning a competency we didn't have. Of course, no cultural institution has such a budget that it can afford large productions, but it can be the beginning of something new". The other way forward is to rally the territory by creating new relationship formats, agreements with public transport, constant relationships with schools, links with the production system. "We need to apply an all-around action to become catalysts of all the sources of intelligence present in the area, strengthening the link between culture and economic development, because this is what drives business, and tourism is a consequence of it," confirms the professor. "This is what I am trying to do, for example, with the Bergamo-Brescia capital of culture 2023 initiative: two cities that, after all they have been through, promise to grow together by investing in the extraordinary collective intelligence of their social, cultural and industrial fabric".



THE PAPER

Cultural Management and Culture-Driven Development in the Wake of a Global Pandemic. Preliminary Reflections, by Stefano Baia Curioni and Stefania Gerevini

ELENA GRAMANO From Lockdown to Smart Working, This Is How Covid Is Changing Labor Law

While most of the public debate focuses on the effects on the real economy of closing and reopening businesses, the impact of these measures on the labor market gets less attention. However, in late 2020, the European Labour Law Journal decided to dedicate a special issue to the comparison between the situation in various European countries. **Elena Gramano**, Assistant Professor at the Department of Legal Studies, was one of the issue's editors, as well as author of the essay "An Unprecedented Social Solidarity Stress Test," along with colleagues Miriam Kullmann and David

Mangan. "The research involved both an analysis of the measures taken immediately, such as closing businesses, suspending employment relationships and measures to support wages or income, and a



THE PAPER

An Unprecedented Social Solidarity Stress Test, by David Mangan, Elena Gramano, Miriam Kullmann

GUIDO CORBETTA AND FABIO QUARATO

With the Covid Crisis, One in Four Family Businesses May Close

The crisis triggered in 2020 by the pandemic has twice the impact on Italian GDP than the one begun in 2008-09, which forced 17.5% of Italian family businesses to enter bankruptcy or liquidation processes in the following decade. According to the calculations of the XII AUB Observatory, 25-30% of family businesses are thus at risk, despite entering 2020 in a better equity, income and financial situation than 2009.

"Apart from hoping on a faster recovery, our analysis shows that the only way out is a greater recourse to equity and an opening to non-family leadership and hopefully its rejuvenation," explains **Guido Corbetta**, holder of the Aidaf-EY Chair in Strategic Management in Family Business in memory of Alberto Falck at Bocconi and editor of the Observatory with **Fabio Quarato**.

The AUB Observatory, promoted by Aidaf – Italian Family Business, [the Aidaf-EY Chair at Bocconi](#), UniCredit and Cordusio, with the support of Borsa Italiana, Fondazione Angelini and the Chamber of Commerce of Milan Monza Brianza Lodi, monitors all Italian family businesses with a turnover of at least €20mIn: 17,984 companies, of which 11,808 family-owned (65.6%).

The analysis shows that, compared to the beginning of 2009, the share of family businesses with a truly compromised capital or financial structure (negative equity or EBITDA) dropped from 4.3% to 3.4% and the share of businesses with critical solidity indicators from 38.8% to 29.9%, while businesses with liquidity in excess of debt rose from 17.7% to 29.5%.

An analysis conducted with FSI (Fondo Strategico Italiano), included in the Observatory, highlights the negative effect of indebtedness on performance over



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the following five years and shows that, even in the case of a low level of indebtedness, an increase in it has a negative impact on growth and profitability. It follows that at this time the best companies must grow through equity rather than debt.

An analysis of the reaction of family businesses (listed companies) to the pandemic crisis "confirms their great responsiveness and the market's appreciation," says Fabio Quarato. Family businesses almost caught up with others in use of smart working (85% vs. 93% of the total sample) during 2020 and in 77% of cases had taken steps to provide support to employees, especially from a safety perspective (protocols and provision of personal protective equipment). This resulted, for the first half of the year, in a smaller reduction in revenues (10.1% vs. 11.9% for non-family companies), increase in employment (+3.4%) compared with a drop in non-family companies (-1.4%) and a better stock market performance of 22.3%.

reflection on the long-term effects, for example on the subject of regulation of remote work," explains the Researcher. Similar approaches emerged from this comparison, but with some significant differences between the various EU countries. "For example, Italy and Spain are the only States to have placed a ban on layoffs, elsewhere it was preferred to allow companies more freedom and use incentives to support both

businesses and workers," continues Gramano. "Another interesting aspect is that almost all the legal systems have included forms of income support also for self-employed workers who, before the



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pandemic, were traditionally excluded from such measures. It would be interesting to see if these measures are normalized and enter into ordinary welfare practices."

An idea therefore arose to update these same studies one year later to evaluate how individual systems have evolved over time and what they have retained of the extraordinary measures introduced. "Some issues are constantly evolving, such as smart working," she concludes. "In Italy, for example, there is actually already a law, Italian Law 81 of 2017, that governs agile working. But this pandemic has raised some new issues that need to be clarified, including safety, compatibility with family burdens, schedules and whether it can be chosen voluntarily."

VALENTINA BOSETTI AND MASSIMO MARINACCI

Navigating Uncertainty: Why We Need Decision Theory During a Pandemic

During a pandemic, decisions have to be made under pressure and amid scientific uncertainty, with potential disagreements among experts and models. With Covid19, especially during the first wave, there was uncertainty about transmissibility, the severity, future evolution and effectiveness of proposed policy interventions. Together with a group of epidemiologists and economists including Nobel Prize winner **Lars Peter Hansen**, Bocconi professors **Massimo Marinacci**, AXA-Bocconi Chair in Risk, and **Valentina Bosetti** investigated how modern decision theory can help policymakers navigate through the uncertainty that characterizes this pandemic and possible future ones. More in detail, they interpret the problem of a policymaker making policy decisions about the Covid19 emergency in an environment characterized by three layers of uncertainty: uncertainty about models, across models, and within models. Uncertainty about models relates to the fact that models are, by design, simplifications of more complex phenomena. Uncertainty across models encompasses both the proliferation of different models and the fact that the parameters of each single model are unknown. In the Covid19 context, these parameters include the effective reproduction number (the now famous R_t

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index) and the disease's latent period. Finally, uncertainty within models accounts for the fact that (apart from deterministic models, that are often oversimplistic) even a fully specified model has uncertain outcomes.

Before such complexity, formal decision rules can be of great help. A formal decision problem consists of a set of actions, of consequences and of environment states, plus a function that associates a consequence to each action-state couple. In the case of Covid19, the considered actions may be different durations of school closures, while consequences include both benefits (e.g. reducing infections and deaths) and costs (worse education for children, struggles for working parents, etc.) and also depend on the environment state (i.e. the pandemic and economic situation). A formal decision rule is then a function that associates the "best" action to the observed data.

"Various decision rules exist and picking the best one for a particular situation remains a non-trivial problem," says Professor Bosetti, "however this approach can help weed out bad solutions from the debate."

"Policymakers can check their decisions by asking whether they can be justified using a formal decision rule," explains Professor Marinacci. "Used this way, formal decision rules can help policymakers clarify the problem, test their intuition, and avoid reasoning mistakes that have been documented in psychological studies, like confirmation and optimism bias."

MARIATERESA MAGGIOLINO

How the State-Banking Alliance Saved Businesses

The blocking of production and distribution during the first lockdown required immediate action by public authorities in order to provide relief to businesses that were suddenly in a liquidity crisis. Within this context, the State called upon the banks, giving the institutions the task of acting as a transmission belt between the public and the real economy. This topic is the focus of the most recent studies by **Mariateresa Maggolino**, Professor of Commercial Law and antitrust expert, including the essay *Notes on the Role of Banks in the Time of Covid19*, published in the journal *Rivista delle società*. "The most obvious answer to the corporate liquidity crisis could have been the public administration



THE PAPER

Rational Policymaking During a Pandemic, by Loïc Berger, Itzhak Gilboa, Nicolas Berger, Valentina Bosetti, Lars Peter Hansen, Massimo Marinacci, Christopher Jarvis and Richard D. Smith

MARCO PERCOCO

Commuting Flows, Not the Transport Mode, Help Covid Spread

Bergamo is the Italian city that at the peak of the first wave of Covid, in March 2020, recorded the highest excess mortality compared to the average for the same period in the previous five years. In that month, deaths more than quintupled (+428.95%). Bergamo is also the Italian city with the highest rate of commuters with respect to the resident population: adding the incoming and outgoing commuters, it comes to 52.4% of the population, according to data of the last census.

These figures prompted **Marco Percoco** and **Mattia Borsati** of [GREEN, the Center for Research on Geography, Resources, Environment, Energy and Networks at Bocconi](#), and **Michele Cascarano** (Bank of Italy) to investigate the link between commuter flows and the spread of the pandemic, concluding that there would have been 2,300 fewer deaths in the peak months of the pandemic



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(1,300 lives saved in March and 1,000 in April) if commuter flows in Italian cities were 10% lower. "A city's connection to the surrounding area and commuting flows are positive features in normal times, indices of economic vibrancy that turns into wealth and well-being, but they proved fatal with the pandemic," explains Professor Percoco, Director of GREEN. "These variables also help explain why the coronavirus spread faster in Northern than in Southern Italy: in the North, in fact, commuting flows are very strong even in relatively small cities such as Bergamo, Lodi or Lecco."

The result also suggests that the regional scale, at which most restrictions to fight the pandemic are decided today, is too broad. "Interventions in highly connected cities with a manufacturing structure that makes smartworking problematic should be prioritized," Professor Percoco continues.

[In a second research paper, Percoco and Borsati along with Silvio Nocera](#) (IUAV Venice) found that commuting flows have multiplicative effects on the spread of Covid regardless of the mode of transportation used by commuters. "In other words," Prof. Percoco explains, "while the relationship between mobility and contagion is clear, we did not find a stronger relationship in cities where public transport is more widespread. Mobility, and not the choice of public transport, is one of the most important drivers of contagion. This does not mean that we can be less cautious on public transport, but that we must be equally cautious when using other modes."



THE PAPER

Resilience to Health Shocks and the Spatial Extent of Local Labour Markets: Evidence from the Covid19 Outbreak in Italy, by Mattia Borsati, Michele Cascarano and Marco Percoco

lending money," Maggiolino says, "but the magnitude of the phenomenon was not sustainable. Therefore, the State asked the banks to transfer this liquidity to businesses by guaranteeing loans. This mechanism was made possible because the institutions are in a situation of general health, that is, they are under limited distress. This would not have been possible just 10-15 years ago."

According to the Professor's analyses, the cycle that was activated has proved to be virtuous from many points of view: without grants but instead with this loan formula, the State has in fact bet on the future of businesses. It has gained time, avoiding aggravating public debt and letting the banks do their job by differentiating good and bad debtors or carrying out anti-money laundering or anti-mafia checks. "In the study, there is a chapter that describes how the ECB

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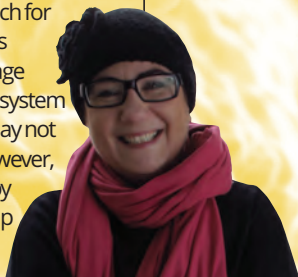
and EBA, foreseeing a probable increase in bad loans, instructed banks on how to handle NPLs, trying to give flexibility to the entire system and defining the return strategies for this difficult period. Unfortunately, despite this, they all agree that the NPL market will grow in 2021 because bad payers will increase, so much so that the EU is thinking of creating a European bad bank." But did the Italian State's gamble on companies pay off in the end? "This is the question that we have also asked ourselves," concludes the

Professor. "And we would like to answer it with a future study, to analyze how many times the State guarantee was actually needed to settle debts and how often companies were able to do so on their own. The problem is that, since we still have not returned to a normal situation, we have not yet found the right time to start this observation."

RAFFAELLA PICCARRETA The Importance of Data

"The pandemic has highlighted the importance of collecting data quickly, even in emergency situations, and preparing routines that allow the in-progress adjustment of procedures for extracting, organizing and processing data." So says **Raffaella Piccarreta**, a statistician Bocconi who has been involved in the monitoring of infections and the study of the evolution of the pandemic since the early stages. "In some studies carried out with **Alessia Melegaro** as part of the **Covid Crisis Lab**, in collaboration with the Lombardy Region and the Bruno Kessler Foundation, I worked on constructing reliable databases to support epidemiological and modeling analyses," summarizes Piccarreta. "At the beginning of the emergency we were overwhelmed by the rush for data, a somewhat unsettling approach for us statisticians, accustomed to more cautious rhythms. For us, the saying 'garbage in, garbage out' applies: if the information entered into a system is not reliable, chances are the conclusions may not be reliable either." During the first weeks, however, it was urgent to share the findings provided by regional data, in order to understand and help the scientific community better understand

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THE PAPER

Age-specific SARS-CoV-2 Infection Fatality Ratio and Associated Risk Factors, Italy, February to April 2020, by Raffaella Piccarreta, Alessia Melegaro et al

the features of SARS-CoV-2. The papers written in those weeks were then updated using data that was consolidated over time. "In one study, for example, we focused on the risk factors associated with fatal outcome after the infection, [in another on the age-specific estimates of the risk of developing symptoms and of experiencing critical disease \(i.e. requiring intensive care or resulting in death\) in infected case contacts](#), to identify the most critical issues and provide insights for a 'fine tuning' of the system." Current collaborations with CERGAS and Humanitas focus on an analysis of the costs of care for Covid patients. In another study with **Daniele Durante**, **Sirio Legramanti** and Alessia Melegaro and in collaboration with EnelX, the relationships between movements between provinces and regions and the evolution of the spread are being investigated. "On these occasions, unprecedented synergies have been created between the skills available at public authorities, universities and companies." In these areas, the role of statistics is fundamental, and ranges from organizing and preparing databases, to identifying models for data analysis, to the response to the challenges posed by new research directions. "One of the most important challenges is to develop methodologies to extract information even from 'dirty' data, and which adapt quickly to the progressive improvement of their quality. I believe that there is a need to increasingly invest in Data Analysts. In any context, whether public or private, it is now clear that data is a fundamental asset, and collecting, organizing and using them in an informed way must be the basis of decision-making processes."

SELIN KÖKSAL How Covid19's Impact in Turkey Differs from Other European Countries

The effects of the Covid19 pandemic in Turkey were somewhat different from other European countries, according to a survey carried out by **Selin Köksal**, a PhD student at Bocconi. It interviewed 3,000 people in Turkey in September and October on three different topics: labor market conditions, income losses of households, and division of labor between genders. Like everywhere else, household income levels in Turkey fell sharply because of the pandemic, where 15% of the people surveyed said they lost their job or closed their business either temporarily or permanently. But the contraction was the greatest at both low- and middle-income levels, whereas in more developed economies it was the lower-income workers who suffered most, the survey found. The biggest surprise discovering how widespread food insecurity was during the pandemic. "What was striking in terms of income was, almost 40% of respondents said that they had difficulties in compensating for the decline in their food expenditures," said Köksal. "As a policy implication we can say the issue of food security as the pandemic continues could become more pronounced. So this issue needs to be tracked." Another way that the pandemic's impact differed in Turkey from other Mediterranean countries Italy and Spain was how men and women shared household chores. Men with higher



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socioeconomic status were more likely to participate in domestic activities during the pandemic, with the division of labor becoming more egalitarian. This contrasts with a UN study showing women in general shouldered more of the household chores in many countries. "Even though the division of household labor is becoming slightly more egalitarian, the tasks are still very much in line with traditional gender norms," observed Köksal. "So it is hard to say that since men are participating more it will lead to more long-term higher levels of gender equality in couples. Maybe this is more of a short-term effect." Men's increased participation did not lead to a decrease in women's household responsibilities, because the overall amount of household work rose. "Gender and family issues are not put at top of the list," she said. "But the pandemic really showed how vulnerable some families are. I hope this study could focus the government's attention on these gender issues."



THE PROJECT

The Labor Market, Income Losses And Household Production During Covid19 Pandemic In Turkey, by Selin Köksal in collaboration with Bahçeşehir University and Istanbul Technical University



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Inside the Secrets of the Muslim Brotherhood

by Emanuele Elli @

LORENZO VIDINO
*Director of the Program
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They are the oldest and most influential organization of Islamism, yet very little is known about them in the West. This shortcoming is addressed in the book by Lorenzo Vidino, which recounts over twenty years of research on the Brotherhood and collects the important testimony of those who have been leaders and then have left. It is fundamental reading to better understand the radical Islamic movements and, with them, the great challenges that await liberal democracies

For a large part of public opinion, awareness of the presence of radicalized Islamist groups in the West materialized dramatically only on 11 September 2001. It is therefore not surprising that even Lorenzo Vidino, today one of the leading experts on Islam in Europe and North America and director of the George Washington University Program on Extremism, departed from that very day to produce the book *Islamists of the West. Stories of Muslim Brothers in Europe and America*. In it, over twenty years of study are condensed on the mobilization of jihadist networks in the West, on the policies to combat radicalization implemented by various governments but above all on the dynamics that feed and support the movement of the Muslim Brotherhood.

→ Why is the date of September 11 also important for your personal relationship with Islam?

First of all because I grew up in Milan, not far from the mosque in Viale Jenner, and some boys from the Islamic community were my companions in football matches. So when the events of 11 September happened, I was emotionally very involved. But also because that fact changed my professional direction. At the time I was finishing my thesis in Comparative Public Law and I had a ticket in my pocket to the USA where I would continue my studies in Law, but when I arrived in the States I found a job in a small study center that dealt with Islam. I decided to leave law to prepare for admission to a Master in security and international relations which then became a doctorate and from then on this has remained my main interest.

→ This work, however, does not speak of Jihad or Al-Qaeda, but of the Muslim Brotherhood. Why, among the many groups that animate the world of militant and radical Islamism, is this one so important?

The Muslim Brotherhood is the oldest and most influential Islamist movement in the world and therefore a fundamental building block for understanding Islam in Europe and the West in general. Despite the small numbers of their militants - in many countries we are speaking of a few hundred people - they play a very important role in shaping the Muslim communities of each Western country and in managing relations between these and the various governments by occupying many of the pivotal positions. It is they who, for example, in Italy sit with the Minister of the Interior to sign an agreement or who are granted the contract to enter prisons to play the role of cultural mediators. We cannot speak of Jihad or radical Islam without starting with the Brothers.

→ Yet very little on this is discussed in the media.

In the countries of the Middle East there is a lot of critical and historical literature on the subject, but in the West this is not the case. I once asked a senior

British official why his government in 2014 chose me to be a member of the Brotherhood Study Commission. He told me: "There are at least forty experts on the Brotherhood in Egypt, a dozen in Jordan, as many in Syria. But people that study it in the West, in practice, there is only you". In the media of some countries, such as France, we read some articles but above all from a political point of view it is a slippery subject and onto which few venture. While in fact Western opinion on the Jihadists is unequivocal and does not lend itself to interpretation, with the Brothers we enter a more opaque area, where secrets cloud the truth, where facts and opinions mix and everything is more difficult to prove.

→ *To enter these dynamics, you chose the path of narrating the testimonies of some people who played leading roles in the Brothers and then decided to leave the organization. How was the meeting with these exiles from the movement?*

I already knew some of them before starting to write the book, such as Kamal Helbawy whom I met in 2005 when he was one of the leaders of the Brothers. With others I had to create the opportunity for a first approach but now some of them I think I can consider my friends. The difficulty in listening to their stories was precisely in maintaining the researcher's awareness, that is, filtering their testimony and dealing with their desire, unconscious or not, to become the spokesperson for a cause or a personal vision. This is also the reason why the stories are not reported in the first person but are always introduced and summarized by me.

→ *From these stories it emerges that the growth of the movement in the West has been very rapid in recent decades. What are the factors that favored it?*

The movement in the West has been nurtured without interruption by the Brothers, who have never stopped emigrating from their countries of origin. To this is added the economic factor that was decisive. The organization has always had significant funding from the countries of the Arabian Gulf and, after the Arab Spring, from Qatar, a support that has allowed it to build mosques and Islamic centers everywhere; to give an Italian example, the UCOII received about 25/30 million, a figure incomparable with that available to other Islamic groups. Finally, the naivety of Western governments also enabled the growth of the Brothers who, in the desire to find an interlocutor in Islamic communities and in the difficulty of understanding such a complex world, often gave this role to those who presented themselves as an interlocutor, but who had more important roles in society, confusing this visibility with real representation.

→ *Wouldn't it be time for the Brotherhood to come out into the open, to push itself into the public debate as a political actor instead of*



THE BOOK

The Muslim Brotherhood remains a still largely unknown entity. Lorenzo Vidino's book *Islamisti d'Occidente* (Egea, 2021, pp. 320, €29,50, in Italian) helps shed light on one of the most influential Islamist groups in the world through a series of unpublished interviews with former members and prominent sympathizers from Europe, the UK and North America. An essential contribution to understanding the movement, its recruitment and funding mechanisms, and its alarming mission of Islamization.



maintaining this secret cult approach?

This is the same challenge that led the people I interviewed in the book to leave the organization. Many of them contest precisely this obscure approach, which in the Arab world has its own reasons but which in the West induces suspicion and proves to be counterproductive, especially when legitimate objectives such as the recognition of certain rights are pursued. Corresponding to this debate within the Brotherhood is the one taking place within the major European governments, excluding Italy. It is a discussion on the behavior to be adopted towards an organization whose dangerousness is understood but which acts for the most part within the limits of the law, and therefore it is not treated as a terrorist organization. On this there is also a clear difference between what happens on either side of the Atlantic. While in Europe, in fact, there is much concern about the impact of the Brotherhood on social cohesion, in American culture it is naturally accepted that certain ethnic groups can and want to live separately at home, maintaining habits and traditions. Issues that are on the front page in France such as the veil, the time reserved for Muslim women in swimming pools or the construction of a mosque, are less controversial in America because they are taken for granted.

→ *Should the fact that we know so little of such an important organ of Western Islamism frighten us?*

Frighten, no, but concern, yes, because I believe that, in every area, in order to act effectively it is first of all necessary to know the reality in which you are moving. And instead, I see that unfortunately many important players on the international scene - intelligence agencies, ministers - take important decisions without adequate knowledge. This is not reassuring because, however it evolves over time, the Brotherhood will long remain a key player in the future of Islam in the West. ■



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