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## ETHICAL RATINGS: A SYSTEMATIC ANALYSIS ORIENTED TO BUSINESS ECONOMICS

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**Abstract:** *In a previous work we have researched the causes of the current global crisis, which manifests itself in financial terms, but whose origin is due to the ethical model of reference. Following these ethical issues, the aims and topics of the present paper are: producing a systematic analysis of the ethical indicators used in the current international practices; extrapolating the ethical ranking models with a high relevance in Business Economics and highlighting the strong limits of the methodology in current use.*

**Key words:** Corporate Social Responsibility, Business Economics, Business Ethics

**JEL classification:** M14, M16, M21

### 1. Introduction: the potential clusters of ethical indicators identified by the model

The activities of the ethical assessment of companies have taken - over the past few years - a role of primary importance motivated by the growing direct involvement of a wide range of subjects, mainly operating in the financial field, in the related processes of analysis.

As previously reported in the abstract, the objective of this paper is to offer a proposal for a systematic methodological approach to study the “*ethical ratings*” articulated in the following points: a) producing a systematic analysis of the ethical indicators used in the current international practices; b) extrapolating the ethical ranking models with a high relevance in Business Economics c) and highlighting the strong limits of the methodology in current use.

About the first topic – a) producing a systematic analysis of the ethical indicators used in the current international practices – it is possible to introduce two criteria of classification:

- an objective-descriptive criterion;
- and a subjective-descriptive criterion.

The systematic analysis of the ethical indicators based on an objective-descriptive criterion may offer a classification based on the nature of the object evaluated. Adapting this approach to the current practice, it is possible to observe the following kinds of instruments:

1) “*ethical indicators related to the Business Economics*”, which estimate the ethical profile of a single company (usually interested in the issue of securities listed on the stock exchange markets);

2) “*ethical indicators related to the study of defined economic sectors*”, which provide an ethical evaluation related to a particular group of subjects representing a specific economic sector (e.g. the stock market sector regarding the banking companies, etc.);

3) “*ethical indicators with a social-geographical profile*”, which give an ethical evaluation with reference to a specific population or a geographic area (e.g. a Country, a Region, etc.).

Following the second approach – the systematic analysis of the ethical indicators based on a subjective-descriptive criterion – the classification of the ethical indicators is based on the evaluator’s nature, that usually is a company: this approach, therefore, requires a brief introduction to the concept of “*company*” proposed by the Business Economics.

The “*company*” and its life are the fundamental topics for the Business Economics studies: the companies, which are considered long-term institutions, have as objective the direct or indirect satisfaction of human needs, so distinguishing themselves in “*supplying companies*” and “*production companies*”, these two aspects coexist in the mixed companies. According to the traditional “*Zappa’s approach*” (Zappa, 1926), the Business Economics studies “*(...) the conditions of the existence and expression of the life of the company (...)*” (Coda, 1985), that make the company a non-contingent entity but “*established to last*”. The companies are the instrument through which we operate in the economic field, consequently they reflect the expression of the economic activity aimed to satisfy “*needs*” that require, in conditions of “*limited tools*”, “*economic goods*” in a systematic “*create and consume*” process (Onida, 1947). The above mentioned definition of company is the classic definition in the Italian Business

Economics that, with reference to the object of the activity – represented by the general goal necessary for the satisfaction of human needs – distinguishes a company according to the following classification:

- production companies for the exchange market (or enterprises); the scope of production companies is to create richness or to achieve a profit to destine, subsequently, to the fulfilment of distribution needs;
- supplying companies (or consumer companies) the aim of supplying companies, on the contrary, is to provide for the fulfilment of those needs, either through distribution or through consume expenditure: they gain their denomination from the money expenditure phase or from the distribution of profits or incomes, that usually precede the consume phase.

In order to complete the sentence above, we point out the evolution of the idea of company, promoted by the recent documents edited by the “*Società italiana dei Docenti di Ragioneria ed Economia Aziendale – Italian Society of Teachers of Accounting and Business Economics*”, in which we identify a company body to be intended – always and in any case – as a “*production fact*” (Coda, 2006): both the consumer companies and the enterprises carry out the economic activities of “*consuming and creation*”, acquisition, maintenance and distribution of services and goods under limited resources conditions.

In the economic system, exchange relationship between the two indicated company categories are established in the “*remuneration process*” of the production factors employed, factors that are usually made available by the consumer companies in terms of work and savings, and in terms of offer for market exchange of goods and services by the enterprises: in this system the mutual flow of “*real*” exchanges of goods and services, made possible by the use of money as mean of compensation, are highlighted. The distinction between consumer companies and enterprises is used as a theoretical referential model, as the consumer production, acquisition, maintenance processes are common to all companies and “*pure*” consumer companies or “*pure*” enterprises do not exist. The enterprises, for example, add to the market commercial exchanges, incidental allocations and liberalities on social, aid and cultural promotion basis for employees, partners, clients, suppliers and other subjects more or less involved an interested in management. The consumer companies, on their side, often perform, apart from their specific allocations, commercial activities in terms of market exchange, transferring, under compensation, goods and services to be used for financial gatherings to be addressed in the institutional activities. In the end and after considering the objective characteristics of companies, it is possible to outline a third category, that enrolls combined (mixed) companies in which both the specific activities of consumer companies and enterprises coexist. Business Economics individuates, besides, according to the distinctive characteristics of their subject, the category of public companies in antithesis, on a social-economic basis, with private companies. This distinction between public and private companies is based on two fundamental criteria (Puddu, 2001): the economic and legal criteria. The economic criterion analyses the nature of the economic subject represented by people, that is those people who “*(...) hold and exercise the wilful power and connected prerogative and right to choose and decide about the management of the company (...)*”. But the legal criterion classifies the company on the basis of the private – or public – nature of the main shareholder, the subject who has control over the governance of the company:

- the public enterprise is under a public control;
- the private enterprise has its governance controlled by a private subject.

As already mentioned, the real economic system has to be intended as “*mixed*” since neither the “*collective*” nor the “*market*” form can be considered as “*pure*” models. Compared to the described model based on two sectors – public and private sectors – it can be observed that a “*third sector*” is identifiable formed by “*(...) subjects not ascribable to the State, as they originate from private initiative and operate with resources and in the interest of privates; not ascribable either to enterprises as they do not operate according to the logic of exchanges for profit (...)*” (Ferrero, 1968). The economic-corporate nature of the “*Third sector*” can be better interpreted through a joint analysis of the principles for company classification with reference to their objective and subjective characteristics. The simultaneous classification of the companies considered both from the actual objective economic activity performed, consumer items or production, and from the subjective classification as public or private, allows – in the end – to synthesize the following “*objective-subjective*” theoretic configurations. The model identifies the following four “*objective-subjective*” company configurations:

- Public Institutions, consumer companies with no profit making or distributing goals, whose governance control is performed by public juridical subjects (i.e. Regions, Public Universities, Local Municipalities, etc.);

- Public Enterprises, companies that operate for the general market, which are basically public even if legally they are structured as business companies (i.e. Consip S.p.A., Sogei S.p.A.: in these Italian cases the main shareholder is the Ministry of Economy and Treasury);
- Private Enterprises, companies that produce goods for market exchange, with profit making and earn sharing goals, legally based on private assets (i.e. companies quoted at the stock exchange whose governance control is performed by private juridical subjects: these enterprises are also called “*public companies*” in the Anglo-Saxon model of Business Economics);
- Not-for-profit Organizations, consumer companies with no profit making or distributing goals, whose governance control is performed by private juridical subjects [i.e. Non-Governmental Organizations (NGOs), Non-Profit Organizations (NPOs), etc.].

In conclusion, then, with reference to the second approach previously defined – the systematic analysis of the ethical indicators based on a subjective-descriptive criterion – it is possible to derive the following kinds of instruments:

- “*ethical indicators issued by Companies*”;
- “*ethical indicators issued by Public Institutions*”;
- and – finally – “*ethical indicators issued by Not-for-profit Organizations*”.

A joint analysis of the two criteria allows us to identify the following clusters of ethical indicators summarized in the Table n. 1.

**Table 1: The potential clusters of ethical indicators identified by the model**

		<b>A) Ethical indicators based on an objective-descriptive criterion</b>		
		<b>1) Ethical indicators related to the Business Economics (which estimate the ethical profile of a single company)</b>	<b>2) Ethical indicators related to the study of defined economic sectors (which provide an ethical evaluation related to a particular group of subjects representing a specific economic sector)</b>	<b>3) Ethical indicators with a social-geographical profile (which give an ethical evaluation with reference to a specific population or a geographic area)</b>
<b>B) Ethical indicators based on a subjective-descriptive criterion</b>	<b>a) Ethical indicators issued by Companies</b>	Cluster [1, a]	Cluster [2, a]	Cluster [3, a]
	<b>b) Ethical indicators issued by Public Institutions</b>	Cluster [1, b]	Cluster [2, b]	Cluster [3, b]
	<b>c) Ethical indicators issued by Not-for-profit Organizations</b>	Cluster [1, c]	Cluster [2, c]	Cluster [3, c]

Source: (Development proposed by the Author)

The potential clusters of ethical indicators – identified by the model with reference to the Table n. 1 previously exposed – are discussed and analysed in the following paragraph for extrapolating the ethical ranking models with a high relevance in Business Economics and highlighting the strong limits of the methodology used in the current international best practices: the last aspect will be analyzed in the final conclusions of the present study.

## 2. Discussion and analysis

These pages are dedicated to the discussion and analysis of the potential clusters of ethical indicators identified by the model in the previous paragraph; in this discussion the paper uses the expression “*ethical indicators*”, a single term which, however, includes two different sub-cases: a) the “*ethical ratings*” and b) the “*ethical indexes*”. The main difference between the two kinds of ethical indicators is that: the “*ethical ratings*” (or “*corporate ethical ratings*”) use an alphanumeric rating scale, while the “*ethical indexes*” use a numeric rating scale.

The above mentioned “*ethical indicators*” are explained and discussed in the following pages.

### A) The “*ethical ratings*”.

To explain an “*ethical rating*” may be useful to follow the definition used by “*Standard Ethics*”, the first European independent rating agency on sustainability and governance, that – about this concept – says: “(...) *the Standard Ethics Rating is a benchmarking tool on sustainability, social responsibility, governance and environment developed by some of its partners. (...) The sustainability ratings issued by Standard Ethics are the result of statistical and scientific work carried out to take a snapshot of the economic world in relation to ethical principles promoted by large international organisations. This entails a two-fold commitment:*

- *supplying a frame of reference for studies on Corporate Social Responsibility (McWilliams et al., 2001),*
- *and disseminating and promoting a culture based on company ethics in relation to the EU, the UN and the OECD principles by highlighting the most virtuous cases. (...)” (Standard Ethics, 2013).*

This indicator can assume two different configurations: as a “*Solicited Rating*”, that is issued on request to listed and unlisted companies in the context of a bilateral relationship with the client requesting the assessment; or as an “*Unsolicited Rating*”, that is issued only with statistical and scientific purposes (e.g. by virtue of a commitment by “*Standard Ethics*” to the United Nations to monitoring global sustainability). In detail the “*ethical rating*” issued by “*Standard Ethics*” is:

- “*Solicited*”, the rating is issued only under explicit request by companies that wish to be rated and through a bilateral relationship, publicly and officially regulated by the two parties;
- “*Standard*”, because the institution does not give an interpretation to the definition of sustainability, CSR and governance but applies guidelines and indications of European Union, OECD and UN only, therefore without including other inputs;
- “*Independent*”, the rating is not compatible with other services and the existence of any economic interests between “*Standard Ethics*”, and its staff, and the company that wishes to be rated.

In this case the final evaluations by “*Standard Ethics*” on the level of conformity of companies and nations to the baseline ethical values are expressed with eight different Ratings: EEE; EEE-; EE+; EE; EE-; E+; E; E-. “*EEE*” stands for “*above average*”, “*EE*” for “*average*” and “*E*” for “*below average*”: those subjects which do not comply with the values expressed by the United Nations do not receive ratings and are included amongst the “*pending*” issuers. As shown it is possible to say that the model of ethical evaluation is very close to the methodology used by the companies issuing financial ratings (see [Table n. 2](#)). It’s necessary to point out that like the company issuing financial ratings (Orheian, 2012), even for companies issuing ethical ratings may be present different scales of measurement (alphanumeric – or numeric – rating scale): the predominant model is – in any case – the use of the scale of “*E*” (as the ratings issued by “*Standard Ethics*”), with some corporate customization.

As indicated previously now it is possible to affirm that an “*ethical rating*” may cover the following situations (shown in the previous [Table n. 1](#)):

- It is an “*Ethical indicators issued by Companies and related to the Business Economics*”, which estimates the ethical profile of a single company {Cluster [1, a]};
- or it is an “*Ethical indicators issued by Companies and related to the study of defined economic sectors*”, which provides an ethical evaluation related to a particular group of subjects representing a specific economic sector {Cluster [2, a]};
- or it is an “*Ethical indicators issued by Companies with a social-geographical profile*”, which gives an ethical evaluation with reference to a specific population or a geographic area {Cluster [3, a]}.

**Table 2: Comparative analysis between the different models of "financial rating" (for long-term analysis), proposed by major Credit (or Financial) Rating Agencies operating worldwide**

Credit (or Financial) Rating Agencies: Symbols used in the different models of "financial rating" (for long-term analysis)			Assessment of the risk attributed to each level of the different models
MOODY'S	STANDARD & POOR	FITCH	
Aaa	AAA	AAA	Minimum risk
Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-	Very low risk
A1 A2 A3	A+ A A-	A+ A A-	Low risk
Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	Moderate risk
Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	Relevant risk
B1 B2 B3	B+ B B-	B+ B B-	High risk
Caa1 Caa2 Caa3 Ca C	CCC+ CCC CCC- CC SD	CCC CC C DDD DD	Very high risk
===	D	D	Default

Source: (London Stock Exchange Group, 2013)

While the latter case {Cluster [3, a]} is more relevant for the social sciences such as sociology, now is possible to demonstrate that also the second case {Cluster [2, a]} is indirectly related to the Business Economics: the demonstration of what has been said is supplied below, where it is explained the connecting passages between the two kinds of indicators.

The steps to obtain an indicator belonging to the {Cluster [2, a]} starting from a series of indicators belonging to the {Cluster [1, a]} (e.g. relating to a specific sector of the stock market, such as the banking sector), can be synthesized as described below.

1) Conversion of the qualitative value of the "Individual Ethical Rating" (IER) {Cluster [1, a]} on a numerical scale expressed as in the following conversion scale (realised with reference to the previous ratings issued by "Standard Ethics"): EEE=100; EEE-= 85.71428571; EE+ =71.42857143; EE=57.14285714; EE-=42.85714286; E +=28.57142857; E=14.28571429 and E-=0. The value obtained may be defined as: "Individual Ethical Rating" (IER), expressed in quantitative values and attributed to a single listed company (i) belonging to the selected sector of the stock exchange, to the current date (t).

2) The "Sectorial Ethical Rating" (SER){Cluster [2, a]} may be obtained by the following formula:

$$SER_{(t)} = \frac{\sum_{i=1}^n (IER_{i(t)} \times VMC_{i(t)})}{\sum_{i=1}^n VMC_{i(t)}} \quad (1)$$

with:

- $SER_{(t)}$  = "Sectorial Ethical Rating" (SER) – relating to (n) listed companies belonging to the selected sector of the stock exchange, to the current date (t);
- $IER_{i(t)}$  = "Individual Ethical Rating" (IER), expressed in quantitative values and attributed to a single listed company (i) belonging to the selected sector of the stock exchange, to the current date (t);
- $VMC_{i(t)}$  = "Value of Market Capitalization" (VMC) attributable to a single listed company (i) belonging to the selected sector of the stock exchange, to the current date (t)

(while the “*Market Capitalization*” (or “*Market Cap*”) is the total value of the issued shares of a publicly traded company and it is equal to the share price times the number of shares outstanding).

3) The last step concerns the conversion of the quantitative value of the “*Sectorial Ethical Rating*” (SER){Cluster [2, a]} on a qualitative scale expressed with reference to the methodology shown in the previous point 1) (note: in this case the model will use an inverse process of conversion).

The process outlined showed how the “*Sectorial Ethical Rating*” (SER){Cluster [2, a]} are derived from the “*Individual Ethical Rating*” (IER) {Cluster [1, a]}; as a result of the previously expressed – then – both can be considered highly relevant for Business Economics: the second (the “*Individual Ethical Rating*”) directly and the first (the “*Sectorial Ethical Rating*”) indirectly.

#### B) The “*ethical indexes*”.

An “*ethical index*” is usually expressed on a numerical scale, which - alternatively - can be issued in relative values, or in absolute values. This set includes the following indexes:

1. the “*ethical stock market indexes*”;
2. the “*ethical indexes*” with evidence in the economic and social fields.

The above mentioned tools are explained in the following pages.

##### 1. The “*ethical stock market indexes*”.

The “*DJSI World Index*” and the “*FTSE4Good Index*” – are the most important “*ethical stock market indexes*” offered by the current international practices.

Their determination is similar to that of a regular “*stock market index*”, that is a bunch of stocks grouped together to measure the value of a certain sector (utilities, banks, tech stocks, etc.) included in the stock market [as, e.g., the “*Nasdaq Composite Index*” (New York Stock Exchange), the “*Dow Jones Industrial Index*” (New York Stock Exchange), the “*Cac 40 Index*” (Paris Stock Exchange), the “*FTSE 100 Index*” (London Stock Exchange), etc.].

The “*DJSI World*” (stands for “*Dow Jones Sustainability World Index*”) “(...) was launched in 1999 as the first global sustainability benchmark. The DJSI family is offered cooperatively by RobecoSAM Indices and S&P Dow Jones Indices. The family tracks the stock performance of the world’s leading companies in terms of economic, environmental and social criteria. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for companies who want to adopt sustainable best practices. (...)” (SAM, 2012) (more information are available at: <http://www.sustainability-index.com/>).

The “*FTSE4Good*” indexes, instead, “(...) are based on EIRIS research and offers a comparable ESG (stands for Environmental, Social and Governance) risk and performance profile of companies globally. The Ratings will cover around 2400 stocks worldwide including all those FTSE defines as being large or mid cap and listed in developed markets. The six ESG criteria cover Environmental Management, Climate Change, Supply Chain Labour Standards, Human & Labour Rights, Corporate Governance and Countering Bribery. (...)” (more information are available at: [http://www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/index.jsp/](http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp/)).

The “*DJSI World*” and the “*FTSE4Good*” are two “*ethical stock market indexes*”, that can be considered – in the substantive aspects – two kinds of a real “*stock market index*”; the index value depends on the price performance of a fixed basket of corporate shares (Baltes et al., 2012), selected by a proponent of the index, which defines (ex ante) the following two criteria of choice: a) an ethical driver [usually the “*Individual Ethical Rating*” (IER), explained in the previous formula (1)] and b) a quantitative driver [usually the single “*Value of Market Capitalization*” (VMC), explained in the previous formula (1)].

Now – with the necessary simplifications – the “*ethical stock market indexes*” may be obtained by the following formula:

$$\delta (ESMI)_{(t/s)} \% = \left\{ \left[ \sum_{i=1}^n (MPS_{i(t)} \times NS_{i(t)}) - \sum_{i=1}^n (MPS_{i(s)} \times NS_{i(s)}) \right] / \sum_{i=1}^n (MPS_{i(s)} \times NS_{i(s)}) \right\} \% \quad (2)$$

with:

- $\delta (ESMI)_{(t/s)} \% =$  “*ethical stock market index*”, expressed as a variation (%) occurred between the final period (t) and the initial period (s);

- $MPS_{i(t)}$  = market price of the shares issued by the listed company selected (i) included within the basket of (n) companies, to the final date (t);
- $NS_{i(t)}$  = number of the shares issued by the listed company selected (i) included within the basket of (n) companies, to the final date (t);
- $MPS_{i(s)}$  = market price of the shares issued by the listed company selected (i, ) included within the basket of (n) companies, to the initial date (s);
- $NS_{i(s)}$  = number of the shares issued by the listed company selected (i), included within the basket of (n) companies, to the initial date (s).

As a result of what was expressed above – concepts also reinforced by the formula obtained (2) – now it is possible to affirm that an “*ethical stock market indexes*” is an “*Ethical indicators issued by Companies and related to the study of defined economic sectors*”, which provides an ethical evaluation related to a particular group of subjects representing a specific sector of the stock exchange market {Cluster [2, a]} (shown in the previous [Table n. 1](#)).

In addition, the “*ethical stock market indexes*” turn out to be of great importance for the investment activities carried out by the so-called “*ethical funds*” (Kreander et al., 2000; Sparkes, 1982), for which there is a steady increase from the point of view of financial volumes treated (Soderberg, 2002; Vigeo, 2011): in other words it is possible to emphasize that in a situation of stock markets globalized the ethical variable (Hooghiemstra, 2000) can become a new dynamic driver of competitiveness (Ogrea et al., 2010; Opreana, 2010) with new demands for the corporate strategic management of the listed companies (Carter, 2006; Ogrea, 2008).

2. The “*ethical indexes*” with evidence in the economic and social fields.

The present study reports as part of this category, the “*ethical indexes*” issued by the “*World Bank*” and those issued by “*Transparency International*”.

The “*ethical indexes*” issued by the “*World Bank*”.

The “*World Bank*” carries out the “*Worldwide Governance Indicators*” (WGI) project, an initiative that reports aggregate and individual governance indicators for 215 economies over the period 1996–2011, for six dimensions of governance (more information are available at: <http://info.worldbank.org/governance/wgi/resources.htm#sources>):

- “*Voice and Accountability*” captures perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media;
- “*Political Stability and Absence of Violence*” measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism;
- “*Government Effectiveness*” captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies;
- “*Regulatory Quality*” captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development;
- “*Rule of Law*” captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence;
- “*Control of Corruption*” captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

These “*ethical indexes*” – usually expressed on a numerical scale in percentile ranks – can be placed in the Cluster [3, b] of the model, because they are:

- a) issued by a Public Institution (*World Bank* is a Supranational Public Institution);
- b) ethical Indicators with a social-geographical profile (which give an ethical evaluation with reference to a specific population or a geographic area).

As previously reported these “*ethical indexes*” are not relevant (directly or indirectly) for the Business Economics, because they do not estimate the ethical profile of a single company.

The “*ethical indexes*” issued by “*Transparency International*”. “*Transparency International*” is a Not-for-profit Organization, world-leader in its action to combat corruption and promote ethics: it was founded in 1993 today is present in over 90 countries and its head office is located in Berlin (Germany) (more information are available at: <http://www.transparency.org/whoweare>).

The “*ethical indexes*” issued by “*Transparency International*” are: 1) the “*Corruption Perception Index (CPI)*”, 2) the “*Bribe Payers Index (BPI)*” 3) and the “*Global Corruption Barometer (GCB)*”.

1) The “*Corruption Perception Index (CPI)*” – first launched in 1995 – ranks almost 200 countries/territories based on how corrupt their public sector is perceived to be. It is a composite index, a combination of polls, drawing on corruption-related data collected by a variety of reputable institutions. The index reflects the views of observers from around the world, including experts living and working in the countries/territories evaluated. A country/territory’s score indicates the perceived level of public sector corruption there on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country’s rank indicates its position relative to the other countries/territories included in the index. It is important to keep in mind that a country’s rank can change simply because new countries enter the index or others drop out.

2) The “*Bribe Payers Index (BPI)*” ranks the world’s wealthiest countries by the propensity of their firms to bribe abroad and looks at which industrial sectors are the worst offenders. The index is based on the views of thousands of senior business executives from developed and developing countries. The “*Bribe Payers Index (BPI)*” scores are anchored to the 0 – 10 parameters of the scale. A score of 0 corresponds with the perceptions of business people around the world that companies from that country always pay bribes when doing business abroad. A score of 10 corresponds with the perception that companies from that country never engage in bribery when doing business abroad. A score of 10 is therefore the benchmark which every country should aim for, as anything less than a 10 is an indication that companies from these countries are perceived to engage in bribery to some degree when doing business across borders. Scores that fall significantly short of a 10 indicate a serious problem.

3) The “*Global Corruption Barometer (GCB)*” is the only worldwide public opinion survey on views and experiences of corruption. As a poll of the general public, it provides an indicator of how corruption is viewed at national level and how efforts to curb corruption around the world are assessed on the ground. It also provides a measure of people’s experience of corruption in the past year: in the last edition – the seventh edition – it reflects the responses of more than 100,000 people in 100 countries, and offers the greatest country coverage to date.

Following our model, all the “*ethical indexes*” issued by “*Transparency International*” can be placed in the Cluster [3, c], because they are:

- a) issued by a Not-for-profit Organization,
- b) ethical Indicators with a social-geographical profile (which give an ethical evaluation with reference to a specific population or a geographic area).

Although these indexes – such as those issued by the “*World Bank*” – are not relevant (directly or indirectly) for the Business Economics, because they do not estimates the ethical profile of a single company.

### 3. Conclusions

As previously reported in the abstract, the objective of this paper is to offer a proposal for a systematic methodological approach to study the “*ethical ratings*” articulated in the following points: a) producing a systematic analysis of the ethical indicators used in the current international practices; b) extrapolating the ethical ranking models with a high relevance in Business Economics c) and highlighting the strong limits of the methodology in current use.

The first point – a) on producing a systematic analysis of the ethical indicators used in the current international practices – has been discussed in the previous pages with reference to the theoretical model summarized in the Table n. 1.

About the second point – b) on extrapolating the ethical ranking models with a high relevance in Business Economics – the research has identified the following cases:

- Case A – Situations identified as highly and directly relevant to the Business Economics. They are those identified in the {Cluster [1, a]}.
- Case B – Situations identified as indirectly relevant to the Business Economics. They are those identified in the {Cluster [2, a]}.
- Case C – Situations identified as not relevant to the Business Economics. They are those identified in the following clusters: {Cluster [3, a]}, {Cluster [3, b]} and {Cluster [3, c]}.

- Case D – Situations not identified in the current international practices. They are the ones reported in the following clusters: {Cluster [1, b]}, {Cluster [2, b]} Cluster [1, c]} and {Cluster [2, c]}.

As reported in the previous point – and during the discussion above – allows us to reach the following conclusions related to the point c) on highlighting the strong limits of the methodology in current use.

The first consideration concerns the use of the market capitalization value as (main) yardstick for corporate inclusion inside the basket of “*ethical stock market indexes*”: this methodology used in the international practice proves to be highly discriminative for small and medium-sized listed companies, which perhaps could be more deserving – from the ethical point of view (Dobson, 1990) – than the main global players listed on major stock markets.

The further consideration concerns the nature of the subject evaluator of ethical rating, which should have a profile of independence from the rated entity: the issue is strongly linked to the current debate on the rating agencies in a “*Worldwide Credit Crisis*” concerning: the limits of reputation (Schettini Gherardini, 2011), the insufficiency of reform and the proposals for improvement the model (Hunt, 2009).

Consequently to these issues the ethical evaluators suggested by this study should therefore be: Companies or Not-for-Profit Organizations (with a profile of independence from the rated entity), or Public Institution.

Following a Business Economics approach the rated entity may be or a single company, or a specific economic sector; so in this perspective – with reference to the theoretical model summarized in the Table n. 1 – can be derived the following situations:

- {Cluster [1, a]} and {Cluster [2, a]}, good practices if the subject evaluator is independent from the rated entity; these cases present some empirical evidences from the current international practices (as the “*Standard Ethics*” case study, previously exposed);
- {Cluster [1, b]} and {Cluster [2, b]}, situations only theoretical because they have no empirical evidences from the current international practices;
- {Cluster [1, c]} and {Cluster [2, c]}, good practices if the subject evaluator is independent from the rated entity, these cases are only theoretical because they have no empirical evidences from the current international practices (as the previous situation);
- {Cluster [3, a]}, {Cluster [3, b]} and {Cluster [3, c]}, these cases have been previously identified as not relevant to the Business Economics (as mentioned above).

Therefore, it is evident that the aspects analysed and the consequent solutions need a natural consolidation obtainable through the realization of a comparative benchmarking between the actors of the system (scientific community, public companies, interested professional orders, guarantee institutions of the process, etc.), oriented towards the determination of a scientific method to evaluate a model that is commonly shared by all the subjects interested in the process: the author hopes – in conclusion – that the considerations expressed here can be regarded as a useful contribution to the current debate on the issues covered by this study.

#### 4. References

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