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**Global Governance : the raising
of awareness**

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Welcoming Speech

Dear Director General of ANRT (National Agency for the Regulation of Telecommunications)

Dear Director of INPT

Dear President of Ethics and Good Governance, CGEM (The General Confederation of Moroccan Companies)

Dear Director for Strategy and Development, Central Authority for Corruption Prevention, Morocco

Dear participant

Ladies and Gentleman,

In the beginning I would like on behalf of the organization committee, to take this opportunity to welcome all the participants, and I would like to thank the INPT Management, especially Pr. Chefchaoui for his support and his help to host this conference in the INPT. We are grateful that so many of you have travelled far to Rabat to join us here in this conference.

It is a real pleasure for me to take part in the work of the conference organized jointly by CIEMS and the De Montfort University on the theme Global Governance: the raising of awareness. This conference comes at a time when the governance in Morocco is receiving increasing attention in the public and private arena. In addition, this conference is taking place in a context marked by the recent establishment of the adoption of the new constitution and election of the new government.

Let me come back just for short while to definition of Governance. Governance is a dynamic connotation which according to the Oxford Advanced Learner's Dictionary means, the way in which a country is governed (Wehmeier, 2000). Simply put, governance means the activities or process of managing public affairs. Governance is thus a qualitative expression and a normative concept.

Today the concept of good governance is gradually being seen as a panacea to developing countries. In most cases, governance failure has been marked as the prime hindrance towards development. Governance, therefore, relates to the mechanism, structure and process that guide political and socio-economic relationship of a country.

It is a holistic approach comprising of three interconnected spheres of government: political, economic and administrative. The Moroccan government must develop thought out model of governance, which keeps track of the evolution of different model of governance; take into account these three interconnected spheres. The government should attempt to get rid the country of corruption, so we will enlarge those point during the conference.

With the collapse of Enron and Arthur Andersen in the USA and similar disasters in the UK governance has become increasingly important. International organizations have become very concerned about governance issues. For example, the International Monetary Fund has demanded that governance improvements be included in its debt relief program. In 1999, the Organization of Economic Cooperation and Development (OECD) issued its influential OECD Principles of Corporate Governance, intended to assist member and non-member countries in their efforts to assess and improve the legal, institutional and regulatory framework for better corporate governance. In addition, private firms such as Standard & Poor (S&P) and McKinsey are also calling for sweeping reforms of governance practices.

Ladies and Gentlemen,

The two days of work at this conference will begin the process of sharing good policy evaluation practices. They should help forge a shared vision of assessment and will participate in the dissemination of a culture that is increasingly imposed on all public decision-makers, enhancing the quality of the information disseminated to citizens.

The comparison of experiences and dialogue that you will engage in at this conference will enable us, I hope, to identify avenues for reinforcing our abilities and our mechanisms in the area of evaluation.

Ladies and Gentlemen,

We hope that the conference will be worthwhile for us, and we wish you have nice and instructive days.

Thank you for your attention.

Dr. Mourad Oubrich, Conference Chair OGC 2012

What is Organisational Governance ? : An exploration of concepts and terminology

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1. Introduction

1.1 : A linguistic approach to getting 7 billion plus (7,000,000,000 +) people organised within a democratic social network. Isn't this what we are effectively trying to achieve? Can we do it? Will it work?

1.2 : The lack of precision in language makes a discussion on the interpretation of the term "Organisational Governance" necessary. Here, Organisational Governance is discussed in isolation as if it were a separate field of study. Actually, the issues are studied in other academic fields as well, such as sociology, psychology, human behavioural studies, philosophy, ethics, business studies and others with each field of study having its own particular viewpoint. Each of these fields also has its own terminology for the different aspects of human behaviour that relate to Organisational Governance in some way, each dividing the concepts up to suit their own particular point of view. The overlaps and gaps between all these terms leads to a lack of language sufficiently precise to describe the issues of Organisational Governance in a way that leaves no gaps. Since it is crucial for the effectiveness of this work that there are no gaps in the fundamental framework the creation of some new words that belong entirely to the field of Organisational Governance is necessary. In particular, the new words are created in order to make a robust and complete macro level classification framework. This complete and simple framework can be used later to assist in the reconciliation of the terminology from these related academic fields to create a more complete bigger picture.

1.3: Macro Management

This "big picture" macro viewpoint can easily lead to feelings of dismay as the awesome scale of the problems we face comes into view. Flip it though and solutions at this macro level can be conceived pretty easily, at least in theory. Putting them into practice is a different matter altogether but let's at least imagine how we might get ourselves organised. There are, after all, more than 7 billion people available to help make it happen. We have already made many fantastic innovations over the centuries, resolving problems that at the time they arose seemed impossible to solve. Take starvation in Europe, for example, at the time a horrific scourge but successfully eradicated by the potato, as long as the crop did not fail. Our problems nowadays are that much more immense but we do have our larger than ever before, collective, accumulated know-how and the tools we have designed and developed, which are also without precedent in their potential to help us solve our problems, especially our recent innovations in worldwide communication. Whether these are sufficient to resolve the problems we are ourselves creating, as well as those natural events that are not of our making, is for the future to reveal. We can only try to manage ourselves to our very best ability and this means using all our skills, our resources and our resourcefulness.

2 : Organisational Governance

2.1: Organisational Governance, a mysterious term made up from two mysterious words, each defined by each person who uses them in their own personal way. Many or perhaps most people do not use these two words, do not have a clue what they mean and are even more baffled by the two put together. Their most likely emotive response would be a negative feeling, perhaps linked to their imperfect understanding that organisational means less freedom, doing less of what you want to do when you want, that is some type of discipline, whilst governance perhaps thought to be to do with being made do things you don't want to do or stopping you doing those things you do by something or somebody. Change the words to Global Governance and you will probably observe an even stronger negative emotional response relating to the misconception that this equates to creating a single global government body or organisation. The historical human experience of bureaucratic, costly and ineffective attempts to impose centralised control over large populations would lead most to have no faith at all in the possibility of solutions emerging from a central world government. Fortunately, we know that nothing is further from our minds (don't we?).

2.2 : For others Organisational Governance is a clever phrase of double entendre, or perhaps multiple entendre, that allows each to feel included in its meaning even though our personal definition may be any of a number of possible interpretations. This characteristic of the phrase Organisational Governance that it has many possible meanings and shades of meaning, has the advantage of including a diversity of different views around a general theme. For this reason a rich mix of people are attracted to the debate. The disadvantage of the term is this same characteristic, that it makes it difficult to pin down exactly what is meant and what is the ultimate goal. How can we know if we are making progress towards or indeed have reached our goal if we are not clear what it is?

3 : Defining Organisational: meaning relating to organisations

3.1: In its most specific use the term "organisational" has been adopted to replace the term "corporate". The term "corporate" has been developed from the concept of "incorporation" which is the process by which owners can set their companies up to have an independent existence by becoming a "body" in its own right. Owners can then limit their liabilities for the behaviour of the company, which is in effect a headless body. The company then employs directors to govern it and act as its mind and soul in a way. This process was devised to encourage the wealthy to take on more risky projects than they might otherwise have done. Trade and commerce expanded and the owners of corporations benefited from the easier wealth generating conditions. Governments benefited because the quality of life of their citizens improved on average so they remained popular, always important in democracies, and they were at the same time able to collect more taxes from both the corporations and the citizens who were earning and spending more money. This is the mechanism at the heart of the runaway "money machine" that currently dominates most of our lives, one way or another.

3.2 : The term corporate excludes the organisations that are set up by governments using the taxes that they are collecting. These organisations, commonly called "not for profit"

organisations and have a wide range of purposes, non of which are to do with making money, but are instead about maintaining a socially stable situation in balance with the corporate sector. The not for profit sector matches the corporate sector, more or less, in many countries in terms of numbers of people employed. These organisations are also run by managers on behalf of their owners, effectively taxpayers. There are also various other types of not for profit organisations outside the government sector.

3.3: Also excluded by the term corporate but included under organisational are other profit focussed organisations that are not incorporated. These include the privately owned companies, partnerships and perhaps even sole traders, who work within organised frameworks set up by government even though they work independently.

3.4 : The term organisational includes all types of organisations, whoever owns them and whatever their primary purpose. Its scope is far greater than the term corporate and this is necessary because it is not only the corporate sector that is the cause of impacts on the planet and on people but also other types of organisations, in fact all organisations. It is essential to manage the total impact caused by all organisations not just the corporate sector.

4 : Defining organisational: meaning a type of human behaviour

4.1 Expanding to organisational human behaviour

The term organisation has so far been used in its commonly understood meaning as a description for any group of people that has joined together for a common purpose. Using the word organisation in this way implies that organisations are clearly defined entities but this is not necessarily a robust assumption and this idea is explored further below. In any case there is a need to govern all human behaviour not just the behaviour of people in organisations so the border between organisational human behaviour and all other human behaviour needs clarification.

4.2 In its most generic form organisational might mean anything to do with organisation in general, that is, getting organised, as well as anything to do with organisations, meaning organised groups of people with a specific purpose. This double entendre of the word organisation, which makes it relate equally to the behaviour of an individual person as well as to the behaviour of groups of people, opens the route to an understanding of the link between people as individuals and people in groups. Humans cooperate with other humans to achieve objectives that they are unable to achieve on their own as individuals. This is the essential social behaviour that characterises all humans. Although there may be some rare exceptions to this general rule and the humanity of any such people who never cooperate is not challenged, social behaviour is probably essential to the survival of each and all of us. In fact, it could be said that it is our social behaviour that has made us such a successful species that our own survival is now under threat from the consequences of our own success.

4.3 It is a prerequisite of any social behaviour that a person has a certain degree of organisation. Conventions constrain the individual, limiting their choice to “appropriate behaviour”, that is behaviour appropriate to allow the social interaction to take place. Some of what is and is not appropriate is innate, determined by genetic make up but much is

learned. People start to learn to limit, adjust or govern their behaviour from the day they are born, usually taught by their mother or if not, by their mother substitute. This process of getting organised continues through all the stages of childhood, and indeed life, to a greater or lesser extent depending on the individuals persons preference for being organised or not. Each individual person has their own distinct mix of genetic and learned organisational behaviour. Not only that, any individual may engage in different types of organisational behaviour at different times and for different purposes.

5 : Four organisational modes

5.1: Here all organisational behaviour will be classified into four modes which are: organisationalistic; cooperativistic; individualistic; anti-social. In order to ensure a complete framework, all organisational human behaviour is classified in one or other of the four modes, no exceptions. The modes may be further sub-divided into sub-classifications. The table below lays out a simple framework that can be applied at macro level to all disciplines and fields of study that relate in any way to Organisational Governance. This is necessary in order to be able to link the understanding of the behaviour of individuals with the behaviour of groups of people, or populations, defined not only by geography but also by their behavioural associations. In this way the problem of managing the combined human behaviour of us all can be broken down into manageable portions with the aim of looking for and finding new ways to manage ourselves better.

5.2 The use of just four modes of classification provides a simple and robust framework for all types of analysis for both individual organisational behaviour and the behaviour of groups of people in organisations. It is important to grasp that both individuals and organisations will mix these modes freely. Different modes of organisational behaviour will be selected for different purposes and at different times. Not only that, at any one time and for any one purpose the modes may be mixed in any different proportions depending on the choices made by the person or people involved. This is what makes this four mode framework not only simple and robust but also flexible. It can be applied to any number of people from one to all people on the planet. It can be used to help understand any observed organisational behaviour whatever its complexity of characteristics.

Table: Four modes of organisational human behaviour

	DESTRUCTIVE	CONSTRUCTIVE		
	Anti-social behaviour	Individualistic behaviour	Cooperativistic behaviour	Organisationalistic behaviour
Characteristics	Opposes some or all social organisation passively or actively	Working alone Living alone	Social groups	Employment Payment Management Leading/directing Contracting
Example	Terrorist activity Anarchistic behaviour	Sole Trader Craftsman Artist Creative workers	Families Villages Close living Small business sector Small investors in big business Consumers	Medium and big business sector (all products and services) Government sector (all levels)

Organisational Style	None	Autonomous Independent	Social Network	Hierarchical Systematic
Governance style	None	Self-governing	Democratic	Varies depending on leadership style
Roles	Self appointed	Multiplicity of roles	Discussion Voting Compromising Agreeing Committing Participating	Separation of roles Leadership Followership
Power implications	Feels dis-empowered	Sole power over all decisions	Shared power Individual power often depends on charisma and personal character	Internally - unequal power distribution, often determined by money (A few people with extra, most with restricted power) Externally - combined effect an extraordinary level of power due to scale

6 : Four Organisational Modes

6.1 : Organisationalistic

Organisationalistic behaviour is defined by the idea that there are contracts between the individual and the organisation, which limit the rights of each person and define the role they will play in the group. There are different roles including owners, managers and workers. Workers and managers are usually compensated for the loss of democratic rights by being paid money. Each person agrees to give up the pursuit of the primary purpose of survival for an agreed number of hours each day in order to work together towards some other purpose. Individuals make this choice because their personal preference is to earn money for buying goods and services in the belief that the overall result is a better quality of life. Owners have a different role and may be pursuing any of a wide range of purposes. As it is the owners that provide the set up money, or capital, they will always have an interest in the financial aspects of the organisation, even though this may be balanced against other purposes. All these roles are part-time because each person must also pursue individualistic purposes for some of the time every day, in order to survive.

6.2 : Cooperativistic

Cooperativistic organisations are perhaps the true vehicle of democracy. They are characterised by freely associating members who discuss and come to agreement about desirable behavior. The opportunities of the recent developments in electronic communications have opened up a revolution in how cooperativistic groups operate and function, particularly allowing massive cooperativistic groups to develop, previously impossible without such a cheap and widespread means of communication as the internet. It is in the area of cooperativistic organisations that we should look to find new possibilities for organising ourselves effectively.

6.3 : Individualistic

All people engage in individualistic behaviour. Individualistic behaviour is innate, with human babies naturally selfish and self-seeking but gradually learning skills of manipulation to achieve their purposes. Only with satisfactory mothering will the infant start to learn to share, when the experience of receiving is reversed and giving begins, either for self-gain in a form of trading or for the desire to give pleasure. Without this early formation the individual will probably develop a high level of self-reliance leading to a lifetime preference for individualistic behaviour. Many, perhaps most, people fall into this group with many people working individualistically which allows them the most creative freedom to work in their own preferred way. This type of micro organisation, though, fails to provide any mechanism for managing the macro picture so there is a need for cooperativistic organisation of the combined effects of such organisations.

6.4 : Anti-social human behaviour has a destructive purpose and may be genetic or learned. Certainly it can be fostered. Some people, disliking the results of the existing governance mechanisms, feeling disempowered to change things from within the existing social structures resort to destructive behaviour that has the aim of disruption and disorganisation. Perhaps this is not a true mode of organisational human behaviour because, although the motive may be disorganisation the means by which the disruption is achieved requires a degree of organisation and this may be through any of the three other modes. For example: an individualistic approach to disorganisation may be a lone person making and using a bomb; a cooperativistic approach to disorganisation might be a gang causing vandalism; an organisationalistic approach to disorganisation might be a world wide terrorist organisation. Perhaps anti-social human behaviour is actually anti-governance human behaviour. This issue highlights the links between organising and governing and the close association between these two aspects of human behaviour. Despite this linguistic ambiguity, destructive behaviour, whether it is anti-social, anti-organisational or anti-governance is treated as a distinct mode of organisational human behaviour separate from the other three constructive modes.

7 : Government or Governance

7.1 : Governance is not a word in general use by most people. Government though is a word in common use familiar to us all and for this reason when the word governance is used it is likely to evoke connotations of government and all its associations. There is a clear link between these two words, governance and government, and their concepts, but they are not equivalent nor are they always interchangeable. A linguistic approach to investigating these issues can give insights into new approaches to governance and how organisational governance might be improved.

7.2 : Government is a noun and can mean the organisation that is governing a country. When the phrase “the government” is used this is usually what is meant, though the ambiguity of the word and its flexibility in use make it difficult to make definitive generalisations. It is possible that instead of describing the organisation, the phrase is being used to describe the results of what the organisation is doing rather than the organisation itself. When

“government” is used to mean the results of the actions of government, governing, the word governance can be used in its place. Examples: The government (the governing organisation of the country) is weak; weak government (governance) over many decades has lead to the problems; weak government has lead to the problems (ambiguous – could mean either the governing organisation of the country or governance).

7.3 : All organisations need governing (verb), or governance (noun), and even individuals need good self-governance by governing themselves. The phrase “governing body” means the group of people governing any organisation, and this could also be applied to countries. The word “governance” means the results of the activity of governing, whatever the organisation that is being governed, including countries. These choices are linguistically unambiguous and therefore preferable to the word government, which is best avoided for our purposes because of its ambiguity.

7.4 : So far the discussion of governance has related to the English Language in common use and its weaknesses in this area. This issue is crucial for academics. First, its important for agreement to be reached in what is appropriate unambiguous terminology for any field of research. This will provide a sound language for the researchers and academics in the field. Second, it is important that academics try to make their work as jargon free as possible so that is accessible to the widest possible readership. Only in this way can their work be applied usefully in society. In our particular field, Organisational Governance, there is linguistic tightrope that we must successfully negotiate if we are to implement the great solutions that we work so hard to develop.

8 : Governance: the results of governing

8.1 : What is governing? According to Wiktionary it is the present participle of the verb to govern. It has a number of meanings: to make and administer the public policy and affairs of; to exercise sovereign authority in; to control the actions or behaviour of; to keep under control; to restrain; to exercise a deciding or determining influence on; to control the speed, flow etc. of; to regulate; to exercise political authority; to run a government; to have or exercise a determining influence; to require that a certain preposition, grammatical case, etc. be used with a word; sometimes used synonymously with collocate. Related terms include: government; governance; governor; governess (<http://en.wiktionary.org/wiki/govern> 5 June 2012)

8.2 : Not all of these fit neatly with the term Organisational Governance being used with respect to this field of academic research. Interestingly, governing also relates to machines and language as well as to the behaviour of people. A governor for example, is “Governor: A device, which regulates or controls some action of a machine through automatic feedback” (<http://en.wiktionary.org>) as well as also being a person who governs.

8.3 : Regulate produces a simpler list of definitions: to dictate policy; to control or direct according to rule, principle, or law; to adjust to a particular specification or requirement: regulate temperature; to adjust (a mechanism) for accurate and proper functioning; to put or maintain in order; to regulate one's eating habits (<http://en.wiktionary.org>).

8.4 : The introduction of the word “adjusting” is useful with respect to human behaviour. Perhaps governing is doing whatever it takes to adjust human behaviour from its current habits to a new and better pattern of behaviour. This definition is neutral in that there is no idea that force is applied to achieve the desired adjustment or change. In some cases force may be needed, but the aim of adjusting behaviour by democratic process and the cooperative choices of individuals fits with the ethos that already underwrites the free world, democracy. Perhaps governance means “the results of mechanisms causing adjustment”, if so then organisational governance could mean “the results of mechanisms causing the adjustment of organisational human behaviour”.

9 : Complete network of organisational governance mechanisms.

9.1 A complete network of “mechanisms capable of adjusting all types of organisational human behaviour”, or “organisational governance mechanisms”, is needed if we are to manage ourselves effectively. Any improvement in the existing network of organisational governance mechanisms will enable us to manage ourselves better. This could mean additional organisational governance mechanisms to plug gaps in the existing network. It could mean improving the effectiveness of organisational governance mechanisms already in existence. Both of these propositions would lead to some people being restricted from their current activities, reducing some of the freedom of certain individuals from their current levels. This will lead to resistance and conflict. Even those of us who have the most freedom are not completely free. We are all constrained, or governed to some extent. The main issue is the process of change from more to less freedom. The aim is that this change is achieved cooperatively and democratically as far as possible but there is a need to prepare for some stiff opposition.

9.2 :What is absolutely clear is the existing network of organisational governance mechanisms is woefully inadequate to effectively adjust all organisational human behaviour to behaviour that is not harmful to others or the planet. The reasons for this must be understood if there is to be improvement. What is the existing network of organisational governance mechanisms? Since we are taking the broadest possible definition of organisational governance, the broadest possible view must be taken to identify any mechanisms that might be, or might, contribute to the adjustment of any and all human organisational behaviour.

9.3 : Some examples of organisational governance mechanisms that are currently in existence include: laws and the legal system set out and administer and enforce legal behaviour ; money or the lack of it restricts choices and behaviour; education, both parental and schools, teach and enforce appropriate behaviour and its limits through building culture ; peer pressure and the need for an appropriate public persona limit behaviour through access to and publication of information; other.

9.4 : The existing network of organisational governance mechanism is diverse and far-reaching. It has come about through the history of organisational human behaviour stretching back into the mists of the past. There was no plan to make a complete network but a reactive process throughout history to provide solutions in order to be organised. The full extent and complexity of interaction of all the component mechanisms of the whole network can only

begin to be glimpsed at this stage in the development of Organisational Governance as a body of research. There promises to plenty of surprises ahead, and discoveries of new democratic and cooperative ways to achieve better solutions to both old and new problems.

10 : The need for a rich mix of organisational governance mechanisms

10.1 : Getting organised through organisational behaviour reduces the need for adjustments to behaviour, that is, it reduces the need for governing intervention or governance. In effect, organised is inversely related to governance. The more organised the behaviour the less governing or adjusting behaviour needed and vice versa. The less organised the more adjustments or governance is needed to raise the level of organisation. Organisational human behaviour might be defined as behaviour that leads to a person becoming organised, that is behaviour that is rational and leads a person to be more able to efficiently and effectively achieve any given purpose. The more organised a person is the more of their purposes they can achieve.

10.2 : The primary purpose of all humans is to survive, meaning to ensure a supply of clean air, clean water for drinking, sufficient nutritious food, hygienic solutions for body care, a safe and comfortable place to rest and sleep. Once these have been secured for the day, other purposes will be pursued. Human purposes are pursued through effort that might be undertaken individualistically, cooperativistically or organisationalistically, or any mix of the three, depending on the opportunity and personal preferences of the individual person. The amount of adjustment or governance needed is determined, then, at least in part, by the level of organisation or disorganisation of a person a group or people. There are also, though, other factors that will affect not only the amount of governance required to achieve a satisfactory level of organisation but also the type or style of governance needed to effectively adjust the target human behaviour.

10.3 : Four modes of organisational human behaviour have been identified to help make things simpler. These are macro level classifications that group every, and all aspects of human organisational behaviour under just four modes. Each one of these modes has very different characteristics and these differences have implications for the choice of appropriate style and type of governance. If we define organisational in its widest possible sense of organisational human behaviour we will have to also consider governance its widest possible form, matching appropriate types and styles of governance mechanisms to all of the myriad aspects of organisational human behaviour in a rich mix of solutions. There are many factors that will determine exactly what type and style of organisational governance mechanism might be effective in any given situation.

11 : Appropriate mix of organisational governance mechanisms

11.1 : The aim then is develop a rich mix of organisational governance mechanisms to provide a complete and effective network to govern all organisational human behaviour. Over time the hope is that the need for ever more and better governance will reduce as better organisation increasingly emerges from better organisational human behaviour. A “virtuous upward spiral” of better governance leading to better organisation could emerge. This

positive, uplifting force for improvement must counteract the “vicious downward spiral” that we are all currently witnessing, as our living conditions deteriorate around us on all sides. A huge effort though is needed to initiate such a virtuous spiral against the existing backdrop and build enough momentum to overcome the opposing downward forces. Much is being done. Is it enough? What more can be done? Can it be done quickly enough? How long before the uplifting force is sufficient to overcome the rate of decline and things can begin to improve? Linking information about these initiatives together effectively is the only way to answer these questions.

11.2 : How can such a network be made? The starting point is to investigate the state of the existing network of organisational governance mechanisms around the world. Law, money, information and education have been already identified as organisational governance mechanisms, governors, of human behaviour. What other governors are there? Which are working well? Where are the gaps? How can they be filled? What is not working well? What can be done to improve things? At the same time, work on new methods of governance that perhaps exploit our unique electronic information resources and the tools that we have. This field offers exciting new possibilities in the area of cooperativistic governing bodies that might be able to make an impact in new areas, especially in the area of governing organisationalistic enterprises, which are clearly a major cause of problems, but also in other

11.3 : Organisational human behaviour throughout the world manifests itself in a myriad of ways. For any given situation the appropriate mix of organisational governance mechanisms will depend on the characteristics of the target organisational human behaviour. Examples of variable characteristics include: the degree of organisation from disorganised to highly organised, systematic and disciplined; the purpose of the enterprise from usefully constructive to destructive ; the mode of human organisational behaviour, organisationalistic, cooperativistic, individualistic, anti-social; scale or number of people involved; other. More research is needed here to build a deep understanding of organisational governance and how it might be improved.

12 : Conclusion

12.1 : All organisational human behaviour is classified at the macro level into just four “modes” for the sake of completeness and simplicity. The first three modes of organisational human behaviour, anti-social, individualistic and cooperativistic need effective governance but it is the fourth mode, organisationalistic enterprises that are able to grow to enormous size and function effectively around the globe with massive impact. It is very difficult to adjust the behaviour of, or govern, organisationalistic enterprises effectively for many reasons. One of these is that there are many participants and all of these participants are only engaged in this type of enterprise on a part-time basis. This is so because all people must spend a certain amount of time in individualistic and cooperativistic behaviour, for example by looking after themselves and their families. This part-time nature of organisationalists makes it difficult to identify specific individuals responsible for and hold them to account for any particular aspect of the behaviour of an organisationalistic enterprise. It is the understanding that is impossible to separate all type of enterprises from the populations from which they arise, because the

people involved are the same that holds the key to their best possible management. Understanding the part-time nature of organisationalistic behaviour is crucial to developing effective means of governing, or adjusting it, when needed, in order to achieve better organisational governance over all.

12.2 : The phrase Organisational Governance has a degree of mystery about it, with many shades of meaning making it useful for a wide range of purposes but perhaps less than effective at transmitting any particular specific concept or idea. This may be because the language in common use around the theme of Organisational Governance is imprecise and often ambiguous in the way that is used relating to this subject. It may be though, that the issues themselves are difficult to define precisely, with the borders between different concepts unclear, fading from one to the other with no clear cut off point. This is a common problem in social science, perhaps in all science, with new jargon and terminology developing alongside new concepts and theory in order to create a language for the deepening levels of understanding. The result of this article is to propose that a core set of terminology for Organisational Governance is developed through discussion with the aim of coming to an agreement about exactly what each term actually means. This common agreement will help ensure that the body of work that we jointly produce over the coming years is coherent and builds into a bigger picture that will produce the maximum benefit to society.

I cordially invite anyone to challenge any of the statements and conclusions that I have made in this article. A thorough discussion leading to a core set of agreed terminology in the field of Organisational Governance is truly needed.

The terms “cooperativistic” and “organisationalistic” are the copyright of Suan Gulliver 2012. Please use these two words freely, if you find them useful, whilst acknowledging their source.

Appendix 1

Wiktionary is the free on-line dictionary provided alongside Wikipedia.

From Wikipedia founder Jimmy Wales

Google might have close to a million servers. Yahoo has something like 13,000 staff. We have 679 servers and around 100 staff. Wikipedia is the #5 site on the web and serves 470 million different people every month – with billions of page views. Commerce is fine. Advertising is not evil. But it doesn't belong here. Not in Wikipedia. Wikipedia is something special. It is like a library or a public park. It is like a temple for the mind. It is a place we can all go to think, to learn, to share our knowledge with others.

When I founded Wikipedia, I could have made it into a for-profit company with advertising banners, but I decided to do something different. We've worked hard over the years to keep it lean and tight. We fulfill our mission, and leave waste to others. If everyone reading this donated £5, we would only have to fundraise for one day a year. But not everyone can or will donate. And that's fine. Each year just enough people decide to give.

This year, please consider making a donation of £5, £10, £15 or whatever you can to protect and sustain Wikipedia.

Thanks,

Jimmy Wales

Wikipedia Founder

Appendix 2 : Possible Definitions of Organisational Governance Terms

Organisational	Relating to organisation	
Organisational human behaviour	getting organised, behaviour leading to organisation, work related behavior	behaviour that is planned to contribute towards a purpose and is not reactive, random or spontaneous
Human behaviour	all human behaviour including both non-organisational and organisational human behaviour	
Organised	ordered, prepared for a purpose	not natural, random
Organisation (i)	the results of organisational behaviour	
organisation/s (ii)	a group of people working together towards a particular purpose	not recommended due to ambiguity – use “organisational enterprise” instead
Organisational enterprise	an individual or group of people working together towards a specific purpose	
Governance	the results of governing	
Government (i)	the results of governing	not recommended due to ambiguity – use “governance” instead
Government (ii)	the group of people responsible for governing a nation or country	due to ambiguity – use the phrases “national government” or “national governing body” instead
Governing body	a group of people responsible for implementing governance mechanisms for adjusting the human behaviour for an enterprise, nation or country	
Governance mechanism	anything, any system, any behaviour that leads to the adjustment of an action or behaviour of a human or a machine	
Organisational	the results of governing organisational human behavior	

governance		
Organisational governance mechanism/s	actions, systems, rules, regulations, enforcement processes, anything that leads the adjustment of organisational human behaviour	

Appendix 3 : Possible definitions of terms relating to the four organisational modes

Organisational Modes (OM)	the type of organisational human behaviour leading to results, changes, effects or impact on people or the planet	
anti-social mode	organisational human behaviour that has the purpose of disrupting or disorganising the organisational activities of others	
individualistic mode	organisational human behaviour that is carried out in isolation by an individual	
cooperativistic mode	organisational human behaviour that is carried out by groups of people working together cooperatively	
organisationalistic mode	organisational human behaviour that is carried out by groups of people who contract or promise to behave in a restricted way to fulfil pre-determined roles within the group	
anti-social enterprise	an individual or group of people putting in effort to disrupt the achievement of the purposes of others	
individualistic enterprise	an individual putting in effort to achieve their own purposes	
cooperativistic enterprise	a group of people putting in effort to achieve an agreed purpose	
organisationalistic enterprise	a group of people putting in effort to achieve the purpose of the owners of the enterprise	
Organisational Governance (OG) sectors	the new OG sectors divide up the results of organisational human behaviour in a different way than the traditional sectors which are: corporate sector, government sector, not-for-profit sector, small and medium business sector, clubs, other. Traditional sectors are defined by their financial purpose. OG sectors are defined by their Organisational Mode (OM)	
individualistic sector	the collective impact of all individualistic enterprise	
cooperativistic sector	the collective impact of all cooperativistic enterprise	
organisationalistic sector	the collective impact of all organisationalistic enterprise	
anti-social sector	the collective impact of all anti-social enterprise	

Web traffic and firm performance: Evidence from the MENA region

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Abstract

Does the traffic generated by websites of firms signal anything to stock market participants? Does higher web-traffic translate into availability of more information and therefore lower agency problems? And if answers to above questions are in affirmative, does higher web-traffic traffic translate into better firm performance? This paper aims to answer these questions by documenting a positive relationship between the extent of web-traffic and firm performance in the MENA region during the 2010. We argue that higher web-traffic lowers the agency problems in firms by disseminating more information to stock market participants. Consequently, lower agency problems translate into better performance. Furthermore, we also show that agency reducing role of web-traffic is more pronounced in regimes where information environment is already bad. For example, our results show stronger impact of web-traffic on firm performance in civil law countries, firms with concentrated ownership, and firms with more intangible assets. All of these groups are characterized by higher agency problems. Our results, therefore, indicate that web-traffic can play a substitute for traditional governance mechanisms in the MENA region.

1: Introduction

Emerging markets are characterized by weak and ineffective corporate governance mechanisms. For instance, Claessens and Fan (2003) document that corporate governance mechanisms (such as takeovers and boards of directors) are not functioning properly and efficiently in emerging markets. Prior literature shows that presence of family control, weak enforcement of investor protection laws, and lax implementation of anti-director rights contribute to ineffectiveness of corporate governance mechanisms in emerging markets. One of the implications of weak corporate governance mechanisms is that the culture of information disclosure could not evolve in these markets. Prior literature documents that managers and insiders do not disclose true information about their firms in emerging markets (Leuz et al., 2003). This results in exposing naive investors to an almost impossible task of assessing true value of firms. Therefore, it becomes hard for these investors to make any informed decision.

This paper argues that the extent of web-traffic is one such publicly available information that can help investors, especially naive investors, to make value relevant investment decision. Using data from the MENA region (Morocco, Egypt, Saudi Arabia, United Arab Emirates, Jordan, Kuwait, and Bahrain), this paper shows that the extent of web-traffic positively effects firm performance. Our results are robust after controlling for several firm-specific characteristics. We argue that web-traffic measures investors' access to information regarding firms. Greater access to information lowers information asymmetries, reduces agency problems, and leads to better performance of firms whose website generate higher traffic. Another reason cited for the positive relationship between performance and the extent of traffic generated by a firm's website is that web-traffic corresponds to firm's recognition among investors (Bank et al., 2011). Higher recognition spurs interest among stock market participants, increases their appetite to buy such firm, and eventually leads to better stock price performance. Merton (1987), for instance, document that greater is a firm's recognition

among investors, better is its performance. There are a couple of reasons behind considering web-traffic as a proxy for recognition among stock market participants. First, the importance of the internet has grown many folds during the recent years. It is the source of the largest pool of freely available information. In addition, it is accessible by everyone and from everywhere. Second, web traffic corresponds to how many individuals visited the website and how thoroughly they visited a particular website. Bank et al. (2011) show that web traffic assesses the degree of attention from uninformed investors. They find that changes in search volume of a specific firm are related to trading activity and investor recognition for this firm. Prior literature shows that attention attracted by a firm affects trading decisions of investors (Gervais et al., 2001; Hou et al., 2008). Grullon et al. (2004), for instance, document that investment decisions of both individual and institutional investors are influenced by firm's recognition among investors. They show that investors' buying decisions are more prone to firm's recognition than their selling decisions. Consequently, greater buying translates into pushing stock prices high (Barber and Odean, 2008). Consistent with our arguments, Da et al. (2009) also document that the prices of assets are increasing function of the number of internet enquiries. In another related study, Vlastakis and Markellos (2012) use data generated from Google search to assess the level of volatility for stocks traded on NYSE. They find a positive relationship between Internet search volume and both trading volume and return volatility.

Furthermore, we also show that positive impact of web-traffic on firm performance is more pronounced in firms that have higher agency problems. For example, our results show that web-traffic is more important in determining firm performance in civil law countries than in common law countries. Civil law countries are characterized by lower investor protection, lower enforcement mechanisms, and lower stock market development. All of these factors lead to more agency problems in civil law countries than in common law countries. We argue that in weak governance regimes, such as civil law countries, stock market participants consider information obtained from websites more value relevant. As a result, web-traffic takes more importance in civil law countries. Consistent with these findings, we also show that web-traffic is more important for firms with concentrated ownership and firms with low fixed assets. Both of these groups represent weak governance regimes. Our results are consistent with Da et al. (2009) who show that an increase in internet search volume generates higher returns for small stocks. Small stocks, on average, have higher information asymmetries than large firms. Therefore, investors consider any mechanism, such as information obtained from website, more value relevant for these firms (firms where agency problems are high). Our results indicate that, where information asymmetries are high, extent of web-traffic takes more importance in determining firm performance. Therefore, we can consider web-traffic as a substitute for traditional governance mechanisms for firms that do not already have better governance environment.

It is important to mention here that this is the first study, to the best of our knowledge, which relates web-traffic to firm performance in the MENA region. Websites or information provide on the website are not considered as of prime importance by firms. Our study indicates that firms can use their websites as a strategic tool to attract investors and improve their visibility and recognition among stock market participants. More interest among investors, eventually, will lead to better stock price performance. The remainder of the paper is organized as follows: Section 2 discusses the data used in this study. Section 3 presents the methodology and Section 4 discusses the results of the study. The paper concludes with Section 5.

2 : Data

This paper documents the relationship between web traffic generated by website of a firm and its stock price performance. The sample consists of firms listed at the MENA (Morocco, Egypt, Saudi Arabia, United Arab Emirates, Jordan, Kuwait, and Bahrain) stock markets during 2010. The following sub-sections will explain the data in greater detail.

2.1 : Web traffic ranking

We use the web traffic provided by Alexa (www.alexa.com) to rank websites. Alexa ranking is a relative measurement on how popular a web site is among the Internet community. Alexa ranks web sites according to Alexa Traffic they get. That means a site with a rank of 1 gets more traffic than a site with rank of 2 according to Alexa. Alexa Rank is calculated by considering how many users visited a certain web site (known as reach) and how many distinct pages they viewed in that site (known as pageview). The combination of reach and pageview determines the rank of a website. It is important to note that multiple requests for the same website on the same day by the same user are counted as a single pageview. One of the drawbacks of Alexa ranking is that it depends on the data of Alexa Toolbar users. Since Alexa Toolbar is only for the users of Internet Explorer, it does not count internet traffic generated by other browsers such as Firefox and Chrome. However, there are over 10 million Alexa Toolbar users who make it a worthwhile measurement.

Table 1 documents the Alexa rankings for each country (Panel A) and each industry (Panel B). As was indicated above, higher value indicates lower ranking. Our results in Panel A show that firms headquartered in Qatar have the highest ranking followed by Saudi Arabia, United Arab Emirates, Bahrain, Morocco, Egypt, Kuwait, and Jordan. Our results indicate that investors use websites more often to get information about firms in Qatar relative to other countries. Panel B indicates that websites of Telecommunication firms generate the highest web traffic, while websites of Oil and Gas firms generate the lowest web traffic. Usually Telecommunication firms have to disseminate information to vast proportion of the population and websites provide easy way to disseminate information. Oil and Gas firms, on the other hand, have very selected audience. Consequently, personalized way of information disclosure is preferred.

Table 1: Descriptive statistics of web traffic ranking

Panel A: Web traffic ranking for firms in different countries

Countries	Mean	Median	Standard Deviation	No. of Firms
Bahrain	293.09	248.50	185.02	32
Egypt	343.41	358.00	203.37	107
Jordan	446.06	517.50	208.41	72
Kuwait	389.69	414.00	181.43	155
Morocco	337.07	340.00	179.53	52
Qatar	252.18	224.00	150.78	43
Saudi Arabia	275.62	275.00	169.23	125
United Arab of Emirates	286.73	257.00	193.70	86

Panel B: Web traffic ranking for firms in different industries

Industries	Mean	Median	Standard Deviation	No. of Firms
Oil and Gas	400.76	430.00	177.27	17
Basic Materials	352.84	326.00	181.70	33
Industrials	394.52	399.50	170.39	106
Consumer Goods	379.06	398.00	166.42	46
Healthcare	393.00	317.00	217.66	11
Consumer Services	267.25	202.00	202.78	43
Telecommunication	39.06	16.00	59.85	15
Utilities	210.85	158.00	144.88	7
Financials	291.80	267.50	185.85	252
Technology	253.83	208.00	248.69	6

2.2 : Firm performance

Market-adjusted returns (RET) are used as a proxy for firm performance. Market-adjusted returns are the difference between stock returns and market returns. Stock prices and market index are used to calculate the market-adjusted returns. We extract the stock price data and the corresponding market index data from Datastream. The stock price data and the market index data was obtained for the first and the last day of our sample period to compute the market-adjusted returns.

3 : Methodology

The paper aims to test whether the extent of web traffic generated by a firm is related to its performance or not. In order to answer this question, we estimate a cross-sectional regression with firm performance (RET) as dependent variable and web traffic ranking (RANKING) as an independent variable. For the purpose of completeness, we also include industry dummies (IDUM) and country dummies (CDUM) in our regression equation. Our basic regression equation takes the following form.

$$\begin{aligned} RET &= \alpha + \beta_1(RANKING) \\ &+ \sum_{Ind} \beta^{Ind}(IDUM) + \sum_{Ctry} \beta^{Ctry}(CDUM) + \varepsilon \end{aligned} \quad (1)$$

Mindful of the effects that firm-specific characteristics may have on firm performance, we also add a couple of firm-specific variables in our regression equation. For example, larger firms and firms paying high dividends generate more interest from stock market participants and therefore have better information environment. As a result, they may have better performance. Therefore, we add log of firm's market capitalization (SIZE) and dividend payout ratio (PoR) to capture the effect of information environment on performance. We also add total debt to total asset ratio (LEVERAGE) to capture the effect of leverage on firm performance. High leverage firms have higher bankruptcy risk and therefore have lower performance. Similarly, we also include earnings per share (EPS) to control for the effect of profitability on firm performance. Profitable firms tend to have better stock price performance. Our modified regression equation takes the following form.

$$\begin{aligned} RET &= \alpha + \beta_1(MEDIA) \\ &+ \beta_2(SIZE) + \beta_3(LEVERAGE) + \beta_4(EPS) + \beta_5(PoR) \\ &+ \sum_{Ind} \beta^{Ind}(IDUM) + \sum_{Ctry} \beta^{Ctry}(CDUM) + \varepsilon \end{aligned} \quad (2)$$

The results of our analysis are reported in Table 2. Our results show that firms that generate high amount of web traffic perform significantly better than firms that generate low amount of web traffic. We report significantly negative coefficient of RANKING for both equations. Given the fact that higher value of Alexa Rank corresponds to lower ranking, negative coefficient of RANKING indicates that firms generating higher web traffic perform better than firms generating lower web traffic. We argue that firms generating high amount of web traffic are the ones with lower information asymmetries. Since our sample firms do not engage in commerce on their websites, the only purpose of web traffic is to obtain information. Therefore, high web traffic means that more individuals are coming to website to obtain information, thereby lowering the information asymmetry regarding these firms. As a result, we observe better performance of firms with high web traffic than otherwise similar firms with low web traffic.

Table 2: Relationship between firm performance and web traffic ranking

	Equation (1)	Equation (2)
RANKING	-0.0251***	-0.0214**
SIZE		1.8850
LEVERAGE		-0.2208*
EPS		0.1064
PoR		0.0652
Industry Dummies	Yes	Yes
Country Dummies	Yes	Yes
No. of Observations	580	329
F-Value	4.13	10.11
Adjusted-R ²	0.077	0.191

NOTE: The coefficient that are significant at 10% are followed by *, those at 5% and 1% by ** and *** respectively.

4 : Discussion of results

Some of the important questions that arise here are: For which firms, extent of web traffic is more effective? Is it for firms that already have better information environment or is it for firms that have higher information asymmetries? Does the extent of web traffic compliments governance environment or does it substitutes for governance environment? We aim to answer these questions by re-estimating Equation (2) for sub-samples representing different governance and information regimes.

4.1 : Web traffic and firm performance under different legal regimes

For the purpose of this paper, we characterize legal regimes into common law and civil law. Following La Porta et al. (1999), we classify Bahrain, Saudi Arabia, and United Arab Emirates as common law countries, and Egypt, Jordan, Kuwait, Morocco, and Qatar as civil law countries. Civil law countries, usually, have lower investor protection, lower enforcement mechanisms, and lower stock market development. All of these factors lead to more agency problems in civil law countries relatively to common law countries. We argue that any mechanism that can lower the agency problems will be more valued in civil law countries than in common law countries (where agency problems are already low). We consider extent of web traffic as one such mechanism that can help reduce agency problems. As a result, we expect a stronger relationship between the extent of web traffic and firm performance in civil law countries than in common law countries. Our results from re-estimation of Equation (3) are reported in Table 3. We show that extent of web traffic is an important determinant of

firm performance in civil as well as in common law countries. We report significantly negative coefficient of RANKING for both groups. However, as expected, our results indicate that extent of web traffic is more important in civil law countries than in common law countries. The magnitude of coefficient of RANKING is higher in civil law countries than in common law countries. Our results indicate that, where information asymmetries are high, extent of web traffic takes more importance in determining firm performance. Therefore, we can consider web traffic as a substitute for traditional governance mechanisms for firms that do not already have better governance environment.

Table 3: Relationship between firm performance and web traffic ranking in different legal regimes

	Common Law Countries	Civil Law Countries
RANKING	-0.0196*	-0.0242*
SIZE	-0.0882	3.1734
LEVERAGE	-0.0630	-0.3273
EPS	-0.2055	0.1010
PoR	0.0621*	0.0710
Industry Dummies	Yes	Yes
Country Dummies	Yes	Yes
No. of Observations	148	181
F-Value	3.33	8.23
Adjusted-R ²	0.121	0.124

NOTE: The results significant at 10% significance level are followed by *, at 5% significance level by **, and at 1% a significance level by***.

4.2 : Web traffic and firm performance under different ownership regimes

Prior literature considers ownership structure as an important governance device. Concentrated ownership structures provide managers and controlling shareholders with means to evade effective disclosure of information (Leuz et al., 2003). Poor information disclosure exacerbates information asymmetries between insiders and outsiders and result in agency problems. Prior literature also suggests that high ownership concentration creates an entrenchment problem that allows controlling shareholders' self-dealings to go unchallenged by boards of directors. On the other hand, dispersed ownership structures reduce some of these agency problems by taking away powers from managers and insiders. In order to test whether ownership structure affects the relationship between extent of web traffic and firm performance, we divide our sample into two groups – one with concentrated ownership and the other with dispersed ownership. We define concentrated ownership as the case where insiders hold more than 50% of the shares and dispersed ownership as the case where insiders do not hold absolute majority. We re-estimate Equation (3) for both groups and report our results in Table 4. As was expected, we show stronger relationship between extent of web traffic and firm performance for concentrated ownership firms. Our results show significantly negative coefficient of RANKING for this group. On the other hand, our results for dispersed ownership firms show insignificant coefficient of RANKING for this group. As was argued earlier, when information asymmetries are high (concentrated ownership firms), extent of web traffic takes more importance in determining firm performance. Therefore, we can consider web traffic as a substitute for traditional governance mechanisms.

Table 4: Relationship between firm performance and web traffic ranking in different ownership regimes

	Concentrated Ownership	Dispersed Ownership
RANKING	-0.0267**	0.0158
SIZE	1.8995	2.7715**
LEVERAGE	-0.2553*	-0.0879
EPS	0.0976	0.2834
PoR	0.0713	-0.0179
Industry Dummies	Yes	Yes
Country Dummies	Yes	Yes
No. of Observations	266	62
F-Value	10.00	6.45
Adjusted-R ²	0.179	0.518

NOTE: The results significant at 10% significance level are followed by *, at 5% significance level by **, and at 1% a significance level by***.

4.3: Web traffic and firm performance under different tangibility regimes

In the context of agency problems, the kind of assets a firm has is critical in ensuring whether outside investors trust it with their capital. External capital demands a higher proportion of tangibility of assets when financial contractibility is poor and outside financiers are weakly protected. Therefore, tangibility is measure of investors' interest in a firm. We define tangibility by fixed asset to total asset ratio. As expected, our results show that extent of web traffic is a significant determinant of firm performance in a sub-sample of firms with low tangibility. We report negative and significant coefficient of RANKING for this group of firms. However, our results show that performance of firms with higher tangibility of assets is unaffected by the extent of web traffic. We report insignificant coefficient of RANKING for this group. As was argued earlier, when information asymmetries are high (low tangibility), extent of web traffic takes more importance in determining firm performance. Therefore, we can consider web traffic as a substitute for traditional governance mechanisms.

Table 5: Relationship between firm performance and web traffic ranking in different tangibility regimes

	High Tangibility	Low Tangibility
RANKING	-0.0074	-0.0442***
SIZE	0.0139	2.1045
LEVERAGE	-0.0610	-0.5000***
EPS	0.1675	0.0490
PoR	0.1200*	0.0193
Industry Dummies	Yes	Yes
Country Dummies	Yes	Yes
No. of Observations	173	156
F-Value	8.70	9.33
Adjusted-R ²	0.174	0.292

NOTE: The results significant at 10% significance level are followed by *, at 5% significance level by **, and at 1% a significance level by***.

5 : Conclusion

This paper explores the relationship between the extent of web traffic generated by a firm and its performance in the MENA (Morocco, Egypt, Saudi Arabia, United Arab Emirates, Jordan, Kuwait, and Bahrain) region during 2010. Our results show that higher web traffic corresponds to better firm performance. We argue that higher web traffic on a firm's website relates to more information being disseminated regarding a firm. As a result, information asymmetries and agency problems go down, resulting in better performance. Our results also show that extent of web traffic is more important for firms with higher agency problem. For example, we show stronger impact of web traffic on firms in civil law countries, firms with concentrated ownership, and firms with lower amount of tangible assets. It shows that web traffic can play a substitute for traditional governance mechanisms in the MENA region.

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The enforcement of accountability in public governance in Africa

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Abstract

All over the world, governance crises have become a recurrent decimal in recent times. These crises are traceable to lack of accountability in governance. Although accountability is a concept that is difficult to define in precise terms, it exists where there is the demand for the justification for a function or task that is performed by an individual or body by another individual or body. Available literature distinguish between two major stages of accountability to be 'answerability' and 'enforcement'. While answerability stage involves the responsibility of government, it agencies or public office holders, to provide information concerning their actions and the justification for taking such actions to the public or any other institution that provide them with oversight functions, enforcement on the other hand is the stage where the public or institutions with oversight functions seek ways to correct the infringement or sanction the offending party. It has been observed that, many times, human beings have to be 'pushed' to do what they are supposed to do. This paper therefore examines the theoretical perspectives of accountability in public governance with emphasis on enforcement. It is the authors' view that the enforcement of accountability in governance will ultimately assist in correcting the behaviours of those in public governance thereby resulting in good governance.

1 : Introduction

Globally, governance crises have become a recurrent decimal in recent times. Most of these crises occur within the African continent, countries like Egypt, Tunisia, Libya etc has been gulped in these crisis and are yet to fully recover. These crises can be traceable to lack of accountability in governance. It is widely recognized that there is need for state authorities to report and explain to their citizens about the use and management of public resources, and the development of a framework of how citizens could demand and enforce accountability from those in power

Unethical behaviour, corrupt practices and absence of accountability have apparently become erosive and 'normal' ways of life in most African countries. This has resulted in a number of uprisings where citizens demand good governance from their leaders. Countries like Libya, Tunisia Egypt etc are very recent examples. In the Nigerian public services, the extent of unethical behaviour and lack of accountability have reached crises. Unethical practices have contributed to the economic difficulties that most African countries are facing today. The truth is that there is a dire need for accountability in the public service of African countries.

It is widely recognized that there is need for state authorities to report and explain to their citizens about the use and management of public resources, and the development of a framework of how citizens could demand and enforce accountability from those in power.

2 : The Concept of Accountability

Accountability is a concept with several meanings when applied in ethics and governance. According to Oluwu (1993), "it is the requirement that those who hold public trust should account for the use of the trust to citizens or their representatives". This indicates that the

public will is superior to personal interests and endeavours to ensure that the former is supreme in every conduct and activity of the public official. In the same way, Laleye (1993) sees public accountability as the sanctions and procedures by which public officials may be held to account for their actions. Basically, accountability is a term that is often associated with the expectation of giving an account. In governance, it is frequently described as an account-giving relationship between individuals (Mulgan, 2000); where an individual, group or organisations is accountable to another individual, group or organisation and is obliged to inform the individual, group or organisation about its actions and decisions (past, present and future) to justify them, and to suffer punishment in the case of eventual misconduct. In view of the foregoing, accountability refers to the idea that public officials should be held responsible for their actions and/ or inactions while in the office. To McKinney (1979), accountability is a greater commitment to values and higher standard of morality. However, for this to be effective, there must be certain norms and values that they shall be required to observe (Odhiambo –Mbai, 2003).

Accountability can be viewed as the fundamental requirement for preventing the abuse of power and for ensuring that power is aimed towards the achievement of transparency, efficiency, effectiveness, and responsiveness (Raga and Taylor) the efficiency of such accountability is therefore imperative in any given society

Interestingly, the concept of accountability has long tradition in both political and financial accounting (Lindberg,). The central idea has been that when decision-making power is transferred from a principal (e.g. the citizens) to a principal (e.g. government), there must be a mechanism in place for holding the agent to account for their decisions and if necessary for imposing sanctions. In accounting, the concept's long tradition refers to financial prudence and accounting in accordance with regulations and instructions (Barton, 2006).

The concept of accountability can be classified based on type of accountability that is being exercised and /or the person, group or institution that the public official is answerable to. Basically, we have the horizontal and vertical accountability. The capacity of an institution of accountability, such as parliament and the judiciary or other institutions of relatively autonomous powers to call into question, and eventually punish, unethical conducts of a given official, is commonly termed horizontal accountability. Invariably, horizontal accountability is the capacity of state institutions to check abuse by other public agencies and units of government, and to appropriate sanctions where necessary.

On the other hand, the means through which citizens, mass media and civil society seek to enforce ethical standards on public officials is termed vertical accountability. Even though parliament is typically considered as a key institution of horizontal accountability, it is also important in vertical accountability. This is because citizens and civil society groups can seek the support of the parliament in enforcing accountability. Hence, the elected representatives can become the public voice and a means through which citizens can question government and seek parliamentary sanctions where appropriate (Stapenhurst and O'Brien N.D).

3 : Stages in accountability

From the preceding discussions, it can be deciphered that the concept of accountability involves two separate stages. The stages are answerability and enforcement (Stapenhurst and O'Brien N.D). Answerability generally refers to the obligation of government, its agencies and public officials to provide information about their decisions and actions. It also involves the justification of such decisions and actions to the public and those institutions of accountability responsible for providing oversight.

On the other hand, enforcement gives the idea that the public or institutions responsible for accountability can sanction the offending party or remedy the unethical behaviour. Such institutions may include the legislature, the judiciary or other agencies set up for that purpose.

4 : Accountability in governance

Governance is simply the exercise of political authority and the use of institutional resources to manage society's problems and affairs. Good governance implies well performing institutions, enabling legal infrastructure, regulatory regimes and enforcement. Good governance is a major contributor to economic growth, prosperity and democracy.

Accountability has been described as one of the cornerstones of good governance (Stapenhurst and O'Brien N.D). This is because it ensures that actions and decisions taken by public officials are subject to oversight with the view to guaranteeing that the plans of government for dealing with a particular problem or for achieving a particular purpose meet their stated objectives and respond to the needs of the people they are meant to be benefitting. Such would contribute to better governance.

Again, accountability is important in governance as it allows for the ongoing evaluation of effectiveness of public officials or bodies to ensure that they are performing at their full potential. It provides value for money in the provision of public services, instilling of confidence in government and making it to be responsive to the people they are meant to be serving (Stapenhurst and O'Brien N.D).

5 : Mechanisms for the enforcement of accountability in Africa

Over the years, several mechanisms have been adopted to deal with corrupt practices and unethical behaviours. However, these mechanisms can be generally classified into two groups. These are those which have to do with norms and values (codes) and others with the establishment of accountability institutions (Rasheed, 1995).

The required norms and values for regulating and monitoring unethical conduct of public officers is made up of written and unwritten codes of conduct. These codes of conduct, whether written or not, can be classified into four groups. The first category is the personal self-imposed ethics, which stem from personal beliefs and convictions of right or wrong ways of behaviour in respect of conducting public affairs. The second are the self-imposed ethics, which are ethical codes agreed by a group to be right or wrong ways which should be adhered to by any member of that group when serving the public. The written ethical rules or conduct for public officials that are enacted by legislation, but do not have administratively implemented sanctions against offenders and machinery for imposing sanctions belong to the third category. The enacted statutes or Acts of the legislature or provision of a country's constitution falls under the fourth category (Barlow, 1993).

Many African countries have adopted these mechanisms in an attempt to enforce accountability in their public service. But due to widespread corruption, abuse of office and the general deterioration of other ethical standards in the continent, one can easily conclude that there are no control mechanisms for the enforcement of accountability. In Nigeria, for example, the Code of Conduct which was enacted in 1975 and subsequently incorporated into the 1979 and 1989 constitutions of the Federal Republic requires that public officials;

- should not allow personal interests to conflict with their official assignments
- not to operate foreign bank accounts
- not to ask for gifts

- and to declare their assets immediately after taking office, every four years and at the end of their terms in office

In Kenya, some of the legal and quasi-legal instruments for enforcing accountability in public service include codes of regulations for public servants, the Public Service Commission Act, Cap 185, the Penal Code, Cap 63, the Prevention of Corruption Act Cap 65, the Election offences Act, Cap 66 and Exchequer and Audit Act, Cap 412, yet public accountability constantly deteriorate (Odhiambo-Mbai, 2003).

In addition, many accountability institutions have been established to enforce accountability in different African countries by their governments. In Nigeria, the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Offences Commission (ICPC) and other bodies have been established to combat ethical violations and enforce accountability. In Kenya, the Public Account Committee, Public Investment Committee, the Inspector of State Corporation, the Public Anti-Corruption Unit and other were also established for the purposes of enforcing accountability.

6 : Factors that hinder the enforcement of accountability in Africa

Enforcing effective accountability faces serious challenges in African countries, though at varying degrees. It should be noted here that in a few cases, the mechanism for the enforcement of accountability have been partially successful in achieving some of it immediate aims. But the fact remains that incidence of unethical behaviors have increased even when a number of violators have been investigated and punished by accountability institutions like the EFCC in the case of Nigeria. While these mechanisms have yielded positive results in the West, the story is different in Africa! The question then is, why?

Several reasons for why this is so have been garnered from literature. They include lack of enabling environment, partial enforcement, lack of resources for enforcement, support of international community and lack of transparency and accountability in public service. Others are weak administrative and legislative system, poor political leadership and malfeasance in government (Gambo, 2011).

Ironically, measures to encourage ethics and accountability often feature prominently as part of the agenda of civil service reforms in African countries. The discourse on the enforcement of accountability and good ethical behaviour in Africa has been intensified due primarily due to the following reasons:

1. increase in the incidence of unethical practices and lack of accountability
2. the wave of political liberalization that engulfed most Africa countries since 1989 which has resulted emboldening civil societies into demanding greater enforcement of ethical codes of conducts and the sanctioning of offenders
3. the growing recognition that unethical practices have contributed to the economic hardship that is experienced by many African countries
4. the pressure from international donors requiring stricter adherence by African countries to good governance and the curtailment of waste and squandering of resources (Gambo, 2011).

7 : Conclusion

It has been observed that, many times, human beings have to be 'pushed' to do what they are supposed to do. This paper therefore examines the theoretical perspectives of accountability in public governance with emphasis on enforcement. Our societies operate on the assumption, and often the need, for those who break the rules to be held to account for their actions. Even in a system based on respect, dignity and mutual trust, there will be times when policies and

laws will not be adopted, implemented, or will be ignored - by individuals, companies and governments. When this happens, there will need to be ways to enforce the laws, and to hold those responsible to account and enforce necessary sanctions. The proper enforcement of legal instruments, codes of conduct and regulations promoting accountability should therefore be enhancement in the African continent. It is the authors' view that the enforcement of accountability in governance will ultimately assist in correcting the behaviors of those in public governance thereby resulting in good governance.

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Linking Competitive Intelligence to Corporate Governance: Insight from stakeholder perspective

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“In business, the competition will bite you if you keep running,
if you stand still, they will swallow you.”
William Knudsen Jr

Abstract

Purpose - Business competition comes in many different forms and includes a great variety of competitors. Successfully positioning the enterprise, properly deciding on the correct allocation of resources, and deciding what an acceptable level of performance might be in such a competitive environment are key tasks of decision makers. This article attempts to shed light to what extent competitive intelligence (CI) impacts corporate governance, that is, how CI allows company to compete and deliver value to its stakeholders. This issue is worthwhile insofar as to provide a new way for companies in order to develop new framework that hold together CI and corporate governance.

Design/ Methodology/ Approach – The approach of this paper is to obtain an insight and views on how is CI influence corporate governance. To that end, a range of recently published research literature on CI, and governance within organizations is reviewed to explore the link between CI and corporate governance. Findings reveal the representation of cross disciplinary literature which emphasises the multi-faced role which CI plays in a modern organization.

Research implications – The paper identifies the extent to which CI is utilised within organisation, as tool to enhance corporate governance, and identifies the benefits or problems that are experienced by implementing and using CI as an input to the corporate governance and what value CI adds in the decision-making process.

1 : Introduction

It is generally acknowledged that as a concept governance has existed as long as any form of human organisation has existed. The concept itself is merely one to encapsulate the means by which that organisation conducts itself. Recently however the term has come to the forefront of public attention and this is probably because of the problems of governance which have been revealed at both a national level and in the economic sphere at the level of the corporation. These problems have caused there to be a concern with a re-examination of what exactly is meant by governance and more specifically just what are the features of good governance. It is here therefore that we must start our examination. When considering national governance then this has been defined by the World Bank as the exercise of political authority and the use of institutional resources to manage society's problems and affairs.

In today's society, knowledge is the primary resource for individuals and for the economy. Land, labor, capital and entrepreneurship the economist's traditional factors of production have not disappeared, but the first three have declined in importance. They can be easily obtained and provided (Drucker, 1992). Interest in a new economic world order based upon intellectual capital has grown exponentially in both industrialized nations and developing countries around the world. The need for fast, reliable information exchange came as a response to rapidly changing markets, products and services.

By consulting the literature, a tentative conclusion may be that companies do not necessarily need more information; what they need is useful and relevant information in time (Frishammar, 2002). The reason for this is that there are a lot of different terms used to describe how useful and relevant information might be collected, interpreted, analyzed, distributed and so forth.

Sometimes competitive intelligence (CI) is confused with business intelligence (BI). The difference between BI and CI is that BI is internal intelligence about and within one's own company, whereas CI is external intelligence about the firm's competitors (Bose, 2008).

CI is a business tool that can make a significant contribution to the strategic management process in modern business organizations, driving business performance and change by increasing knowledge (Priporas, Gatsoris & Zacharis, 2005). In the strategy literature, corporate governance is an important factor affecting the firm's performance and long-term survival (Filatotchev, Toms & Wright, 2006). If CI and corporate governance influence how firms compete, it will be noteworthy to see how CI influences the various aspects of corporate governance. In regard on this point, it will be interesting to study the impact of CI within a stakeholder approach of corporate governance.

The purpose of this research is twofold. First, is to study the relationship between CI and corporate governance. And second, to provide an insight of how CI influences corporate governance. The rest of the paper is organized as follows. The first part focuses on corporate governance and its relationship to risk management. The second part presents a brief overview of the literature on CI, its process and tools. The third part presents the link between CI and corporate governance.

2 : Governance

2.1 : Good governance and corporate behaviour

Good governance is of course important in every sphere of the society whether it be the corporate environment or general society or the political environment. Good governance levels can, for example, improve public faith and confidence in the political environment. When the resources are too limited to meet the minimum expectations of the people, it is a good governance level that can help to promote the welfare of society. And of course a concern with governance is at least as prevalent in the corporate world.

Good governance is essential for good corporate performance and one view of good corporate performance is that of stewardship and thus just as the management of an organisation is concerned with the stewardship of the financial resources of the organisation so too would management of the organisation be concerned with the stewardship of environmental resources. The difference however is that environmental resources are mostly located externally to the organisation. Stewardship in this context therefore is concerned with the resources of society as well as the resources of the organisation. As far as stewardship of external environmental resources is concerned then the central tenet of such stewardship is that of ensuring sustainability. Sustainability is focused on the future and is concerned with ensuring that the choices of resource utilisation in the future are not constrained by decisions

taken in the present. This necessarily implies such concepts as generating and utilising renewable resources, minimising pollution and using new techniques of manufacture and distribution. It also implies the acceptance of any costs involved in the present as an investment for the future.

A great deal of concern has been expressed all over the world about shortcomings in the systems of corporate governance in operation and its organisation has been exercising the minds of business managers, academics and government officials all over the world. Often companies' main target is to become global – while at the same time remaining sustainable – as a means to get competitive power. But the most important question is concerned with what will be a firms' route to becoming global and what will be necessary in order to get global competitive power. There is more than one answer to this question and there are a variety of routes for a company to achieve this. Corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public etc; professional / service providers – and the corporate sector.

Of equal concern is the question of corporate social responsibility – what this means and how it can be operationalised. Although there is an accepted link between good corporate governance and corporate social responsibility the relationship between the two is not clearly defined and understood. Thus many firms consider that their governance is adequate because they comply with The Combined Code on Corporate Governance, which came into effect in 2003. Of course all firms reporting on the London Stock Exchange are required to comply with this code, and so these firms are doing no more than meeting their regulatory obligations. Many companies regard corporate governance as simply a part of investor relationships and do nothing more regarding such governance except to identify that it is important investors / potential investors and to flag up that they have such governance policies. The more enlightened recognise that there is a clear link between governance and corporate social responsibility and make efforts to link the two. Often this is no more than making a claim that good governance is a part of their CSR policy as well as a part of their relationship with shareholders.

Corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public etc; professional / service providers – and the corporate sector. One of the consequences of a concern with the actions of an organisation, and the consequences of those actions, has been an increasing concern with corporate governance. Corporate governance is therefore a current buzzword the world over. It has gained tremendous importance in recent years.

Probably since the mid-1980s, corporate governance has attracted a great deal of attention. Early impetus was provided by Anglo-American codes of good corporate governance¹. Stimulated by institutional investors, other countries in the developed as well as in the emerging markets established an adapted version of these codes for their own companies. Supra-national authorities like the OECD and the World Bank did not remain passive and developed their own set of standard principles and recommendations. This type of self-regulation was chosen above a set of legal standards (Van den Barghe, 2001). After big corporate scandals corporate governance has become central to most companies. It is understandable that investors' protection has become a much more important issue for all financial markets after the tremendous firm failures and scandals. Investors are demanding that companies implement rigorous corporate governance principles in order to achieve better

¹ An example is the Cadbury Report.

returns on their investment and to reduce agency costs. Most of the times investors are ready to pay more for companies to have good governance standards. Similarly a company's corporate governance report is one of the main tools for investor's decisions. Because of these reason companies cannot ignore the pressure for good governance from shareholders, potential investors and other markets actors.

Nevertheless it is certain that the link between corporate governance and actual performance is still open for discussion. In the literature a number of studies have sought investigated the relation between corporate governance mechanisms and performance (eg Agrawal and Knoeber, 1996; Millstein and MacAvoy, 2003). Most of the studies have shown mixed result without a clear cut relationship. Based on these results, we can say that corporate governance matters to a company's performance, market value and credibility, and therefore that company has to apply corporate governance principles. But most important point is that corporate governance is the only means for companies to achieve corporate goals and strategies. Therefore companies have to improve their strategy and effective route to implementation of governance principles. So companies have to investigate what their corporate governance policy and practice needs to be.

Corporate governance can be highly influential for firm performance, and firms must know what the corporate governance is. There are four principles of good corporate governance, which are:

Transparency,
Accountability,
Responsibility,
Fairness

All these principles are related with the firm's corporate social responsibility. Corporate governance principles therefore are important for a firm but the real issue is concerned with what corporate governance actually is.

2.2 : Good Governance and Sustainability

It is clear that all these long term benefits are also directly related to the sustainability of a firm and that firm's success. We can evaluate corporate governance from different perspectives, such as that of the general economy; the company itself; private and institutional investors; or banking and other financial institutions. Some research results show that the quality of the corporate governance system of an economy may be an important determinant of its competitive conditions (Fulghieri and Suominen, 2005). Authors suggest the existence of a reverse causality between corporate governance and competition and also examined the role of competition in the production of good corporate governance. Van de Berghe and Levrau (2003) on the other hand investigated from the perspective of companies, investors and banks. From the company's perspective, it can no longer ignore the pressure for good corporate governance from the investor community. Installing proper governance mechanisms may provide a company with a competitive advantage in attracting investors who are prepared to pay a premium for well-governed companies. From an investor's perspective, corporate governance has become a important factor in investment decisions as it is recognized to have an impact on the financial risks of their portfolios. Institutional investors put issues of corporate governance on a par with financial indicators when evaluating investment decisions.

Bøhren, and Ødegaard (2004) also showed that corporate governance matters for economic performance; insider ownership matters the most while outside ownership concentration destroys market value; direct ownership is superior to indirect; and that performance

decreases with increasing board size, leverage, dividend payout, and the fraction of non-voting shares. Black et al (2005) investigated the relationship between governance and firm value. They found evidence that better governed firms pay higher dividends, but no evidence that they report higher accounting profits.

2.3 : Governance and performance

The relationship between good governance and business performance is clear and investors are increasingly willing to pay a premium for good governance in a business because of the expected improvements in sustainable performance which will, over time, be reflected in future dividend streams (Crowther & Seifi 2010). And the relationship between social responsibility and governance is similarly clear (see Aras & Crowther 2007, 2008). In an attempt to satisfy the necessities of the stakeholders there can appear other conflicts between the interests of the different groups included in the wider concept of stakeholders.

An important component of sustainability is that of risk management. This too provides an intersection with operational requirements as minimising exposure to risk both makes a company more socially responsible and more sustainable but also reduces cost in the longer term (Crowther & Seifi 2010). Often however the methodologies for the evaluation of risk are deficient in their effectiveness of evaluating – particularly of environmental risk.

Obviously there is an element of risk attached to any operational decision, and this risk arises because we are attempting to predict outcomes in the future of decision made now (Crowther 2004). Various techniques exist which can help a manager to understand the nature of risk associated with any decision and to quantify the effects of that risk. One such technique is Risk Analysis which is based on clearly distinguishing risk from uncertainty and then treating risk probabilistically in order to make the best decisions. In all cases of strategy development the selection of an appropriate strategy depends upon a realistic assessment of the risk and a quantification of possible effects through analysis. It is to risk analysis therefore that we now turn.

When a range of possible outcomes for an event exist then obviously the sum of the probabilities for all of the possible outcomes must equal 1 – as one of the outcomes must occur. The assignment of probabilities to each of the outcomes however enables us to construct a probability distribution showing the range of possible outcomes and their respective probabilities. Such a distribution may well be important to the analysis because merely selecting the most likely outcome may well not reflect the level of risk involved.

For example in the two projects shown below the best estimate of profitability for each of the

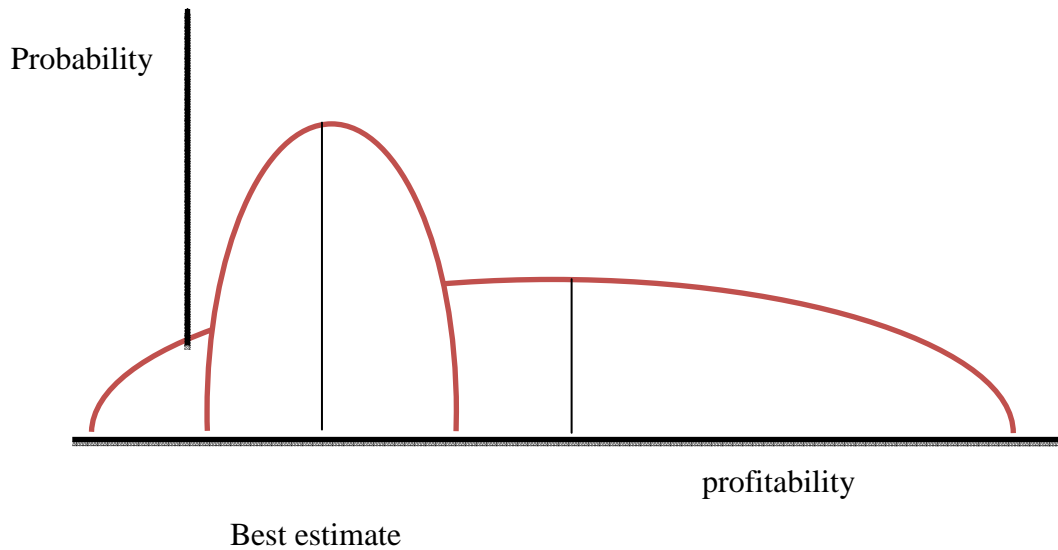


Figure 3 – Differing probability profiles

projects is identical but it can be seen from the probability distributions (figure 3) that the risk associated with them is quite different, with one of the projects having a risk of incurring a loss (project B). Without the probability distributions therefore a firm would be indifferent as to which project was chosen but with an understanding of the distribution of risk then it can be seen that project A is the preferable project, providing always that the expected returns for the two projects are similar. Risk analysis can be used to quantify the expected values of the return from each project but assessing the relative relationship between risk and rewards inevitably relies upon managerial judgement and a person's attitude to risk.

Risk analysis as a technique is based upon probability theory (Crowther, 2004) and upon the ability to construct probability distributions. It is a technique which is designed to enable individual risks associated with a project to be combined and summed to find the overall risk for the project. It is based upon assigning a probability distribution for each risk factor, rather than merely assigning a best estimate. These probability distributions are then combined using Monte Carlo Simulation techniques to arrive at an overall assessment of risk (Crowther, 1996).

This kind of analysis can lead to very different assessment of risk for particular decision than would be our assessment if we based our quantification solely upon mean values from our understanding of the probability of particular outcomes. In complex problems with a range of possible outcomes and a variety of factors to be included this technique therefore can help in our understanding of the risks involved and hence can affect our decision making in such cases.

Although risk analysis can be a useful tool then when it comes to making strategic decisions the most useful tool is Games Theory. This is particularly helpful when deciding about refrigerator labelling because just as in making many engineering and management decision it is important to recognise that the decision is not made in isolation and that the effects of the decision cannot be realistically quantified as if that decision is made in isolation. This is particularly true when the external environment is affected by the decision, such as when a firm is considering the launch of a new product, a change to its prices, or the conduct of an advertising campaign. In such circumstances it is not sufficient to consider how the decision might affect the firm itself or how it might be received by its customers. It is also necessary to recognise that the firm's competitors will be affected by the decision and may very well decide to respond to the actions of the firm. In such a situation the firm and its decision

makers can be regarded as either in competition with another firm and its decision makers or in conflict and the generic term to describe this kind of situation is that of a game and Games Theory can help to model this kind of situation (Crowther, 2004) and therefore improve the decisions which are made.

In games the participants are competitors and the success of one is usually at the expense of the other, such as when one firm gains market share through the use of an advertising campaign at the expense of the other firms in the industry – or through its labeling strategy. For the purposes of Games Theory in such a situation the number of players can very often be simplified to two players – the firm and the competition, with all competitors being regarded as a single player. It is possible to model the actions and reactions of all competitors separately through Games Theory but this makes the mathematics very complicated, often without significantly changing the analysis. Games Theory provides a method of formulating a business situation in terms of strategies – the strategy of the decision maker and the strategy of his / her opponent – and in term of outcomes. Each player in the game selects and executes those strategies which (s) he believes will result in ‘winning the game’, that is will result in the most favourable outcome to the problem situation. In determining this strategy for winning each player makes use of both deductive and inductive logic and attempts quantification of the outcomes.

2.4 : Stakeholder management

The 1980's economic environment has been the reason for the proliferation of the stakeholder theory (Donaldson & Peterson, 1995) which made the theory a response to the lack of opportunities available to managers to explore as they were focused on the sole traditional stockholders. The stakeholder theory has broken the borders and made every individual or group of individuals that may have an interest and can affect, or being affected by, the firm, be classified as a stakeholder; and therefore, be considered by the management when making decisions (Freeman, 1984; Freeman & McVeas, 2001).

In this regard, stakeholder theory has been subject to a wide use (Freeman & McVea 2001, Donaldson & Peterson, 1995) and many authors attempted to classify stakeholders according to different criteria. However, in the context of Competitive intelligence and Governance the focus will be on one particular group: competition.

Part of the stakeholder management suggested by Freeman and McVea (2001) is to identify the stakeholders, then make sure the interests and need of all these stakeholders are balanced. Therefore, the key to a good management is in taking into consideration the interests of the relevant stakeholders identified and then balancing the actions taken by management in order to fulfil the needs of these stakeholders.

Good governance procedures enable the identification of risks and therefore also aid its management and reduction. Equally competitive intelligence is enables through good governance and it is to this that we now turn.

3 : Competitive intelligence

3.1 : Definition

According to Beatty and Ulrich (1991), novel ways to beat the competition may arise from the ability of an organization to conceptualize and manage change. CI can help an organization to achieve this objective.

A lot of people think that CI is similar to corporate spying (Marin and Poulter, 2004). However, much of this work consists on finding interesting available data from public sources (government filings, news clippings, surveys, press releases and industry journals) or from the

organization itself (Lackman et al., 2000). Diverse sources of CI can be used such as customers, competitors, associations, employees and company records.

There are many definitions of CI. The Society of Competitive Intelligence Professionals (SCIP, 2008) defines CI as "a systematic and ethical process for gathering, analyzing and managing external information that can affect the company's plans, decisions and operations". Dishman and Calof (2007) define CI "as actionable recommendations arising from a systematic process, involving planning, gathering, analyzing and disseminating information on the external environment, for opportunities or developments that have the potential to affect a company or a country's competitive situation". Indeed, another definition of CI is the use of public sources to develop information about the competition, competitors, and market environment (McGonagle and Vella, 1990). CI includes competitor intelligence as well as intelligence collected on customers, suppliers, technologies, environments, or potential business relationships (Saayman, et al, 2008).

Lackman et al. (2000) defines an effective CI function by its emphasis on users; total commitment to CI by the company's top leadership; and effective methods of disseminating the gathered intelligence within the organization. Powell and Allgaier (1998) stress that CI staff need to make available the results of their intelligence analysis to decision makers both quickly and effectively.

3.2 : Importance of CI

Dishman and Calof (2007) believed that CI may imply the true purpose of intelligence, that is, to gain strategic advantage. Therefore, CI includes competitor intelligence as well as intelligence collected on customers, suppliers, technologies, environments, or potential business relationships.

According to Strauss and Du Toit (2010), organisations are playing attention to CI, because it supports organisational needs in terms of gathering, interpreting and disseminating external information. Therefore, the primary output from CI is the ability to make forward-looking decisions (Bose, 2008). Johns and Van Doren (2010) pointed out four major benefits 1) Differentiation, 2) Cohesive marketing communication plans, 3) Pre-selling an idea to the target audience, and 4) Building credibility with your customer.

Kahaner (1996) states that the companies need the CI in the global economy for the following reasons:

- The pace of business is increasing rapidly and businesses are required to handle more projects and make more decisions with more speed than before ;
- Technological development resulted in the introduction of wireless communication, personal computers, the internet and biotechnology. This has increased the speed and availability of communication and companies are experiencing an information overload ;
- Increased access to resources, increased number of global competitors and decreased the importance of close physical proximity ;
- Existing competition is becoming more aggressive. Many market places are maturing resulting in companies increasing their market share at the expense of their competitors ;
- Political changes affect companies quickly and forcefully. Many countries have moved from communism or socialism to capitalism in the last decade.

According to Prescott (2001), three functions within an organization are mainly concerned by CI programs: marketing, planning and R&D. As results and for a good understanding of dynamics change, CI programs should allow a better understanding of the industry and

competitors, a better identification of areas of vulnerability, and an evaluation of the possible moves of competitors (Prescott, 1995).

Pole et al. (2000) stress that CI has a determining effect on the development of five selected characteristics, which are involved in organizational learning:

1. Question the Status Quo: CI methods unfreeze attitudes and make the organization comfortable with exploring other solutions than conventional ones. Sharing information enhances build trust, encourages mental risk-taking and tends to equalize power.

2. Reduction of Complacency: Some organizations consider the absence of dramatic events as the absence of competitive threats. This attitude of complacency might be dangerous because it may lead to negative organizational issues, which can create strategic blind spots. CI recognizes that slow but cumulative threats can be perilous for an organization. It provides tools to identify and deal with them.

3. Challenge Existing Assumptions: It is common for an organization to have some shared assumptions, known in the management field as “dominant logic”. These institutionalized assumptions can exclude other perspectives, which limit the organization’s vision to its current markets because of a myopic frame. Picken and Dess (1998) claim here that CI participates in challenging habitual assumptions for a different and new interpretation of a competitor’s strategy.

4. Reduction of Arrogance: Market awareness uncovers changes in the environment that dispel the basis for arrogance due to entrenched cultures or histories of financial success.

5. Patterns of Collaboration: Teamwork leads to discover other processes and have a large view of company’s challenges. Also, it encourages effective actions with deadlines and evaluation.

3.3 : CI process

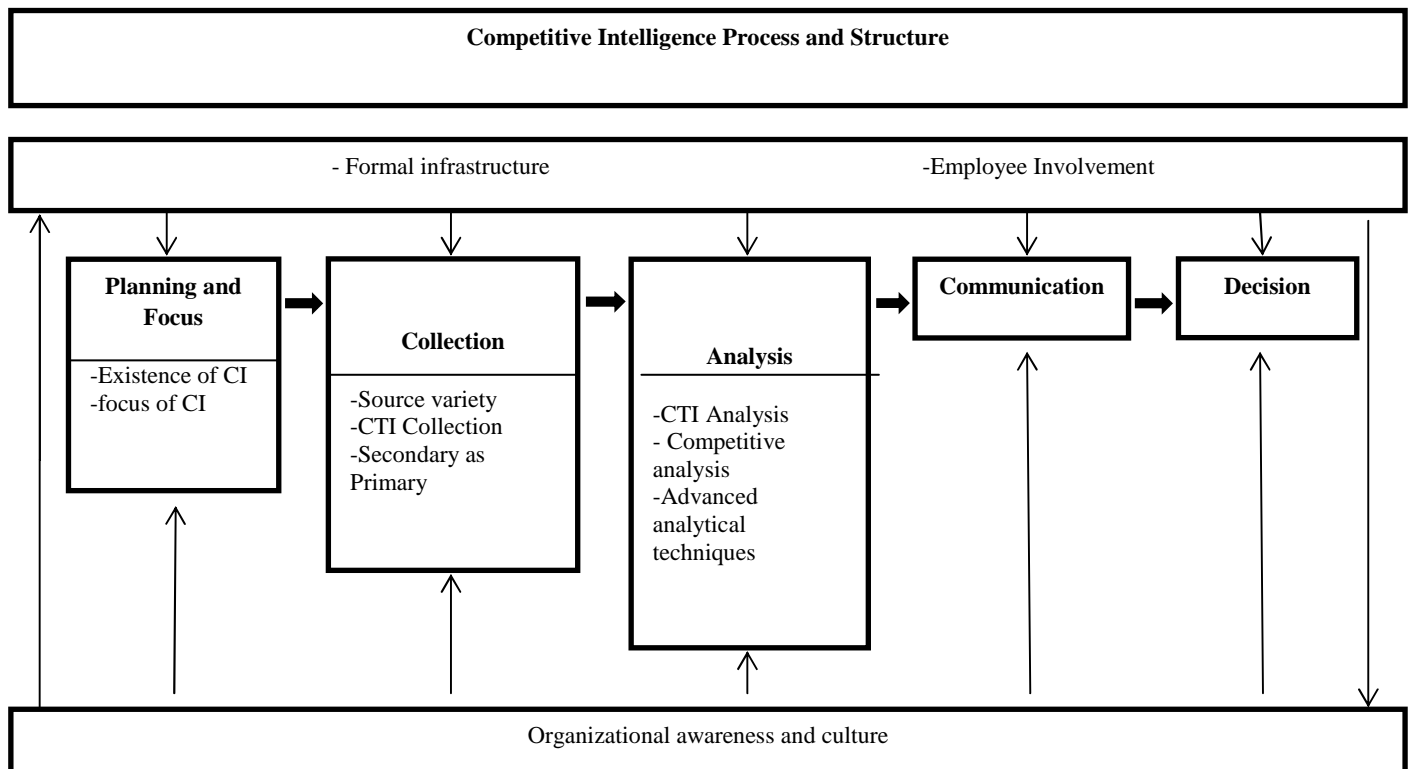
According to Bose (2008) “CI is both a process and a product (intelligence). The process of CI is the action of gathering, analyzing, and applying information about products, competitors, suppliers, regulators, partners, and customers for the short- and long-term planning needs of an organization”.

Many departments are involved in CI process, but Lackman et al.(2000) have found in their study that nearly half of the companies indicating the CI function was housed in the marketing/market research department, followed by the sales department and accounting with 14 per cent of the responses.

The SCIP describes the CI cycle as the process by which raw information is acquired, gathered, transmitted, evaluated, analyzed and made available as finished intelligence for policymakers to use in decision making and action. There are five phases which constitute this cycle: Planning and direction, collection, analysis, dissemination, feedback (Bose, 2008).

In their empirical research based on 1025 executives surveyed about their companies’ usage of CI, Dishman and Calof (2008) have found that CI process is constituted of five steps: planning and focus, collection, analysis, communication, decision, but this process is affected by certain contextual influences, namely organizational culture / awareness, the formal infrastructure available as well as employee involvement (Saayman, et al, 2008).

Figure n 2: Model of Competitive Intelligence



Source: (Dishman and Calof, 2008)

In this study, we attempt to provide a better understanding of CI, and its role in a firm's success. Specifically, we examine the CI process with a view to discerning its impact on organizational governance. A model of the CI process is thus proposed. This provides additional insight as to significant factors related to the various phases, and may have impact on organizational governance. In order for the CI process to have an impact on the organizational governance, the information must be disseminated to decision makers within the firm. Greater dissemination and fast feedback enable the managers to enhance the way they manage their company, and allow them to make better decisions that respond to, and sometimes anticipate, competitors' moves.

3.4 : CI tools

Senior managers within the organization are demanding informed/accurate intelligence, and are requesting that it is made available at the earliest opportunity.

For a good CI work, CI staff needs to evaluate the various tools and techniques that are available for studying evolving intelligence problems/situations. They need to think "outside the box" and be abstract thinkers. By thinking "outside the box", they up-date their skill, become more knowledgeable and can solve various problems, even with no immediate solution (Trim, 2004).

Johnson and Scholes (1997) say that an organization is forced to respond to the competitive situation and to retaliate accordingly. Then, CI should be clearly defined and corporate intelligence staff has to consider the various organizational barriers that exist (Breeding, 2000). With respect to this, Porter's (1980, 1985) work is valuable. Other companies use scenario work or role-playing to identify and analyze competitor's strategic intent (Gieskes, 2000).

To disseminate information, most common methods use technology, on direct (eg. Presentation) or indirect (eg. Emails) exchange, because the time-sensitive-nature of CI products and the speedy delivery afforded by technology tools (Marin and Poulter, 2004).

For a good dissemination of CI, companies should have the necessary hardware, software and users accounts to access e-mail and/or the intranet. With respect of this, newsletters, alerts and competitor profiles can be attached and distributed from a generic e-mail account or uploaded onto an intelligence-related intranet site (Hohhof, 2000). For example, Microsoft uses a combination of web and e-mail based communication methods to receive potentially useful information from its sales division or partner companies (Rosen, 1998). A group like Lexis-Nexis has many central competitive intelligence units, with full-time employees in touch with over 1000 people from sales and marketing departments in order to gather and share data via an e-mail hotline (Gieskes, 2000). The group uses also a mechanism called “Smart tools” which tracks mention of competitors and of the company itself in the press or trade journals, on a daily basis. Many other companies use these web tools which are automatically updated for a fresh data.

In addition, online discussion or news groups can be used for sharing information and knowledge with employees or researchers working in a specific sector or industry.

Companies use many tools to collect and share information. However, CI work has to be measured and CI data evaluated for an efficient CI. Empirically, the evaluation of CI usage is not a straightforward activity because it is difficult to quantify. Some companies exploit intranet usage statistics, when others try to measure the value of CI, but these efforts remain insufficient (Marin and Poulter, 2004).

3. 3 : Link between CI and Corporate Governance

Nowadays, organizations are facing significant changes. Corporate governance is one of the most important dimensions impacted by these changes and evolved over time. It becomes the focus of attention of many environment actors like directors, investors, stakeholders, regulators for a better efficiency, effectiveness and ethical management (Demirbas et Yukhanaev, 2011).

Good corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders, with increasingly accepted “good” corporate governance practices (Solomon et al., 2003), in order to maximize its residuals (Pistor, 2006; Meharey, 2006), which mean profits. Then, for the organizational setting, the effective decision-making and the success of marketing or planning processes, organizations need to have timely and relevant information (Brod, 1999). The previous custom of waiting weeks for a comprehensive competitor analysis is no longer acceptable if a company wishes to be competitive (Gallagher, 2001). Therefore, how CI impact corporate governance? Is CI encouraging good corporate governance or in contrast it creates bad conditions for a wealth generation?

Laidroo (2009) states that information is more available in larger firms with concentrated ownership, lower leverage and higher market-to-book ratios. His empirical tests reveal the importance of ownership structure in providing information. The lack of sharing information can be harmful. Mueller and Peev (2007) stress that asymmetry of information between managers and external investors may result in underinvestment by external firms, while companies with high managerial discretion tend to overinvest.

Hussey (1998) thinks that CI staff needs to communicate with various stakeholders. He stresses that top management has to define what CI involves.

From a marketing view, CI allows to identify and to deal with security related threats (the acts of counterfeiters, fraudsters and terrorists), in order to ensure that the impact of both predicted and unpredicted events and their consequences are neutralized or reduced (Trim, 2004).

Some organizations as Motorola and 3M, not only use CI to better know their environment, but also take counterintelligence measures (Prescott, 1995). Trim (1999) has highlighted that senior managers have to stay within the law in their organizational policy and security measures.

Pole et al. (2000) explain that CI is expanding and identify three dimensions for that:

- Institutionalized watchfulness: organizations with CI team pay more attention for their external environment such as key competitors, relevant industries, target customers, etc. Francis (1997) talks about a state of watchfulness when CI team provides the framework to institutionalize this alertness to external environment. Therefore, alertness to external stakeholders increases the understanding of unexpected developments which can provide opportunities to explore or threats to face.
- Shared information: CI team legitimizes sharing of information and offer a model for desired behaviour across CI team boundaries. Then, participation in the organization's intelligence process can be enhanced.
- Development of enabling structures: the organization enhances its learning capability not only from information collected but also from internal interactions with employees and external interactions with customers, vendors, and competitors.

Then, CI creates an ongoing link with stakeholders. It becomes a forum for the exchange of ideas inside and outside the organization and for the evaluation of new partnerships and synergies (Bonthous, 1996). In essence, CI helps strategists to understand the forces that influence the business environment and should be an important responsibility of top management (Priporas, et al, 2005).

4 : Conclusion

Governance is about providing transparent and fair information on the organisation, held the managers accountable, which can enable a quick and effective intervention by the different stakeholders when all or some of their interests are at a danger. However, being an open and transparent company may lead to disclosing valuable information to competition, and threatening the competitiveness of the organisation. This information that requires time, money and effort made by the competition under the form of CI, can be requested easily by using governance as a right.

Good governance leads to sustainability and performance as it was discussed earlier in this paper, but over disclosing core and vital information related to the activity of the organisation can be more harmful than helpful.

Therefore, in a transparent world where information is disclosed and available, organisations will seek their competitors to provide them with as much information as possible, at the same time to be vigilant in disclosing theirs. This leads to a vicious circle and could be dangerous for the companies and may lead to bad governance practices.

Competition is a stakeholder of any organisation, and by being so, managers will have to take it into consideration when making decisions not only through CI but also by being legitimate to this stakeholder's needs in getting as much information as possible on the organisation, then protecting the survival and interests of their own institution.

Moreover, Governance and CI can be contradictory in some way and complementary in another, depending on where the organisation stands and how developed and established it is.

In a competitive environment where transparency is a requirement, organisations are in a dilemma of how much information disclosed is enough to have good governance without harming its competitiveness. This is the balance that organisations will have to maintain for their sustainability.

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Accountability in Governance – The case of Judgment / Settlement debit Payments in Ghana

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Abstract

The purpose of this research was to analyse the issues relating to the recent scandals over government accountability in payments of judgement debt in Ghana. The study investigates the extent to which the public institutions of accountability and mechanisms of control operate effectively to ensure that those who exercise power account for their stewardship in the use of public funds. The research procedure applied was mainly the careful analysis of source materials including newspaper articles, parliamentary proceedings, government documents and public reports, as well as radio and television reports. A 6-item survey questionnaire was also administered to the general public to ascertain public opinion on the issues. Our findings reveal that blatant disregard for the public procurement laws, illicit abrogation of contracts, weak institutions of accountability, a catalogue of errors, negligence, and sometimes deliberate corrupt behaviours of government, private and corporate officials resulted in the fraudulent payment of colossal sums of money in judgement debt. The study is particularly significant to international and corporate bodies doing business with the Republic of Ghana in that it alerts these institutions of the importance of ensuring that all the stipulations of the country's financial and procurement laws are carefully observed when entering into a contract with the government to avoid future abrogation and ensure restitution in the event of government default.

1: Introduction

Corruption and fraud in the procurement of goods and services for the public is a major problem that plagues most governments across the world especially in the developing countries of Africa and Ghana is no exception. The Government of Ghana under the Mills administration is reported to have paid out a total of GH¢624 million as judgement and settlement debts in its first three years in office (<http://edition.myjoyonline.com/pages/news>). Majority of these were payment of debts resulting from breach of contract in the procurement of certain goods and services for the Ghanaian public. Institutions and individuals who benefited from such payments include, Construction Pioneers (€94 million), Waterville Holdings (€25 million) and the businessman Alfred Agbesi Woyome (GH¢51.2 million). Other judgement debt claims yet to be settled include: Isoton and Africa Automobile's claims of USD\$1.3million and USD\$1.5 billion respectively.

However, investigations into the payments by the Economic and Organised Crime Office (EOCO) revealed that most of the payments made were either fraudulently obtained or resulted from previous governments' disregard for contractual agreements. The Auditor-General's 2010 Report on Public Accounts submitted to Parliament also indicated that GH¢276 million of the total judgment debt paid by government to various claimants representing 11% of total government administrative expenditure, could have been avoided if

public officials had taken precautionary measures in performing their official duties. Procurement contracts are awarded and cancelled by successive governments in a point scoring match. Contracts are sometimes abrogated through arbitrary and in some instances, capricious use of power. In the end huge sums of money that could have been expended on essential social services are lost senselessly to individuals and firms whose services the state did not enjoy.

Study Objectives

1. To investigate the extent to which the public institutions of accountability and mechanisms of control operate effectively to ensure that those who exercise power account for their stewardship in the use of public funds.
2. To assess the public's perception of the judgement debt payments.
3. To investigate the implications of the judgement debt cases for institutional development in the country.

2: Literature Review

Judgement/Settlement Debt

Judgment debt is the amount of money awarded by a court to the winner of a court case and payable by the losing party. It is “a legal obligation to pay a debt or damages evidenced by a judgment entered in a court of record and enforceable by execution or other judicial process” (<http://www.merriam-webster.com/dictionary>). Judgement debt may be obtained by full litigation or by default when the defendant fails to file a defence leading to judgement given in favour of the claimant unopposed. Thus judgment debts are debts that have been reviewed by a judge in a court of law, and found to be valid. Judgement debt must be distinguished from settlement debt or debt arbitration which is an approach to debt reduction in which the debtor and creditor agree on a reduced balance, a sum lesser than the original amount that will be regarded as payment in full.

Debt settlement is sometimes preferred to full law suits because a considerable percentage of the outstanding balance can be reduced or forgiven through the settlement negotiations, and the arbitration process avoids lengthy acrimonious legal wranglings. However, debt settlement robs the debt resolution process of transparency, full litigation and thorough interrogation of issues, evidence and witnesses leading to authoritative verdict by a court of competent jurisdiction as the case may be in judgement debt. Hence the debt settlement process is open to fraudulent manipulation of state officials charged with negotiating such settlements on behalf of the state.

In the case of the recent breach of contract debt payments in Ghana, it is important to note that most of the payments were settlement rather than judgment debt payments.

Public procurement

Public procurement refers to the acquisition of goods, services and works by a procuring entity using public funds (World Bank, 1995a). According to Roodhooft and Abbeele (2006), public bodies have always been big purchasers, dealing with huge budgets. Public procurement represents 18.42% of the world GDP (Mahmood, 2010), and in developing countries, it is increasingly recognised as essential in service delivery (Basheka and Bisangabasaija, 2010), and accounts for a high proportion of total expenditure (Tukamuhabwa, 2012). In Ghana, it “accounted for more than 70% of government expenditure after personnel emoluments” (Chairman of the PPGB, 19/09/2012). Due to the

huge amount of money involved in government procurement and the fact that such money comes from the public, there is need for accountability and transparency, (Hui et al; 2011).

Consequently, various countries both in developed and least developed countries have instituted procurement reforms involving laws and regulations. However, the major obstacle has been inadequate regulatory compliance (Tukamuhabwa 2012). De Boer and Telgen (1998) confirm that non-compliance problem affects not only the third world countries but also countries in the developed world. For example, in the US, for the fiscal year ending September 30, 2006, the government recovered a record total of more than \$3.1 billion in settlements and judgments from cases involving claims of fraud (Lander, et al, 2010). Odhiambo-Mbai (2003) also, observes that the level of accountability in the management of public affairs has consistently declined since independence. A report by the OECD notes that although public procurement has been employed as a vital instrument for achieving economic, social and other objectives it is regrettably an area vulnerable to mismanagement and corruption (OECD, 2007). Procurement fraud squanders limited funds, threatens safety and national defense, cheats taxpayers, and harms government efforts to obtain needed goods and services.

Although fraud in public procurement has long been established as a canker in the Ghanaian public management and despite the recent public and national uproar over huge payments of judgement / settlement debts in connection with procurement and financial engineering, very little if any scholarly study exists that systematically examines public accountability relating to the various judgement debt payments by the government, the mechanisms of control and the extent to which these mechanisms are effectively implemented and enforced to hold officials entrusted with the disbursement of public funds accountable for their stewardship.

Public Accountability

The Encyclopaedia of Democracy defines public accountability as “the ability to determine who in government is responsible for a decision or action and the ability to ensure that public officials are answerable for their actions”. According to Bonsu (1998), accountability is not just the responsible exercise of authority but also ensuring that those who exercise power account for their stewardship to the ultimate source of power – the people. Due to the enormous authority reposed in public officials especially the exercise of discretionary powers, it has become necessary to hold public officers accountable for their actions as a way of ensuring against misuse and abuse of power/ authority / position. Whenever an action is taken in the name of the state, the state becomes responsible for the action. Besides, because of the massive injection of public and donor funds and loans, it is important to hold public actors accountable for the manner in which public funds are disbursed.

Further, evaluating the ongoing effectiveness of public officials or public bodies ensures that they perform to their full potential, provides value for money in the provision of public services (Bovens 2006), instills confidence in the government and ensures responsiveness to the community they are meant to be serving. Basically, public accountability is the cornerstone of modern democracy and central to good governance. It is according to (Adefila & Adeoti, 2001), the parameter for adjudging the public expectation of fairness, responsiveness and exemplary leadership

According to a World Bank document the concept of accountability involves two distinct stages: answerability and enforcement. Answerability refers to the obligation of the government, its agencies and public officials to provide information about their decisions and actions and to justify them to the public and those institutions of accountability tasked with providing oversight. Enforcement suggests that the public or the institution responsible for

accountability can sanction the offending party or remedy the contravening behavior, (<http://siteresources.worldbank.org/publicsectorandgovernance/Resources>).

Types of Accountability

The concept of accountability can be classified according to the type of accountability exercised and/ or the person; group or institution the public official answers to and conceptualized by reference to opposing forms of accountability. Public accountability is therefore classified into horizontal versus vertical accountability, political versus legal accountability, and social versus diagonal accountability.

Horizontal versus Vertical Accountability

Horizontal accountability is the capacity of state institutions to check abuses by other public agencies and branches of government, or the requirement for agencies to report sideways. Its institutions include the judiciary, independent constitutional commissions, public accounts committee and agencies of restraints on executive and official power. Alternatively, vertical accountability is the means through which citizens, mass media and civil society seek to enforce standards of good performance on officials. According to Professor Gimah Boadi (2005), vertical accountability refers to accountability that political leaders owe their followers and that owed by public officials to tax payers. It is usually secured through a system of campaigns and elections resulting in officials holding office at the pleasure of voters.

Bovens (2006) notes that vertical accountability can also refer to principal-agent relationship, whereby the principal delegates to the agent, the agent is accountable to their direct superiors in the chain-of-command. For instance the public official answers to the department/ agency minister, the department answers to the minister, the minister answers to parliament, and parliament answers to citizens. Parliament is thus a key actor in terms of holding government officials to account. Parliament, as principal, requires the government and its officials, as agents, to implement the laws, policies and programs it has approved – and holds the government and officials to account for their performance in this regard. Parliament is also an agent, in that the electorate (the principal) elects legislators to enact laws and oversee government actions on their behalf. The electorates then hold legislators to account at election time.

Political versus Legal Accountability

Parliament and the judiciary act as horizontal constitutional checks on the power of the executive. While parliament holds the executive politically accountable, the judiciary holds the executive legally accountable. Together, they provide ongoing oversight in order to keep the government accountable throughout its term in office. Political accountability usually manifests itself in the concept of individual ministerial responsibility in that parliament can call on ministers during question time or through the public accounts committee to answer questions regarding their stewardship. The judiciary holds the executive and other public officers accountable by determining the constitutionality of their actions and to pronounce judgement and punishment on those found guilty of contravening the law.

Social versus Diagonal Accountability

The concept of social accountability relies on civic engagement, a situation whereby ordinary citizens, the press and/or civil society organizations participate directly or indirectly in exacting accountability. Mechanisms of social accountability are often “demand-driven” and operate from the bottom-up (Goetz & Gaventa 2001). Where press freedom exists, the press is

usually very vocal on matters of accountability and regularly informs the public of actions bordering on impropriety by public officers. The role of members of parliament is paramount in providing weight to such grass roots accountability mechanisms. For example, a Member of Parliament can represent the concerns of his/her constituents by questioning a Minister during question time in Parliament.

According to the World Bank Institute (2005), social accountability involves mechanisms of diagonal accountability which seeks to engage citizens directly in the workings of horizontal accountability institutions in an effort to augment the limited effectiveness of civil society's watch dog function by breaking the state's monopoly over responsibility for official executive oversight. Mechanisms of diagonal accountability include community advocates' participation in institutions of horizontal accountability e.g. independent constitutional commissions and various commissions of enquiry that may be set up to investigate wrongdoings of public officials; community advocates' ability to access classified information about government agencies; authority to compel a government agency to answer questions; and to acquire the authority of the horizontal accountability institution to enforce the findings or influence elected officials.

Ultimately, parliaments are key actors in what has been termed the 'chain of accountability'. They are, along with the judiciary, the key institution of horizontal accountability, not only in their own right but also as the institution to which many autonomous accountability institutions report. They are the vehicle through which political accountability is exercised. Along with civil society organizations and the mass media, they are also important institutions in vertical accountability

(<http://siteresources.worldbank.org/publicsectorandgovernance/Resources>).

Mechanisms of Accountability in Ghana

In Ghana, a number of control mechanisms are put in place to ensure public accountability in the use of public funds including the follow:

- The Economic and Organised Crime Office (EOCO)
- Parliamentary control
- Professional Codes of Ethics
- Financial Administration Laws & Regulations
- The Auditor General's Department
- The Courts
- The Media
- National Elections

The Economic and Organised Crime Office (EOCO)

The Economic and Organized Crime Office (EOCO), was set up by Act 804 of 2010 in line with Article 190 (1)(d) of the 1992 constitution as one of the Public Services of Ghana to supplement and augment government's effort in the fight against corruption in the State. The Office was established as a specialized agency of government to monitor, investigate and on the authority of the Attorney-General, prosecute any offence involving serious financial and economic loss to the state. The Act replaces the former Serious Fraud Office Act, 1993 (Act 466). EOCO is mandated by Section 3(1) (a), (b), (c), (d) and (2) S.12, and S.13 to investigate any suspected offence provided for by law which appears to the Executive Director on

reasonable grounds to involve serious financial or economic loss to the state or to any state organisation or other institutions in which the state has financial interest; detect crimes likely to cause financial and economic loss to the state, take reasonable measures to prevent the commission of crimes which may cause financial or economic loss to the state. Can EOCO be relied upon to effectively investigate government and public officials who commit financial crimes against the state impartially without fear or favour?

Parliamentary Control

As John Stuart Mills notes, parliaments function to watch and control the government, throw the light of publicity on its acts, compel a full exposition and justification of acts which anyone considers questionable; and to censure them if found condemnable. In Ghana, the legislature has the authority of oversight over the operations of the government and to criticize it. This is to ensure that public office holders conduct the affairs of the country in a responsible manner. Parliament uses The Public Accounts Committee, Estimate Committee, Departmental Standing Committees, and Question Time as means of controlling the acts of public officials. Other methods available for parliament to control the executive branch of government include: impeachment, approval of policies and agreements initiated by the executive, and the motion of censure. Does the Ghanaian parliament exercise effective oversight over the government and other public officials?

Professional Codes of Ethics

Organizations and professions also try to ensure proper conduct of office by instituting codes of ethics and conduct to regulate the excesses by public officers which otherwise could lead to the exercise of uncontrolled power, fraud, nepotism, negligence and inefficiency. The question is did the public officials involved in the judgement debt payment scandals do due diligence, conduct themselves with professionalism and diligently followed the codes of ethics of their respective professions?

Financial Administration Laws and Regulations

To ensure financial propriety and accountability of their actions, public officers/heads of department, and spending officers are regulated by a set of financial procedures, rules and regulations including the Financial Administration Regulations (FAR) NRCD 123 1979, the Financial Administration Act 2003, Act 654, and the Public Procurement Act 2003, Act 663 which indicate the manner in which security and custody of assets as well as expenditure are disbursed. The Financial Administration Act 2003, Act 654 was established “to regulate the financial management of the public sector; prescribe the responsibilities of persons entrusted with financial management in the government; ensure the effective and efficient management of state revenue, expenditure, assets, liabilities, resources of the government, the Consolidated Fund and other public funds and to provide for matters related to these”. 17. (1) of the Act states that “a contract that provides for the payment of any money by the government shall not be considered valid without the prior approval of the Minister”. The question is, did the Minister of Finance approve the payments made to Woyome and on what basis was the approval made?

The Public Procurement Act 2003, Act 663 specifies public procurement methods, tendering procedures, the conduct of procurement proceedings and the award of procurement contracts, as well as established the Public Procurement Board charged with the duty to “harmonise the processes of public procurement, secure a judicious, economic and efficient use of state resources and ensure that public procurement is carried out in a fair, transparent and non-discriminatory manner”..

Also, 62 (1) of the Financial Administration Act 2003, Act 654 states that any public official who conspires with another person to defraud the Government, or makes opportunity for another person to defraud the Government; deliberately permits the contravention of the law by another person; willfully makes or signs a false entry in a book or willfully makes or signs false certificate, commits an offence, and is liable on summary conviction to a fine not exceeding 5000 penalty units or to imprisonment for a term not exceeding 10 years or to both.

Unfortunately, the Act is silent over the abrogation of public procurement contracts and compensation for termination of such contracts thereby creating room for fraudulent manipulation of both government and private officials involved in the procurement of goods and services for the public. Are our public procurement laws adequate to protect public coffers against fraud and corruption? Did government officials involved in the procurement process follow all the stipulations of the Public Procurement Act?

The Judiciary and the Courts

The Judiciary or the law courts is the branch of government responsible for the settlement of disputes, enforcement of civil and criminal cases, and interpretation and protection of the laws of the country. The judiciary exercises legal and horizontal accountability over the executive to ensure government and public officials who break the law are duly punished. The law courts have been deeply involved with the judgement debt cases since its onset however questions have been raised about the capacity and ability of the Attorney Generals department to successfully prosecute those accused of illicit involvement in the judgement debt payment issues. Is the government committed to bringing those who default the state to justice?

The Auditor Generals Department

The office of the Auditor-General is extra ministerial and is given power by Article 187 (2) of the 1992 Constitution to audit all the public accounts of Ghana, including the courts, central and local government bodies, all bodies enacted by an Act of Parliament and all institutions in which government has shares or stake. The payment of all judgement debts by the government has been captured in the Auditor-General's 2010 Report on Public Accounts submitted to Parliament by the Auditor-General. The Auditor-General's Report also indicated that GH¢276 million of the total judgment debt paid could have been avoided if public officials had taken precautionary measures in performing their official duties. Could those public officials responsible for such needless payments be apprehended and prosecuted for their negligence, fraud or corruption?

Media Publicity

The media and civil society groups hold governments socially accountable and play a critical role in public and corporate accountability. Through the media, the general public and the corporate community is made aware of the regulatory outcomes (Zubic and Sims, 2011). Hui et al (2011) stated that in Malaysia, wide publication of tenders in the media such as newspapers and websites could help reduce corruption by increasing transparency and participation, thereby enhancing public procurement compliance. According to Borden (2007), media exposure reduces the incidence of wrongdoing through press coverage that highlights instances of wrongdoing. In an environment of heightened and effective press coverage of misconduct, others contemplating misconduct may be discouraged. Related to this, UNDP (2010) indicated that many procurement scandals have been uncovered by the media and a free and independent press is a powerful tool to promote transparency and accountability.

Ghana currently enjoys a wide degree of press freedom. In 2008, there were over 136 newspapers, 11 TV stations plus satellite television, over 21 radio stations and increasing

internet access, (<http://www.pressreference.com/Fa-Gu/Ghana.html>). Does the Ghanaian media report issues fairly and impartially to constitute an effective source of social accountability?

National Elections

The idea that voters use elections to hold governments to account lies at the heart of democratic theory. If governments fail to provide policy outcomes preferred by the majority of the citizenry, they are likely to lose office. In turn, a solid government record that is largely in tune with public demands may secure re-election. Put in the words of Vladimir O. Key (1966, 568), elections allow citizens to act as the “rational god of vengeance and reward”. In order for citizens to judge if an incumbent deserves to be reelected on the basis of past performance, voters need to be aware of government actions and the outcomes of these activities (Vries & Giger, 2012). However, studies show that the extent to which electorates are able to cast their votes based on logical assessment of incumbents’ performance depends upon the individual’s political sophistication and availability of information to the individual electorate (Gomez & Wilson, 2006; Duch, 2001). But are Ghanaian electorates politically sophisticated enough or well informed enough to make voting decisions based on the critical analysis of the issues?

2: Research Methods

The research procedure applied was mainly the careful analysis of source materials including newspaper articles, parliamentary proceedings, government documents and public reports, as well as radio and television reports. A 6-item survey questionnaire was also administered to the general public at various parts of Accra – shopping malls, markets, university campuses and lorry stations to ascertain the public’s opinion on the judgement/ settlement debt payment issues. In all, a total of 1568 people were polled. The results were analysed using frequencies and percentages.

3: Research Findings

Question	Yes	No	Neutral/ Don’t Know
Do you think the EOCO reports are credible in their exposition of fraud in the judgement/settlement debt payments?	80.9%	19.1%	0%
Do you think parliament exercises effective control and oversight over the government?	35%	61.3%	3.7%
Are Ghana’s procurement laws adequate to protect public coffers against fraud and corruption?	53%	25%	22%
Do you trust the Attorney General’s Department and the Minister of Justice to effectively prosecute government officials and all those implicated in the judgment debt fraud?	31%	56%	13%
In your opinion, does the media report issues in an unbiased and non-partisan manner?	55%	45%	0%
Will the judgement /settlement debt cases be the main considerations for your voting decisions in the December elections?	28%	11%	61%

4: Discussions

The Effectiveness of the Mechanisms of Accountability in the Judgement Debt Payment Cases

At the outbreak of news of about the judgement debt payment fraud, the EOCO was charged by the late President John Evans Atta Mills to investigate the payments. The office indicted a number of people including present and past government officials namely:

- Businessman Alfred Agbesi Woyome for making false claims to obtain 51.2million for abrogation of a contract that never existed. “Mr. Woyome manipulated documents and information, and riding on the negligence and or complicity of public officials, managed to receive money which he was clearly not entitled to”. (EOCO Reports, 2012).
- Former Chief State Attorney, Nerquaye-Tetteh who refused to contest Woyome’s fraudulent claims leading to a default judgement in favour of Woyome.
- Mrs. Gifty Nerquaye-Tetteh, his wife into whose account Woyome paid ₵ 400,000.00.
- Paul Asimenu, the Director of Legal Services at the Ministry of Finance and Economic Planning accused providing information that aided Woyome to obtain the fraudulent payments.
- Former Deputy Minister for Education and Sports under the Kuffuor administration, Mr. Osei Bonsu Amoah accused of not following the laid down procedures stipulated in the procurement law when awarding the contract to Waterville Holdings and whose political campaign was financed by Woyome.
- Mr. Osarfo Maafo, the Minister of Education and Sports under the Kufour administration accused of the illicit abrogation of the contract with Waterville leading to €25million settlement debt payment.
- Mrs Betty Mould Iddrisu, the former Attorney General accused of failing to go to court preferring to settle the breach of contract claims out of court without due diligence and even disregarding the late president Mills’ instruction to go to court and settling the claims out of court some of which turned out to be fraudulent.
- Mrs Betty Mould Iddrisu, also accused of paying out of court settlement of €94million to Construction Pioneers (CP) without due diligence.
- Minister of Finance and Economic Planning, Dr. Kwabena Duffour, for paying out the judgement/ settlement debts out of government coffers without due diligence as required by the Financial Administrative Regulations.

The EOCO reports also stated that the late President Mills tried unsuccessfully to stop the Woyome payments raising questions as to the extent to which the President was in control of the affairs of the government. The former President was reported to have instructed the Attorney General Betty Mould Iddrisu to contest the default judgement obtained by Woyome and to withhold subsequent payment of the remaining amount after initial payment of over Gh¢17 million in February 2010. Mrs. Betty Mould Iddrisu however, disregarded the president’s orders and went ahead to negotiate out of court payment plan for additional Ghc34 million paid in three installments. This according to critics is an “evidence of leadership paralysis, if not deliberate connivance” (<http://www.ghanaweb.com/Ghana>). The sudden and untimely death of President Mills on the 24th of July 2012 gives further credence to the suggestion that due to ill health the former president was unable to exercise full control over

his cabinet and staff leading to rampant corruption and disregard for the principles of probity and accountability by government officials.

The authority of the EOCO to investigate the judgement debt payment cases was however challenged by the main opposition party, the New Patriotic Party (NPP) on grounds that EOCO was not an independent institution and therefore might not conduct a fair and impartial investigation since members of the ruling New Democratic Congress (NDC), officials of the Attorney Generals department and other government officials were implicated in the cases. Section 4 of Act 466 places the EOCO under the Attorney General. The Director and two Deputies of the office are appointed by the President, and the Minister of Justice and Attorney General is responsible for the EOCO. And the then Attorney General was herself implicated in the case. Former president John Agyekum Kufour consequently advised his party members not to cooperate with the EOCO investigations.

However, despite initial objections, our survey shows that 80.9% of those questioned agree the EOCO reports were credible. Thus the EOCO reports have come to be accepted by majority of Ghanaians as a true and authoritative exposition of fraud and corruption within the present government and to some extent past government's financial administration of the country.

Effectiveness of Parliamentary Oversight

Parliament has in the course of the scandals subjected majority of those implicated in the case to severe scrutiny by the Public Accounts Committee. The Former Attorney General and Minister of Justice, Betty Mould Iddrisu was subjected to questioning by the Public Accounts Committee (PAC) for her role in the payment of the GHc51.2 million to Woyome and the €94 million to CP. The PAC of Parliament also established that Construction Pioneers Ltd (CP) was owing the government 284 million deutsche marks and GHc5.2 million in tax liabilities at the time the government entered into an agreement to pay the company €94 million as settlement debts. Irrespective of this, CP was able to claim the €94 million without paying what was due the government in respect of its tax liabilities to the state. Why did the former minister decide to settle the case with CP without taking care to ensure that investigations are conducted into all of CP's dealings with government before the payment was made? Appearing before the PAC on the 12th of July, the former Minister of Justice informed parliament that she acted professionally and in the interest of Ghana in reducing the €162 million claimed by CP to €94 million through the settlement negotiations.

Some members of the public had called for the impeachment of the late President Mills for "overseeing" the fraudulent payment of the colossal judgement debts. But that was probably farfetched as there has been no proven link of the late president to the "gargantuan fraud". Should parliament have moved a motion to censure ministers involved in the case? Majority of Ghanaians think the Minister of Justice, Betty Mould Iddrisu should have been censured and prosecuted for her role in the case. Consequently, Mrs. Mould Iddrisu has resigned her post following the EOCO investigation.

Although Parliament had been instrumental in ensuring that public officials involved in the judgement /settlement debt cases offer explanations and justification for their conduct as well as apportion blame to those found wanting it was short of calling for the arrest and prosecution of suspects. Could parliament do more to ensure that future occurrence of such cases are prevented? Does the Ghanaian parliament as an institution exercise real and effective oversight over the executive to control the excesses of the government of day and its officials? Our research reveals that only 35% of those polled believe that parliament exercises adequate oversight over the executive. Majority are of the view that parliament is too polarised to exercise any real and objective control over the government.

The manner, in which the Parliament of Ghana has carried out its oversight role, has come under sharp criticism from the Chairman of the Public Accounts Committee, Mr. Albert Kan Dapaah, regretting how the government majority, over time, had endorsed in an omnibus manner whatever was presented by the executive. Speaking on the topic, 'Parliament's Role in Ensuring Transparency in the Oil & Gas Sector', the PAC chairman stated that: "While we hail the victory of democracy in our country, Parliament which is the central institution of democracy and the key institution in oversight suffers from crisis of credibility," (<http://iamaghanaian.com/index.php?do=/news/ghana-parliament-suffers-credibility-crisis>).

Ghanaian MPs are noted for voting on party lines and supporting their party's position on all issues without real justification even where common sense points to the contrary because criticizing one's own party's position on an issue is seen as disloyalty and treachery. Hence leaving the job of holding the executive accountable for the way state resources are managed in the hands of Parliament will only go to entrench the chronic state of corruption and mismanagement of public funds. Until MPs are ready to defend the constitution of the country and the will of its people in the discharge of their mandate as against parochial party and personal interests, the ability of parliament to exercise significant oversight over the government of the day will continue to be severely limited.

The Adequacy of the Public Procurement Laws

Were the public procurement laws effectively implemented and enforced in the procurement processes that resulted in the disputed judgement/settlement debts for the country? The Former Deputy Minister for Education and Sports under the Kuffuor Administration, Mr. Osei Bonsu Amoah who was instrumental in the award of the contracts to Waterville Holdings for the rehabilitation of the Accra, Kumasi and Elwak sports stadia was said to have instructed the contractors to start work on the projects immediately after the signing of the memorandum of understanding (MOU) while awaiting the official signing of the substantive contractual agreement; an action which constituted a clear breach of the procurement regulation. The question therefore is was due process followed in the award of the contract?

A major flaw in the Public Procurement Act 2003, Act 663 is its silence over the abrogation of contracts and compensation for termination of such contracts. Consequently, most of the breach of contract claims and subsequent judgement/ settlement debts were the result of illicit abrogation of contracts entered into with the government. The Managing Director of Waterville Holding (BVI), Mr Andreas Orlandi argued that Waterville through an open, fair and international bidding process and in compliance with the Ghana Public Procurement law won a contract to construct two new stadia and rehabilitate two others. However, in spite of the Waterville being given approval for the award of the five stadia the government decided to re-award two of the five stadia already awarded to Waterville to Shangai Construction Group. "The procurement process for the two stadia awarded to the Shangai was not in compliance of the Public Procurement Law," (<http://edition.myjoyonline.com/pages/news>). This situation is indicative of gross disregard for the public procurement laws and a breach of contract causing financial loss to the state.

The then Vice President under the Mills Administration, Mr John Dramani Mahama, now the President of Ghana who took over the presidency after the sudden demise of President Mills stated in an interview with Shaka Ssali of Straight Talk Africa on VOA Africa that most of the judgement debts the NDC government is saddled with were caused by the previous NPP government which after coming to power in 2001 abrogated several contracts with many foreign, international and local companies leading to a crystallisation of many of these debts when the NDC return to power in 2009.

Most notable among these abrogated contracts are the procurement contracts with: Waterville Holdings for the rehabilitation of stadia which resulted in the payment of €25 million to Waterville and the controversial Ghc51.2 million to Woyome; Isofoton, a Spanish company contracted to execute the rural solar electrification project for Ghana under the Spanish protocol agreement with the Government of Ghana leading to a claim of \$1.5 million in breach of contract; and African Automobile contracted by the former NDC government in 1999 to import 86 cross country vehicles which were delivered in 2001 for distribution to local assemblies but have been left to rot in a bonded warehouse because the NPP government which took over office refused to pay for or use the vehicles claiming lack of contract, lack of appropriate documentation or that the vehicles did not meet the required specifications. African Automobile is now claiming \$1.5 billion from the NDC with whom the initial contract was entered.

The question therefore is, are our public procurement laws robust enough to insulate the state against fraudulent manipulations by public and private officials involved in the procurement process? Opinion of our respondents on the issue was sharply divided. While 53% believe the laws are adequate, 25% answered 'No' and 22% 'Don't know'. It's important to note that the procurement laws themselves are not the problem rather their implementation and enforcement. However, it may be important to review the current procurement laws to include clear conditions under which contracts with the state could be legitimately abrogated.

While it is legally and morally imperative that a successor government has the authority to review all contracts and liabilities it inherited from a previous government, it is crucial that constitutional or legislative measures are put in place to ensure that legally binding contractual agreements of the state are honoured regardless of which particular government entered into the initial agreement. Hence, any decision to abrogate a contract especially those with foreign companies which normally have huge financial implications for the state must obtain parliamentary approval or be disclosed publicly together with the reasons, which should include the costs-benefits analysis and justifications for such an abrogation.

Capacity of Judicial Oversight

The capacity of the law courts especially the Attorney Generals department to effectively prosecute and punish those who have been involved in the fraudulent payment of the gargantuan judgement/settlement debt payments has been called to question. To date only the businessman Alfred Agbesi Woyome who is accused of making fraudulent claims to obtain C\$51.2million in default judgement is currently facing prosecution at the high court. All the present and former government officials and others implicated in the cases have been left off the hook raising questions about the government's commitment to prosecute these corruption cases and the ability of the Ghanaian courts to exercise effective oversight over government.

Results from our polls show that only 31% of the Ghanaian public trust the AG department to effectively prosecute government officials accused of illicit involvement in the judgement/settlement debt fraud. No one for example understands why the state in a dramatic twist entered a nolle prosequi on Tuesday 5th June on the basis of which the court dropped all charges against the three others being prosecuted for their role in the Woyome case. Why were the charges dropped entirely?

Why did the then Attorney General refuse to contest Mr. Woyome's fraudulent claim against the state leading to the award of the Ghc51.2 million judgement debt? Why didn't the Attorney General contact the former government officials regarding the award of the stadia procurement contracts to ascertain the facts and establish the legitimacy of the claim?

An even more pressing question on the minds of most Ghanaians is why did the state decide to settle the breach of contract cases out of court rather than vigorously pursue them in court especially when the legitimacy and legality of some of the supposed procurement contracts were clearly in doubt? It is important to note that most of the prominent so called judgement debt cases were actually out of court settlements negotiated by the former Attorney General Betty Mould Iddrisu. According to Martin Amidu, a former Attorney General who was dismissed by the Mills administration for 'misconduct' in the wake of the Woyome scandal; "As long as the state has a good case, we should not abandon the courts and rush for out of court settlement, just to build evidence against others" (<http://www.graphic.com.gh/features/page.php?news>). As the latter explains, in the case of judgement debts, the full length of the law has been exhausted without reprieve as against settlement negotiations that do not take the law into account. The Auditor-General's 2010 report also stated that those who undertook the negotiations and authorised the payments could not always explain and justify the need for such payments.

As the Vice President, now President John Dramani Mahama explained: "Previously we had no rules by which the Attorney General operated; he used his discretion to decide which case to pursue in court and which to settle. But the lesson we have learnt is that you need not leave this discretion to one person" (<http://www.youtube.com/watch?v=wSomcWdZhWI>). The Cabinet has therefore decided to fix a ceiling of GH¢ 10 million on judgement / settlement debt paid by the Attorney General. Any amount exceeding this must be referred to Cabinet for consideration. Although this new ceiling has the potential of reducing the level of losses, one wonders whether the policy is far reaching enough to curb future abuse of such discretionary powers.

A more worrying phenomenon has been the ability of the law courts especially the AG's department to successfully prosecute people who defraud or commit crimes against the state. The state of Ghana under the Mills' administration has lost all 13 high profile cases in succession raising questions about the ability, expertise and motivation of government lawyers charged with the duty of defending the state to deliver on their mandate. Reasons given for the state's frequent loss of cases include:

- undue politicisation of cases,
- the haste of the AG's department to rush cases to court without careful investigation;
- the inexperience or incompetence of lawyers in the AG's office leading to the filing of wrong law suits;
- inadequate personnel at the AG's office to represent the government in certain cases, leading to accused persons being discharged for want of prosecution;
- inadequate budgetary allocation of funds for training of staff, and provision of necessary materials for effective and efficient professional services to the state, and the obvious;
- corruption in the AG's department resulting in the lack of interest in ensuring that those who defraud the state are duly prosecuted and punished

The sacked Attorney-General Martin Amidu claimed, among other things, that a government minister was trying to frustrate his attempts to prosecute Woyome who had perpetrated "gargantuan crimes" against the people of Ghana. Mr. Amidu will be remembered for being the one who introduced the word 'gargantuan' into the vocabulary of the ordinary Ghanaian.

Besides, the prosecution's delay in prosecuting the Woyome for example, is partly attributed to difficulty in recovering documents relating to the award and subsequent abrogation of the CAN 2008 stadia procurement contracts. The prosecution has accused former government officials of destroying and or hiding important documents crucial to the successful

prosecution of the case. It is no secret that in Ghana and most developing countries of Africa, public officers normally leave office with the office – taking with them important documents to cover their tracks or simply frustrate their successors to render them ineffective.

Given the current calibre of lawyers at the AG's office, the institutional weaknesses of the department and the challenges of resource and material constraints, the prospects of the state successfully prosecuting and winning the case against those accused of defrauding or causing financial loss to the state in the judgement /settlement debt saga are rather very slim.

The Media & Civil Society Groups

The media has been vociferous in exposing corruption, fraudulent dealings and other forms of wrongdoing by government and public officials as well as corporate and private officials. The Woyome case was first broken by Adom FM back in December, 2011 and fiercely pursued and anatomically digested on daily basis by most media houses throughout the country. The media's daily exposition on the case has kept the public informed about the judgement debt saga. The use of TV and radio call-ins and social network sites like Facebook and Twitter also enable the public to express their opinions and condemnation for what they see as corruption and abuse of office by the government.

Given the high level of press freedom in the country, one would expect that the media exposition of issues would objectively inform the public about issues of national importance thereby giving the public the opportunity to make informed decision about government activities and the behaviour of public actors. Unfortunately, our polls show that only 55% of the public think the media reports on issues in an unbiased non-partisan manner.

The Ghanaian media is polarised and often seen as instruments of political propaganda by the two main political parties – NDC and NPP, rather than as reliable sources of public information. Hence, any revelations of wrongdoings can simply be dismissed by either side of the political divide as mere propaganda aimed at discrediting the opponent, a situation which has limited the effectiveness of the media as a forceful tool of public accountability.

The implication here is that for effective social accountability, the media cannot be totally relied upon. The onus therefore lies with civil society organisations like ISODEC, AFAG and IMANI Ghana to exercise diagonal accountability by intensifying their campaign against fraud and corruption in public actors. Civil Society Groups must insist on membership on various commissions of enquiry so as to influence other institutions of horizontal accountability in the public interest.

National Elections

No other scandal has consumed the Ghanaian electorate in recent years as the judgement debt scandals especially the 'gargantuan' payment made to Woyome and its related implication of several government and public officials. The potential of the scandals influencing the voting behaviour of Ghanaians in the forthcoming elections cannot be overemphasised. While the Mills/ Mahama government is focused on propagating their "unprecedented achievements" over the last 3 – 4 years, the opposition parties especially the NPP is bent on making the judgement debt scandals a major part of their electioneering campaign to hammer the level of corruption in the government to turn the electorates against a government which came to power on the back of the promise to fight corruption and restore probity, accountability and good governance. However, the demise of President Mills and the nationwide testimony of his honesty, dedication to country and his better 'Ghana Agenda', and most importantly, his pursuit of peace which earned him the title "Asomdweehene" will no doubt affect voters' opinion of government.

Our investigations reveal that only 28% of the public categorically declare that the judgement debt cases will be the main consideration for voting decisions during the forth coming December elections. The majority (61%) is neutral and the remaining 11% answered 'No'. Consequently, the extent to which the scandals play a decisive role in the outcome of the forthcoming elections depends partly upon how the events especially the court cases unfold, and partly upon the economic conditions of the country.

Most people vote based on their personal economic situation – whether they are able to afford daily meals for themselves and their families, pay their children's school fees and meet the basic necessities of life; as well as the general macro economic conditions of the country as a whole – interest rates, exchange rates, inflation, cost of fuel etc. A significant number of people also vote along tribal lines and dogmatic allegiance to certain political parties.

Although the government has managed to keep inflation in single digit over a sustained period, there is a general feeling of a worsening economic condition throughout the country partly due to the continuing depreciation of the national currency. The question as to whether the judgement debt scandals will have a significant impact on the December elections is anyone's guess. To prevent a negative impact, government must take measures to ensure that all those who connived to defraud the state in the judgement debt payments are duly punished. More importantly, government must take rapid measures to ensure the economic wellbeing of the people to guarantee their support and votes in the elections.

Conclusions and Implications of the Judgement Debt Cases for Institutional Development

The study revealed the weaknesses in the country's procurement laws, institutions of parliament, the law courts and the Attorney General's office, as well as the general application of the various mechanisms of control. The recent revelations of fraudulent payments of judgement debts by government are another clear evidence of corruption canker that has bedevilled state institutions for many years now. There is the need for a rethinking and strengthening of our institutions of accountability to ensure that people in authority properly account for their stewardship and are duly punished when they contravene the law. The following ten key factors should be considered in any future institutional development efforts regarding governance and accountability in Ghana.

1. There is the need to separate EOCO from the Attorney General's Department and established as an independent state institution with representation of relevant stakeholder groups especially civil society groups to ensure the effective investigation of government officials involved in fraud and corruption.
2. The Attorney General's Department must be separated from the Ministry of Justice. The former should be the state's advocate and independent of the latter which is a government ministry to ensure the effective and impartial prosecution of government and public officials who contravene the law.
3. The public procurement laws need to be amended to include stipulations for contract abrogation
4. Constitutional guidance and constraints on abrogation of government contracts by successive governments must be provided.
5. The powers of the Attorney General in making debt settlement decisions must be carefully regulated.
6. Implementing bodies or agencies involved in the procurement process must ensure the strict observance and enforcement of public procurement laws

7. Media should be depoliticised to ensure objective and impartial reportage of issues of public interest
8. Civil society groups must be supported and given prominence on public commissions of accountability
9. Electorates must be well informed and educated on the importance of voting based on issues and performance rather than tribe and blind allegiance.
10. The law courts must be resourced with the necessary human and material resources and strengthened to ensure the successful prosecution and punishment of people who commit fraud, corruption and other crimes against the state.

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Financial Crises and Corporate Governance in the Public Sector: Understanding the Impacts on Risk Management and Accountability in the UK City Councils

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Abstract

Purpose - The financial crisis had a knock out on the economy of the UK as it has affected businesses and the financial place as well as the public and not for profit sector. The lack of research discovered regarding governance in the public sector and its importance in the global economy and the wider stakeholders it affects, were the main drivers to carry out this study. This paper studies the implication of the global financial crisis translated into budget cuts within the public sector in the UK on governance in local councils, focusing on Risk Management and accountability. This paper has started with a highlight of the stakeholder theory and governance in the public sector, then the methodology adopted in this research was emphasised, and the data collected was analysed. The last part of this article has been devoted to discussing the finding and a conclusion.

Design/ Methodology/ Approach – The methodology used in this paper was an exploratory study, which linked the existing theory to the new findings of this research. The sample of the research consisted of 5 councils in the East Midlands region, data was collected via semi-structured interviews with key governance staff in each of the respondent councils.

Research implications – This research explored the gap in the literature regarding governance in the public sector and added to the existing one. The findings of this research proved that there is a direct impact of the crisis on the general management of people and resources in local government. Risk management of these councils has been affected and a range of stakeholders have been directly impacted by the crisis, whether these are employees of the council or the communities where the councils are operating.

1: Introduction

Corporate governance has been “trending” for the last decade in the private sector, and many academics as well as professionals have had a particular interest in it. This can be linked to the different corporate failures that have taken place in the 2000s and that the durability of a corporation is synonym of good governance.

However, the private sector is not the only sector that has been influenced by the corporate governance concept, but the public sector as well. It has been noticed from the literature, that there is not the same interest by academics on the public sector as it is for the private one. This is the reason why this paper is going to have a brief look at the governance framework in the public sector, particularly in the local government.

The public sector can be classified as not-for-profit as it is driven by providing services to the community instead of making profit. This sector has many particularities, such as the nature of funding (ownership), the resources constraints, the groups of stakeholders, but mainly the non-commercial aspect of their activities (Crowther and Seifi, 2011).

The stakeholder theory is going to be discussed as it is one of the most influential theories and important for corporate governance. Then corporate governance in the public sector is going

to be defined and its principles are going to be emphasised, in addition to a brief introduction of the governance framework for public sector.

This research is about assessing the impact that the financial crisis had on risk management and accountability within local councils. A gap in the literature has been detected regarding this area, and this study is going to cover the subject of risk management and accountability within a sample of local councils based in the East Midlands in England.

2 : A theoretical Framework

2.1 : Stakeholder theory

In order to build a framework that will help understand the orientation towards stakeholders of the organizations in the public sector, the paper presents the stakeholder theory and the ways in which they can be classified. Stakeholder theory was firstly mentioned in Johnson's (1971) definition of the corporate social responsibility concept. In his view, a socially responsible company not only focuses on generating profit, but also balances a variety of interests for groups as employees, suppliers, local communities and society as a whole. So, identifying the relevant groups to be satisfied and establishing the nature of the relationship with them is fundamental for every company. Carroll (1999) argues that there is a natural link between the idea of corporate social responsibility and the stakeholders of a company.

Stakeholders represent a key element in the analysis of the environment of an organization, which can positively or negatively affect their activities (Murray and Vogel, 1997). The most popular definition of stakeholders advances the idea of "individuals or groups that may influence or be influenced by the scope of organisational objectives" (Freeman, 1984, pp. 46). Ferrell et al. (2010) point out that individuals or groups are considered to be stakeholders of an organization when they meet one of the several conditions: (1) when they are positively or negatively influenced by the activity of a company or when they are preoccupied by its impact on the organisation's welfare, (2) when they can supply or procure essential resources needed for its activity or (3) when they are highly appreciated within the organisational culture.

Stakeholder theory brings together economic and social interests, which implies the focus on a large and complex range of objectives and the integration of stakeholders' demands into companies' core activities. Crowther (2008) poses the idea that stakeholder theory is based on the social contract between an organisation and the society, the main argument being that if companies affect stakeholders they ought to be responsible to them. Organisations do not operate in isolation but rather within a very wide and complex network with its own synergy. As long as companies become aware of this vision there is an opportunity for developing harmonious relations with the society.

While some researchers indicate that there are no groups of stakeholders to dominate others and that they all have the same intrinsic value for an organisations (Clarkson, 1995; Donaldson and Preston, 1999), there are others who find this approach misleading and illusory (Gioia, 1999). Polonsky (1995) suggests that when stakeholder theory is employed as a marketing tool it is necessary to identify specific groups that might affect companies' activity. He promotes the idea of internal and external stakeholders. The first category includes employees, managers or shareholders and they represent those entities with which the company develops direct and strong relationship. On the other hand, external stakeholders are composed of government, non-governmental organisations, media, environment or society.

The academic literature is abundant in stakeholder classifications (Clarkson, 1995; Henriques and Sadosky, 1996, 1999; Wheeler and Sillanpaa, 1997; Werther and Chandler, 2006). Clarkson (1995) distinguishes between the voluntary and involuntary stakeholders. The author

specifies that while voluntary stakeholders freely choose to cooperate with an organisation (shareholders, employees, managers, consumers, suppliers, etc.), the involuntary stakeholders have no freedom in making a decision and they cannot avoid the relation with the company (individuals, local communities, environment, future generations, etc.)

Agle et al. (1997) developed a stakeholder typology considering several attributes that they have: power, legitimacy and urgency. By combining these characteristics, the authors proposed a model with seven categories which can affect in a higher or a lower degree an organisation. It is also suggested that if a stakeholder has power, he is accepted in the relation and its demands put pressure on a company, then this stakeholder requires priority and immediate attention in satisfying its needs.

There is a link between the principles of corporate governance and the stakeholder theory. Corporate governance manages the relationship between an organisation and its stakeholders, by making the managers accountable, having a process and control systems in place, having a relevant risk management and governed by a mix of independent and internal professionals.

2.2 : Corporate Governance in the Public Sector

Corporate governance in the public sector has been defined by CIPFA and SOLACE as “...the system by which local authorities direct and control their functions and relate to their communities” (ALARM, 2001, p.3). Good corporate governance in place ensures a high-quality services delivery as well as a high level of public trust in the public bodies (The Audit Commission, 2003).

According to Ryan and Ng (2000), corporate governance in the public sector consists on governing the organisation rather than managing it. It is about making sure – through procedures and control systems – that the managers of the organisation are making their decisions efficiently and effectively. Accountability is also part of the role of corporate governance (Ryan and Ng, 2000), as it is crucial to communicate to the stakeholders, in a transparent way, how the organisation is managed and how it is performing.

Corporate governance in the local government has been more formalised after the introduction of the Local Government Act 2000, which enabled them to have a clear structure and framework of governance. Although it has been noticed that the embedding of governance in public sector institutions takes time and creates confusion; however, it was noticed that local authorities are doing better than other public institutions, due to the direct openness of their system to the general public (The Audit Commission, 2003).

In a research conducted by the CPA (2003) aiming to assess the statistical relationship between corporate governance and the quality of services provided by the public sector bodies, it was shown that there is a positive relationship between the two, and added that most public failures were due to a combination of factors such as poor risk management and control systems and poor leadership.

In the public sector, there is an issue of balancing political, social and economic factors. It can be confusing to cooperate in an environment where different objectives need to be achieved. That is why a clear framework of corporate governance principles is vital for the balancing of these factors (Whitfield, 2003). In addition to that there is the increasing number of partnerships with the private and voluntary sectors; which makes it difficult to trace the governance across all these institutions (The Audit Commission, 2003).

2.3 : Principles of corporate governance:

The Combined Code of Corporate Governance in the UK as it has been updated by the Financial Reporting Council (FRC), in 2010, is still a principle based code rather than a rules

based one (FRC, 2010). This code is a “comply or explain” (FRC, 2010), which means that the companies if they fail to comply with certain principles can explain why they did so. This flexibility might be seen as a positive factor in embedding the spirit of good governance in companies, but it is also a threat of more creativity in explaining the failure of compliance. The shareholders though have the right to challenge the explanations given by the board, when they seem unconvincing (FRC, 2010).

The principles since the Cadbury report have been slightly emphasised, and went from three - Openness, Integrity and accountability – (Cadbury, 1992) to five - Leadership, Effectiveness, Accountability, Remuneration and relations with shareholders (FRC, 2010). The content of the code has been the same, and aims for the same purpose: achieving good and durable corporate governance.

Furthermore, following Cadbury report (1992) and the Nolan Committee report (1995) into standard in public life, the CIPFA and SOLACE issued a corporate governance framework for public sectors organisations. The framework provides guidelines on five key areas that are considered to be very important in local governance. The framework requires that every local council should have in place a:

- system for identifying and evaluating all significant risk

Openness: Being open to communicate full information about how the organisation is managed and about the people working in it. This will enable the stakeholder build confidence on the public sector entities and on the stewardship of public resources. (IFAC, 2001)

Integrity: It is about the organisation being honest about its activities and having sound control systems in place. It is shown in the quality of its financial statements and the level of performance achieved (IFAC, 2001).

Accountability: Is first of all, a process by which organisations need to have a clear attribution of responsibilities, which will enable each person to be held accountable and responsible for their actions (IFAC, 2001).

These three principles are interdependent in such a close way, that one cannot be achieved without the other. Being open to the public cannot be achieved if there is no accountability and integrity. In other words, it is not possible to communicate to the public information that does not exist in the first place.

Being honest and having good control systems in place, without attributing responsibilities, or without being able to communicate the effectiveness of the organisation to its stakeholders will not reach good governance.

Having a good structure and a clear roles distribution, without good processes in place and without communicating them to the stakeholders is not governance neither.

That is why it is very important for the board of governors – in order to maintain a certain level of good governance – to give a very special attention to the balancing of the three principles, and making sure that they are met at all times.

The board of directors is the one responsible for the leadership of the governance in the organisation (FRC, 2010; IFAC, 2001; The Audit commission, 2003). It has to have a clear identification and division of responsibilities between the executive and non-executive directors (FRC, 2010; IFAC, 2001; The Audit commission, 2003). The management of the organisation is not the responsibility of the board, but of the executive directors (managers) (FRC, 2010). The chairman is the leader of the board and has to ensure that it is operating effectively (FRC, 2010; IFAC, 2001). The non-executive directors can help the execs tailor

their strategy in an effective way (FRC, 2010; IFAC, 2001), without intervening in the management of the organisation (Cadbury, 1992). In local government, the non-executive roles are occupied by the elected councillors (The Audit Commission, 2003).

The effectiveness of corporate governance can be achieved through the board and its committees. The members of the board and committees *“should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.”* (FRC, 2010, p.12)

The effectiveness of the board is tightly related to the procedures by which new directors are appointed, the information received at their induction, the procedures of re-electing the directors, the time that these endeavour for the governance of the organisation, and most importantly the assessment of the board, the committees and each member’s performance on a regular basis (FRC, 2010; IFAC, 2001).

Remuneration is one of the most critical principles of governance. A balance should be made when fixing the remuneration of the directors, in order not to discourage highly skilled and competent people from accepting the job, neither over remunerating them, so they can be biased in their governance (FRC, 2010; IFAC, 2001). The remuneration of the directors is fixed by a special committee, where the directors are not allowed to decide their own remuneration (Cadbury, 1992 and FRC, 2010; IFAC, 2001).

2.4: Risk Management

Corporate governance is about managing risk effectively. An effective management of an organisation cannot be achieved without a proper risk management in place (ALRAM, 2001); therefore, it is important first to define what it is meant by risk management, which is about *“the identification, analysis and economic control of those risks which might prevent an organisation achieving its objectives.”* (ALRAM, 2001, p.8). Having a good risk management implies that it is embedded in the organisational culture and considered as a holistic system rather than one separate function (ALRAM, 2001).

In the early 2000s, risk management was still confounded with insurance which was translated in the position that it held in the managerial structure of public bodies: many insurance managers have been allocated the task of risk managers (ALRAM, 2001). This is an important issue, as it limits risk management to insurance, whereas, insurance is actually part of managing risks. The ALARM has issued a number of risk management recommendations for public sector bodies to follow. The list of recommendations is not exhaustive and variances may apply from an organisation to another (ALRAM, 2001). These guidelines can be resumed as follows:

Risk management should be driven by the elected members in the case of local authorities, which is the top of the organisation (ALRAM, 2001). These people are also responsible for defining a risk management policy for their organisation that needs to be signed by the CEO and approved by the board. The follow up of the policy needs to be done yearly and decide whether it needs updating or not (ALRAM, 2001). It is also recommended to designate a “champion” for the program within the board of elected councillors and form a working group to have a general knowledge of the organisation’s risks. Holding a good communication of the risks that might affect the organisation as a result of strategic decisions made, as well as of the governance roles and responsibilities of each member on the board. A formal assignment of the risk management roles and responsibilities will make the managers more accountable and integrated as well as it will facilitate the identification, analysis and monitoring of the risks facing the organisation.

The board needs to communicate to both managers and employees the risks threatening and opportunities for the organisation, in addition to having a clear and tested contingency plans in case things go wrong (ALRAM, 2001). What is suggested by ALARM is an interesting framework, but seems to lack many components and has a very top-down approach. A good risk management that leads to good identification of risks, analysing them, and then decide which ones to eliminate, share, mitigate or accept, needs to be both top-down and bottom-up (Coyle, 2002). Communicating to employees what are the risks is not enough, as they might have a different perception of risks, and might have identified other risks that did not appear to the top managers, that is why it is very important for public or private sector organisations to have an interactive way of managing risks where different parties internal (across all levels) and external have their say. It seems complicated, but it is better to have a good risk readiness than to expose a whole community to governance failure.

3: Methodology

This paper is based on an exploratory study aiming to explore the impact of the financial crisis on governance in local councils in the East Midlands of England. The data collected for this study is both primary and secondary qualitative data.

A semi-structured interview has been conducted in order to collect the data, and then sent by email to 47 local councils in the East Midlands, relying on the list of their contact details provided on the direct.gov website. Out of the 47 councils 4 councils replied by email and one council provided information through a phone interview.

The respondents were holding key governance jobs within the councils and varied from Head of Regeneration and Organisational Development, Corporate Governance Officer and the Director of Delivery, Communications & Political Governance.

In order to complete the information generated through interviews, the last two annual reports from the websites of the respondent councils have been analysed.

4: Data analysis

A thematic approach was adopted in the analysis of the response from the local councils. This is with the aim of highlighting risk awareness, planning and action, and secondly to assess the implication of the financial crises. The analysis is embedded in the current findings in the literature on risk generally but more specifically within the public sector.

4.1: Risk identification

How was the council affected by the austerity measures and the budget cuts operated by the central government?

This question centres round councils' risk identification which is the fundamental starting point of any risk management framework including those of the local government (Crawford and Stein, 2004; Wood, 2009). Risk identification is process of recognising potential situations or events that give rise to a situation that could inhibit an organisation from achieving its set objectives or lead to an organisation settling for sub-optimal outcome than planned. However, effective risk identification requires broad risk awareness which is influenced by risk perception. Risk perception is both socially, culturally and in some cases institutionally determined (Hofstede, 1980; Weinstein, 1989).

Organisations do not exist in a vacuum and are constantly exposed to events and situations both internally and externally (Aguilera et al 2007; Di Maggio and Powell 1983). While some of these events could be outcome-enhancing others are not. For examples, there appears to be a general consensus that the current economic climate exacerbated by the financial crises

presents formidable risky situation to many organisations both in the private and public sector.

Our findings showed that there is a clear awareness of the potential risk arising from the financial crises by all the councils studied. This awareness is also reflected in a lucid quantitative assessment of the implications of the crises on the councils' budgets. The following excerpts from the response from the councils reflect this fact. One of the district council, council B suggested that:

“We lost 32% of our central government grant. As a result we cut £1.3 million from our budget in 2011/12 and we have a further £0.8 million of savings planned. We still need to find another £0.4 million in savings.”

Council E, borough council suggested that:

“The austerity measures, along with other factors led to £1.5m of expenditure cuts. This included the loss of approximately 25 posts.”

The third, council D suggested that:

“ since the austerity measures were introduced under the Comprehensive Spending Review 2010, the Council's Revenue Support Grant has been cut from £10.366million in 2010/2011 to £8.185million in 2011/2012 (reduction of £2.181million from previous year) and to £7.282million in 2012/2013 (reduction of £903,000 from previous year). “

4.2: Risk analysis and implication for governance, risk management and auditing in the council

However, while there is a clear awareness of an event that represent a potential risk to the councils, this is just a step in the risk management process itself. It is important that the risk is analysed and categorised appropriately. This is so that the implication could be effectively assessed which should then inform the response to the risk. To find out about this we ask the councils in the study how the current crises has affected governance and in particular its impact on risk management and auditing. We posed the question below:

How did these measures affect governance? Including Risk Management and Auditing?

Our findings suggest lack of clarity among the councils on the likely effects of the financial crises on their governance, risk management and internal auditing process. Thus while some councils have clear appreciation of the likely effects, others are less sure of this. Although we accessed the information about this online we were interested in the practical appreciation of the situation by the councils through their spokespersons on the issue. Thus our analysis is based on the official response received from the council under the Freedom of Information Act. This is because it reflects the official position of the councils and represents a carefully considered response. The following findings are indicative of our conclusion on the seemingly lack of effective appreciation of the impact of the crises on governance and risk management in the councils studied. For example, the city council, council A suggested that:

“A real practical issue, as there is a fear of fraud by the current employers in the council before they are made redundant for instance. In this case, the auditors are asked to look at particular areas that are at risk of fraud. Also, tighter controls are made on recruitment (do we really need to recruit this person? Therefore, more checks are done in the process and more questions are asked in order to avoid spending money. We have a standard risk assessment and an equality impact assessment: e.g. When we have to make a spending cut we ask questions about how it is going to impact the communities and who are the groups that are going to be affected, the decide whether to accept the risk or mitigate it. “

This response showed a very narrow and misguided view of the implication of the financial crises on governance and risk management at the council. Whilst internal control should ensure protection of the resources of the stakeholders it is far beyond this, and includes the process of establishing policies, procedures and control checks that ensures for an overall risk management process. We also got the sense that the financial crises could compromise risk management in some council as it is possible that the risk management function is subsumed into other functions as councils try to finding saving in order to balance their budget as statutorily required. For example, in response to the question, the only borough council in the sample suggested that:

Council E:

“The responsible post was deleted but Risk Management was not affected as this function absorbed into other roles.”

District council B simply suggested that:

“Governance has not been affected.”

This response is reminiscent of the lack of clarity on specialised nature of the risk management role within the public sector, and risk conflating the role of the risk managers with the insurance officers of the council (Crawford and Stein, 2004). There is a real danger that proper analysis of the effects of the spending cuts on governance and controls within the councils are not done as responsibilities for this are decentralised.

On the other hand we have two district councils that showed better appreciation of the effects of the cuts on their governance and risk management processes. This is suggestive of a proactive approach to risk and governance in these councils. For example, appreciation of the risk management implication of the cuts has led to reorganisation of service delivery, development of new portfolio and position with specific remit on attending to governance and risk that may stem from the fall out of the cuts. There is also evidence of operational review and improved briefing in order to enhance front line service delivery and thereby minimise risks. For instance, District council D responded to our question as follow:

“The Council has undergone a reorganisation to help us to deal with the austerity measures and to focus on meeting the needs of the Localism agenda. The main focus of the reorganisation was to meet needs of our communities on an area basis, allocating resources to priorities agreed with the community. This has meant that we now have area managers and an area focus to the provision of services, organised around community rather than service needs. This approach has also allowed us to take on board the need to work in partnership with other public sector, private and voluntary sector partners to be able to make the most of the resources available.

The reorganisation has also taken into account the need to make sure that governance arrangements are effective, and the appointment of an Assistant Chief Executive responsible for a Governance Unit. The Unit is responsible for project management, governance, risk management, business improvement, information management, consultation, performance management and horizon scanning. Other than the changes to the Audit Commission, there are no changes in auditing – our internal audit service is provided by Audit X – the internal auditors for the County Council and external auditors are currently the Audit Commission.”

And district council C provided the most refreshing and reassuring response which detailed policy and operations guidelines and indicates an administration that has given due consideration to the effects of the current financial crises on its governance and risk management procedures.

“When implementing savings, Managers are expected to have regards to potential control issues which could impact on their service; this is a requirement set out in the Council’s Financial Regulations. Managers are required to discuss any potential control issues they may have with Internal Audit which could impact on the Council’s governance arrangements.

Internal Audit may increase testing if they feel there are any governance issues raised during their planned audit work carried out.

The annual Audit Plan and Terms of Reference for individual audit are reviewed in light of any changes to service or staff structures.

In order to strengthen Corporate Governance, C District Council is looking at implementing an Audit Assurance Framework, which would consider all areas affecting governance at the Council and putting in place process for monitoring these against a predetermined standard.

The Council has recently reviewed and strengthened its Strategic Risk Register, especially in the area of financial management.”

It is clear from the findings that councils have different appreciation of the effects of the cuts on their governance and risk management procedures. A guideline on this will be hugely useful for councils in their stakeholders’ management functions.

4.3: Stakeholder relationship, governance and risk management

An important aspect of the local councils’ governance and risk management relates to their interaction with their stakeholders. Lack of appreciation of who the key stakeholders are and how the current financial crises could impact on the relationship with them could be indicative of poor corporate governance and risk management process. O’Donovan (2002) suggests that organisations need to continuously renew their legitimacy with their dynamic conferring public. Bridging the gap with dynamic stakeholder requires effective governance structure that places risk management at the centre of its operations. This is important in order to understand the nature of the changes that may have occurred to the conferring public (Adelopo et al 2012) and how to effectively response to this change so as to maintain legitimacy by reducing legitimacy gaps.

Managing legitimacy gaps during period of uncertainty typified by the current financial crises may require new partnership and building new networks to ensure effective utilisation of available resources to deliver optimum value to various stakeholders. This is underpinned by the idea of an enlightened stakeholder approach which the UK is renowned for. In order to find out how the councils’ stakeholders have changed and how the councils are responding to their stakeholder management under this uncertain financial situation we posed two sets of related questions to the councils as follows:

Who are the most significant stakeholders to your Council? How does the council fulfil their demands and needs? Who are the most affected stakeholders by the cuts and why?

What is the corporate governance vision of your council? How was the vision of you council affected by the cuts?

The first set of questions address the issue of stakeholders and the way they may have been affected by the cuts while the second set of questions seeks to explore how the cuts have affected governance structure within the councils.

As would be expected, the responses to these questions are varied from very superficial with no substance to more specific and detailed answers. There is fairly unanimous response to the question about the key stakeholders. All the councils identified the service users, residents and

the community as their key stakeholder. This is reflected in all the responses by the councils as presented below:

District council B

“Residents are our most significant stakeholders, and we fulfil their needs by providing services. The most affected stakeholders with regard to cuts have been our own employees, because we have tried to protect services to residents.”

District council D

“The County Council and adjoining Councils are our most significant stakeholders as we have an agreement with the county council to be strategic partners, focussing on our strategic aims and working together on shared aims. Taking an area approach has also meant that the communities themselves and community groups are included as the stakeholders for their areas, helping to formulate plans and priorities for partners to address.”

Borough council E

“Members of the Public and Partners. Fulfilling their needs and demands is what the council is here for. No front line services were significantly affected by the cuts.”

City council A

“We are here for the public: people of xxxx, business in the city and other partner organisations. One of my teams their job is to have data on who is in the community, what their needs are, etc, which is fundamental to make the right decisions. On top of that communities are consulted when there is a major issue. For instance, the council is currently consulting with people about council tax benefits. “

However, we noticed that district councils D and borough council E suggested that they also considered their partners and adjoining councils as important stakeholders in order to focus on shared strategic objectives and working together with communities and community groups in “helping to formulate plans and priorities to partners”. This approach is also seemingly at the heart of the big society agenda of the coalition government at the inception of the administration which effectively is suggesting the devolution of resource allocation to the community groups and stakeholders. This marks a watershed in the stakeholder management as we know it. However, the idea appears to be short lived as not a lot has changed since.

4.4: Local Governance and cuts

Another important theme that featured in our interview with the councils was the effects of the cuts on governance at the local council. Essentially we were interested in finding out if the cuts have led to changes in governance vision and how this was being handled. We were also seeking to unravel the effects on the board and governance structure. This is particularly relevant given that some councils now have elected or/and executive council structure compare to where the business of the council is at the mercy of the whole politically motivated machinery. For these reasons the following questions were posed to our interviewees.

What is the corporate governance vision of your council? How was the vision of you council affected by the cuts?

Overall, we got the sense that all the council have similar governance vision which is mainly to deliver first rate services to their stakeholders and ensure accountability and that these visions have not changed despite the financial crisis. Table 1 provides a snapshot of some of the responses from the councils.

Table 1. Governance vision within local councils

Councils	Governance visions	Effects of cuts on vision
City council A	Things have been overtaken. The vision has slightly changed as the economic climate has changed and governance has changed: we now have an elected mayor who is the decision maker. This is very helpful as there is one decision maker to direct the council. He has clear ideas about priorities, where we should invest and where we should not.	Changed also governance structure has changed.
District council B	The vision is unchanged, but in 2011 we reduced the number of corporate priorities from four to three.	No change but adjustment of priorities.
District council C	Although there are changes to there are changes to the CIPFA governance framework, the councils governance visions are unaffected.	Unchanged
District council D	We have a vision for our corporate plan that is for the district to be a place where people want to live, work and visit – this vision has not changed and is still our aim.	Unchanged
Borough council E	See corporate plan (attached) for full vision. The vision was not affected by cuts.	Unchanged

The next section of the paper presents discussions of the finding and makes suggestions for future research.

4: Conclusion

The current financial crises which started in 2007 have had far reaching effects on many social actors. Both public and private enterprises have been adversely affected. Whilst the private sectors enterprises seem to have realised the real implication of the crisis and are seen to be adjusting their operational and financial dispensation accordingly, through downsizing, pragmatic risk management and enhanced corporate governance approach. It is not quite the same in the public sector.

The spending review is likely to lead to significant constraints on service delivery at a number of public sector organisations especially the local council which form the focus of this current study. Local councils are the closest link to the citizen and have essential roles to play in their everyday life. Reductions in their financial grants mean that local councils would have to find savings in order to prop up their finance and balance their books as statutorily required. This may affect frontlines services as staffs are made redundant with fall on effects on service delivery. The adverse consequences of these could worsen the financial situation of the councils further as they may be faced with significant litigations arising from poor service delivery and complaints.

Consequently, effective corporate governance and risk management in the local council in dealing with the uncertainty brought about the financial crisis. In order to provide answers to some related questions this study conducted a semi structure interview with five local councils in the midland of UK. The study found that although all the councils studied have evidence of risk identification arising from the financial crises, their appreciation of the implication of the crises on their risk management and governance approach is somewhat inconsistent and shallow in some instance. While there are councils that show significant appreciation of the danger and are proactively taking steps in form of re-organisation and appointment of risk

management and governance officers, others are a bit laid back about it. We however found evidence of quantification of the potential saving that would need to be generated in order to balance their books. This needs to be translated into real impact on service delivery and a clear assessment of the risk management implications of this. In doing this, the idea of local council buying audit assurance service may become appealing in the near future. This will prevent litigation and provide some limited guarantee on the ability of the council to meet its obligations. It will help the councils to identify risk areas, set predetermined standards and monitor performance to the standard.

We document evidence of changing priorities in the local councils as a resource of the cuts, although majority of the councils appear to suggest that their corporate vision and objectives have not been affected by the current cuts they admitted that priorities are changing. Furthermore, we found that councils are having to expand their stakeholders' spectrum and are employing strategic alliance and partnership with other stakeholders through focusing on areas for the delivery of their services. This is expected to improve their risk management as services are delivered to service areas through strategic alliance and local council partners. Community and community groups are getting involved in formulating governance policy at the local council enhancing ownership and facilitating governance at the grassroots.

A strategic regulatory framework is need for the public sector, with few and clear targets to enable the organisations across the country to focus on them (The Audit Commission, 2003). Therefore, the control of the performance can even be easy for auditors and inspectors to assess. The ultimate objective for public bodies is still to provide high quality public services (The Audit Commission, 2003), but in order to achieve that, some strategic targets need to be set and met.

The findings show that corporate governance in the public sector is a vital process for a truly democratic and sustainable society. It is also shocking that back in 2003, the public satisfaction and trust in the public bodies was very low, while the conjuncture was not as bad as the current one. Cutting public spending in front line jobs across sectors will only decrease the level of trust that the public has in the public bodies, from hospitals to city councils. It will be very interesting to carry out a research about how the current political system will affect the level and quality of the corporate governance, and will test the strength of the governance procedures already in place. It is also kind of shocking to know that in a developed country as the United Kingdom the quality of services delivered by the public sector are still considered as not satisfying, which makes the one think about how this level can be in poorer countries, where the corporate governance is still not known, or at least just a theoretical concept.

Governance in order to be implemented properly needs to be carried out by people who believe in it, as well as by implementing clear procedures and rules. Neither can achieve good governance separately (ALARM, 2001). Therefore, the key element to the success of governance is people, hence, stakeholders, whether these are managers, communities, customers or auditors.

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The determinants of profit forecast by Tunisian companies

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Abstract

This paper aims to examine the impact of the determinants of profit forecast by companies on the level of detail of information disseminated by the leaders. It analyzes the contribution of publications to reduce information asymmetry between managers and investors. From a sample of 50 companies listed on the stock exchange of Tunis (Tunis Stock Exchange) in 2010, our results show that the most successful companies are able to provide profit forecasts detailed and reliable than others in order to maximize their financial value. They also show that companies belonging to high-tech sectors provide more detailed and credible than others. These results suggest that the publication of reliable information is an important determinant of investor behavior.

1 : Introduction

When investors want to participate in the capital of a publicly traded company, the leaders put at their disposal a set of information to reduce the uncertainty surrounding the transaction. Lev (1992) [30] finds that investors can form an opinion on the value of the company and appreciate the price of the shares offered during the operation, if asymmetric information and uncertainty are not reduced, it is unlikely that investors are involved.

Baik and Jiang (2006) [1] found that by disclosing information on earnings forecasts and recommendations for buying and selling securities, financial analysts are putting pressure on the leaders of publicly traded companies. This appears to be beneficial for shareholders, however, many adverse effects appear. The excessive optimism of analysts, led leaders to manipulate accounting information and to act against the interests of shareholders. The existence of this optimistic, demonstrated in numerous studies around the world confirms the idea of discipline management ineffective.

During the last decade, including conflicts of interest seem to exist between investors and analysts because they are frequently used by banks in business relationship with companies followed. The disciplinary role of analysts has been challenged by Dubois and Dumontier (2007) [17]. Despite this, it seems that their ads forecasts or recommendations influence the behavior of investors, found in some cases, by the financial market.

In this context, the objective of this research is to analyze the level of detail of the publication of forecast information published in annual reports of companies. Thus, the question is how does the information on the profit forecasts available to companies predict satisfactorily the evolution of stock prices and hence cause a reduction in information asymmetry between managers and shareholders?

The greatest challenge to the evaluation of publicly traded companies for the announcements made by financial analysts, the company and its prospects. Thus, the quality of forecast information is of considerable practical and theoretical importance. It allows the achievement of corporate financial and helps provide a strong and confident needed by the various financial actors.

Bughin, Colot, Croquet and Niyuhire (2007) [5] note that the use of this information has an important effect on the value of the company, the interpretation of its financial statements by investors and the decision to buy, sell or hold securities of the company. Indeed, companies are faced with this need for information from the majority of stakeholders in the financial market investors especially at the end to make the best decisions on economic growth and more trust in the title.

After a brief presentation of the different actors in the financial market who are interested in information on the profit forecast and the various tools available to them, which will allow information to qualify. The first part continues with a review of literature on the impact of the publication of information by exposing leaders respectively of the methodology and the empirical results obtained and presented in the second part of this article.

2 : Users of the information in the profit forecast

The need of market participants in financial quantitative information has continued to grow and diversify as this information help them assess their heritage and to decide as you need to buy, sell or hold securities of the company. Studies of Barako, Hancock, Izan (2006) [2] show that knowledge of the choice of the company's disclosure of financial and accounting information influences the appreciation in value by the majority of stakeholders.

2 1 : The leaders of publicly traded companies

Leaders disseminate the forecast information they hold to facilitate understanding for investors, to reduce the risk of non-clarity and inaccuracy of this information and to understand the variations in stock prices. Leaders convey private information on profit forecasts to inform investors about the ability to generate profits, due to develop new projects funded by capital.

Cheng and Firth (2000) [8] found that some leaders decide to publish forecast information, others do not publish, in fact, the U.S. leaders do not publish certain numerical forecasts in order to protect the company's risk of prosecution and heavy penalties if it fails to meet its commitments as they undertake their reputation. This publication is compulsory in Malaysia Jelic, Briston and Saadouni (1998) [27], it is authorized in Hong Kong in the study by Cheng and Firth (2000) [8], and Australia in the study by Brown, Clarke, How and Lim (2000) [3].

Financial analysts are putting pressure on business leaders and are a real discipline mechanism because most of these different benefits of disclosing earnings forecast by analysts. The active behavior of the leaders has resulted in various works, Tan, Libby, and Hunton (2002) [36] and Libby, Hunton and Tan (2006) [31] who studied the consequences of this behavior on the judgment of investors, on the perception of financial analysts and financial market reaction to earnings announcements. In their experiment, they find that the disclosure has no real effect on analysts' earnings forecasts.

2 2 : The financial analysts

The financial analyst gathers and processes information and non-financial and participates in several functions to facilitate economic decision-making of interested information on profit forecasts. The study by Leone and Wu (2002) [29] shows that the analyst has a high capacity of its profit forecast when forecasting is more accurate than the other, the jurisdiction of the Financial Analyst is appreciated, and it is considered a good analyst. Clarkea, Khoranaa, and Patelb Rauc (2007) [10] found a positive reputation among analysts and compliance of their predictions that act on the broadcasts of shares and the market share of brokers positively.

Les analystes financiers évaluent d'une manière pertinente les actions des entreprises cotées, lorsqu'ils considèrent que ces actions sont sous évalués, ils recommandent leurs achat et

lorsqu'ils détectent des entreprises surévaluées, ils préconisent leurs vente. D'où se présente l'utilité des analystes financiers dans leurs rôles totalement bénéfiques au bon fonctionnement de l'économie. Dubois et Dumontier (2007) [17] trouvent que les analystes financiers sont capables de connaître les erreurs d'évaluation des actions d'une entreprise en maîtrisant les paramètres à estimer des méthodes de cette évaluation.

Financial analysts assess a relevant share of listed companies, when they consider that these shares are undervalued, and they recommend their purchase when they detect overvalued companies, they argue for their sale. Whence comes the usefulness of financial analysts in their roles fully beneficial to the smooth functioning of the economy. Dubois and Dumontier (2007) [17] find that financial analysts are able to know the errors for the shares of a company controlling methods to estimate parameters of this evaluation.

2 3 : The investors

Investors may form an idea of the value of the company and share price appreciation when leaders put at their disposal a set of forecast information that reduce the uncertainty surrounding the transaction. If this uncertainty is not reduced, investors will employ financial analysts and then a higher premium of risk.

Based on the results of Beaver (1968) [3] published the forecast information have an impact on investor behavior. This information leads to a change in investor expectations presented by adjusting their portfolios. In their model, they explain that the accuracy and intelligibility of information held by each investor is responsible for the difference revisions of expectations from one investor to another. Based on this reasoning, the less informed investors will change their expectations, while those more informed but will do so moderately.

3 : Literature review and hypotheses

This study helps to understand the determinants of the level of detail in forecast information. This understanding is important since a detailed forecast information is likely to reduce information asymmetry between managers and investors.

3 1: The information required as part of the profit forecast

To ensure quality and data matching, accounting law sets the amount of accounting and financial disclosure by financial analysts and companies. The set of disclosure requirements, which companies must comply is grouped under the term financial reporting. This is for listed companies to file annual accounts and management report with the court, to publish the quarterly turnover. The financial analyst complements the role of companies by providing forward-looking statements are characterized by additional reliability.

This part aims to identify tools for classifying information and more specifically to test their direct or indirect impact on the forecast information. To the extent that these factors help explain the behavior of leaders in the dissemination of forecast information and non-financial studied by Cheng and Courtenay (2006) [9] and Cormier, Magnan and Aerts (2006) [13], we propose that these factors and determined, can similarly influence the control practices of financial forecasting.

This work is in a slightly different perspective as it examines the level of detail in forecast information published. The hypotheses tested in this study the determinants of the level of detail of information publication looking (Score 1) are:

Hypothesis 1 : The percentage of shares held by directors (RET) should be positively associated with the level of detail of information.

Haniffa and Cooke (2002) [25] found a positive association in Malaysia need not justify the use financial intermediaries. French companies are indeed characterized by a significantly more shareholding companies concentrated than Anglo Saxon. Faccio and Lang (2002) [22] found that under these conditions, the leaders will work in the interests of shareholders as holders of control block.

Hypothesis 2 : The level of detail in forecast information should grow with the firm age (age) listed.

Clarkson, Dontoh, Richardson and Sefcik (1992) [11] were based on signal theory to explain the profit forecast. The older companies are encouraged to provide more detailed forecasts to differentiate themselves from others.

Debreceeny and Rahman (2005) [15] find that older firms with better control over their market are able by themselves without resorting to stock brokers to collect detailed and reliable forecast information to construct an image identical and specific to them.

Hypothesis 3 : Over the forecast horizon (Horiz), the longer the forecast information released will be less detailed.

Dumontier (2003) [19] suggests that the leader cannot provide earnings guidance over a long enough even if he knows his market relatively well, he often encounters obstacles and difficulties related to situations arising later.

Hypothesis 4 : The capital structure (Indep) should present a positive association with the level of detail of information.

This is related to the flow of new projects financed with funds raised that are more difficult to estimate. Thus, La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000) [28] note that external investors wishing to participate in the capital of the company require reliable and credible forecast information.

Dumontier and Raffournier (2002) [18] specify a need for reducing the information asymmetry between managers and investors who demand a certain level of detail of this information, which meets the needs of the latter.

Hypothesis 5 : The detail of the information should be positively associated with membership of the company to a firm of good quality (Audit).

Depoers (2000) [16] finds that companies that make calls to several firms should disclose more comprehensive and good quality to maintain their reputation and credibility. According to Clarkson, Ferguson and Hall (2003) [12] and Chalmers, Godfrey (2004) [7], the audit quality provided by auditors of large firms leads to an increase in the accuracy of financial information.

Hypothesis 6 : The level of detail of information should be higher in large enterprises (size).

However, in some studies, the association between firm size and level of detail of information is not significant. Ferguson, Lam and Lee (2002) [23] and Prencipe (2004) [33] show that large companies already have a better understanding of their market.

Other results Depoers (2000) [16], Eng and Mak (2003) [20] and Cormier, Magnan and van Velthoven (2005) [13] refute this hypothesis and explain that the demand forecast information pertinent to grow with large companies with the smaller.

Hypothesis 7 : The level of debt (Endett) should be positively associated with the level of detail of information.

As the agency costs between shareholders and managers increase with the proportion of debt of the company, Bujaki and McConomy (2002) [6] and Ferguson, Lam and Lee (2002) [23] show that highly leveraged firms may have difficulty to raise new financing. These investigations show a negative association of debt on the level of detail of published information. However Eng and Mak (2003) [20] found a positive association between the level of debt and the level of detail of the information published in Singapore.

Hypothesis 8 : The higher the activity sector (SECT) is sensitive to economic fluctuations more detailed information is important.

The forecasts are difficult to establish when it comes to high-growth sector. Indeed, Entwistle (1999) [21] and Stolowy and Ding (2003) [35] found that innovative firms are more likely to achieve results higher than firms operating in traditional sectors and should therefore publish more reliable information, resulting in positive influence of retail information in relation to membership of the company to an industry innovation.

Hypothesis 9 : The level of detail of information should be positively correlated with levels of profitability (ROE).

The result of Garcia (2002) [24] performed on a sample of Spanish companies shows a positive influence of firm profitability on the level of information. This argument implies the importance of communication when the financial result of the company is high.

The relationship between disclosure and the level of profitability has been studied without success on a sample of UK companies by Percy (2000) [32] and Williams (2001) [37].

Hypothesis 10 : The level of detail of information should decrease with the share of insiders in the company (Part Ins).

Haw, Hu, Hwang and Wu (2004) [26] argue that firms with high share of insiders are more politically visible and use the information for strategic purposes to make transfers of wealth in favor of government.

Shen and Chih (2005) [34] note that the leader is willing to adapt its financial reporting. Consequently, insiders cannot judge the action of the leader against them and are consequently called financial intermediaries to judge this situation.

Hypothesis 11 : The level of detail of information should increase with the level of executive control by majority shareholders (Part Shift).

The link between the level of detail of the forecast information and level of executive control by shareholders is important because the theory has two distinct outcomes, Eng and Mak (2003) [20] show that the presence of shareholders decreases the publication of forward-looking information by management.

Hypothesis 12 : The status of quotation (Cot) should have a positive association with the level of detail of the information.

Firth (2006) finds that investors have requests for information that companies and financial analysts must satisfy. The quotation determines the characteristics of the structure of capital ownership and reinforces the difficulties of management actions leaders or quality of the information provided is a means to reduce agency conflicts.

Trading on foreign markets is represented by a binary variable equal to 1 if the firm is listed on a foreign market and 0 otherwise.

4: Empirical results

The approach is made before an analysis of empirical results.

4.1: Sample and Methodology

After a presentation of the sample, the methodology used is described.

4.1.1: Sample

Our sample is limited to 50 companies listed on the stock exchange of Tunis (Tunis Stock Exchange), we have included all companies listed on the stock market in 2010, and as this: Leventis and Weetman (2004) and Hassan, and Romilly Giorgioni (2006).

Our questionnaire to companies listed on the stock market for end to calculate the score they give useful forecast information published in annual reports. However, the variable to be explained based on research data emerging from the questionnaires led to financiers who work in these companies.

We have 50 questionnaires circulated directly to companies during the months of March and April 2012. We have prepared a response rate that is 100%. We mention that 40 questionnaires were completed by our presence in an interview with the Financial. For others, who have requested to complete the questionnaire alone, because of their unavailability, we examined whether the respondent has fulfilled all the boxes and if it has encountered some difficulties in understanding.

4.1.2: Calculation managed overall score information disclosure

The dependent variable of the study corresponds to a score that measures the level of detail of the information published by companies in the sample. We study companies who have the choice of whether to publish information held by the leaders that is to say companies that make or not the issuance of securities during the year. For each company a score was calculated from a list of 49 items that companies are likely to spread. The approach is dichotomous: a list of information takes the value 1 if passed; otherwise it is set to 0.

For each of the 50 companies in the sample observed, a score is calculated publication. This score is the sum of points obtained from the survey conducted among companies listed and after (reading the annual report) where:

$$ST_i = \sum_{j=1}^n S_j$$

With:

- ST_i : Total score of firm i
- n : number of items in the index
- S_j : Score of item $j = 1$, if the item is published and 0 otherwise.

4. 1. 3: The explanatory variables

We classify the explanatory variables (or independent variables) into two categories: direct variables that reflect the assumptions that lie at the heart of our empirical and indirect additional variables to improve model specification but which are not central to our demonstration.

Table1. Definition of the explanatory variables

Hypotheses tested	Operational definition	Operational name	Sign	Data source
Structure property	% Retention of leaders	Ret	+ (H ₁)	Annual Report
Age	Age of the company	Age	+(H ₂)	Annual Report
Horizon	Forecast horizon in years	Horiz	- (H ₃)	Annual Report
Capital Structure	$\frac{\text{equity}}{\text{Total Liabilities}}$	Indep	+ (H ₄)	Annual Report
The quality of the audit firm	0: bad practice 1: good practice (binary variable)	Audit	+ (H ₅)	Annual Report
Size	Ln (total assets)	Size	+ (H ₆)	Annual Report
Indebtedness	Book value of debt	Endett	+(H ₇)	Annual Report
Industry	dichotomous variable High technology: 1 Other: 0	Sect	+ (H ₈)	Annual Report
Level of profitability of the company	$\frac{\text{Net income}}{\text{Equity}}$	ROE	+ (H ₉)	Annual Report
Visibility of insiders	Proportion of insiders	Part Ins	- (H ₁₀)	Annual Report
Corporate governance	Share of shareholders	Part Shift	+ (H ₁₁)	Annual Report
Status of quotation	1 if the firm is listed on a foreign market and 0 otherwise	Cot	+ (H ₁₂)	Annual Report

5: Empirical results

5.1: Methodology

Determinants of disclosure in financial documents and their rationale are discussed. The explained variable (score 1) is binary, we use a logit regression.

To assess the determinants of forecast information, we use the following model:

$$\text{Score 1} = \alpha_0 + \alpha_1 (\text{Age}) + \alpha_2 (\text{Auditeur}) + \alpha_3 (\text{Cot}) + \alpha_4 (\text{Horiz}) + \alpha_5 (\text{Indep}) + \alpha_6 (\text{Insider}) + \alpha_7 (\text{Part maj}) + \alpha_8 (\text{ROE}) + \alpha_9 (\text{Ret}) + \alpha_{10} (\text{Sect}) + \alpha_{11} (\text{Taille}) + \alpha_{12} (\text{Endett}) + \varepsilon_{i,j}$$

5. 1. 1: Correlation Matrix:

It is appropriate to examine the correlations of the explanatory variables may bias the conclusions of this analysis, to detect collinearity between them.

Variables	Age	Audit	Cot	Horiz	Indép	Insid	PartM	ROE	Ret	Sect	Size	VCD
Age	1											
Audit	0,053	1										
Cot	0,228	0,342	1									
Horiz	0,252	0,023	0,020	1								
Indép	0,076	0,242	0,069	0,238	1							
Insid	0,239	0,014	0,142	0,139	0,009	1						
PartM	0,100	0,220	0,169	0,036	0,199	0,514	1					
ROE	0,123	0,065	0,139	0,215	0,064	0,076	0,082	1				
Ret	0,067	0,049	0,151	0,105	0,068	0,038	0,288	0,100	1			
Sect	0,260	0,033	0,150	0,135	0,044	0,106	0,046	0,019	0,279	1		
Size	0,147	0,260	0,256	0,177	0,136	0,204	0,230	0,023	0,169	0,201	1	
VCD	0,003	0,198	0,273	0,177	0,024	0,133	0,222	0,002	0,229	0,245	0,515	1

Examination of the correlation matrix shows that there is no problem of collinearity between the explanatory variables because they have low correlation, therefore, we are not obliged to take corrective action.

Correlation coefficients range from a minimum equal to 0.003 to a maximum equal to 0.342, with the exception of the relationship between the share of insiders and by majority shareholders, and the size and the carrying amount of the debt correlation coefficients are 0.514 and 0.515 respectively. According to Kennedy (1992), these two values do not reveal the presence of a serious collinearity problem, since it confirms that this problem exists when the correlation coefficient exceeds the threshold of 0.8. So we will use all the variables of our model to 2, hence no problem of autocorrelation.

Overall, the proposed model explained 74.10% of the Durbin-Watson statistics are almost equal to 2, hence no problem of autocorrelation.

5. 1. 2 : Estimated model

Variables	Coefficient	Prob.
C	10.91384	0.4604
AGE	-0.048968	0.3993
AUDITEUR	-0.720105	0.8674
COT	* 27.44027	0.0000

HORIZ	-1.073365	0.4296
INDEP	-0.004130	0.2735
INSIDER	* -28.73049	0.0021
PARTMAJ	6.178852	0.5507
ROE	** 0.042528	0.0289
RET	13.25140	0.2234
SECT	** -14.52086	0.0491
TAILLE	0.386810	0.6006
ENDETT	-0.073763	0.9106

5. 1. 3: Interpretation of the signs of the estimated coefficients

The positive sign of the estimated coefficients associated with variables Cot, maj share, ROE, Ret and size, as predicted from the model assumptions. While the negative sign of coefficients associated with age, Auditor, Horiz, Indep and Industry, contradict them.

5. 1. 4: Interpretation of the significance of the signs of the estimated coefficients

- **Age.** The estimation results show that the coefficient on this variable ($\alpha = -0.048$) is negative, implying that the age of society negatively affects the level of detail in forecast information. However, this coefficient is not significant; therefore, the age of the company is not a factor explaining the level of detail of information. This conclusion can reject the second hypothesis (H_2) stating that corporations are encouraged to provide more detailed information on profit forecasts.

We believe that younger companies do not have mastered the market, should provide more detailed information on the profit forecast to attract the most investors and to differentiate and occupy a place in this market characterized by strong competition.

- **Audit.** The results show that the coefficient on this variable is negative ($\alpha = -0.720$), this means that membership of the society to a good quality firm reduces the level of detail in forecast information, which is contrary to the theory. Similarly, the results show that this coefficient is not significant. Thereby reject the fifth hypothesis (H_5) assuming that the level of detail of information is to represent a positive association with membership of the company to rename a firm.

We suggest that the best performing companies are able by themselves without resorting to the best law firms to offer more comprehensive and forward looking information quality with the least expenditure.

- **Status of quotation.** The coefficient on this variable ($\alpha = 27.440$) is positive, which means that the listing has a positive impact on the communication strategy Tunisian companies. In addition, this coefficient is statistically significant at a level of risk equal to 1%. These results allow us to conclude that the publication of the reports in the listing is a factor of an additional level of detail of forecast information.

Thus, the rating actions strengthens coaching leaders and reduces agency conflicts in order to attract and retain investors, this conclusion can accept the twelfth hypothesis (H_{12}) postulating that provides a status listing high level of detail of information statements.

- **Horizon.** The coefficient on this variable ($\alpha = -1.073$) is negative, this means that the forecast has a negative impact on the level of detail of information. Also, the coefficient is not significant, leading to confirm that the forecast is not a determinant of the level of detail of information.

These results allow us to confirm the third hypothesis (H_3) assuming that the horizon is long over, most published information is less detailed. We conclude that over a fairly long, the manager often encounters obstacles and difficulties related to situations arising later.

- **Independence.** The estimated coefficient on this variable ($\alpha = -0.004$) is negative, this supports the capital structure that reduces the level of detail of information, most of this coefficient is not significant, which leads to the conclusion that capital structure is not a determinant of the level of detail of information. These results allow us to reject the fourth hypothesis (H_4) which proposes that the capital structure should present a positive association with the level of detail of information.

We note that the characteristics of the capital structure of society determine the intensity of the agency relationship between owners and managers. Their interests are antagonistic, the separation between them created agency costs and hence a scattering of information between agents.

- **Part Insider.** The results show that the coefficient on this variable is negative ($\alpha = -28.730$), this implies that the share of insiders reduces the level of detail of information. Moreover, the coefficient on this variable is statistically significant at a risk threshold of 1%. The share of insiders in society is a determining factor in the level of detail of information. These results allow accepting the tenth hypothesis (H_{10}) that the level of detail should decrease with the proportion of insiders.

Indeed, the leader is willing to adapt its financial reporting, conflicts of interest arise, and consequently, the insiders cannot judge the actions of rulers against them.

- **Part Shift.** The results show that the coefficient on this variable ($\alpha = 6.78$) is positive, implying that the level of executive control by the majority shareholders has a positive impact on the level of detail of the information. However, this coefficient is not significant. This leads to reject the eleventh hypothesis (H_{11}) which states that the level of detail should increase with the percentage of shareholders.

Certainly, shareholders are more sensitive to market corrections (lower prices) in poor forecasts by management. They will exercise control so as not to incur costs related to bad forecasts. Consequently, the leaders will be under pressure and will no longer work under the conditions they expect.

- **ROE.** The variable representing the return on equity, the results show that the coefficient ($\alpha = 0.042$) is positive, implying that the return on equity has a positive impact on the level of detail of information, especially since this coefficient is significant at a risk threshold equal to 5%. This conclusion can accept the ninth hypothesis (H_9) assuming that the level of detail of information is positively correlated with the level of profitability.

Therefore, the most successful companies are those that provide more detailed forecast information to justify the long-term forecasts and to differentiate themselves from others.

- **Ret.** The coefficient on this variable ($\alpha = 13.251$) is positive, implying that the percentage of shares held by the leaders has a positive effect on the level of detail of information. However, this coefficient is not significant. This result allows us to conclude that the percentage of retention is not an explanatory factor for an additional offer of forecast information and to

deny the first hypothesis (H_1) that companies with the percentage of shares held by Directors high offer detailed forecast information.

In these conditions, the leaders will not publish accurate information in order to hide some failures because they fear punishment they know the market fairly well. In addition, some of them are struggling to master events occurring late.

- **Sect.** The results show that the coefficient on this variable is negative ($\alpha = -14.520$), which implies that membership in a high-tech sector has a negative impact on the level of detail of information. However, this coefficient is significant at a risk threshold equal to 5%. This conclusion can accept the eighth hypothesis (H_8) that the companies that belong to a high-tech sector provide more reliable information than others.

We conclude that innovative companies and high technology are more likely to achieve results greater than the operative companies in traditional sectors.

- **Size.** The results show that the coefficient on this variable is positive ($\alpha = 0.386$), implying that size has a positive effect on the level of detail of information. By cons, this coefficient is not significant. Size is therefore not a factor explaining the level of detail in forecast information. This conclusion can reject the hypothesis sixth (H_6) stating that large companies release more detailed information than others.

However, small companies do not have significant resources, trying to improve trust with other stakeholders, by providing good quality information to ensure their sustainability.

- **Endett.** The coefficient on this variable ($\alpha = -0.073$) is negative, this supports that debt reduces the level of disclosure, most of this coefficient is not significant, confirming that the debt is not a determinant of communication strategy statements. This result allows rejecting the seventh hypothesis (H_7) assuming that the most leveraged companies offer more detailed information than others. We find that the most leveraged companies find it more difficult to raise new funds; therefore, they will disseminate false information about their situation

6. Conclusion:

The study shows that the level of detail in forecast information released by companies is motivated by the argument of the financial utility. To our knowledge, this work is the first to study the relationship between the level of detail of the forecast information and the reliability of earnings forecasts in the Tunisian context, characterized by a relatively large information asymmetry between various stakeholders.

Indeed, our results indicate that the most successful companies are able to provide earnings guidance detailed and reliable than others in order to maximize their financial value. The study also showed that companies listed simultaneously on the Tunisian market and abroad that involve insiders in decision making and in sectors of high technology provide more detailed and credible than others.

The importance of financial forecasting, their contribution to economic growth, the inability of financial accounting to reflect the true forecast values and the emergence of the concept of social responsibility have developed among investors and other agents is a growing need Detailed information and credible.

However, until now, there is no consensus model for imposing or institutional steering the developments and events occurring late. Hence this work could have implications for stock market regulators since they suggest an obligation to publish very detailed forecast information that improve the efficiency of the Tunisian market.

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Annexes:

1. Question to company manager:

Please indicate the degree of importance you attach to each of the following information items that may be disclosed in annual reports of companies listed on the BVMT.

1. important, 0. not important.

Pieces of information of the analysis grid Botosan (1997)		
1 - Information on the goals and strategies of the company		
Presentation of company goals	0	1
Presentation of the general strategy of the company	0	1
Discussion of actions taken during the year to achieve the objectives	0	1
Discussion of actions to be undertaken in future years	0	1
Presentation of a timetable for reaching the targets set	0	1
2-non-financial information		
Publication of information on the number of employees	0	1
Publication of information on the backlog	0	1
Publication of information on the percentage of orders to be delivered next year	0	1
Publication of the percentage of sales for products in the past five years	0	1
Publication of information on market share	0	1
Publication of information on the amount of new orders placed this year	0	1
Publication of information on sales growth in key regions for which no segment information is produced	0	1
3 - Forward-looking information		
Discussion of the impact of the opportunities the company on future sales or profits	0	1
Discussion of the impact of risks facing the company sales and future profits	0	1
Comparison of profit forecasts with actual earnings of the year	0	1
Comparison of sales forecasts with actual sales of the year	0	1
Presentation of cash flow forecasts	0	1
Presentation of forecast capital expenditure or R & D costs	0	1
Presentation of forecast market share	0	1
Presentation of cash flow forecasts	0	1
Presentation of forecasts of future profits	0	1
Presentation of forecasts of future sales	0	1
4-Information on analysis of management		
Change in operating profits	0	1
Change in net income	0	1
Change in capital expenditures or costs of R & D	0	1
Change in inventories	0	1
Change in sales	0	1
Change in receivables	0	1
Change in market share	0	1
Éléments d'information ajoutés à la grille d'analyse de Botosan (1997)		
5 - Financial Information		
Publication of information on the capital structure	0	1
Publication of information on the variation in turnover	0	1
Publication of information on the history of the stock price	0	1
Market perception about the value of the company	0	1
Publication of information and amounts on advertising expenses	0	1
Publication of information on the financial value	0	1
Publication of information on capital employed	0	1

Publication Information on the liquidity ratio	0	1
Publication of information on the PER	0	1
Publication of information on other financial ratios	0	1
6 - Information on earnings forecast		
Publication of information on the evolution of stock price	0	1
Publication of information on the profitability of the securities of shareholders	0	1
Presentation of operating income forecast future	0	1
Existence of a summary table of key figures	0	1
Explanation of variations between previous forecasts and realizations	0	1
Future cash horizon from 2 to 5 years	0	1
7 - Information published in annual reports		
Publication of annual report	0	1
Publication of Financial Statements	0	1
Publication of reports of the auditor	0	1
Presentation of EBE, VA and operating income	0	1

Social Responsibility and Energy Consumption: The significance of labeling

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Abstract

In the ever increasing worldwide attention to the concept of sustainable development the pillars of which are economic, social and environmental development, industrial engineering as the productivity champion has not really received major attention. This is unfortunate as one can see it as the toolkit to attain sustainable development because industrial engineering is concerned with productivity as the measure for production and service efficiency. Without this it would be difficult to quantify the quality aspects of sustainable development e.g. those related to environment. And without this there would be difficulty to evaluate the integrated systems of man, money, materials, energy, knowledge, information and equipment, which are all instances of the three pillars. Energy efficiency is one route towards minimising environmental impact. Minimising such impact is one factor towards achieving sustainability and therefore making possible sustainable development. In this paper it is intended to show the use of industrial engineering tools like risk analysis to assess how sustainable our current energy consumption is and so refrigerators are taken as the sample for such analysis. This is due to general usage of refrigerators by all people everywhere and due to its major part in worldwide energy consumption. Energy labels are nowadays a common feature of refrigerators put into the market for sale, although this trend is diverse in different parts of the world which signals non harmonized comprehension of sustainable development in the world. These are explored in this paper at a theoretical level to show that industrial engineering tools and techniques have a contribution to make to sustainability

1 : Introduction

The concept of sustainable development has assumed prominence in the economic world and it is increasingly being based upon a process of interactive, integrative and learnt decision-making by firms through the process of understanding possibilities for common technological futures. In the range of issues that now comprise the soft-technology basket there are the physical environmental issues, social contracts that are mutually suitable to factors of production, and sustainable future of firms that are friendly to physical and human ecology (Hawley 1986; Martinez-Alier 1987; Coombs 1990; Goodland, Daly and El-Serafy 1992). Sustainable development therefore has been extracted from out of the ethical decision-making of corporations and is made to link up with the common interests of ecology and the grassroots for poverty alleviation and gaining human capabilities (Ekins 1992; Daly 1992; Walker and Unterhalter 2010). Korten (1995) refers to such an emergent age of business decision-making as an ecological revolution.

The business world we currently inhabit calls for different kinds of strategies in production, organizational decision-making, and delivery of its social image to the consumer. These dimensions are quite different from those we have learnt and practiced in a conventional neoclassical world.² Myrdal (1987) calls upon this kind of challenge to neoclassicism by wondering why the psychologists and philosophers have left the economists alone and undisturbed in their futile exercise of neoclassicism. So we must turn to other disciplines to seek possible answers, and industrial engineering as the productivity champion has received major attention in other arenas but has not yet engaged with the problems of sustainable development. In this paper we seek to do so. One can see it as the toolkit to attain sustainable development because industrial engineering is concerned with productivity as the measure for production and service efficiency. Without this it would be difficult to quantify the quality aspects of sustainable development e.g. those related to environment. And without this there would be difficulty to evaluate the integrated systems of man, money, materials, energy, knowledge, information and equipment, which are all instances of the three pillars. Energy efficiency is one route towards minimising environmental impact which we are investigating.

2 : Sustainability and Industrial Engineering

Industrial engineering (IE) is concerned with the design of processes which will benefit companies and therefore ultimately consumers. This means that they have to be sustainable. Sustainability is a concept which concerns all businesses more than anything else. Sustainability requires R&D and technological development – which is what industrial engineering is concerned with. So IE has to be focused upon sustainability to remain relevant. Sustainability is based on the 3 pillars of Brundtland – economic, social and environmental. So IE has to be concerned with these. Mainly these 3 things are also what CSR is all about. So sustainability and CSR are very largely synonymous. In other words – CSR is equivalent to sustainability and sustainability has to be the central focus of IE. Designing anything without considering sustainability is a waste of time.

The current discourse of sustainable development concentrates upon a concern for not limiting the choices available to future generations. This is plainly unrealistic as mankind has been unable to achieve this since he changed from hunter gatherer to farmer and cut down the forests around the world. In the present it is not just unrealistic but attracting attention away from the real issues. Resources are important of course but attention needs to be directed towards the real scarce resources which need to be used efficiently. And those scarce resources are not financial resources as conventional finance theory would have us believe – they are environmental.

Sustainability or its synonym, sustainable development³ has so far been referred to in different terms such as durability (Aras & Crowther, 2009), triple bottom line, corporate integrity, etc. the most widely used definition of sustainable development is the one from the 1987 Report of the United Nations World Commission on Environment and Development

² This is the modern world based upon economic growth and rational behaviour.

³ These are often treated as synonyms although they are in fact different.

(the Brundtland Commission): "meeting the needs of the present without compromising the ability of future generations to meet their own needs".

Sustainability implies the acceptance of any costs involved in the present as an investment for the future (Aras & Crowther, 2008a). Sustainable development is concerned with the effect which action taken in the present has upon the options available in the future (Crowther & Martinez, 2004). A sustainable society is the society which provides for its needs without impairing the needs of the future generations. Therefore, sustainability implies that society must use no more of a resource than can be regenerated (Crowther & Martinez, 2004). Considering our current consumption, the way we live is not sustainable at all. Hence, sustainability is a matter of international concern which requires the emergence of international standards. This requirement is exacerbated by the recent movement towards globalization. Indeed globalization requires a worldwide integration, therefore countries should adopt international standards and avoid standards as barriers to trade.

With the increasing globalization of markets, international standards (as opposed to regional or national standards) have become critical to the trading process, ensuring a level playing field for exports, and ensuring imports meet internationally recognized levels of performance and safety. International standards and their use in technical regulations on products, production methods and services play a vital role in sustainable development and trade facilitation— through the promotion of safety, quality and compatibility. The benefits derived are significant. Standardization contributes not only to international trade but also to the basic infrastructure that underpins society, including health and environment, while promoting sustainability and good regulatory practice. (ISO central secretariat, 2006).

The idea of globalization encourages countries to adopt harmonized rules. Unless otherwise they will be trapped in diverse and sometimes conflicting rules which would result in unequal trade market. International standardization is an ideal opportunity for the countries to raise their voices on the matters which otherwise may become barriers to their trades with the world. So, countries should necessarily participate actively in the process of international standards drafting. This is indeed of vital importance for the developing countries who could make sure that their national conditions are observed. So, they would willingly meet the international standards formulated through a fair consensus approach. Besides, use of international standards is beneficial in avoiding unnecessary costs to provide national standards which may result in another barriers to trade. Spending time and money on already established international standards at national level is just as reinventing the wheel. Therefore, the worldwide trend is to adopt international standards in order to realize the aim of "one standard, one test and one conformity assessment procedure accepted everywhere". However, it is worth mentioning that "development is not a one-size-fits-all process. Each country must progress, as ultimately only it can best tell what its ambitions and needs are. However, in a globalization world, sustainable development cannot be achieved in isolation. (Sudarwo, 2008).

Sustainable development is a concept closely related to social responsibility in that the latter is denoted by WBCSD as the third pillar of sustainable development, the other two pillars

being economic growth and ecological balance. Meanwhile, sustainability is referred to as one of the three principles of social responsibility, the other two being accountability and transparency (Crowther, 2002). On the other hand, social responsibility is defined in ISO 26000 (2010) as the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society ... So here we see that the main focus and final aim of social responsibility is to attain sustainable development. The organization contributes to sustainable development through social responsibility in its defined borderlines whereas there is no such a borderline defined for sustainable development therefore it is more comprehensive and belonging to all, not just the organizations.

3 : Pillars of sustainable development

The three pillars of sustainable development are defined as economic growth, ecological balance and social responsibility. Unlike the sequence mentioned by WBCSD, one can assume that these pillars consist in a circle, all with equal value to create sustainability.

Consider the energy consumption status throughout the world. We waste a good portion of our consumed energy through inefficient methods. This way we ignore the requirements of our children (social irresponsibility). The pollution due to fossil fuel consumption leads to global warming, the consequence of which threatens environment (ecological imbalance). It demands for investments in purging environment (economic pressure). In this example, social irresponsibility leads to ecological imbalance which in turn leads to economic pressure. As a result we may choose to save more fossil fuel for the sake of our children (social responsibility). It results in saving money wasted to remove pollution (economic growth). For such a purpose, we may switch to a kind of renewable energy such as solar (ecological balance).

In another instance, the government may decide to remove subsidies to fuel in order to make consumers account for externalities. Then people would buy fuel by its virtual price (economic pressure). Such a pressure would necessitate for designing energy efficient devices to minimize the amount of energy consumed, or people may decide to avoid buying that sort of fuel and substitute a sort of renewable energy for that. The result would be a cleaner atmosphere (ecological balance) and more concern for the future generation (social responsibility).

Figure 1 shows that no sequence could be considered for these three pillars. Instead they are interdependent. A shortage in one, would result in loss in another.

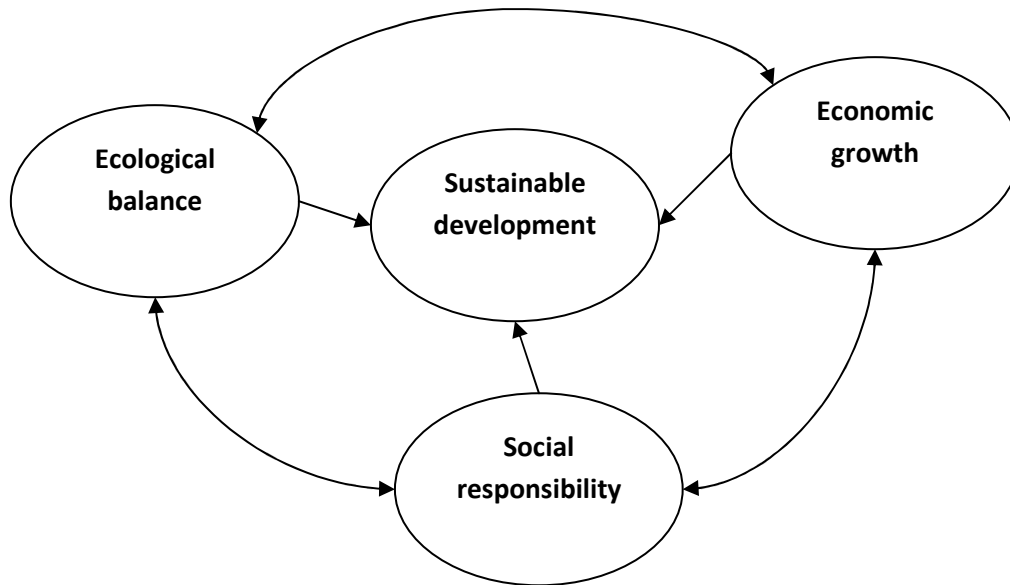


Figure 1- The interdependence of sustainable development and its pillars

4 : Energy consumption

The world energy consumption in residential sector doesn't seem even and countries use energy according to factors such as their income levels, natural resources, climate, and available energy infrastructure. Therefore, due to a higher income level, typical households in OECD nations generally use more energy than those in non-OECD nations. This is partly because higher income levels allow OECD households to have larger homes and purchase more energy-using equipment. Larger homes generally require more energy to provide heating, air conditioning, and lighting, and they tend to include more energy-using appliances, such as televisions and laundry equipment. Smaller structures usually require less energy, because they contain less space to be heated or cooled, produce less heat transfer with the outdoor environment, and typically have fewer occupants.

A comparison of the United States and China as an example proves this claim. The average residence in China currently has an estimated 300 square feet of living space or less per person, than in the United States, where the average residence has an estimated 680 square feet of living space per person. (World Energy and Economic Outlook 2008).

The US GDP per capita and its estimated residential energy use per capita in 2007 were \$43,076 and 37.2 million Btu respectively, whereas the same data for China amounted to only \$5,162 and 4.0 million Btu, which means only about one-eighth and one-ninth the U.S. level, respectively (US Department of Energy). It is apparent however that as a country develops then the amount of energy rises in a correlation with its per capita income. So too does its use of ever more sophisticated consumer durables, demanding a corresponding increase in energy availability.

Over the last decade the price of crude oil has varied between \$16 per barrel and \$150, although currently around \$100. It is expected however that the price will continue to follow a

rising trend as demand continues to increase at a faster rate than supply. This has implications for both energy availability and usage and for sustainable development which need to be considered.

An increasingly important factor which influences purchasing decisions is that of environmental protection, particularly associated with climate change. This is particularly important as far as the purchase of consumer durables is concerned because of the energy which they consume; energy efficiency is one route towards minimising environmental impact. Minimising such impact is one factor towards achieving sustainability and therefore making possible sustainable development. The central argument of this paper is that the desire to make sustainable purchasing decisions necessitates better information to make decisions according to this criterion. This in turn requires manufacturers to provide better information through their labelling. This research extends our knowledge of the components of sustainability and requirements for sustainable development, particularly as far as consumer purchasing decisions are concerned. It also has potentially important implications for manufacturers and shows for them too an important route towards achieving sustainable development for themselves and for the global economy.

5 : Risk Reducing

An important component of sustainability is that of risk management. This too provides an intersection with operational requirements as minimising exposure to risk both makes a company more socially responsible and more sustainable but also reduces cost in the longer term (Crowther & Seifi 2010). Often however the methodologies for the evaluation of risk are deficient in their effectiveness of evaluating – particularly of environmental risk. So we will demonstrate how some IE techniques can be used to address the problem.

It is accepted that design, and specifically energy labelling, influences the consumer purchasing decision (Seifi, Zulkifli & Crowther 2010; Seifi & Crowther 2010). This is an important area for manufacturers to be concerned with as it has crucial effects upon the design of products. Consumer durables are an important area to investigate this relationship as they represent significant purchases within the household budget. Moreover they represent purchases which are typically made after investigation and the consequences of the decision are manifest over a number of years of the typical life of the product. Consumer durables therefore represent an important area of study. But consumer durables are diverse in nature; thus generalisations can be made across the range but the investigation needs to be based upon the specific. This study therefore is based upon refrigerators. This particular durable has been chosen for several reasons. Firstly it is a product which all individual consumers make use of, as well as many commercial organisations. Secondly it is not a high technology product and not subject to rapid technological changes in the same manner as televisions or computers. Thirdly the market is mature as almost all consumers are already in possession of a refrigerator. Purchases therefore are almost entirely replacements and are based upon need rather than the dictates of fashion. In other words the product tends to get replaced when it gets old and inefficient, rather than because of change in fashion or a desire for something new. Thus the product has a long life cycle. The life cycle is also an important determinant of choosing refrigerators; the long life cycle means that running costs are a significant

determinant of choice and not just the initial purchasing cost. Refrigerators therefore represent an exemplar which is ideal to study the phenomenon under investigation and have been chosen as such.

Owing to developments in household industries in recent decades, an average house has approximately 10 electrical appliances, among which and after illuminating devices, refrigerating appliances are the most important. This appliance plays a major part in the welfare and health of a family. Factors such as the population growth, buying power of the families, relative price reduction, by-installment purchases, are expected to increase the market of this appliance. The conventional and relatively straightforward manufacturing process of household refrigerating appliances together with a reliable demand market has led to the emergence of so many manufactures around the world.

The energy consumption behavior of a household refrigerating appliance depends on several factors such as the climatic condition of the area in which the appliance is used or the ambient temperature, the type of the appliance namely freezer, refrigerator, refrigerator-freezer, Frost-free or not, the frequency of opening and closing the door, the volumes of different compartment, etc.. Different climate classes contain different atmospheric conditions and the manufacturer accomplishes design and manufacturing according to the specific conditions of each. So it is needed to apply proper material and equipment which would lead to proper performance based on the climatic class concerned. Also it is vitally important that the customer would knowledgeably purchase a refrigerating appliance suitable for his/her own area of living. Unfortunately so far this important factor has not yet received enough attention and customers usually purchase an appliance without taking climatic classes into consideration. They may buy an appliance not suitable for their place of residence. This way the appliance would soon lose its efficient performance and consume considerably more energy. As an instance, an appliance designed according to climatic class N, would have an approximate compressor run 20% more when used in tropical areas.

A refrigerator is basically a heat exchanger, cooling the air within it at the expense of the ambient air temperature. The objective for sustainability is to make this heat exchange as efficient as possible by making the refrigerator energy efficient. Over time this is happening as the figure 2 below indicates. This supports findings by Parker and Stedman (1992).

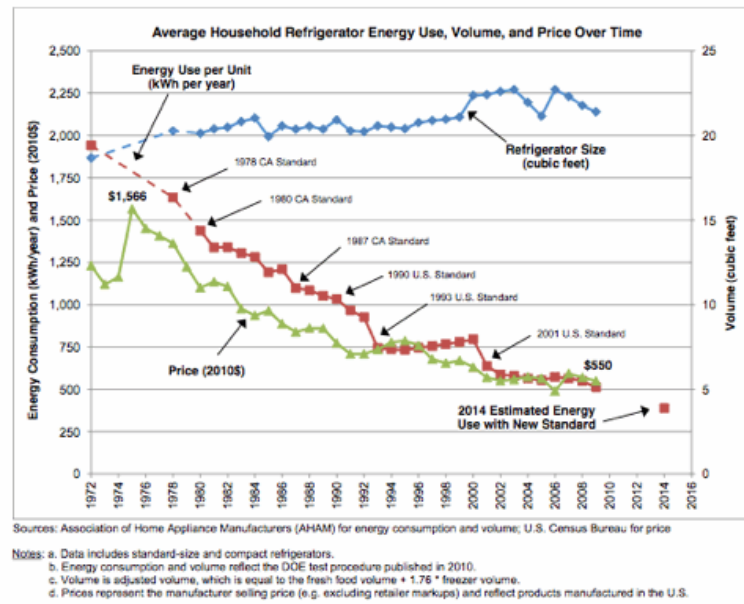


Figure 2 – Increasing refrigerator efficiency and reducing cost

It was calculated that the fit of a multiple regression model to daily use data from a refrigerator is affected by door opening and explained by the following model:

$$\text{kWh} = -5.05 + 0.084 (\text{Kitchen Temp.}) + 0.0092 (\text{Door Openings}) \quad (1)$$

Where:

kWh = daily refrigerator kWh

Kitchen Temp= °F

Door Openings= number of refrigerator door openings per day

R-squared = 0.85

5.1: Applying IE techniques to understand the issues

In this paper we are primarily concerned with the effects of energy labeling on refrigerator purchasing. The techniques of IE can be helpful to our understanding and will help to show that better energy labeling will lead to different decision making so we now explore how this can be so. First we start by considering the use of Bayes Theorem. In the eighteenth century the Reverend Thomas Bayes (1702-1761) became interested in mathematical applications of probability theory, and in particular in the way in which probabilities changed depending upon the acquisition of additional information. He developed what became known as the Bayes theorem of conditional probability which states that:

Probabilities can change when additional information is acquired from subsequent events. Probability is therefore of consequential value in decision making.

Bayes theorem of conditional probability can be expressed algebraically as:

$$\Pr(A | B) = \frac{\Pr(AB)}{\Pr(B)} \quad (2)$$

In the case of refrigerators we can consider that 80% of people would like to buy an energy efficient refrigerator because it has lower operating costs. But half of these people will only do so if they understand the information being provided on the label. So Bayes theorem can be used to show that the probability of buying an energy efficient appliance will change if additional information is provided through labeling. This can then be compared with the cost of providing this information. This additional information will facilitate decision making for the manufacturer.

Bayes Theorem can therefore be seen to be of value in management decision making (Crowther 1996) through its use in quantification of the value of additional information and a consideration of how this additional information changes the decision which might be made by managers. Equally the use of this theorem focuses attention upon the salient features of decision making through its quantification of the risks associated with any course of action in comparison with the gains which might ensue, thereby making a comparative analysis of the effects of alternative courses of action more rigorous through quantification. Use of the theorem can also actually help identify the choices which are available through this rigorous quantification. It is therefore a valuable part of IE.

There are however problems with the use of this technique in practice which revolve around the ability to quantify the effects of alternative courses of action and to assign probabilities to their likelihood of occurrence. The value of the quantification is obviously only as good as the value of the evaluation of the costs of the alternatives and the probabilities assigned to them. If these are not particularly accurate then the analysis based upon them will not be accurate and this quantification will not form a satisfactory basis for decision making. Currently research is being undertaken to arrive at a more accurate assessment of the relevant probabilities. One of the problems with this kind of analysis is that, unless these decisions are made on a regular basis and some experience is therefore built up, the evaluations are necessarily subjective and the decisions made based upon them therefore questionable. The main use of this technique therefore is in introducing a certain degree of rigour into the decision making process through a forced identification of choices available and consequences of making each individual choice. This in itself is likely to improve the quality of managerial decision making without an accurate quantification. One further problem with Bayes Theorem is that it assumes that the decision in question can be made in isolation and will not affect, nor be affected by, any other decision which might be made within the organisation. In practice this is rarely the case and any individual decision is inter-related with other decisions.

6: Risk analysis

Obviously there is an element of risk attached to any operational decision, and this risk arises because we are attempting to predict outcomes in the future of decision made now (Crowther 2004). Various techniques exist which can help a manager to understand the nature of risk associated with any decision and to quantify the effects of that risk. One such techniques is Risk Analysis which is based on clearly distinguishing risk from uncertainty and then treating risk probabilistically in order to make the best decisions. In all cases of strategy development the selection of an appropriate strategy depends upon a realistic assessment of the risk and a quantification of possible effects through analysis. It is to risk analysis therefore that we now turn.

When a range of possible outcomes for an event exist then obviously the sum of the probabilities for all of the possible outcomes must equal 1 – as one of the outcomes must occur. The assignment of probabilities to each of the outcomes however enables us to construct a probability distribution showing the range of possible outcomes and their respective probabilities. Such a distribution may well be important to the analysis because merely selecting the most likely outcome may well not reflect the level of risk involved.

For example in the two projects shown below the best estimate of profitability for each of the

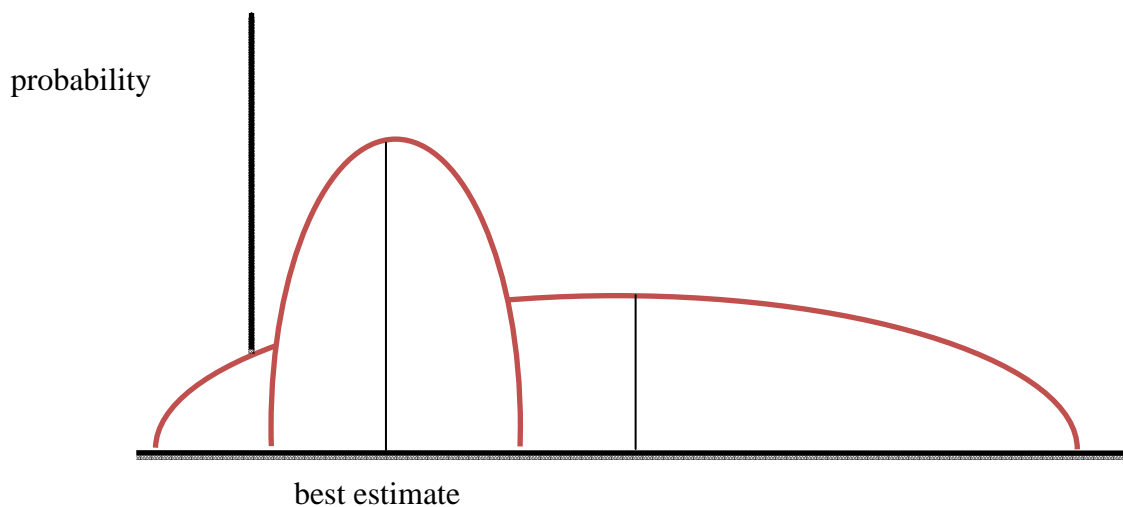


Figure 3 – Differing probability profiles

projects is identical but it can be seen from the probability distributions (figure 3) that the risk associated with them is quite different, with one of the projects having a risk of incurring a loss (project B). Without the probability distributions therefore a firm would be indifferent as to which project was chosen but with an understanding of the distribution of risk then it can be seen that project A is the preferable project, providing always that the expected returns for the two projects are similar. Risk analysis can be used to quantify the expected values of the return from each project but assessing the relative relationship between risk and rewards inevitably relies upon managerial judgement and a person's attitude to risk.

Risk analysis as a technique is based upon probability theory (Crowther 2004) and upon the ability to construct probability distributions. It is a technique which is designed to enable individual risks associated with a project to be combined and summed to find the overall risk for the project. It is based upon assigning a probability distribution for each risk factor, rather than merely assigning a best estimate. These probability distributions are then combined using Monte Carlo Simulation techniques to arrive at an overall assessment of risk (Crowther 1996).

This kind of analysis can lead to very different assessment of risk for particular decision than would be our assessment if we based our quantification solely upon mean values from our understanding of the probability of particular outcomes. In complex problems with a range of possible outcomes and a variety of factors to be included this technique therefore can help in our understanding of the risks involved and hence can affect our decision making in such cases. It is therefore an important tool for IE which can be used in the analysis of the problem concerning energy labeling discussed in this paper. For example current understandings concerning energy efficiency (see diagrams below) and future demand enables probability distributions to be calculated concerning the effects of producing increasingly energy efficient refrigerators, the effects of improving labeling and the costs of doing so (and hence selling price). Risk analysis techniques enable these to be quantified to make the best decisions regarding future production.

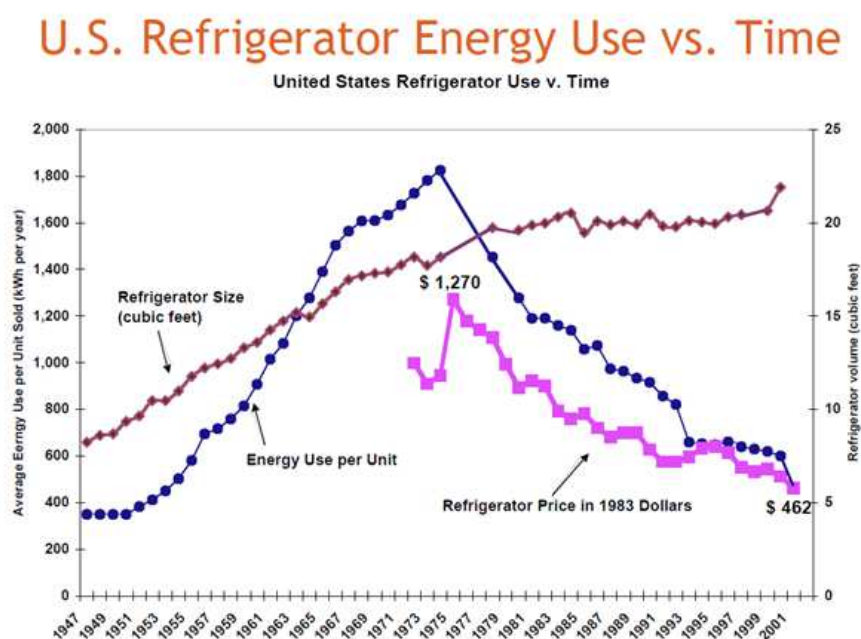


Figure 4 – Refrigerator energy use over time

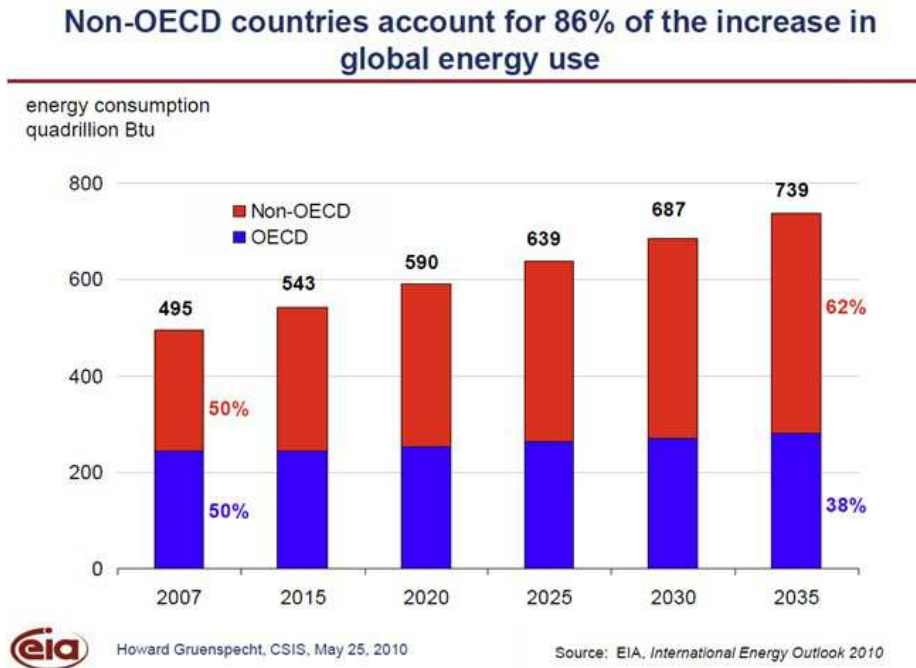


Figure 5 – Projected increased demand for energy

7: Games theory

Although risk analysis can be a useful tool then when it comes to making strategic decisions the most useful tool is Games Theory. This is particularly helpful when deciding about refrigerator labelling because just as in making many engineering and management decision it is important to recognise that the decision is not made in isolation and that the effects of the decision cannot be realistically quantified as if that decision is made in isolation. This is particularly true when the external environment is affected by the decision, such as when a firm is considering the launch of a new product, a change to its prices, or the conduct of an advertising campaign. In such circumstances it is not sufficient to consider how the decision might affect the firm itself or how it might be received by its customers. It is also necessary to recognise that the firm's competitors will be affected by the decision and may very well decide to respond to the actions of the firm. In such a situation the firm and its decision makers can be regarded as either in competition with another firm and its decision makers or in conflict and the generic term to describe this kind of situation is that of a game and Games Theory can help to model this kind of situation (Crowther 2004) and therefore improve the decisions which are made.

In games the participants are competitors and the success of one is usually at the expense of the other, such as when one firm gains market share through the use of an advertising campaign at the expense of the other firms in the industry – or through its labeling strategy. For the purposes of Games Theory in such a situation the number of players can very often be simplified to two players – the firm and the competition, with all competitors being regarded as a single player. It is possible to model the actions and reactions of all competitors separately through Games Theory but this makes the mathematics very complicated, often

without significantly changing the analysis. Games Theory provides a method of formulating a business situation in terms of strategies – the strategy of the decision maker and the strategy of his / her opponent – and in term of outcomes. Each player in the game selects and executes those strategies which (s) he believes will result in ‘winning the game’, that is will result in the most favourable outcome to the problem situation. In determining this strategy for winning each player makes use of both deductive and inductive logic and attempts quantification of the outcomes. This will form a valuable route to examining the problems identified in this paper.

8: Conclusions

The main purpose of this paper has to be to consider the issues concerned with sustainability and energy consumption and then show how it is possible to use industrial engineering tools like risk analysis to assess how sustainable our current energy consumption is and what can be changed through the use of these techniques. For this purpose refrigerators are taken as the sample for analysis. This is due to general usage of refrigerators by all people everywhere and due to its major part in worldwide energy consumption. Energy labels are nowadays a common feature of refrigerators put into the market for sale, although this trend is diverse in different parts of the world. This is part of an ongoing research project and the current stage is concerned with the collection of data which will enable mathematical calculations to be incorporated into the industrial engineering problems which have been identified.

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Information Security Governance, new approach

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Abstract

The present paper deals with the 4th wave of the Information Security as a new approach to governance of information security. After introducing the four waves of information security, is focused on the last part which will be part of our thesis. In addition, following the PDCA approach (Plan, Do Check, Act), we will establish an inventory of information system with the SoM (Statement of Maturity), a risk assessment of assets, a business continuity plan to ensure a resumption of IT.

1 : Introduction

Today, information can be viewed as a commodity, like electricity, without which many companies and organizations cannot function. However, in the interconnected world we live in, information is much more vulnerable than other commodities. While it is highly unlikely that the actions of a disgruntled teenager on another continent affect the electricity supply company, it is easy to envisage that the actions of this youth can stop the system Information from prestigious organizations.

It is therefore essential for organizations to ensure continued access to information while protecting their information assets. Many organizations will not do business without access to their information resources. However, the protection of information resources often has no direct return on investment. The security of information resources as a rule does not generate revenue for an organization. Therefore, investors are rarely interested in how their information resources are protected. From a business perspective, the information security is not an axis of development organizations, which are more likely on the profitability of investment, which considerably slows down investment in information security.

In this regard, the information security has gone through several stages [1]:

The first wave was characterized by the reduction of information security to a technical problem left in the hands of technical experts.

The second wave was marked by the passage of information security from a technical dimension to a dimension of management by including policies and procedures.

The third wave was characterized by the need to adopt some form of standardization of information security and integration of aspects of best practices, certification, and integration of culture and information security of the measurement and monitoring.

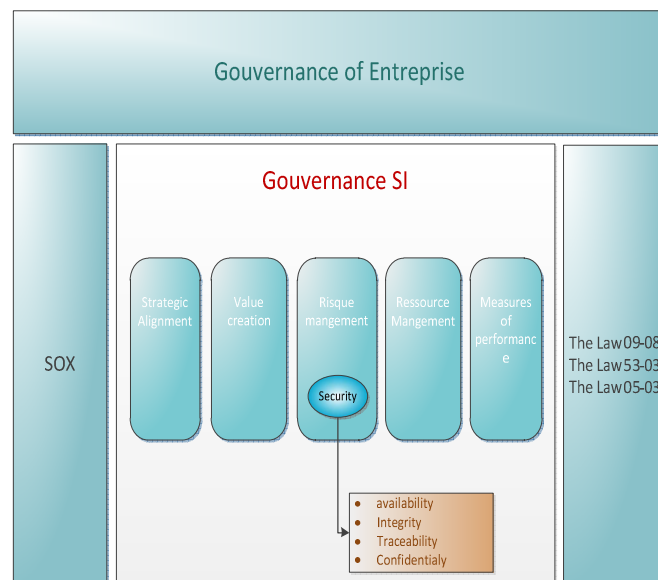
The fourth wave is the development of the Governance of Information Security. The origins of this wave are closely linked to developments made in the areas of corporate governance and especially in legal and regulatory requirements. The board felt the need to secure information systems because they started to become personally responsible for the security of their information systems [SOX, BASEL II, ACT 0908].

This paper addresses this wave, and highlights the relationship between corporate governance and the governance of information security.

2: Corporate Governance and Information Security

Several documents related to corporate governance have emerged in recent years; the importance of governance in general is now internationally established. Corporate governance is defined as "all taken responsibilities and practices implemented by a general direction in order to provide a strategic direction, ensure objectives are met, to ensure that risks are managed appropriately, and ensure that organizational resources are used responsibly." Corporate governance makes it clear that the board of administration is responsible for ensuring information integrity of accounting and financial reporting, and compliance with laws.

Several legal and regulatory developments related to corporate governance have focused on the role and responsibility of the Board, including the Sarbanes - Oxley (SOX, 2002) which also requires putting in place a system control related to operational risks that often result in the establishment of measures to manage risks related to security of information systems. It is therefore clear that, although not directly mentioned, there is a significant relationship between corporate governance and information security. The following diagram helps illustrate the relationship with corporate governance and information security.



3: The governance of information security : the 4th Wave

ISACA defines the governance of information security as a kind of strategic alignment, value creation, risk management, performance management and also management of resources against Requirements Company's business. It is part of the axis of risk management and top management must assure the availability, confidentiality, traceability, integrity of information, as well as compliance with laws and procedures when handling

and storage of information.

From this perspective, the governance of information security aims to ensure availability, integrity, confidentiality, and traceability information (DICT) is assured.

- Availability of information: ownership of information to be accessible and usable upon demand by an authorized entity, when it needs it.
- Integrity of information: ownership of information to be accurate, complete and unaltered.
- Confidentiality of information: information ownership that information is made available or disclosed to any persons, entities or processes allowed.
- Traceability information: ownership of information to be reviewed and audited. It is especially possible to track all events related to information during a certain period.

Governance of Information Security governance is reflected in the establishment of a set of structures and measures that ensure:

- The management commitment and leadership to secure information systems: this commitment is reflected in the establishment of a security policy based on risk analysis, a classification of information assets by adopting methods analysis of risk such as: MEHARI EBIOS, ISO 27005, RISK IT ...
- The adoption of standards for information security, in this case: ISO 27002, ITIL, COBIT.
- The establishment of an organization and structures in charge of information security with a clear definition of roles and responsibilities of different actors (committee information security, the security official of the information, process owners (business managers), the local correspondents of security, IT professionals, auditors, ...)
- User awareness of the issues, threats and best practices in information security. They must thus be able to support the security policy information. This awareness may relate to topics related to information security: security issues, threats and vulnerability, risk management, authorization management, password management, information classification, access control, continuity of activity, compliance, ...
- The implementation of policies, processes and procedures to secure the information system
- The introduction of technology adequate to secure the information system by setting up according to the risks and needs of firewalls, proxies, antivirus, IDS, IPS, certificates, SSO, ...
- Compliance with regulatory requirements in connection with the information security information. These regulatory requirements may concern the protection of personal data, respect for intellectual property
- The establishment of a dashboard of measurement and control of the security information to be able to supervise and control the evolution of the information security. This process necessarily requires the establishment of indicators and measures of security management. These indicators should accurately reflect the levels of security in terms of availability, confidentiality, integrity and traceability of information.

4 : How to ensure good governance of the information security

Surf the 4th wave; it is important to go through the third wave. Indeed, the adoption of standard reference and is an interesting and rewarding step that allows to prepare for the 4th wave "Governance Information System ". The establishment of good governance of information systems should follow the Deming cycle of quality. This is the application, the area of security, of Deming in four points:

- Plan (Plan): Security is planning to move from a reactive posture to a proactive posture;
- Develop (C): Security is a set of processes to be developed following a security benchmark.
- Check (Check): Security is controlled through audits and penetration tests, and most common methods;
- Act (Act): All control activities carried out during phase "Check" are likely to highlight a number of malfunctions that need to provide for corrective actions, preventive actions and improvement actions.

Our approach to insure the governance of the security of information systems is based on five principals namely:

- ✓ P1. Commitment of top management
- ✓ P2. Risk Analysis
- ✓ P3. Measure of maturity with regard to repositories of information security
- ✓ P4. Development of action plans
- ✓ P5. Definition of indicators measuring

Plan	P1. Commitment of top management P2. Risk Analysis P3. Measure of maturity with regard to repositories of information security P4. Development of action plans P5. Definition of indicators measuring
Do	D1. Elaboration de la politique de sécurité de l'information D2. Elaboration des procédures D3. Exécution du plan d'action
Check	C1. measure C2. Analysis of measures
Act	A1. corrective actions A2. preventive Action A3. improvement Actions

P1. Commitment of top management

Governance and management of information security within the organization agrees that senior management actively support the security policy within the organization through clear direction, a commitment to honest, allocation functions and explicit recognition of responsibilities for information security.

ISO 27001 [2] recommends that the Branch ensure that the objectives for information security are identified, meet the needs of the organization and are integrated into processes adapted.

In addition, senior management must formulate, approve and return policy information security to monitor the effectiveness of its implementation.

The formulation of clear guidelines clearly manifests its support with the initiatives taken to strengthen security.

P2. Risk Analysis

The MEHARI (harmonized method of risk analysis) for risk analysis is proposed by CLUSIF and is based on a top-down (top-down).

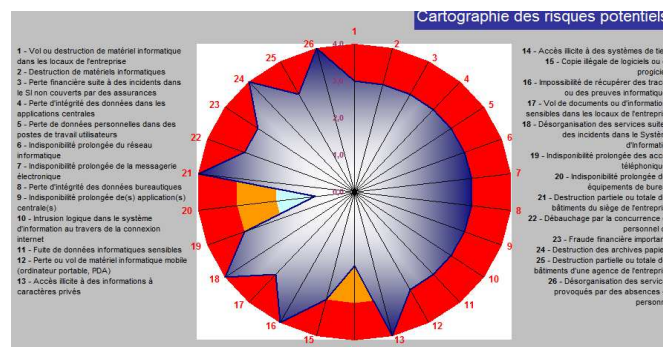
MEHARI is intended to enable risk assessment and control and security management information systems in the short, medium and long term.

The essence of this approach, allowing the risk assessment is to analyze, for a representative set of risk scenarios, the actual state of the risk level, depending on the status of security measures. This analysis will help to optimize the choice of complementary measures to be implemented.

MEHARI addresses the following areas:

1. Organization
2. Site Safety and Buildings
3. Security of premises
4. WAN between sites
5. Local Area Network
6. Network Operations
7. Architecture and Systems Security
8. Production Computer
9. Application security
10. Safety of projects and application development
11. Protecting the working environment
12. Legal and regulatory

A simplified version of MEHARI, we advocate a rosette can generate summary and prioritize actions to ensure information security:



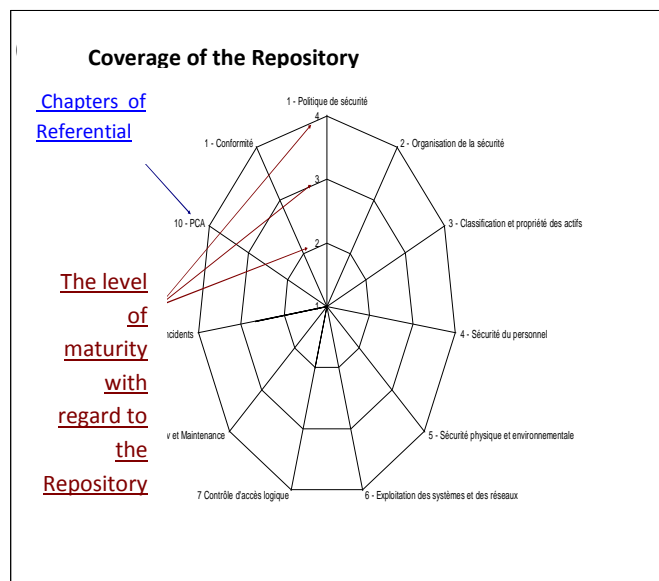
P3. Measure of maturity with regard to repositories of information security

The body of ISO 27002 identifies best practices related to information security, but does not mention the process of their implementation. Organizations can use ISO 27002 as a template to create rules and procedures regarding information security. It can be a tool to assign roles and responsibilities [3].

ISO 27002 therefore meets the needs of organizations that want to establish the objectives in terms of information security, through a series of practical recommendations, addressing both technical aspects and organization. The standard covers eleven chapters:

- Security Policy
- Security Organization
- Asset Classification and Control
- Security personnel-related
- Physical Security and Environment
- Operation and networks
- Incident Management
- Development and maintenance of systems
- Logical access control
- Business Continuity
- Compliance

Below is an example of synthesis that can be developed to measure the maturity of the security in relation to different chapters of the standard.



P4. Development of action plans

Development of action plan for describing security or updating tasks for the year related to the implementation of information security within the company. This is proof of the diligence of the company to implement its security policy in practice.

- It will be used for recording the activity of the company in favor of an alignment of security on its economic goals.

- The security action plan is sequenced according to priorities, ie according to the needs of safety calculated during the risk analysis. It is a kind of operational implementation of security blueprint.

To this end, the action plan is a tool that describes [4]:

- The key priorities from these two steps in implementing security measures,
- Actions to take,
- Managers and internal resources and external support,
- The overall planning and detailed task
- Funding of this plan,
- Monitoring the implementation (progress, remains to be done... etc).

P5. Definition of indicators measuring

The use of indicators in the field of information security is a new concept. It was imposed by ISO / IEC 27001 in the MSIS without specifying how and where to use which aims to identify points of WSIS that need improvement or correction. [5]

All indicators in IS Security is a very active area of discussion. However, there are two large families of indicators ie performance indicators to verify the effectiveness of security measures and compliance indicators to monitor compliance with its specifications WSIS.

D1. Development of security policy information

Security policy ensures an acceptable level of risk for the company, by implementing a security architecture taking into account the technical, human, organizational and regulatory business.

The parameters of risk analysis, when it comes to computer security are many and very different nature.

Confidentiality, integrity and availability of means of communication will be dependent on continued vigilance on the elements of:

- Physical Security: buildings, access, control, fluids, fire;
- logical security: computer backup, access, authentication, encryption ...

Knowing, of course, we are always more vulnerable by our weakest link.

Computer security is a broad concept that encompasses both application security, system security and operational safety, which also includes logical security (access management information system), physical security (site protection, fire ...) and the Communications Security Establishment.

However, the policy implementation of information security according to ISO 27001 should consider the following:

- a definition of information security, the general objectives sought and the scope chosen, and the importance of security as a necessary mechanism to share information;
- a statement of management's intentions supporting the goals and principles of information security, in accordance with the strategy and objectives of the organization;
- an approach to defining security objectives and measures, including the assessment and risk management;
- A brief explanation of policies, principles, standards and compliance requirements that are of particular importance for the organism, namely the following :

- compliance with legal, regulatory and contractual requirements;
- requirements in terms of training and safety awareness;
- Management of business continuity;
- the consequences of breaches of information security;
- definition of general and specific responsibilities in the management of information security, addressing in particular the rise of security incidents;
- References to documentation that will support policy and to be respected, for example policies and procedures for more detailed safety or security rules to be followed by users.

D2. Design of procedures

In most cases, safety procedures should be supplemented by a description of the security process. These processes specify the rules by a vision of "organizational" roles and responsibilities. The bottom line is that all components of the WSIS are clearly identified. If some documents apply only partially to the WSIS, this should be stated explicitly.

This is the role of the Declaration of Applicability (SoA) which, although it is not binding outside of official certification, is a highly relevant document to build the MSIS

D3. Execution of the action plan

After determining the overall security policy of the company, it should decline the actions and measures to be taken in terms environmental, human and technical.

- Environmental Dimension:

It concerns the physical infrastructure, insurance coverage, redundancy of sites.

- Human Dimension

It involves all stakeholders of the company. Awareness of and support are the best assets to avoid malicious behavior often involuntary.

On the other hand, the Internet offers many professional services useful to businesses, but there are also on the net play multitudes of services or personal use.

The risks associated with Internet use are also a loss of productivity in the company, a saturation of the bonds, lack of confidentiality, information leakage and unauthorized downloading applications...

All these types of connections in many cases to provide important information to hackers penetrating the enterprise system.

- Technical dimension

It must be adapted and consistent with the other two dimensions. Technical solutions are plentiful, and their vendors are full of good points. Nevertheless, and because no one should be judge and jury, nothing replaces a real security audit to qualify the solution. The recipe of computer equipment must include safety testing and induce rules and procedures for verifying the security level can be maintained.

C1.Mesure

The security measures include a set of provisions to implement. These are the steps to put a good security policy.

133 measures have been defined for security information such that each was accompanied by several checkpoints to be addressed for the implementation of ISMS.

These actions occur in several areas such as asset management, physical security, compliance etc..

In MEHARI, security measures are chosen for their efficiency and robustness with respect to the severity of the disaster scenarios for the company. Four levels of severity of damage are distinguished dysfunction (4: Vital, 3: Severe, 2: Important, 1: Not significant) to develop security measures. These malfunctions can happen because of lack of confidentiality, integrity or availability of resources and data. [6]

C2. Analysis of measures

Evaluation of computer security is due to the analysis of protective measures in place to ensure information security.

These analyzes identify and take specific decisions and situation-specific, with strong involvement of the Directorate General in managing risks.

A1. Actions correctives

It comes in a “corrective” when a malfunction or a deviation is detected. It is first on the effects to correct this discrepancy or malfunction, then the causes to prevent their repetition.

A2. Preventive Action

They are launched when it detects a situation that may cause our actual or incident if nothing is done. Preventive actions are to act on the causes before the deviation occurs.

A3. Improvement Actions

Their goal is not to correct or prevent a gap, but to improve the performance of the MSIS process.

Conclusion

The concept of SSI is a set of methods, techniques and tools responsible for protecting the resources of a computer system to ensure service availability, confidentiality and integrity of information.

Security of information systems (IMS) is emerging as a critical component of protecting the company in its own interests and those related to external issues.

Given the risks involved and the functional and organizational context specific to the organization, it should identify what needs to be protected, to quantify the corresponding issue, formulate security goals and to identify, to arbitrate and implement appropriate countermeasures to correct level is maintained.

In general, the safety of SI has several objectives. Safety, then, must protect information such as company assets against data loss, disclosure or alteration to ensure continuity of business operations. In addition, IS security preserves the image of the company and trust other.

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The Audit of the Sustainable Development and the Social Responsibility

A proposal of Methodology : the case of Morocco

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Abstract :

This article proposes an approach to set up a relevant and simple methodology to improve the capacity of the management to manage the new practices of the organizational sustainable development, to federate the actions and to strengthen the governance and the piloting of the company. The purpose of this methodology is to bring to managers a real strategic decision-making support, allowing them to act on all the levers of improvement of the company the performances.

1 : Introduction

The XXth century has unarguably been a century of political, economical, technological and social deep changes. Any deepening of the processes of the sustainable development collides with the perspective of the continual change of the nature and the structure of the situation. Indeed, the audit of the sustainable development is a highly dynamic process and it would be very risky to claim to be able to illustrate it precisely. It is all the same possible to find heavy trends which persist, while the factual information becomes fast obsolete. It is mainly for that reason that the article articulates around the actors, the processes and the poles, rather than around the events. Apparently, new facts will arise during the next years and decades which will confirm or will deny several statements of this article.

2: Historical reminder of the concepts and the standards of the sustainable development

Since 1987 and the publication of the historical report of the Brundtland Committee ⁴, the reflection on the sustainable development has progressed a lot. The fundamental principles of the report make today almost the unanimity, that is to say our acts have to take into account effects on the environment, the economy and the society, and not to compromise the well-being of the future generations.

For 20 years, important advances have been realized. Audit firms and big listed companies of most of the countries began to integrate the sustainable development into their action and their planning activities. All around the world, dynamic companies tend to make more sustainable products and processes. Initiatives were successfully taken on the local plan to make citizens aware of the importance of their involvement in the process of producing less waste, urban renovation and other projects.

⁴ P.D' Humières and all, The sustainable development: the management of the responsible company, the publishing (editions) of organizations, on 2005, p: 107

1. Definition

The expression "sustainable development" began to be widely accepted at the end of the 80s, having appeared in the document our future to all, also called Brundtland⁵ report. This report is the fruit of a committee gathered by the UNO to propose a global program for change concerning the concept and the practices of development. It shows that it is urgent to rethink our ways of living and governing. To answer in a responsible way the objectives and the aspiration of the humanity; it is necessary to find new methods of approaching the old problems, as well as to set up an international cooperation and coordination.

The world Committee for the environment and the development - its official name - Intended to draw the attention of the world on the degradation accelerated by the environment and the natural resources, as well as its consequences on the economic and social development⁶.

By establishing the Committee, the General assembly of the UNO explicitly emphasized two important ideas:

- The well-being of the environment, economies and populations are inextricably connected;
- The sustainable development requires cooperation at the international level.

At the heart of the sustainable development, we find the necessity of taking into account simultaneously «three pillars «that are the society, the economy and the environment. Whatever the context is, the basic idea remains the same: the persons, the housing environments and the economic systems are inter-connected. It is possible to ignore this interdependence a few years or a few decades more, but history showed that alarming signs or crisis always eventually remind us that it exists.

In June 1992, representatives of 179 countries met in Rio de Janeiro to participate in the Conference of United Nations on the environment and the development, collectively called the Earth summit of Rio. One of the main agreements signed during this meeting was the entitled program Action 21. This document of 900 pages describes the first stages which the world has to undergo towards the sustainable development, both at national and international levels, during the XXIth century. The signatories made a commitment to lead an action in four domains:

- the social and economic dimension, in particular the struggle against poverty and the promotion of a sustainable town planning;
- the conservation and the management of the resources, in particular the protection of fishing zones in the oceans and the fight against the deforestation;
- the strengthening of the role of big groups, such as the women, the local governments and NGO (NON-GOVERNMENTAL ORGANIZATION);
- Tools of implementation, such as the transfer of the Eco technology.

⁵ Report(Relationship) Brundtland, Our Common Future, 1987, available on the [www.un-documents.net / wcedocf](http://www.un-documents.net/wcedocf) web site.Htm.

⁶ OECD contribution to the United Nations Commission one Sustainable Development: Energy for Sustainable 2007 Development

- For example, the chapter 28, “Initiatives of local authorities in support of Action”, encourages the local and regional governments and the civil society to participate in the development of a "program Action in the level of the community ". Ideally, the coordination of the efforts in favour of the sustainable development, from the international level up to the local municipalities, should support the efficiency of all actions. From Surabaya (Indonesia) to Seattle (United States), cities allaround the world have implemented such a plan to promote the sustainable development at the local level.

Is the sustainable development really a guiding principle, as assert it many of its partisans? Or it is rather a concrete objective or a set of objectives which can be measured, estimated and considered as « achieved »? In the impressive corpus of the literature dedicated to the subject, these two points of view, as well as some others, are abundantly forbidden⁷. It is not however necessary to choose between these options. All the advances noticed in the previous generations were the fruit of a permanent process consisting in translating big ideas into concrete practices. It always implies a multitude of experiments, learning's, failures, errors, as well as constant efforts to adapt and refine the used methods.

The sustainable development also allows considering the relations which unite things between them, in order, to propose viable solutions. As the Brundtland Report asserts it, “the sustainable development is not a fixed state of harmony, but rather a process of evolution”. It is the tool which obliges us to examine factors which we would be rather inclined to ignore for the benefit of a short-term profit, as in the case of a polluting industry which concerned especially about its profits for the current year, or about a pension plan which does not take into account the increase of the number of retired people with regard to the number of contributors.

Brice Lalonde, French ex-secretary of the Environment, proposes the following definition: “the idea, for me, is the one of an economy which should allow us to live better while improving our environment and our societies, from now on and in the context of the globalization”.

In this perspective, the sustainable development raises (draws up) the frame (executive) which join the possibilities of progress: economy is a tool which helps us to reach the global and collective objective which consists in improving the quality of life at the world level. The success consists in uniting three pillars in the same trajectory of progress.

2 : Standard of the sustainable development

The respect of ethical rules is a constant concern in companies. Systems of control, and audit were set up to fight against bad practices. As underlines it so well Sirs A. Chaveau and J Rosé⁸ the first reaction of multinationals to the implementation of the guiding principles of the sustainable development was to deny or to say that it was not their responsibility. This fact is, today for behind. The second reaction was to establish internal codes of conduct. It

⁷ OECD, guiding Principles of the OECD for the multinational companies, Revision 2000

⁸ A Chaveau and J.J.Rosé, The responsible company, the publishing(editions) of organizations, on 2003, p: 225

depends first of all on the quality of their contents, which are often uncertain. In 1998, the BIT had found very incomplete the two hundred and fifteen codes which were studied.

N. Klein has a vision of these codes, critical but rather just : the codes of conduct are of a formidable subtlety. Unlike the laws, they are not applicable. And unlike the labor-union contracts, they were not drafted in association with factory managers to meet the requirements and the needs of the employees.

Afterward these ineffective softs - laws gave up the place to several standards of the sustainable development defined by professional organizations such as:

- **Environmental Eco Audit EMAS⁹ management system and audit:** EMAS is so presented on the official www.emas.org.uk site. EMAS is a voluntary initiative to improve the environmental performance of the company ";
- **SD¹⁰21000 sustainable developments** : in fact rather than a standard, it is about a guide of advice and recommendations proposed by the AFNOR (FRENCH NATIONAL ORGANIZATION FOR STANDARDIZATION), thus limited to France ;
- **The reference table¹¹ SA8000:** it was realized by Social Accountability International (SAI). The slogan of SAI is: « Making Workplace Human Rights a Vital Part of the Business agenda » and the mission: « assure the promotion of the human rights of workers worldwide ». The standard SA8000 concerns the following chapters :
 - Child labor and hard labor
 - Hygiene and safety Freedom of association and right for the collective bargaining
 - Ban on the discrimination regarding remuneration, training, dismissal and pension
 - Working time
 - Remuneration
 - System of management / management

The EMAS regulation defines the requirements to set up an EMS (Management system of the Environment). More complete than ISO 140001, it imposes in particular that the fixed objectives of improvement are verifiable and require an environmental communication.

The company has to make at disposition of interested parties an environmental statement.

Indicators of operation, environmental performance, and management are so many communications tools. They will thus be understandable and without ambiguity¹².

ISO 14000 environmental management: ISO 14000 is established by a set of standards dedicated to the environmental management. This standard specifies the requirements

⁹ EMAS: Environmental Management Audit System

¹⁰ SD for Sustainable Development: Anglo-Saxon Term indicating (appointing) the sustainable or steady development

¹¹ LIMITED COMPANY 8000 for Social Accountability 8000 Standard

¹² Cf eur-lex.europa.eu.

expected from such an environmental management system. It allows the organization concerned to define and to apply its policy and objectives while taking into account major legal and normative requirements¹³. In its logic, the reference table ISO 14000 is rather similar to the classic ISO 9000 of quality management. In both cases, the idea is good to certify the process and not the products, the result of the work. The environmental management system will be certified by an accredited third party body, independent from the company. Quite as ISO 9000, ISO 14000 requires from companies having chosen to implement this standard, a permanent improvement of the performance regarding environmental management in that case.

The list of the standards presented in this article is not restrictive but it seems to us convenient to quote only these standards¹⁴

Further to the proliferation of the standards it seems convenient for certain international bodies to develop a precise standard on the sustainable development. So, after 5 years of negotiations and an unprecedented international mobilization (more than 500 experts of 99 countries or big organizations such as the ILO (INTERNATIONAL LABOR ORGANIZATION), the OECD), the members of the ISO, whose AFNOR (FRENCH NATIONAL ORGANIZATION FOR STANDARDIZATION) is the French representative, approved at the end of 2010 the text of the standard ISO 26000.

It is an innovation of size in the field of the sustainable development. But what is its role exactly? What impact is it going to play on the working environment of organizations? What will be the operational tools to set up? To answer these questions we are going to set-up a practical methodology of this standard in the next paragraph.

3. The ISO 26000

ISO 26000 is the name of the international standard which gives guidelines for the organizational sustainable development and the corporate social responsibility. This standard is intended for the organizations of any types, in the public sector and the private sector, the developed countries and in countries in development. ISO 26000 contains guidelines and not requirements. It is not thus intended for the certification as it is the standard ISO 9001: 2000 and ISO 14001: 2004.

So, according to the AFNOR (FRENCH NATIONAL ORGANIZATION FOR STANDARDIZATION) tomorrow, any organization of any country, whatever its activity and its staff, will have a reference text, recognized at the international level the objective of which will be to guide it in the implementation of best practice regarding corporate social responsibility.

¹³ The standard ISO 14001 does not specify the specific criteria of evaluation of the environmental performance...

¹⁴ Other standards are described by Ecopass: guide of reference tables of the sustainable development: which tools for a strategy of the sustainable development available on the web site <http://www.ecopass.fr/developpement-durable-2.html>

The AFNOR standard, as related by its French representative, establishes the distinction between two notions¹⁵:

- The sustainable development meets the needs of the present without compromising the capacity of the future generations to be answered in theirs. It covers three areas: economy, society and environment.
- The corporate social responsibility is the contribution of organizations to the sustainable development. It is translated by the will of the organization to assume the responsibility of the impacts of its decisions and activities on the company and on the environment and to report it.

The standards of the management system - ISO 14001, ISO 9001... - are complementary and compatible with the standard ISO 26000. This last one allows feed the strategic reflection of organizations. it is thus situated more upstream and can lead for example to have an ISO 9001 approach in order to optimize the customer relationship or an ISO 14001 approach to organize and support the consideration of the environment in the functioning of the organization. It's the same for tools such as OHSAS 18001, the GRI, the carbon assessment® which bring methodological, operational answers or recognition on certain aspects of the implementation of the standard ISO 26000.

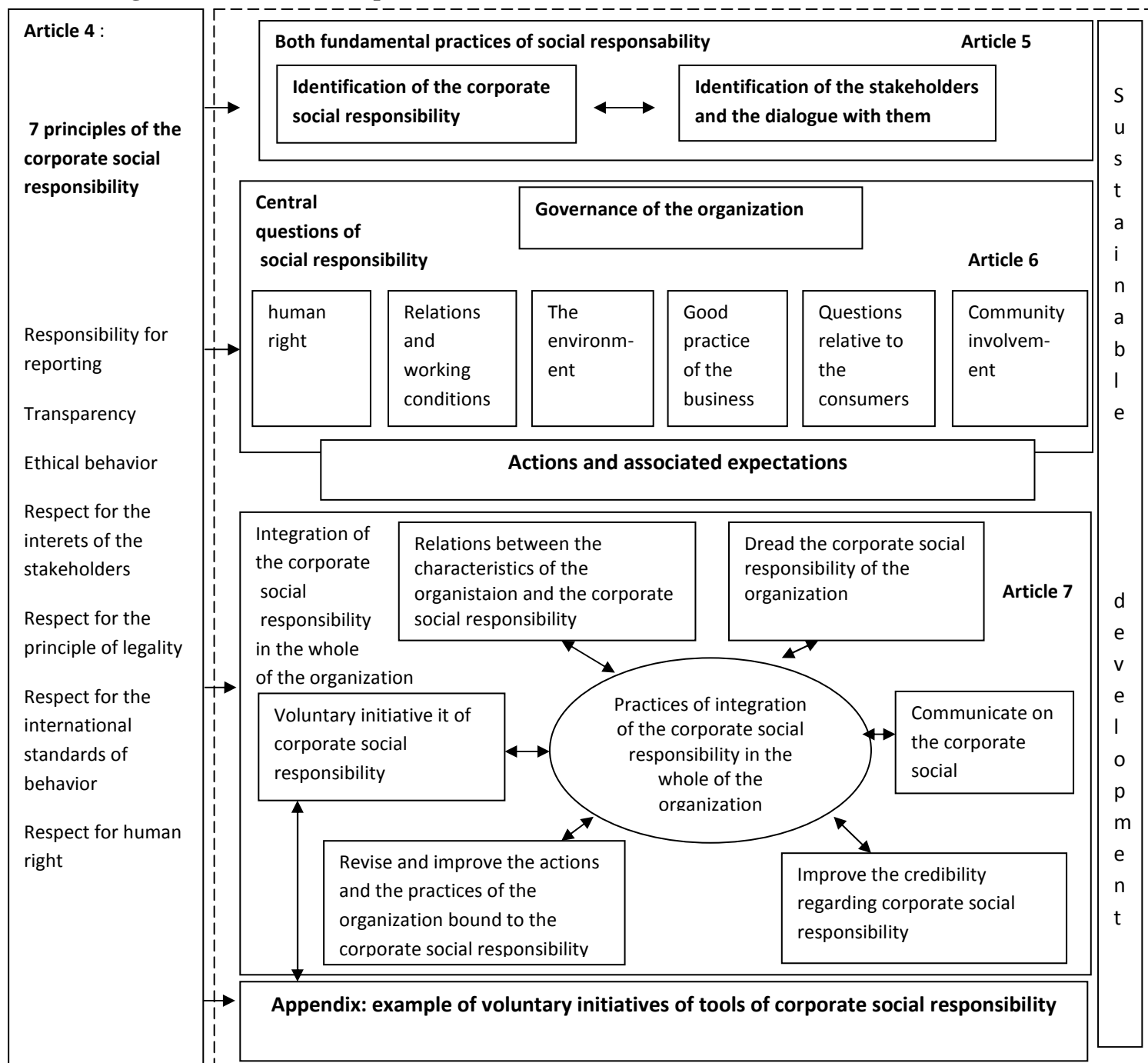
The detailed contents of ISO 26000 will evolve over time. However, the current standard covers the following chapters:

- 1 - Field of application
- 2- Terms and definitions
- 3- To understand the corporate social responsibility
- 4- Principles of the corporate social responsibility
- 5- To identify the corporate social responsibility and to have a dialogue with the stakeholders
- 6 - Guidelines on the central questions of corporate social responsibility
- 7 - Guidelines for the implementation of the practices of corporate social responsibility

From these guidelines the standard ISO 26000 offers an environment of work and reflection for the implementation of a strategy of sustainable development and corporate social responsibility for companies. The ISO 26000 approaches seven central questions of corporate social responsibilities defined in the standard and represented in the plan below.

¹⁵ AFNOR, ISO 26000 in 10 questions, on 2010, p: 5

(Figure) 1: Seven central questions of the ISO26000



Source: AFNOR

Governance and organization: it is the essential element of the standard that considers governance as the "place" where the company gets responsible. How? By the taking responsible decisions and by the allocating means to reach its objectives.

It is at the level of governance that lays sustainable development and its declension in the strategy. In other words, without clear and asserted willingness by the management, the sustainable development will at best be a set of measures having marginal impacts on environment and on society and worst a friendly posture.

Human rights: it will be a question of respecting the prescriptions of the bill of rights:

- Obligation of vigilance
- Situations presenting a risk for human rights
- prevention of the complicity
- to put an End to the violations of the rights
- discrimination and vulnerable groups
- civil and political Laws
- business, social and cultural Laws
- fundamental rights at work

The relations and the working conditions: the auditor will examine if the rules promulgated by the labor law and by the international recommendations of the work office are respected

- Employment and the relation of employer - employee
- Working conditions and social welfare
- Social dialog
- Health and safety in the work
- Development of the human resources and the vocational training

The environment: It will be a question of making sure that the principles promulgated by the protocol of Kyôto, for the carbon assessment and for the ISO 14001 are respected

- prevention of the pollution
- sustainable use of the resources
- mitigation of climate change and adaptation
- protection and rehabilitation of the natural environment
- Brief, to consume fewer resources, to protect the biodiversity, etc. and of course to be concerned about the climate change. This movie treats funnily this last point, which is very worrisome.
- the best practice of the business
- fight against corruption
- responsible political Commitment
- loyal competition
- Promotion of the corporate social responsibility in the sphere of influence
- Respect for property rights

The questions relative to the consumers:

- Best practice regarding marketing, regarding information and regarding contracts

- Protection of the health and the safety of the consumers
- Sustainable Consumption
- After-sales service, assistance and resolution of the consumer disputes
- Protection of data and the private life of the consumers
- Access to the essential services

The commitment in regards to local populations and their social development:

- Territorial Anchoring
- Education and culture
- Job creation and development of the skills
- Development of the technologies
- Creation of wealth and income
- The health
- social Investment

3: Towards a proposal of an audit of sustainable development

Since a few years, the audit and especially risk management, has taken importance due to the world financial scandals of the end of the XXth century, led instances to launch a project of normalization.

The audit of the sustainable development of an organization aims above all at determining the impact of its decisions and its activities on the company and on the environment, being translated by a transparent¹⁶ and ethical behavior which:

- Contribute to the sustainable development including in the health of the persons and in the well-being of the company
- takes into account the expectations of the stakeholders
- respects the current laws, and is compatible with the international standards, is integrated in the organization as a whole and implemented in its relations

Besides, according to a poll of the giant KPMG¹⁷ (specialist in audit and counseling) in partnership with The Economist Intelligent unites, the strategy RSE turns out winning for the most part of the world large companies. 370 managers of large companies, having answered the poll, have for half of them a seat on the board of directors.

The results show that the RSE strategy brings a significant number of profit to the companies which set them up among which the improvement of the customer relationship (at the same time regarding new customers and regarding development of customer loyalty of the existing customers for 32 % of the referees), a profitability was increased (for 31, 5 % of the referees) and the development of new products and services of better quality (for 25 % of the referees).

¹⁶ Cf standards ISO 26000 op quoted

¹⁷ International KPMG, Corporate Sustainability: has progress adjournment(transfer), 2011 available on the web site: [Http: // www.kpmg.com/global/en/issuesandinsights/articlespublications/pages/corporate-sustainability.aspx](http://www.kpmg.com/global/en/issuesandinsights/articlespublications/pages/corporate-sustainability.aspx)

«Whereas most of the companies which we questioned had set up a RSE strategy with the aim of improving their notoriety and satisfying the new legislative constraints; these same companies, saw their profitability increasing, benefited the development of new products and services of better quality and noticed the improvement of the mood of their employees " Vincent Neat, Head of climate change and sustainability at KPMG says to us. He adds: " it is the positive point to notice that the majority of 400 world companies which we addressed had a sustainable or already established development plan or in the course of implementation ".

This poll confirms that what urges initially companies to set up a strategy of sustainable development remains mainly the desire to improve their notoriety or the obligation to comply with the social and environmental standards.

1. Nature of the Mission of audit

The audit of the sustainable development and the social responsibility consists all of the checks which statutory auditor or audit firm is going to realize in order to have a precise idea of the situation of a company.

In a more general way, the reasonable diligence is the degree of judgment, care, caution, firmness and action in which we can expect a reasonable person in the considered circumstances.

Ms. G.R.GIORDANO¹⁸ brings us a reflection on the nature of the environmental check¹⁹ and notices that it has numerous similarities with the financial audit, justifying by even the use of the same terminology.

She also specifies that these missions are the privilege of the biggest audit firms, such as Price Waterhouse and Coopers, Ernst and Young, KPMG, Deloitte, Mazars. The adopted methodology is considered by the auditors as were the one of the financial audit, except that the used units of measure and the documentary evidences are specific in the environmental domain.

Before making a mission of audit for a company with industrial past and potential problems of pollution, the investigations will help take into account the environmental liabilities of the site during the calculation of its real value. An environmental evaluation of plans will allow understanding (include) the problems of contamination of a site. And in that case, the auditor will help the company determine the responsibility of the operations of purification. An audit of the sustainable development will also study the potential legal, social and civil damage which can arise, including those implying real estate commercial transactions.

¹⁸ G.R.Giordano, The quality of the societal information: an experiment relative to the environmental audit, Doctoral thesis supported at the University of Montpellier 1 option: science of management, supported publicly on December 3rd, 2007

¹⁹ The objective of this article is not to list(count) the whole magazine(review) of the literature concerning the audit of the sustainable development and the social person in charge. For more deepening on this subject refer to the doctoral thesis supported by Claire GILLET Le in November 23rd, 2010 at the University of Montpellier carrying(wearing) " THE STUDY OF THE DETERMINERS OF THE CHECK OF THE SOCIETAL INFORMATION IN THE CONTEXT FRENCH ".

Besides, the audit firm makes sure that the company respects the prescriptions regarding broadcasting of societal information; every country has its own regulations. Indeed, today in numerous countries, companies legally have to communicate societal information.

Finally, when the appointed verifier is statutory auditor, and since the mission is having a conventional character, he is free to accept or to refuse this mission. In case he accepts the mission, he has to respect the fundamental principles of behavior and the main rules defined in the Code of professional ethics. He has to implement a process of check in compliance with the abstract frame of the missions of insurance of the IAASB, in particular the standard ISAE3000 (Rivière-Giordano, on 2007) ²⁰.

So, the three parts concerned by the mission of check are: the company, the supplier of the insurance benefit as well as the interested parties by this check

Board 1: the national statutory regimes regarding societal information

Country	Legislation	Impact	Shape
South Africa	Report King II (2002) Code of corporate practices and conduct	All the companies quoted in stock exchange (JSE securities Exchange)	Publication of an independent report according to the standards of the GRI
Germany	Accounting law bilanzrechtsrefonngesetz (October, 2004)	the companies quoted in stock exchange	Disclosure obligation of extra-financial data. Companies have to describe their main risks, as well as supply key data of environmental and social performance
Australia	Accounting law Corporation Act (2001)	The companies which have activities liable for the Australian regulations regarding environment	Information detailed on the performance of the company with regard to the regulations on the environment and integrated into the annual report of the board of directors or the management board
Canada	Regulation adopted by the committee of securities: regulation 51-103 and appendix 51-102A2 " annual Note " Regulation 52-109 Regulation 58-101 (2004-2005)	All the companies liable Canadian	The annual report has to describe the social or environmental policies which the company implemented and who are fundamental for its activities as well as the measures taken to operate them (Regulation 51-102 A2 column 5.1)
Danemark	Green Accounting Act (1995) Accounting law Danish Financial Statement Act (2001-2003) Accounting law Act amending the Danish Financial Statement Act	Companies having an impact environmental, that is the one who are subjected to the procedures of authorization planned by the environmental regulation Certain averages and large companies and all the highly-rated companies For the biggest companies	An independent report which contains environmental information (" green accounts ") and follows the regime of the annual reports Inclusion in the annual report of their impact on the environment and the environmental programs in position Report in the annual report of their activities RSE or justify the absence of such information

²⁰ Op cit

	(report on social responsibility for large business) (December 2008)		
USA	<p>Right To Know Act (1996) Toxic Release Inventory (TRI) (1987)</p> <p>SEC (Securities and Exchange)</p> <p>Sarbanes-Oxley Act (SOX) (2002)</p>	<p>For the most toxic companies the activity of which is susceptible to cause damage</p> <p>For all the listed companies in the USA</p> <p>For all the listed companies in the USA</p>	<p>Publication of certain information (broadcasts issues of toxic products) for the agency of the environment (EPA)</p> <p>Publication in the document 10-K of information on the conformity with the laws, the legal proceedings and the debts bound to the environment (Regulation S-K Point 101.103 and 303)</p> <p>Section 401: the reporting has to include information with not financial character to supply to the investors a precise vision and complete in terms of materiality (no reference clarifies in the societal aspects)</p>
Japan	Law N 77 " law for the promotion of the activities of companies and consideration of the impact on the environment of certain specific companies, etc., and for the facilitation of the access to the information relative to the environment and to the other measures " (2004-2005)	Japanese companies considered as specific according to the ministerial prescription	Publication of a specific environmental report (article9)
Norway	Accounting law Accounting Act (1998)	All the Norwegian companies which have to hold accounting documents and all the foreign companies which make activities in Norway and are tax-payers there	Companies have to supply an environmental information detailed in the financial annual report
Netherlands	Environmental Management (1997)	The establishments which could have negative impacts on the environment defined according to precise criterion according to the sector, the production capacity ...	Publication of both sorts of environmental reports : A report for the government and a report for the public
United Kingdom	<p>Operating and Financial Review (OFR) (2004) Abandoned</p> <p>Company Law Reform Bill (2006)</p>	<p>All the listed companies</p> <p>All the listed companies</p>	<p>Publication of a report OFR (in the form of separate report integral part of the audited annual report) containing social information</p> <p>The « examination of companies » of a listed company has to contain information on environmental issues, on employees of the company and on community questions (law less precise than the OFR)</p>

Source : C.Gillet, op cit p: 40 and 41

As it is mentioned by Gillet underlines it Gillet²¹: «most of the information required by the national regulations concern environmental information. When the information with social character or when the reporting concerns more widely the extra-financial data, these are never explicit as for their contents. Secondly, in the majority of the presented statutory regimes, companies liable for the obligations of reporting are the ones which are already forced by legislations on the environment. Besides, companies concerned by these obligations are, for the majority of countries, highly-rated companies, with the exception of Norway and of Canada where all the companies are subjected to these obligations ".

2. Methodology of the audit of the sustainable development

Audit firms formulate various types of recommendations being able to interest numerous actors, among whom the shareholders, the banks, the customers, NGO(NON-GOVERNMENTAL ORGANIZATION) and companies. In particular, they can help companies understand better concepts and principles that must govern the behavior of companies. The evolutionary frame of the sustainable development gives orientations in domains such:

Central question: Human Rights

Sphere of action 1: duty of vigilance

Sphere of action 2: situations presenting a risk for human rights

Sphere of action 3: prevention of the complicity

Sphere of action 4: remedy infringements of human rights

Sphere of action 5: discrimination and vulnerable groups

Sphere of action 6: civil and political Laws

Sphere of action 7: business, social and cultural Laws

Sphere of action 8: fundamental Principles and right to work

Central question: relations and working conditions

Sphere of action 1: employment and relations employer / employee

Sphere of action 2: working conditions and social welfare

Sphere of action 3: social dialog

Sphere of action 4: health and safety in the work

Sphere of action 5: development of the human resources

Central question: the environment

Sphere of action 1: prevention of the pollution

Sphere of action 2: sustainable Use of the resources

Sphere of action 3: Loyal competition

Sphere of action4: Promotion of the corporate social responsibility in the chain of values

²¹ C.Gillet, op cit.

In certain cases, these instruments address directly companies (for example the law NRE or the law Grains in the French case). In other cases, they constitute for the governments an obligation to transpose certain concepts and principles issued from international organizations (for example, the principles of the work of the United Nations Global Compact Guide for companies) which, in its turn, modifies the legal obligations of companies. In their overseas activities²², including in zones with deficit of governance, companies should respect the law and the concepts and the established international principles.

These principles of sustainable development can help the subcontracting companies operating in zones with deficit of governance to detect better and to understand the risks from negligence's of the social responsibility.

Even reduced to the questions touching the organization and the environment and its consequences on the employment and the working conditions, the field of practices covered within the article has proved so wide that seemed to us necessary to look for, or to reduce it (we had no right to dismiss any of the good practice) at least to organize it by determining the priority grounds with regard to the thorough question put of the RSE, which seems to us be the one of the report of the audit of the sustainable development.

a- Human rights

Today, the majority of the Member states of the UN²³ left to international agreements regarding human rights. They have the entire legal obligation to respect, to protect and to implement rights and fundamental liberties.

The majority of them signed the Statement adopted during the Conference of Vienna on human rights in 1993, which reaffirmed «that the protection and the promotion of human rights are a priority question for the international community «and (...) " That no argument, even the development, can justify a limitation of the rights and the liberties ".

The general principle of nondiscrimination

With the principle of equality, the principle of nondiscrimination constitutes one of the fundamental elements of the international law of human rights, as showed by the DUDH, both Pacts of 1966, the international Agreement on the elimination of all the forms of racial discrimination (CERD), and the Agreement on the elimination of all the forms of discriminations towards the women (CEDAW), and Agreement on children rights.

The forms of discriminations can be multiple and the problem of the groups and the vulnerable, marginal, disadvantaged individuals or socially excluded is at the heart of the international law of human rights.

The principle of participation in the decisions

The normative frame of human rights internationally recognized includes the right of the persons affected by key decisions to participate in the relevant decision-makings. It is stated the right to participate in numerous international instruments, in particular the international

²² When the company establishes strengthened accounts, the information to be supplied will be strengthened data (on the company it self as well as on all subsidiaries in the sense of the article L. 233-1 or the companies which it controls in the sense of the article L. 233-3 1 of the Law N 2010-788 of July 12th, 2010 published thr journal officiel of July 13th, 2010).

²³ The article 55 of the Charter in its paragraph states that United Nations will favor: " the universal and actual respect for human rights and for fundamental liberties for all, without distinction, for sex, for language or for religion. "

Pact concerning the business, social and cultural laws and the Statement on the right for the development. A policy or a program which is elaborated without the active participation by the concerned persons has hardly few chances to be effective.

Due diligences stock to the respect for human rights and a particular attention of the auditor will concern the following elements:

- Fire-ups due to racial discrimination;
- The complaints put down by associations or NGO (NON-GOVERNMENTAL ORGANIZATION);
- In the sociocultural distribution of the company;
- In the trials instituted to the company;
- In its values;
- In the complaints put down in the service of the human resources for prejudices racial;
- In the board of the promotions and in the balance sheet of the skills;
- In the paid salary and in the fair processing of the employees;

b- The relations and the conditions of the work

According to p. Auer, G. Besse and D. Méda²⁴, the reasons for which the international standards were organized since the creation of the ILO (INTERNATIONAL LABOR ORGANIZATION) are always valid: a competition not regulated on the labor market engenders negative effects on the working conditions;

Rules and regulations having binding effect are necessary to prevent the destructive competition. Better: the international standards can allow the improvement of the economic performances (by encouraging the entrepreneurs to innovate, to make productivity gains, to give up little profitable activities).

Among the international standards of the work we can quote:

freedom of association supposes to respect the right of all the employers²⁵ and all the workers to establish freely and voluntarily organizations, labor unions or to join it, to promote and defend their professional interests.

The workers and the employers have the right to establish their own organizations, to join it and to manage them, without intervention from the company. The employers have to interfere by no means in the decision of the workers to join, try to influence their decision, or to exercise discriminatory measures against the workers who decide to join, or against their representatives.

The right of the workers to negotiate freely with the employers is an essential element of the freedom of association. The collective bargaining²⁶ is a voluntary process which allows the employers and the workers to discuss and to negotiate their relations, in particular as regards the working conditions. The participants in the negotiation understand the employers

²⁴ P Auer, G. Besse and D. Méda, Relocations, standards of the work and employment policy Towards a more just globalization? THE DISCOVERY, LA DECOUVERTE Paris, on 2005

²⁵ International Labour Office, The principles of the work of the World Pact of United Nations. Guide for companies. Geneva, on 2010.

²⁶ Collective bargaining: in the working right it is translated by collective agreement

themselves or their organizations, and labor unions or, in their absence, the representatives freely appointed by the workers. The collective bargaining can work effectively only if it takes place freely and honestly, with the cooperation of all the parties.

It supposes :

- to make efforts to reach an agreement;
- to hold constructive and honest negotiations;
- to avoid inexcusable delays;
- to respect the concluded agreements and to apply them honestly; and to give to the parties enough time to discuss collective disputes and to reach a regulation.

Besides the fact of being a right, the freedom of association allows the workers and the employers to group together to protect better not only their economic interests, but also their civil liberties such as the right to life, in the safety and in the integrity, as well as their personal and collective freedoms. This principle, consubstantial with democracy, is essential for the respect for all other principles and fundamental rights for the work.

The collective bargaining is a forum of exchanges which allows the employers and the workers, or their respective organizations, to discuss in a constructive way their relations, and conditions of work and employment. It is often more effective and more flexible than the state regulations. It can contribute to anticipate the potential difficulties and to set up mechanisms allowing to adjust them peacefully and to identify solutions which take into account priorities and needs of the employers, as well as workers. Harmonious collective bargaining's are advantageous both for the management and for the workers and favor the peace and the stability, which benefits more generally the company. The collective bargaining can constitute an important mechanism of good governance, in what it allows to increase the degree of commitment of the persons who participate in it, by involving them in the decisions which affect them directly.

In Morocco, the article 96 of the labor code plans that the collective bargaining takes place once a year, at the level of the company, that is between the employer and the labor unions of the most representative employees, as well as at the level of the sector, between the employer or the professional organization of the employers and the most representative labor unions at the national level.

The hard labor²⁷ is a fundamental violation of human rights, which represents a challenge for most of the countries worldwide. The BIT considers that at least 12, 3 million persons are victims of the hard labor in the world, among which 80 % in the hands of the private agents. Most of the victims receive a low remuneration, even noting, and work for long hours in deplorable conditions of safety and health. The hard labor is really a worldwide problem in the developed countries where it affects mainly the victims of the milking among the migrant workers. It concerns men and women, but also children, who represent at least 40 % of all the victims.

Also, working contains risks. It is evidence, because work is a human activity, and because any activity involves factors of uncertain case and unknown combinations. These dangers

²⁷ The hard or compulsory labor appoints any work or service(department) required(demanded) from whoever under the threat of a penalty, and for whom this person did not offer herself of his/her own free will. The fact that the concerned worker receives a salary or another shape of remuneration does not mean inevitably that the work does not dress(take on) a forced or compulsory character

which show themselves essentially under the shape of personal accidents and diseases of varied gravity are called occupational hazards.

-According to the gravity of the hurts, we distinguish four types of occupational accidents, corresponding each to specific modes of repair.

-Occupational accidents without a sick leave which are generally mild and which can be looked after on the spot in the infirmary of the company, and which require only a few hours of rest or care. These accidents are not to be necessarily declared, but must be recorded on special registers of the company doctor. It is about small wounds (cuts, scratches, shocks and mild traumas), of very light poisonings and small projections of aggressive products on the skin causing very superficial burns.

- Occupational accidents with a sick leave, of a few days to several months. It is about temporary disabilities according to the duration of the work leave and until total or partial resumption of the work. They are graver accidents, requiring prolonged and intensive medical or hospitable care as well as lasting days rest at least.

A fracture of bones, a sprain, important burns but which can be looked after without leaving of permanent aftereffects are considered as temporary disabilities and repaired as such. By virtue of the article 14 of Dahir of June 25th, 1927, any occupational accident must be declared to the local authority within 48 hours from the moment the accident happened.

-Occupational accidents with permanent incapacity, correspondent in definitive hurts and aftereffects susceptible to reduce the working capacity. According to the gravity of the physical injury, there are several degrees of permanent incapacity, being translated by compensations following a scale defined by statutory texts. A cut finger, a leaky eye, a deformed leg, a partially damaged lung are the object of compensations whose amounts are variable.

-The mortal occupational accidents with immediate or deferred death, further to complications from accidents. In that case it is the legal successors, who receive life annuities,

Finally the auditor will pay a particular attention on the following elements:

- To respect Guaranteed minimum wage and for the Minimum wage
- Agricultural Guaranteed (SMAG) to eliminate the risk of hard labor
- To give to the union representatives the possibility of negotiating collectively with interlocutors who hold a real decision-making power.
- To supply the information necessary for constructive negotiations.
- The existence of the mechanisms of dispute settlement
- The existence or not of strike;
- The existence of a hard labor by revealing signs such as: the food deprivation, the non-payment of salary; exercise against the employees of the physical violence or the sexual abuses; restrict their movements or lock them.
- the existence of a committee of safety and hygiene for companies employing at least 50 employees,
- To identify the occupational hazards within the company;
- To stay up the application of the legal prescriptions relative to the safety and to the health of the workers in particular the decree n°2-09-197 of March 22nd, 2010 fixing the model of the annual report that has to establish the committee of safety and hygiene;

- To make sure that instruments and safety devices are suitably used and that the company respects the prescriptions of the guide of safety against risks of fire and panic elaborated by the Management of the Disaster and emergency services;
- The existence of a working doctor, a possibility of psychological consultation and the statements of working actions put down in the local authorities;
- The use of the grade-related method favor of certain number of ratios such as: the rate of absenteeism, the number of statements of professional diseases, the staff turnover. It is also necessary to quote the increase of the demands of consultation "Human resources" or with the hierarchy, as well as that of the number of visits to the infirmary or that relative among occasional medical examinations at the request of the employees. In the same way, an increase of the medicinal consumption or an increase of the sick leaves. In the increase of the rates of occupational accidents, a particular glance on an increase of the road accidents (missions, routes) can be useful because these indicators can affect the other indicators so meaningful, as the number of number of meetings of Representative Authorities of the Staff, the number of demands of departure in training.

c- The environment

According to the standard ISO 31000 version 2009, the risk defines itself as the possibility that an event arises and whose consequences (or effects of the uncertainty) would may affect the persons, the assets(active persons) of the company, its environment, the objectives of the company or its reputation.

This general definition applies obviously to the environmental risks. The event associated at a «risk having to do with the environment» such as defined within this standard thus can be of diverse nature, but it contains inevitably sources or environmental consequences.

So, we mean by risks having to do with the environment :

- 1- The industrial or technological risks generated by the company (internal risks) impacting on the environment: water, air (sight), sites and grounds, noise, etc.
- 2- The risks of outside attacks (external risks) the environmental dimension of which impacts on the company, such as:
 - the natural risks: flood, movement of ground, storm, lightning, drought
 - the outer accidents at the origin of environmental damage: break of dikes, accident caused by a neighboring dangerous activity ...

The consequences for the company of the risks bound (connected) to the environment can indeed be of several orders:

- Affected the environment: water, air, grounds, landscape, natural resources, etc.
- Reached the human integrity: health and safety of the employees, the users of products and departments, etc.
- Financial Losses: loss of income, costs of the damage, the insurances, etc.
- Possible legal penalties: penal, civil and administrative,
- Degradation of the image of the company: risk of reputation, etc.

Except the quoted risks or except those located during the operation of audit or tuned to (listening) the stakeholders (NGO (NON-GOVERNMENTAL ORGANIZATION) or employees), new risks can appear:

- The " environmental liabilities " of a site, which shows itself often only late and sometimes when the person in charge of the situation is not necessarily capable any more of assuming it and of repairing the consequences,
- The risks of natural disaster,
- The risks of development related to new activities or to new products,
- The statutory risks in particular those led by the new European directive on the Environmental responsibility, or still by the law Sarbanes-Oxley concerning companies listed in the United States,
- The new economic risks led by environmental problems (example of the market of the quotas of emission of CO₂),
- The risks of collective actions on behalf of the consumers or the other stakeholders,

The operation of audit takes place by an interview which has to allow classifying the risks according to their existence, the nature of their environmental impact, and their temporal origin:

- Existence of the environmental risk:
 - The risk exists when it is spotted in the considered perimeter (installations, products, activities, etc.), that is the probability of appearance of the generative fact is recognized not null
 - The risk is potential when it is not spotted in the considered perimeter but when it was it already in installations or similar conditions.
 - Nature of the environmental impact of the risk:
 - The environmental impact is recognized in case of realization of the generative fact (we can speak about turned out risk),
 - The environmental impact is supposed but not demonstrated scientifically in case of realization of the generative fact (we can speak about plausible risk).
 - Origin of the environmental risk:
 - The risk can result from the past activity of the company,
 - Or of a present activity,
 - Or of a future activity,
- So, points to be evoked would be in particular the following:

Setting-up of production sites:

- What natural environment (groundwater, river? Nature of the ground? Rosette of winds?),
- What industrial environment (the other companies near? Among which some at risks?)
- What human environment (houses, schools, hospitals near?),

The same questions on the transportations of goods or products related to the activity of the company,

The same questions on the products of the company (a bad storage use or recycling the product by the user or the consumer can have environmental impacts),

The same questions on the services of the company,

Statutory risks (current non-compliance, or risk of hardening of the legislation),

Sectorial Benchmark regarding risks:

- environmental risks of the sector,
- Positioning of the company in its sector (best in class or worst in class regarding risks?).

Environmental image of the company:

- reputation, embellish with images (institutional image and image of the products),
- reliable level with the stakeholders,
- crises and dispute (past, current or plausible),
- press articles,
- certifications,
- Classification in the indications of financial extra notation (ASPII, F4Good, etc.),
- environmental prizes, quotations,
- signatures of charters, international treaties, etc. (Global Compact, OECD,
- WBCSD, etc.).

Sectorial Benchmark regarding image:

- environmental image of the sector,
- Positioning of the company in its sector (best in class or worst in class regarding image?).

The same questions on the main suppliers of the company:

- the suppliers can cause environmental risks for the company because of products or services which they supply ;
- The suppliers can also create risks of reputation: in a crisis environmental at the supplier, the contractor could be blamed approved for having those practices, or for not having pressed enough so that his supplier stops or improves those practices, even not listing it.

The same questions on the main customers of the company:

- The reputation of a company can be affected if it works for a customer whose environmental practices are disputed.

The management of environmental risks can be estimated under four aspects: policy, organization, men (people) and means.

Policy:

- contained by the environmental policy: axes, ambitions, commitments, principles, level of priority, considered perimeters,
- coherence with the other corporate policies,
- level of distribution and in-house appropriation,
- Charter interns (or charter external but spread and applied in house) formalizing the policy, the commitments of the management, etc.
- Attitude with regard to the possible evolutions of the legislation: waiting-game or anticipation?

Organization:

- organization of the function environment: links with the management, with the production sites, etc.,
- existence of a Management committee of the risks: and in that case, composition and functioning of this Committee as regards to the aspects of environmental risks,
- organization of the function Risk Manager: links with the function environment, with the legal function, etc.,
- organization of the regulatory monitoring,
- Organization of the technology watch (Best Available Technologies, etc.), relations with the academic community concerned by the environmental problems.

Human factor:

- skills of the persons in charge of the environment,
- environmental skills of Risk Manager and the Management committee of the risks,
- raising awareness and environmental training of the staff, in particular
- operational managers in the various functions,
- environmental objectives given to these managers and corresponding penalties
- (positive or negative).

Tools and means :

- tools of mapping / of management of environmental risks,
- technical means of detection and prevention of set up risks,
- Management systems of the Environment (EMS) or the internal procedures, the reporting: nature of the environmental indicators follow-ups, certification, standards,
- internal or external environmental audits, and processing of audit reports, policy of green purchases,
- audits and supports of the suppliers on environmental criteria, density and efficiency of the environmental regulations concerning the activities of the company (and thus on which it can or not rely to centre its environmental management),
- rising and structure of the environmental expense of the company (among which reserves for responsibilities),
- experience feedback on the incidents, the accidents, or the crises environmental,
- analyses of life cycle of products / steps of eco-design,
- membership in a network of companies

d- The loyalty of the practices

The fraud remains one of the main problems with which companies are confronted in the world, which are their countries of presence, their branch of industry or their size. A vast study led in 2007 with 5428 companies of 40 countries²⁸ revealed that more than 43 % of them had been victims of one or several considerable economic offences during the previous two years. In spite of the attention of the authorities of regulations and the investments of companies in the controls, the real level of the economic offences and the financial or other damage which ensue from it did not decrease in a significant way.

The economic fraud destroys the shareholder value, threatens the development of the company, compromises the possibilities of employment and harms in the good economic governance.

Companies should consequently intend to set up internal tools effective and suited to fight the economic fraud and fight against the corruption. Studies show that the companies which use effective guiding principles and programs of voluntary membership are much less vulnerable in the economic offences.

So according to anticorruption Committee of the international chamber of commerce, the frauds can be detected by means of internal or external audits, of the management of the risk or the safety of the company, but also, and to a large extent, by devices of ethical alert.

The concerning legal requirements internal or external, ethical warning devices, are indicated below, because they give useful indications for the organization of the descriptions within companies:

- The Inter-American Agreement against the corruption of March 29th, 1996 (article III,8) mentions that the parties intend to adopt " systems for protecting state employees and persons who denounce honestly the acts of corruption, including the protection of their identity ";
- The Agreement of United Nations against the corruption of December 9th, 2003 (article 33) mentions that every Part state intends to incorporate into its internal legal system " measures suited to assure the protection against any inequitable processing of every person which indicates to the competent, honest authorities and on the basis of reasonable suspicions, any facts concerning breaches established according to the agreement ";
- The penal Agreement on the corruption of the Council of Europe of January 27th, 1999 (article 22) states that every Party adopts " measures suited to assure protection against any inequitable treatment of every person which indicates to the competent, honest authorities and on the basis of reasonable suspicions, any facts concerning breaches established according to the agreement ";
- The civil Agreement on the corruption of the Council of Europe of November 4th, 1999 (article 9) states that every Party plans " in its internal law an adequate protection against any inequitable penalty towards the employees who, honestly and on the basis of reasonable suspicions, denounce facts of corruption to the persons or responsible authorities ";
- The Agreement of the African Union on the prevention and the fight against corruption of July 11th, 2003 (article 5) states that States parties adopt " measures to

²⁸ PricewaterhouseCoopers, Services(Departments) of inquiries and juricomptabilité, Economic crime(murder): celebrity, culture and controls, biennial world survey(investigation) " Global Economic Crime Survey ", on 2007, p. 22.

make sure that the citizens indicate the cases of corruption, without being possibly afraid of reprisals ";

- In the United Kingdom: Public Interest Disclosure Act 1998 (PIDA) grant a specific protection to the persons who reveal certain honest facts and in the public interest, and allows them to lodge a complaint in case of ragging's;
- In the United States: the law Sarbanes-Oxley of 2002 (article 806) grants to the employees of listed companies in stock exchange(grant) a specific protection against reprisals in business of fraud;
- The Listing Manual New York stock exchange (NYSE) (article 303A.10) arranges that listed companies have to adopt a code of ethics for the administrators, the executives and the employees. In the comment, it is underlined that any code of ethics has to contain standards and procedures of stake in conformity intended to facilitate its effective application and, among others, ethical warning procedures and a protection for the informers;
- In France: the law N 2007-1598 of November 13th, 2007 (article 9) modifies the labor code and forbids any discriminatory measure to a person having told or testified, honest, either to his/her employer, or to the judicial or administrative authorities, of facts of corruption. Any discriminatory measure is invalid;

By way of conclusion, the sustainable development is henceforth a part of the communication of large companies. It is what all the interested parties wait for (for "stakeholders": used, customers, local residents, labor unions (syndicates), authorities, NGO (NON-GOVERNMENTAL ORGANIZATION), shareholders, etc.).

We can wonder however legally if this communication is not an effect of façade window dressing room. How many concrete and effective actions can these companies boast? When they exist, are these actions integrated into the strategy of the company or they are only intended isolated initiatives intended to feed the annual report? It is that we will try to develop in our next researches.

Global Sourcing: A Source of Conflict between Global and Local Governance: Saudi Arabia as an Example.

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Abstract:

The organizers of the conference suggested to look at some agents of change of mentality. If for example it would be true that globally the consciousness about environmental and also social issues is increasing will it be strong enough to change people's behaviours? Or how can this behaviour be governed globally as well as locally? We will be looking at Saudi Arabia and our research question is:

Given that by the year of 2030 the likelihood of Saudi Arabia needing all the oil they produce for internal use is very high– how can they make sure that they will continue to have something to sell in the global market? Will it be solar technology? Infrastructure management? E-government? E-learning and education? Or Date products, Perfume, Gold and Zinc? Or Tourism? And will all this be enough to safeguard a decent standard of living? Is self-reliance an alternative path towards sustainable development?

This scenario is particularly interesting as – contrary to many other Arab states Saudi Arabia seems to still have time and resources to contemplate and experiment with alternative developmental strategies. And the discussion is particularly interesting in the context of conflicting interests between global governance and local government issues.

We will thus do the following:

- Look at the increasing importance of global sourcing and its impact on Local Economies
- Conclude that it is getting more difficult for economies, which are not factor-competitive to sell anything in this market: If you have nothing to sell you cannot buy anything
- Taking the example of the Saudi dependence on petroleum. Reserves it is evident that Saudi Arabia must be prepared and develop alternatives to the oil-centered economy. Corporate governance is caught in a conflict between global and local government rationale.
- The Players however seem not aware enough of the problems
- Solutions must therefore tackle this awareness –deficit with priority

1. Global Sourcing and its Impact on Local Economies

Global Sourcing is the art of searching the planet for the easiest, fastest, and cheapest access to anything which may add value to the transnational process of organizing, producing, delivering, and maintaining goods or services. The highest added value comes –apart from the design - from reducing cost.

Thus, just for the sake of giving you an idea of the power of cost reduction for a company with a return on sales of 5% a 3% reduction of the material cost is equivalent to a sales increase of 36 %:¹ Which, of course, is a lot. Global players learn how to manage different markets and purchasing situations by applying different purchasing strategies and with the shift from homeland purchasing to industrial countries purchasing and from there to global sourcing in low wage countries a whole new profession of purchasing managers has taken upon them the task of screening the markets, assessing the risks, and reducing the cost before, during, and after the transaction.²

As soon as a source country loses its competitive advantage, global players move on to another place or environment.

Competitiveness is the name of the game and there is even an annual global competitiveness index edited by the World Economic Forum, where countries are being ranked according to their ability to attract investors on the basis of their competitive edge. Factor competitiveness is one and the two other kinds of competitiveness most commonly mentioned are efficiency and innovation competitiveness. They are characteristic for the more developed industrial countries.³

One lesson already learned from this relatively new facet of globalization is very simple: if a country does not move fast from factor - to efficiency and innovation competitiveness it will lose the benefits of what it may have gained during the time it was factor-efficient. Local governments must be prepared, because this is a very destructive moment for their development strategies. Countries dependent on monocultures are in this situation but so are the rich petroleum exporting countries and even China with its cheap labor.

So one day they will be confronted with the sad matter of fact: If you have nothing to sell you cannot buy anything. At least not in the global market or to the extent you were used to.

This simple fact indicates that there is a latent conflict between global and local interests. And it shows that the problem must be governed: globally and locally. This is our topic.

2. Factor-Competitiveness in Saudi Arabia

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about one-fifth of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC.

1 The example is taken from a paper on Corporate Social Responsibility & Purchasing Management, by Dr. Mansour Iskander, Siemens, June3rd 2012 King Saud University, Speakers Series

2 ibd.

3 The Global Competitiveness Report 2012–2013 Klaus Schwab, Geneva
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The petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP, and 90% of export earnings.⁴

In this quotation from the FBI factbook 2012 the last sentence is the key concern. If the petroleum sector accounts for 80 % of the budget revenues, almost half of the GDP and 90 % of export earnings the countries factor dependency is very big.

Now, the Saudi Government and all the relevant decision makers are aware of this fact. They also know that according to current estimates the amount of petroleum pumped from Saudi wells will be fully consumed by local consumption. This could be as early as 2030 but the surplus might as well last until 2050

So, what is the government reaction inside the country and how do they intend to cope with the challenge?

The challenge is twofold: global and local. On the global scale Saudi Arabia has developed instruments to control its factor dependency with contracts and pricing policy (OPEC) and technological innovation as well as by building a technological infrastructure (industrial cities) to attract foreign investment and know how. These are very farsighted strategies for a future with less factor dependency.

Internally the country follows a policy of building a knowledge based society, which in the long run would be able to handle the challenges of innovation competitiveness. The paradox however of this very wise move is the following: The more you prepare for efficiency and innovation competitiveness by introducing technology and industry into the bouquet of your economic strength the more you are consuming your own factors. This may put an early end to your factor competitiveness. Thus sooner or later the time arrives, when you will have little to sell and therefore little money to shop in the global markets. This would be the end of technology and other transfers, which prepare you for the higher degrees of competitiveness.

But what, if development strategy and technological development are geared in a way that the focus switches from consumption to sustainability ? Luckily the country has time to reengineer; much more time than most other countries in similar circumstances.

The question however is: How will this be done.

To answer this question it might be useful to look at the above mentioned World Economic Forum competitiveness report, because it shows where the strengths and the

⁴ Saudi Arabia Economy 2012

http://www.theodora.com/wfbcurrent/saudi_arabia/saudi_arabia_economy.html
SOURCE: 2012 CIA WORLD FACTBOOK AND OTHER SOURCES

weaknesses of the contry may be.

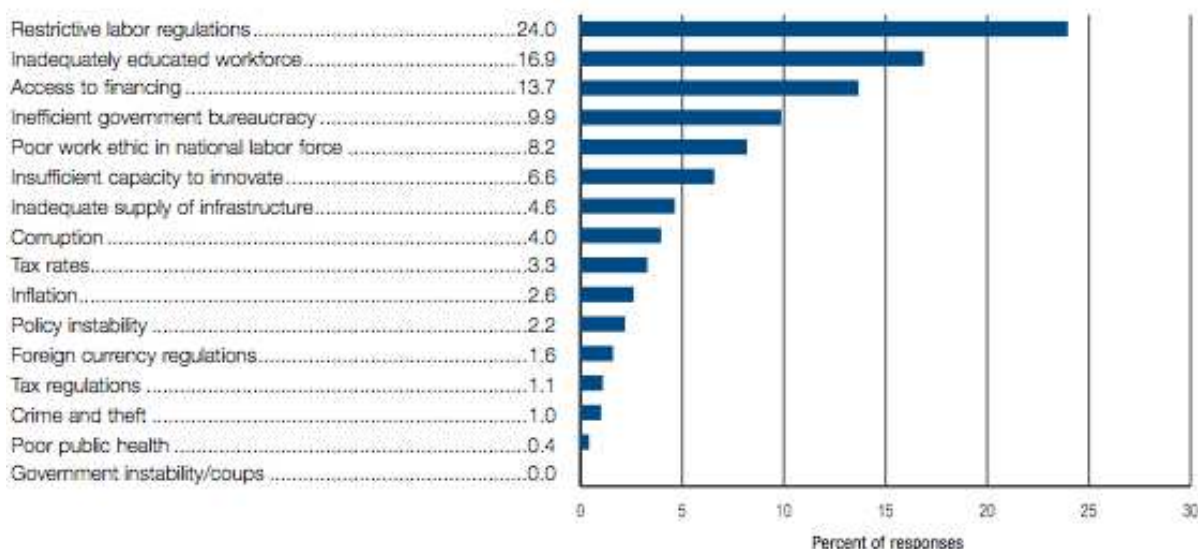
The Global Competitiveness Index

	Rank (out of 144)	Score (1-7)
GCI 2012-2013	18	5.2
GCI 2011-2012 (out of 142)	17	5.2
GCI 2010-2011 (out of 139)	21	4.9
Basic requirements (43.4%)	13	5.7
Institutions	15	5.3
Infrastructure	26	5.2
Macroeconomic environment	6	6.5
Health and primary education	58	5.8
Efficiency enhancers (47.5%)	26	4.8
Higher education and training	40	4.8
Goods market efficiency	14	5.1
Labor market efficiency	59	4.5
Financial market development	22	4.9
Technological readiness	35	4.9
Market size	24	4.9
Innovation and sophistication factors (9.2%)	29	4.5
Business sophistication	25	4.9
Innovation	29	4.0

Stage of development



The most problematic factors for doing business



Note: From the list of factors above, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

One may or may not agree to the analysis given in the report. The report lays open its methodology And it is definitely interesting to look at the ranking, which is very high for Saudi Arabia as it occupies rank 18 among 144 countries, who together add up to 98% of the world's gross national product.

Interestingly enough the authors of the report seem to begin doubting, whether their methodology is still good enough to account for the many changes, which have occurred in the assessment of what good business may be. They feel in particular that the whole complex issue of long term or sustainable business should be given more attention. This is why the new reports added a chapter on sustainability and how measuring and accounting for it would change the ranking:

In terms of environmental sustainability, the existing (consumption-driven) economic model coupled with a rising population has brought about increasing pressure on natural resources such as water, energy, and mineral resources, which are becoming scarcer in the face of rising demand. The undesirable environmental consequences of human activity, such as pollution, are leading to a less habitable world. The unpredictable consequences of climate change are also raising the costs of environmental management. Together, these alterations call into question the feasibility of an economic model that does not fully take them into account.⁵

Saudi Arabia is not yet listed in this Index of 70 countries.

3. Awareness for sustainable development needed

It must be noted that the ranking according to the sustainability index turns out to be not much different from the ranking, which follows the old methodology. This can mean that the countries who are doing well are doing well because of and not in spite of their sustainability efforts. But what about the ones on the lower ranks of the scale?

If we assume that caring for sustainability is good for the economy then not ranking high on this list either means that the country is not aware of the benefits of sustainability and responsible resource management or they are being abused by the highranking countries because they are factor dependent. In both cases it would imply that the awareness of the high importance of sustainability orientation would be less developed in these countries. It also implies that the conflict between global and local governance is not thoroughly understood. This is the reason why accountability for the supply chain has become such an important factor in the CSR debate.

A question, which seems to be worth answering would then be the following:

Is the current level of awareness throughout a specific society high enough to move away from factor dependency and promote the spirit of sustainable competitiveness and innovation?

In the last few years we have seen the impressive international SAGIA conferences⁷ on sustainable competitiveness, the creation of a Saudi competitive Index by the RCI, the efforts of the Saudi Chambers of Commerce, different public and private Committees and initiatives for CSR and also the activities of the NCB research chair for CSR. Many public and private institutions put a lot of effort into increasing awareness for the sake of improving in efficiency, innovation, competitiveness, and responsibility.

At the same time we encounter a seemingly high degree of ignorance concerning sustainability issues among university students

In a recent study about students awareness of their university CSR or sustainability efforts we

⁵ The Global Competitiveness Report 2012–2013 | 49

⁷ see <http://www.gcf.org.sa/>

found mainly two important facts:

1. At least as many students do not know or are uncertain about the CSR/sustainability vision of their university
2. Most students don't know of any efforts made by their university concerning the environment.⁶

In this study it was concluded that there is a need for changes in the curricula – and not just in the curricula of the business school. All students should be made aware of the problems and of the technical, social, and economic options of a development from factor dependency to sustainable efficiency and innovation competitiveness.

4 : Conclusion

Global sourcing as part of transnational business is a race against time. Saudi Arabia is in a good position because it has still the means to buy time for moving from a factor dependent to an efficiency driven and innovation competent player. But along the way it will again meet with tough competition.

Yet even without oil it will be able to mobilize strong resources with a competitive advantage, strengthening the ability to spend less and benefit more. An example is solar technology, which is far from being explored sufficiently. More developed solar technologies could then be exported while they can be consumed almost indefinitely and for free here. And there would be no big conflict between local and global needs. Another example is the huge potential of young people who, properly motivated are willing to learn and able to contribute to national and international ventures. Thus peak oil or other end of the party scenarios are not cogent as long as we look at economic value creation in a sober way. In the current case the solution is to move from a consumption driven to a sustainable model of well being.

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