

Lessons of Fundamentals of Business Administration

*Towards the primary interest of the organizations
and the common good*

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Emiliano DI CARLO, Ph. D.

Full Professor in *Business Administration*
Coordinator of the Master of Science in *Economics and Management*
Director of the master in *anti-corruption*
Senior Fellow at *Luiss Business School*
dicarloe@uniroma2.it

Courses of:

Fundamentals of business administration (ENG)
Governance, Economics and Sustainability of business groups (ITA)
Economia aziendale (ITA)
Social responsibility and reputation (ITA)



Fundamentals of Business Administration

Chapters

Chapter I – Economic problem, organizations and *aziende*

Chapter II – Particular and primary interest of the *Azienda (economic entity)*

Chapter III – Conflicts with the primary interest of the *Azienda, corruption and criminal organizations*

Chapter IV – The activity of business entities thorough circuits

Chapter V – Legal forms of business entities

Chapter VI – Functions and organizational structure

Chapter VII – Strategies

Course of

Fundamentals of Business Administration

– Chapter I –

Economic problem
Organizations and *Aziende*



Fundamentals of Business Administration

Chapter I – Economic problem, organizations and *aziende*

Content

- Objective of this chapter
- What is the economic problem?
- What is the economic activity?
- The Maslow's hierarchy of needs
- What are the organizations?
- The stakeholders of the organization
- The Italian doctrine "Economia aziendale" and the "azienda" as a type of organization
- The three attributes of the *azienda*
- The classification of the *aziende*: Business and non-business entities



Fundamentals of Business Administration

Objectives of this chapter

After reading this chapter, you will be able to:

1. Discuss why organizations exist;
2. Describe the importance of the Italian doctrine of “*Economia Aziendale*” and of the “*azienda*” (the Italian term to indicate business and non-business entities with certain attributes) for the studies on organizations;
3. Discuss what are the differences between business entities and non-business entities;
4. Describe who are the stakeholders, what are their interests and why they are important for the survival and growth of the organization.



Fundamentals of Business Administration

Why do organizations exist? What do they have in common ... ?



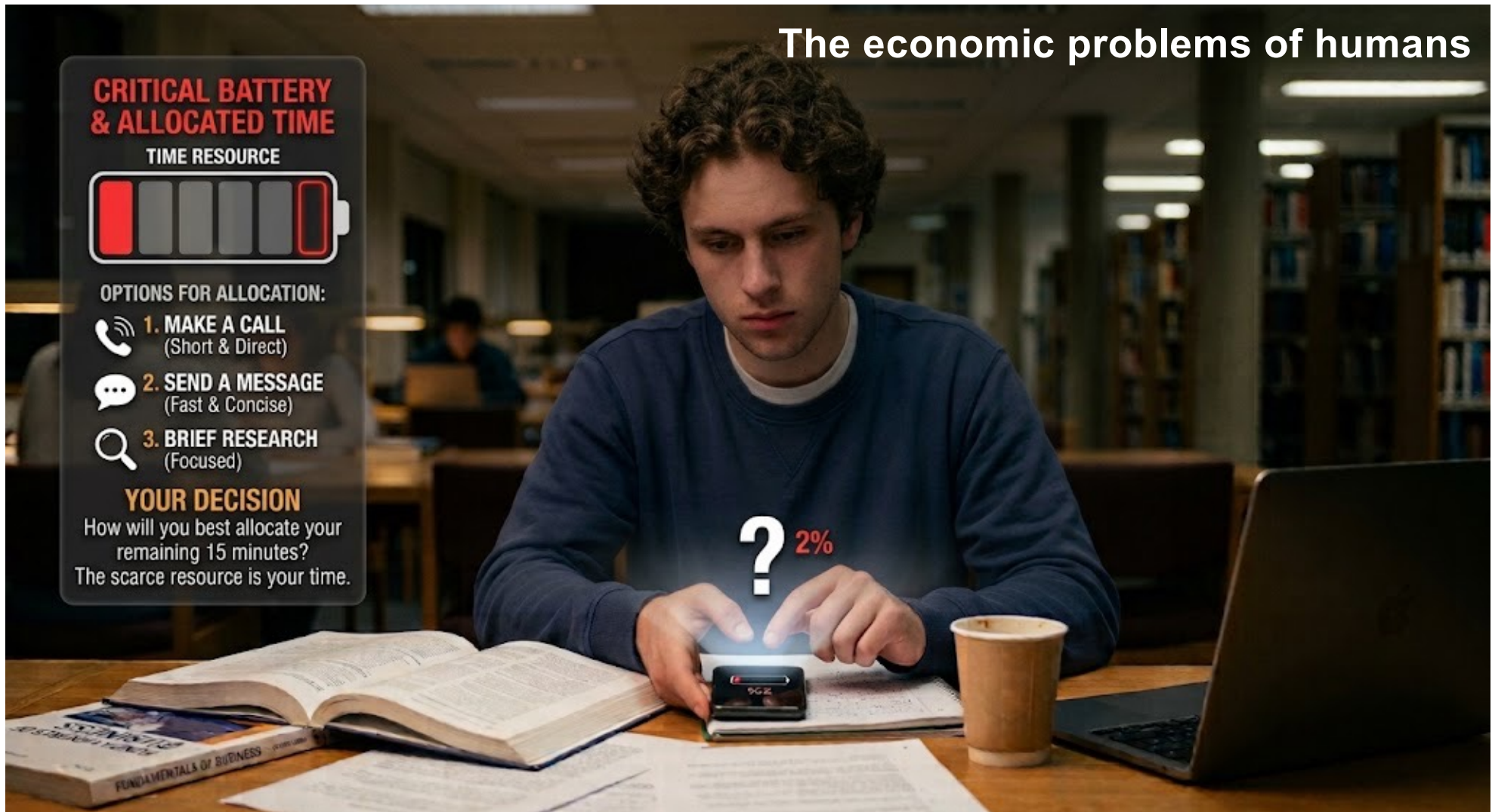


Fundamentals of Business Administration

Our conceptual framework



The economic problems of humans



The economic problems of humans





To achieve their goals (es. satisfaction of human needs), organizations face an economic problem, a challenge: How to allocate the scarce resources?

Therefore, **choices** should be made:

Between different strategies, actions, alternatives available, giving up one for another.

**PRODUCTION OPTIMIZATION
& RESOURCE ALLOCATION**

PRODUCTION RESOURCES

 RAW MATERIALS	 SKILLED LABOR	 PRODUCTION CAPACITY	 ENERGY INPUT
--	--	--	---

75% / CAPACITY LIMITED

OPTIONS FOR ALLOCATIONS

- **1. OPTIMIZE MATERIAL YIELD**
(Necessary)
Reduce material waste by 15%.
Cost: €15k (factory process improvement)
- **2. INCREASE FACTORY SIZE**
(Desire)
Build new wing.
Cost: €5M+
- **3. INVEST IN LABOR TRAINING**
(Essential)
Maintain quality standard.
Cost: €25k

OUR DECISION:
The Scarce Resource is Production Capacity.
How will we best allocate our remaining capacity?
Optimization or Expansion?



The economic problems of organizations



The economic problems of organizations



Fundamentals of Business Administration

What is the economic problem?

Definition of the economic problem

“The **economic problem**, sometimes called the basic, central or fundamental economic problem, is one of the fundamental economic theories in the operation of any economy. It asserts that there is scarcity, or that the finite resources available are insufficient to satisfy all human wants and needs.

The problem then becomes how to determine **what is to be produced and how the factors of production (such as capital and labor) are to be allocated.**

Economics revolves around methods and possibilities of solving the economic problem” (Wikipedia).



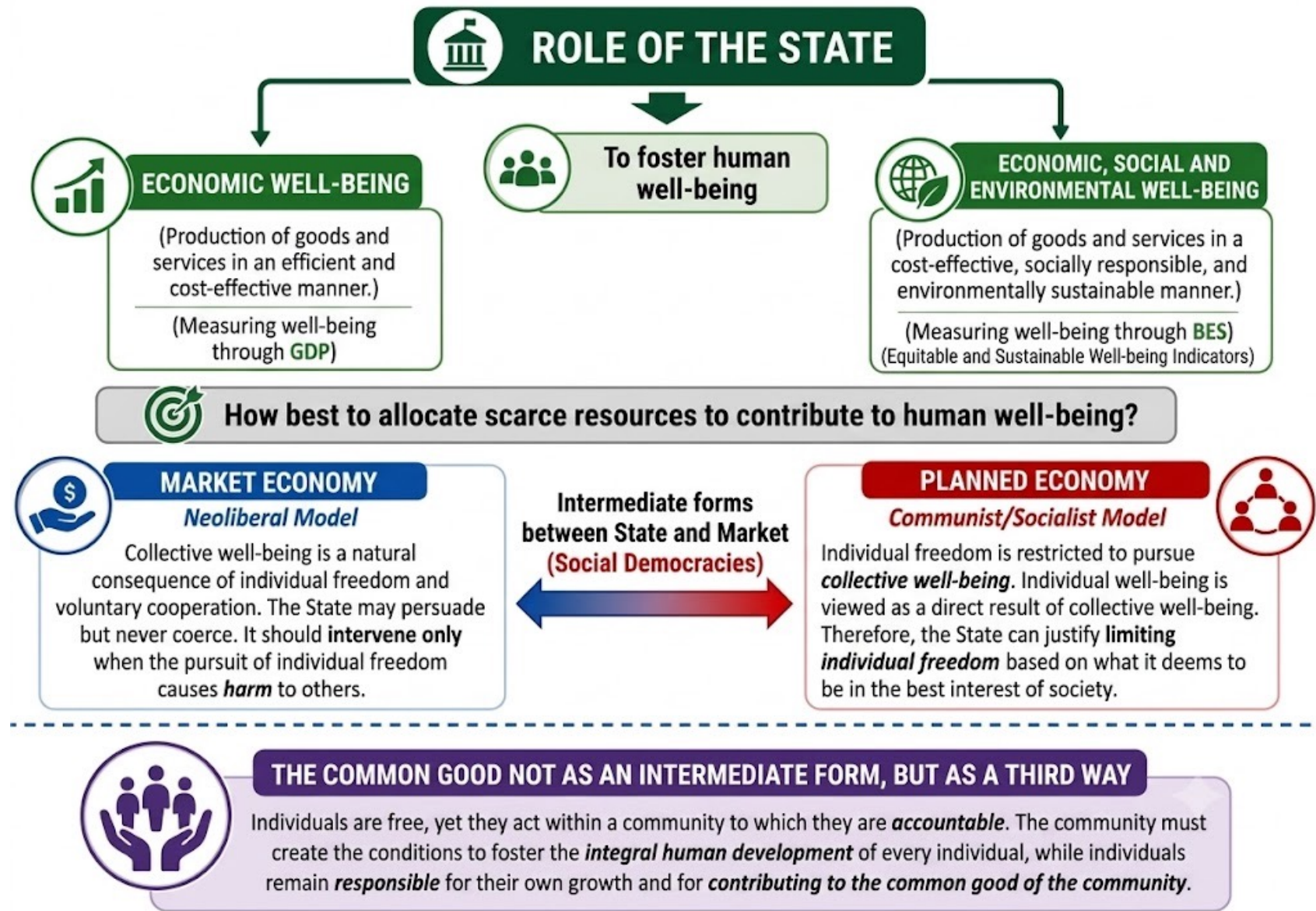
Fundamentals of Business Administration

What is the economic problem?

The question

The economic problem is most simply explained by the question "***how do we satisfy unlimited wants with limited resources?***"

The premise of the economic problem model is that wants are constant and infinite due to constantly changing demands (often closely related to changing demographics of the population). However, resources in the world to satisfy human wants are always limited to the amount of natural or human resources available.





Fundamentals of Business Administration

What is the economic problem?

Capitalist countries

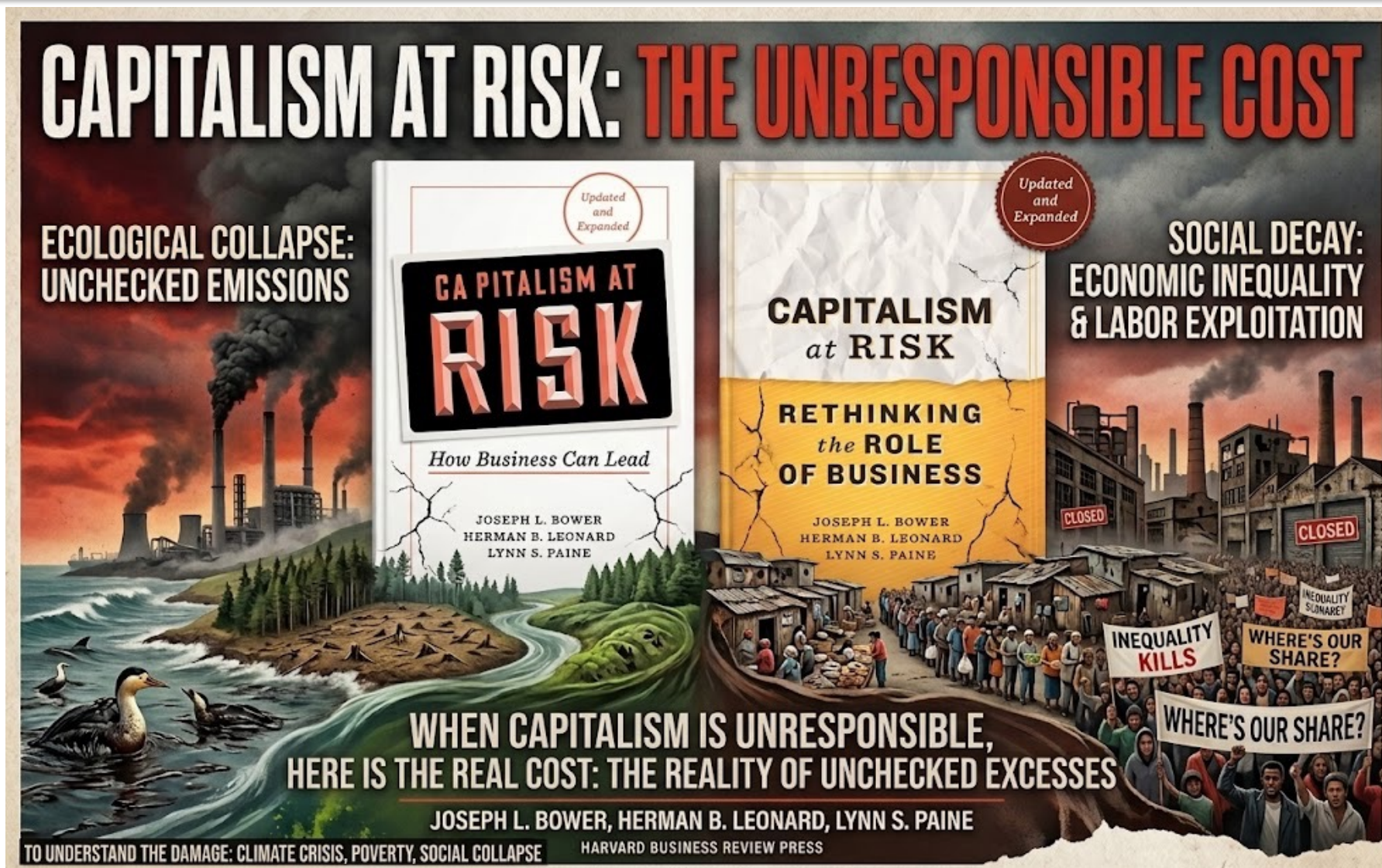
In **capitalist countries** individuals have the **freedom of choice**, since they have the opportunity to decide “what”, “how”, “where” and “for whom” to produce on the basis of market demand. For this important function of meeting the needs the State recognizes to the capitalist the possibility (the freedom) of doing business and to **obtain a profit** for themselves.

Individual interest prevails over collective interest

The freedom of individuals is central

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. Adam Smith (1776)

Strengths and Weaknesses of this model?





Fundamentals of Business Administration

What is the economic problem?

Planned economies

In **planned economies** all decisions are formed and implemented by a public body such as a government agency. The aim of the planned economies is of ensuring **greater social equality and to avoid market failures**. The social equality is considered as the most important factor in ensuring people's well-being.

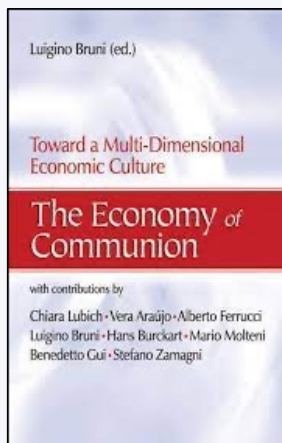
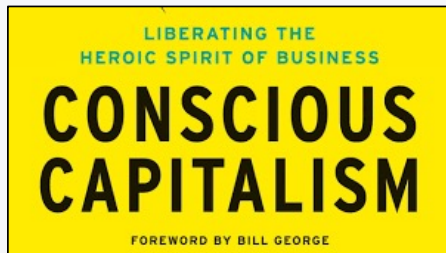
Collective interest prevails over individual interest

Individual practically disappears

Strengths and Weaknesses of this model?



Toward a third model?



Organizations as community of persons

“

«Adding “of persons” to the concept of “community” can seem superfluous if we are talking of human communities; but it’s not. First of all, it helps us avoid a collectivist view of the firm in which the individual practically disappears. Person entails both an individual and a relational meaning» Melé, 2011



How best to allocate scarce resources to contribute to human well-being?



MARKET ECONOMY

Neoliberal Model

Collective well-being is a natural consequence of individual freedom and voluntary cooperation. The State may persuade but never coerce. It should **intervene only** when the pursuit of individual freedom causes **harm** to others.

Intermediate forms
between State and Market
(**Social Democracies**)



PLANNED ECONOMY

Communist/Socialist Model

Individual freedom is restricted to pursue **collective well-being**. Individual well-being is viewed as a direct result of collective well-being. Therefore, the State can justify **limiting individual freedom** based on what it deems to be in the best interest of society.



THE COMMON GOOD NOT AS AN INTERMEDIATE FORM, BUT AS A THIRD WAY

Individuals are free, yet they act within a community to which they are **accountable**. The community must create the conditions to foster the **integral human development** of every individual, while individuals remain **responsible** for their own growth and for **contributing to the common good of the community**.



BACHELOR OF SCIENCE IN
BUSINESS ADMINISTRATION
& ECONOMICS

PROF. EMILIANO DI CARLO

Teaching notes of

Fundamentals of Business Administration

**Towards the primary interest
of the organizations (the common good)**





Fundamentals of Business Administration

The course of FoBA is a community

The course of Fundamental of Business Administration is a **community** (professors and students) with its WHY (or Purpose). **As a community we all have rights, but also duties**

We all have the **duties** to respect the rules and to produce common goods, i.e. the conditions to growth in terms of technical competencies and as human e.g. honesty, respect for others (colleagues and professors), share the knowledge. **We should use our heart not only our mind;**

We refuse opportunistic behaviour, we should be honest and respectful towards others (i.e. Colleagues and professors),

Students have the **rights** to attend interesting lessons and to find a good classroom harmony (Be on time! Stay silent during the lesson!);

The professor will learn from students, and he can claim (the right) value from them after he creates value for them



Fundamentals of Business Administration

What is the economic problem?

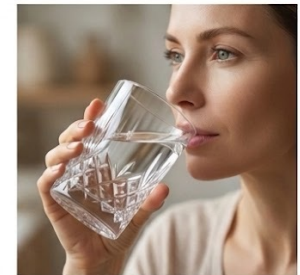
Needs

Needs are material items people need for survival, such as food, clothing, housing. Until the Industrial Revolution, the vast majority of the world's population struggled for access to basic human needs. The same is during a war



Basic Human Needs

A Trinity of Life





Fundamentals of Business Administration

What is the economic problem?

Wants

Wants are effective desires for a particular product, or for something which can only be obtained by working for it. While the fundamental needs of survival are key in the function of the economy, wants are the driving force which stimulates demand for goods and services.

Wants are not necessary for survival but that add comfort and **pleasure** to our lives

Wants

Things people desire but do not need





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Is that a need or a want?



ANALYSIS:

- Queuing for hours and camping on sidewalks for the latest tech gadget is driven by desire and social status, not survival.
- Technology is useful, but pursuing flagship launch-day releases is a **WANT**, not a **NEED**.

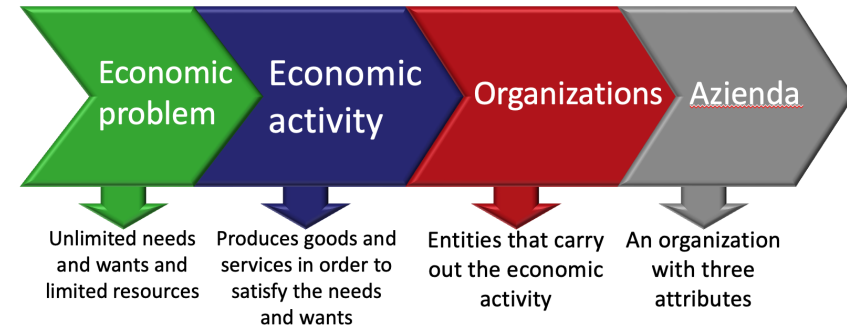
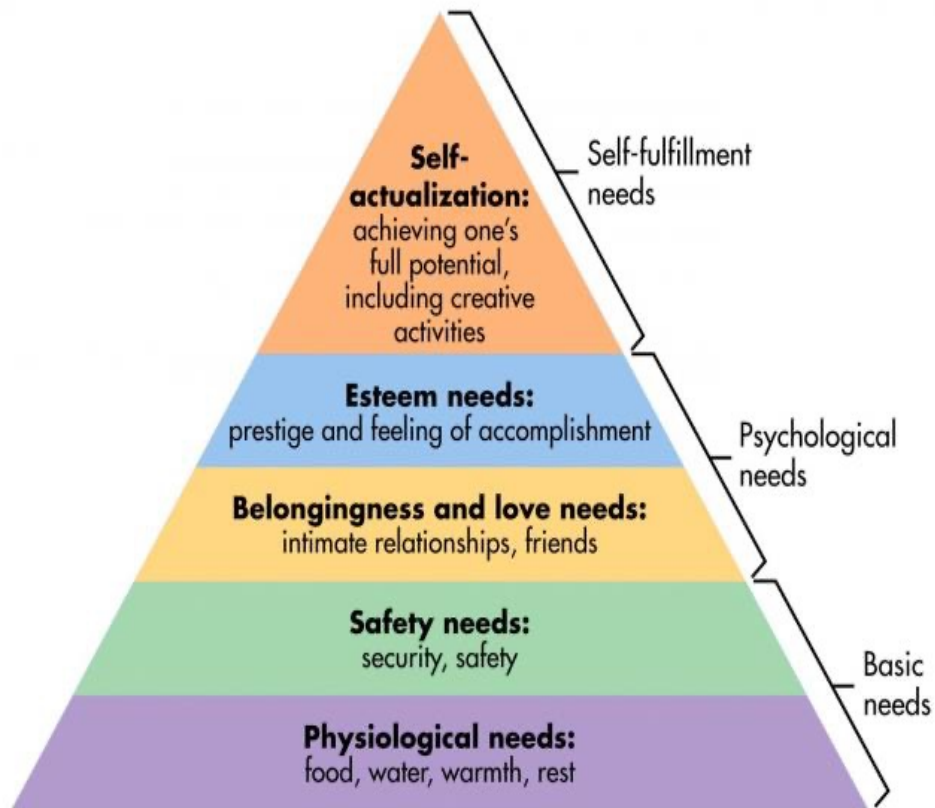




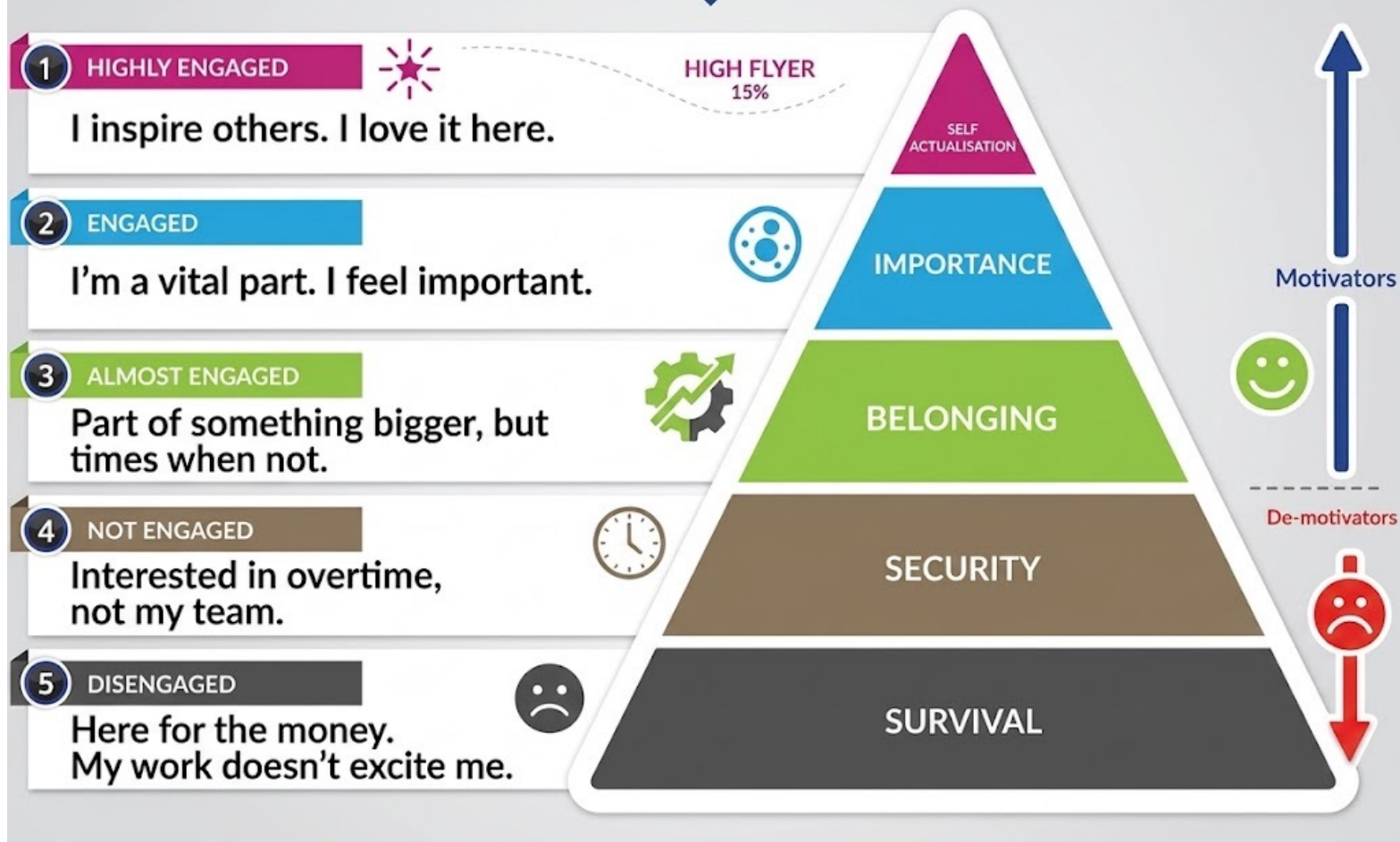
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What is the economic problem?

Maslow's hierarchy of needs



MASLOW'S HIERARCHY OF NEEDS APPLIED TO EMPLOYEE ENGAGEMENT





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Advantages of Smart working



Advantages for companies:

- the reorganization of spaces has led to a lower need for fewer rooms and therefore to a reduction in the costs of renting premises, electricity, air conditioning, heating, cleaning, consumables;
- in some areas, increase in employee productivity, partly due to greater responsibility and motivation deriving from the moment of crisis in companies, resulting in greater identification with the company;
- possibility of involving a greater number of people in online meetings / conferences;
- especially in the public administration, it forces managers to consider work by reasoning about results to be achieved and not about physical presence;

FoBA - Ch. I - Assignment II - Maslow's hierarchy of needs and Covid

FoBA - Ch. I - Assignment III - The tangible and intangible products

FoBA - Ch. I - Assignment IV - Factors of production

FoBA - Ch. I - Assignment V - The needs satisfied and to be satisfied

[FoBA - Ch. I - Assignment VI - Increasing the productivity](#)

FoBA - Ch. II - Assignment I - The useless entities

FoBA - Ch. II - Assignment II - The British Petroleum case

FoBA - Ch. II - Assignment III - The British Petroleum case. What, how and why

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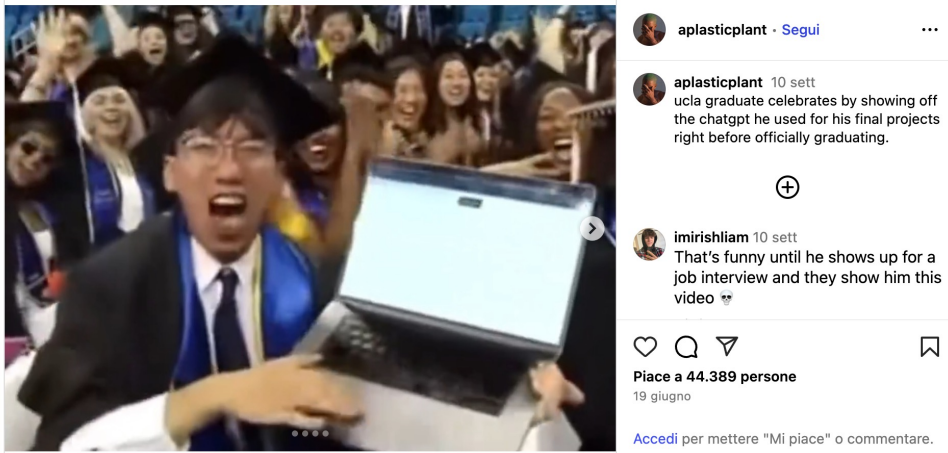
FoBA - Ch. VI and VII

In your personal interest: DO NOT USE ARTIFICIAL INTELLIGENCE TO ANSWER

Pressure, temptation and vulnerability of human being



The virtue of self-control



Humans tend to use AI when they have to face complex questions, also because of their tendency to find faster solutions without using too much energy, effort and time

To my students: *"So why should companies hire you if they can find the same answers at any time and at zero cost?"*

When Are We Stupid in Using Artificial Intelligence?

Definition:

«*We are stupid with AI when our actions harm both ourselves and others, wasting potential without creating value*».

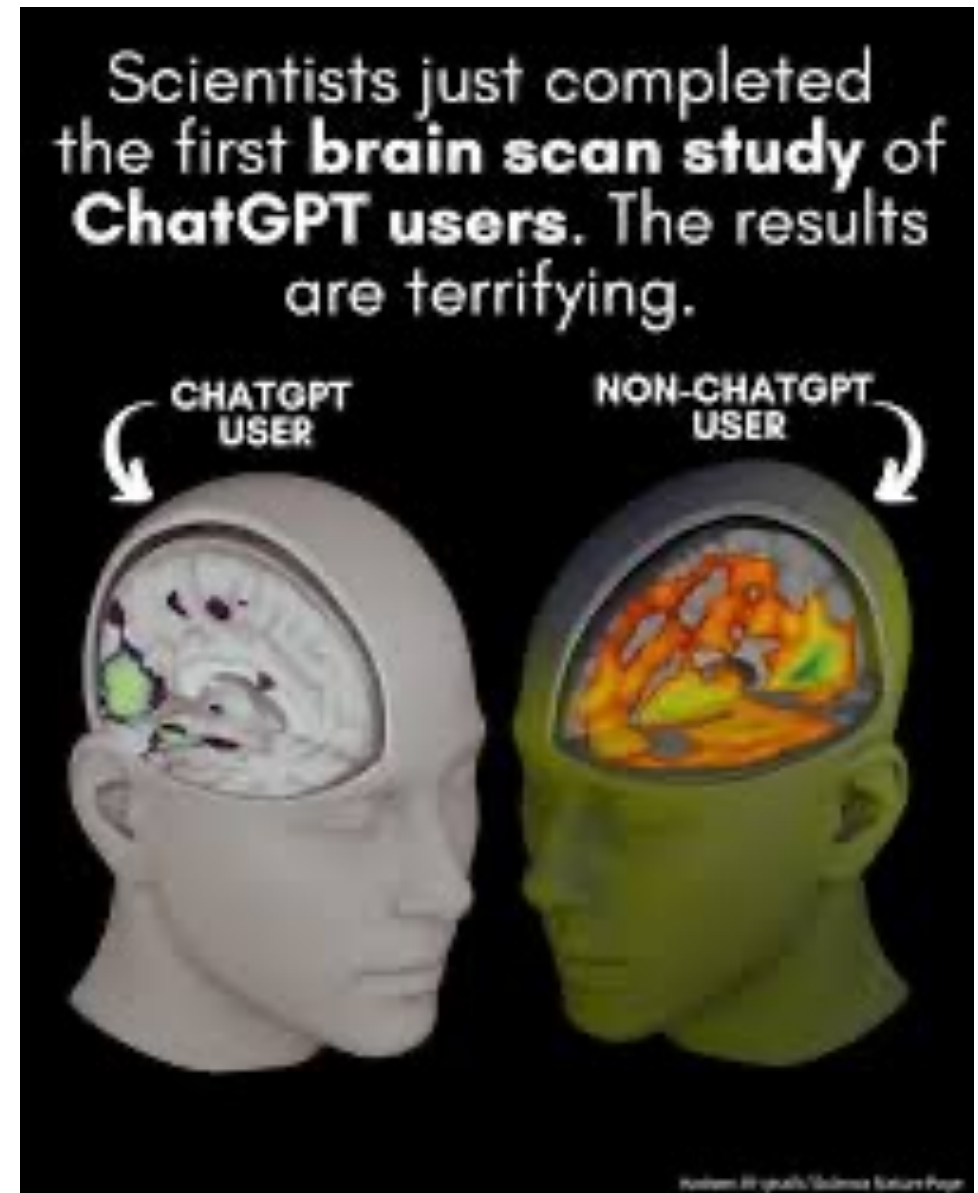
Examples:

1.Cheating with AI – Submitting essays fully generated by AI without learning the subject.

1. Harm to self: no real knowledge gained.
2. Harm to others: devalues academic integrity.

2.Blind Trust in AI – Copying AI answers without checking accuracy or sources.

1. Harm to self: risk of mistakes and misinformation.
2. Harm to others: spreads unreliable knowledge.





What is the economic activity?



↓
Produces goods and
services in order to
satisfy needs and
wants

Do the happiness and well-being of the people
only depend on goods and services ?



What is the economic activity?

Economic activity is a dimension of human activity and it is conducted for **the satisfaction of human needs through the production of economic goods and services**. The concept of economic activity is born from the mentioned economic problem, i.e. the contrast between the limitlessness of the needs and the scarcity of resources used to satisfy them.

If the goods to satisfy the needs were unlimited (e.g., such as air, sunlight) there would be no economic problem, and consequently no economic activity.

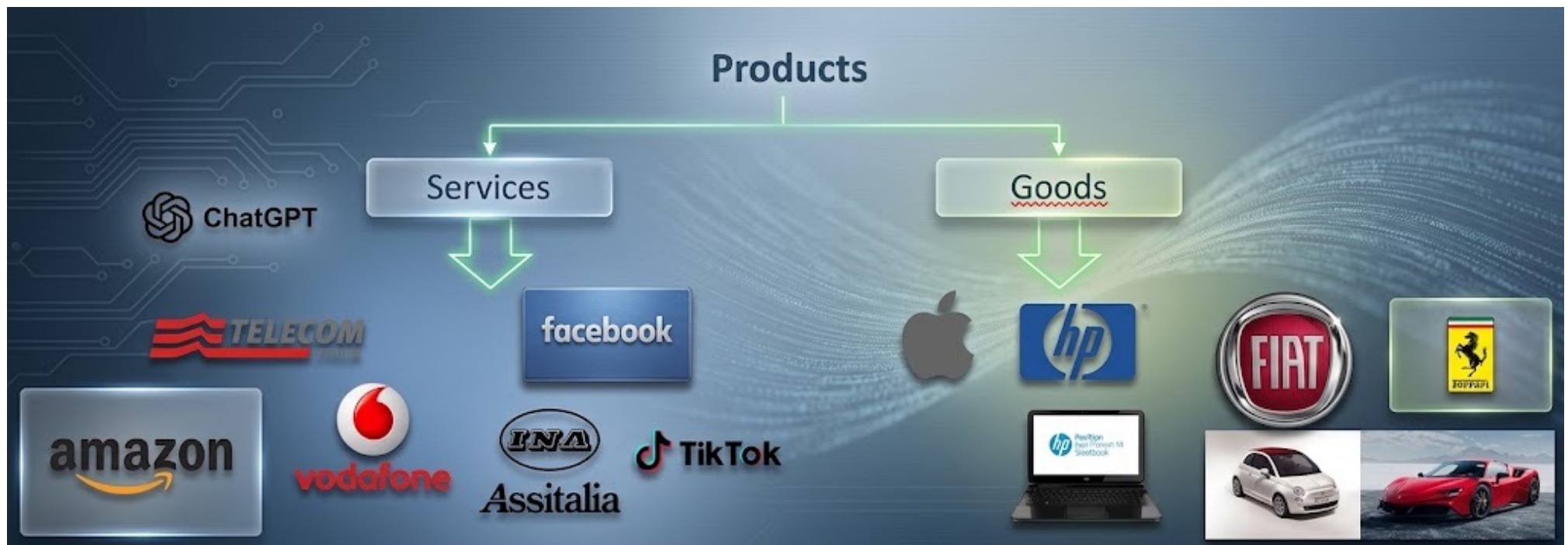


Fundamentals of Business Administration

What is the economic activity?

Definition of economic activity

Actions that involve the production, distribution and consumption of **goods** and **services** at all levels within a society





Fundamentals of Business Administration

What is the economic activity?

Goods versus services

Attributes of goods (Tangible product)	Attributes of services (Intangible product)
Can be resold	Reselling unusual
Can be inventoried	Difficult to inventory
Some aspects of quality measurable	Quality difficult to measure
Selling is distinct from production	Selling is part of service
Product is transportable	Provider, not product, is often transportable
Site of facility important for cost	Site of facility important for customer contact
Often easy to automate	Often difficult to automate
Revenue generated primarily from tangible product	Revenue generated primarily from intangible service



[FoBA - Assignment I - Objective of the organizations](#)

[FoBA - Ch. I - Assignment II - Maslow's hierarchy of needs and Covid](#)

[FoBA - Ch. I - Assignment III - The tangible and intangible products](#)

[FoBA - Ch. I - Assignment IV - Factors of production](#)

[FoBA - Ch. I - Assignment V - The needs satisfied and to be satisfied](#)

[FoBA - Ch. I - Assignment VI - Increasing the productivity](#)

[FoBA - Ch. I - Assignment VII - The attribute of Economicità](#)

[FoBA - Ch. II - Assignment I - The useless entities](#)

[FoBA - Ch. II - Assignment II - The British Petroleum case](#)

[FoBA - Ch. II - Assignment III - The British Petroleum case. What, how and why](#)

[FoBA - Ch. II - Assignment IV - The Why, How and What \(the golden circle\)](#)

[FoBA - Ch. II - Assignment V - The objective of your private hospital](#)

[FoBA - Ch. II - Assignment VI - The non-business entities](#)

[FoBA - Ch. II - Assignment VII - Unsustainable firms](#)

[FoBA - Ch. III - Assignment II - Corruption](#)

[FoBA - Ch. IV - Assignment I - The phases of production and the outsourcing](#)

[FoBA - Ch. IV - Assignment II - Classifying the factors of production](#)

[FoBA - Ch. IV - Assignment III - The risk](#)

[FoBA - Ch. V - Assignment I - The "Bio fruit experience" failure](#)

[FoBA - Ch. V - Assignment II - Primary interest and income statement](#)

[FoBA - Ch. VI and VII](#)



Fundamentals of Business Administration

What is the economic activity?

Resources

“Resources are something used (transformed) to produce output (products) and are: land, labour, capital, entrepreneur.

Collectively, resources are called **factors of productions**, or input of production”.





Fundamentals of Business Administration

What is the economic activity?

Resources: Land

Land is a resource or input that is a “gift of nature”. It exists independently of human activities. Soil, a forest, a deposit of oil, coal, rain, a river, the climate are a few examples of land. In economics the payment for land is often called rent. There are many categories of land.

Some resources, like solar or wind, are referred to as “flow resources.” If the resource is used for one purpose, there is no significant impact on the availability of the resource for other uses.



Fundamentals of Business Administration

What is the economic activity?

Resources: Land

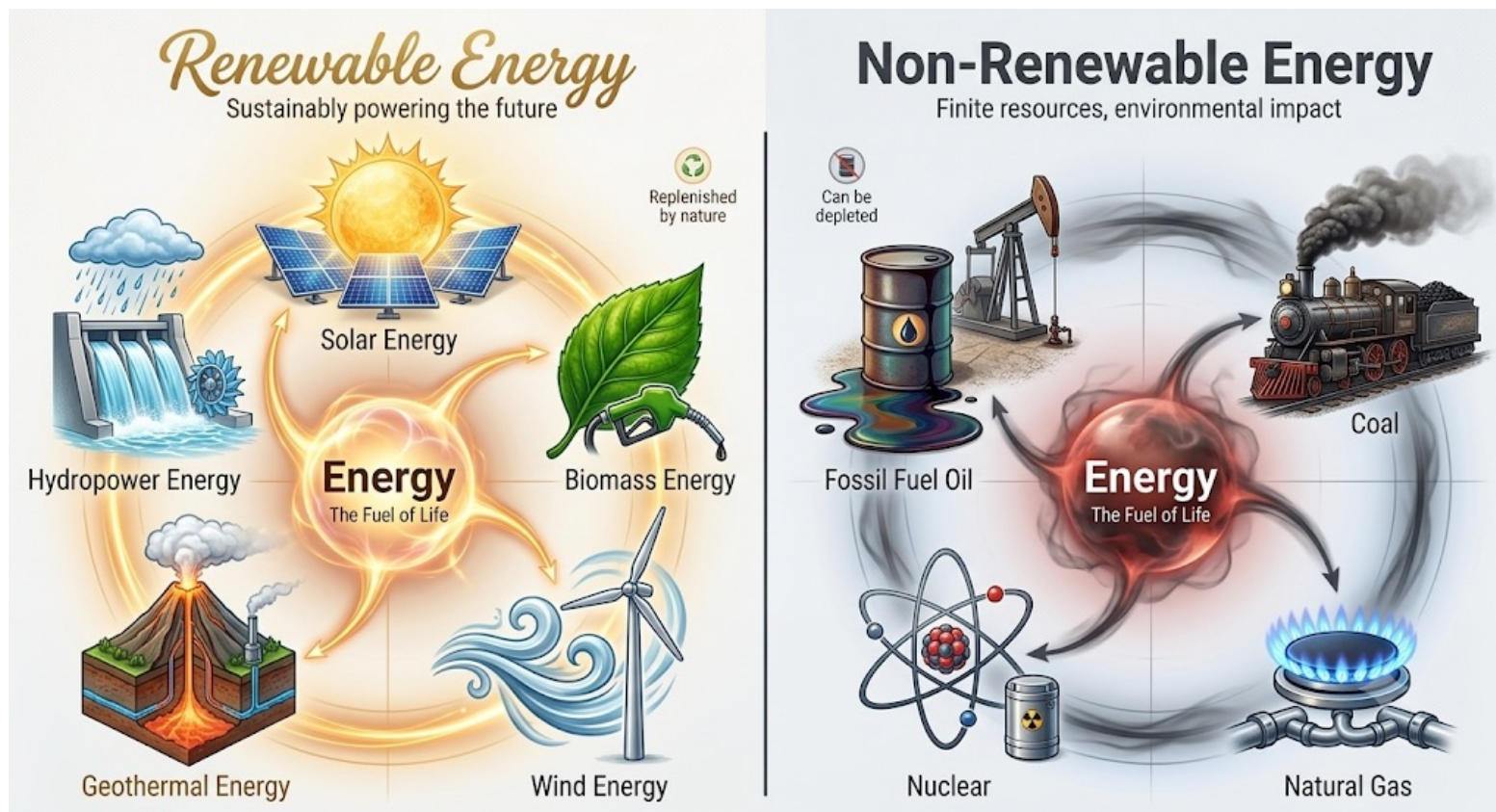
Other land resources are called “**renewable**”. A forest, fishery, herd of buffalo, whales, water quality and the like are renewable resources. Trees may be harvested from a forest at a maximum rate equal to the growth rate of new trees. This is called the maximum sustainable yield. Fish, whales and buffalo (and other wildlife) can be harvested and if a large enough population is left it will “renew” or replenish.

Other resources are called **exhaustible resources**. There is a finite amount available and once used it is gone, it cannot be replaced. Coal and oil are examples of these resources. In practice, society does not know about all deposits of those resources. As one deposit of coal is mined out, new deposits may be discovered”.



What is the economic activity?

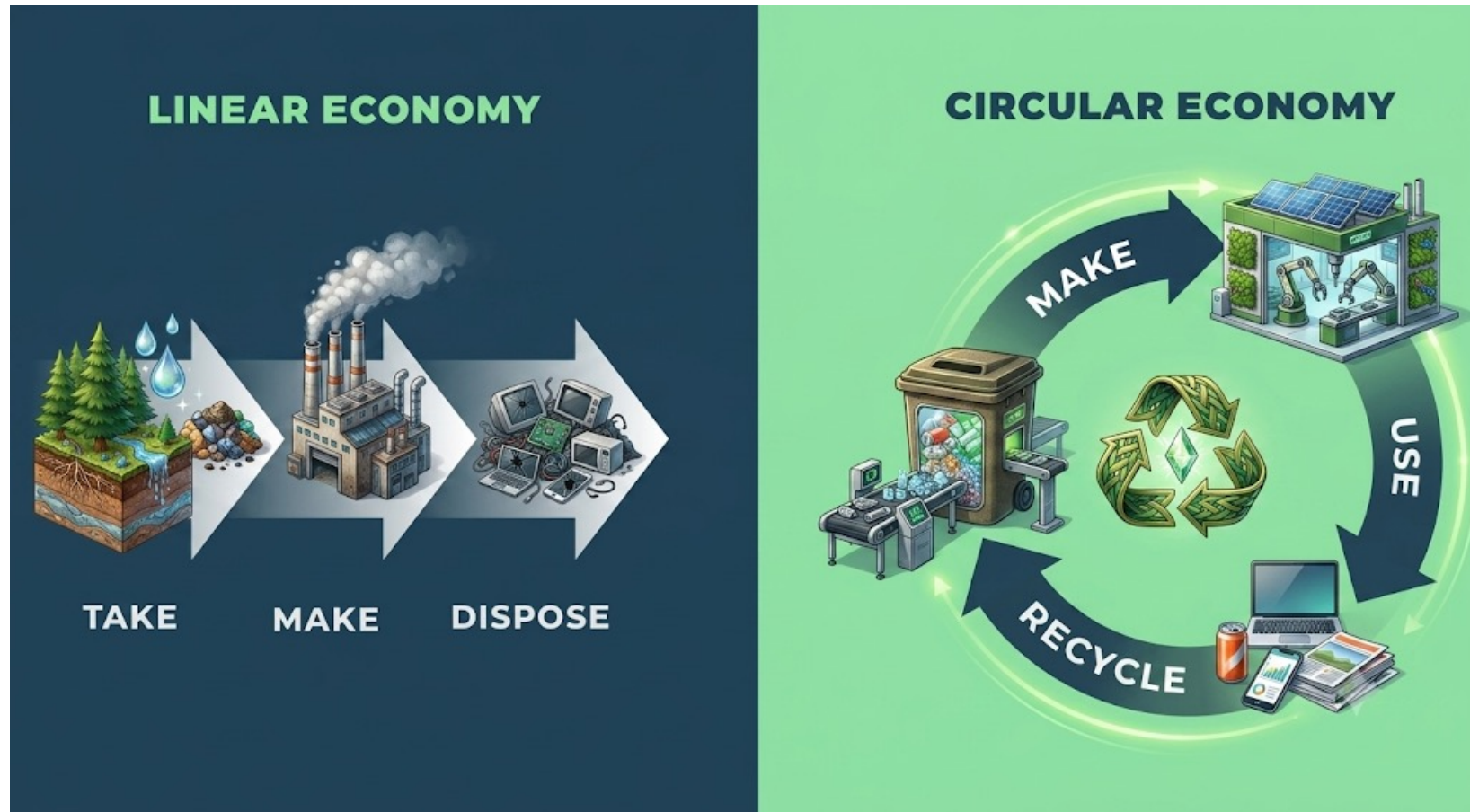
Resources: Land. Renewable and non-renewable energy

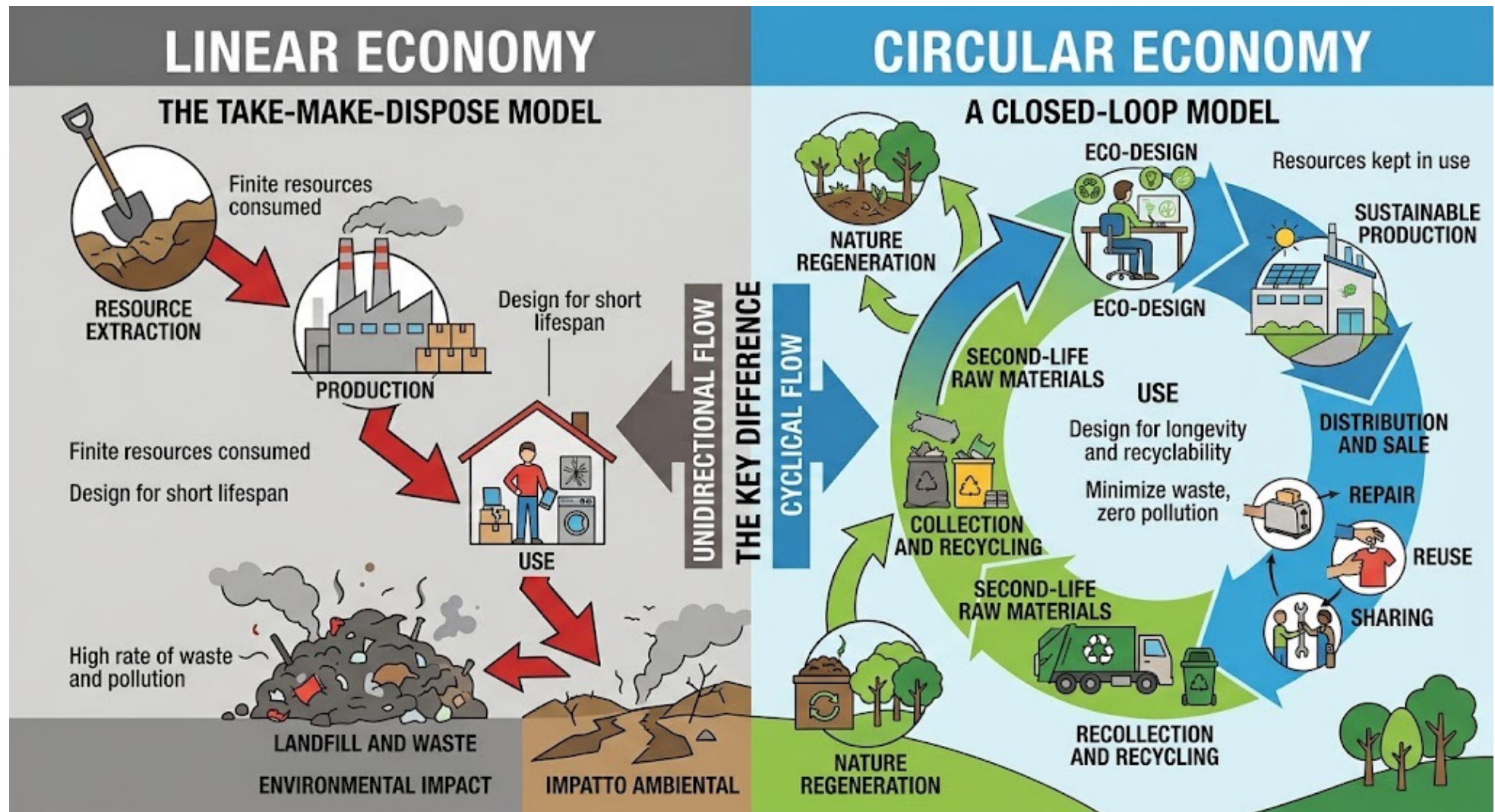




Fundamentals of Business Administration

What is the economic activity?







<https://www.youtube.com/watch?v=N3SQIrmV1cE>



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What is the economic activity?

Resources: Tangible capital

The term capital means investment in goods that are used to produce other goods in the future. Capital goods = resources used to produce the final product

Examples include machinery, plant and equipment, new technology, factories and buildings





Fundamentals of Business Administration

What is the economic activity?

Resources: Tangible capital

Factory



Emission Controls

- Clean filter
- Clean filter rafter



Renewable Energy Mix

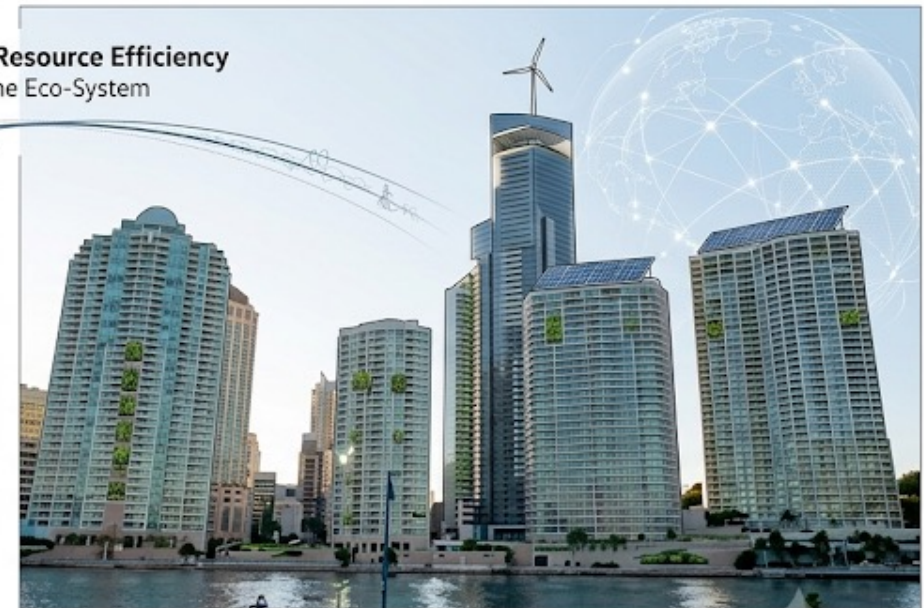
- Solar and energy and windrbine
- Eenewabty property



Product Efficiency

- Sleek new ID. family vehicle

Buildings



Integrated Photovoltaics

- Small verticat and solar cells
- Energy-efficient double-glazed windows



Urban Agriculture

- Rooftop garden and gardenes
- Urban-efficiency



Green Transport Nodes

- Clean energy bus/ tram stop

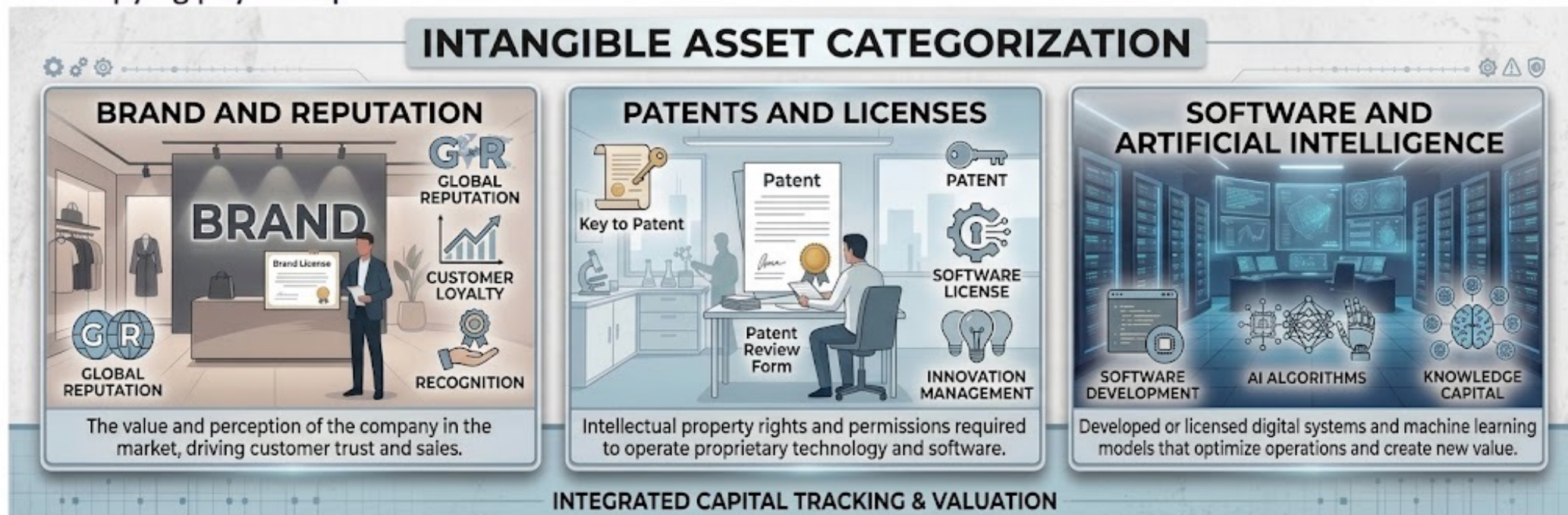


Fundamentals of Business Administration

What is the economic activity?

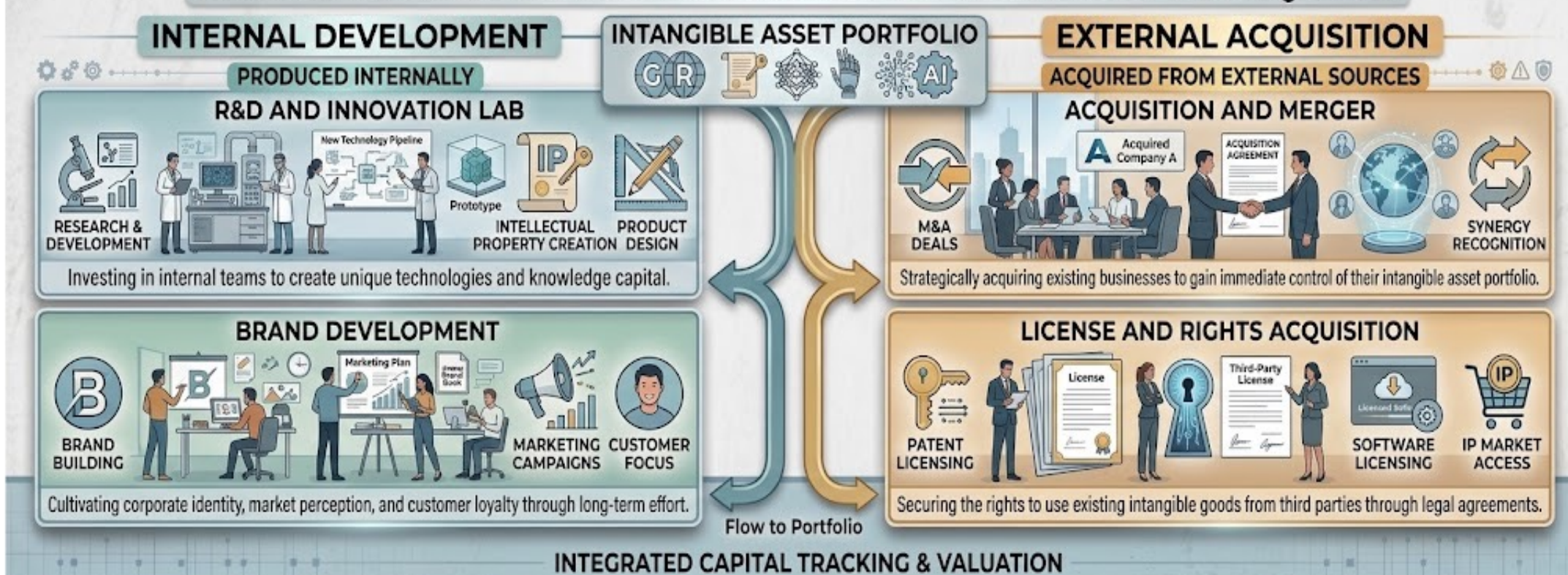
Resources: Intangible capital

Intangible assets represent goods lacking physical substance but possessing significant economic, strategic, or functional value for a business. They create competitive advantage and future growth without occupying physical space.



Intangible assets represent goods lacking physical substance but possessing significant economic, strategic, or functional value for a business. They create competitive advantage and future growth without occupying physical space.

INTANGIBLE ASSET ORIGATION: INTERNALLY GENERATED VS. ACQUIRED





Fundamentals of Business Administration

What is the economic activity?

Resources: Labour

Labour is **any human effort to produce goods and services**. The payment for labour is usually called **wages** (payments might be commissions, salary, bonus or whatever). Labour can be **physical or mental**. A person digging a ditch, managing a firm, or performing accounting functions is providing labour.



Human being as an instrument or as an end?



Fundamentals of Business Administration

Individual or persons? Human being is an instrument or an end?

The organizations is made up of assets, persons and relationships

Many argue that people are important, but in what sense? Are they tools or ends in themselves? Taking care of people is important because it increases productivity or because it is ethically right

Capitalist countries

Individual interest prevails over collective interest

The freedom of individuals is central

Planned economies

Collective interest prevails over individual interest

individual practically disappears

Common good

The human being is a person oriented to the common good. He/she is a person within a community



Fundamentals of Business Administration

The interest of the organization as a common interest of the stakeholders and non-stakeholders

- **extrinsic goods.** They are external to the individual and include both physical (i.e. remuneration) and intangible (i.e. being considered by superiors) assets. These goods are motivating and create an expectation of improvement on the subject.
- **intrinsic goods.** They are internal to the individual, despite resulting from its interaction with the outside world, and are part of what we commonly consider as personal growth (Consider, for example, the satisfaction deriving from a job well done, the acquisition of new knowledge, the development of skills or interaction with other people).
- **transcendent goods.** They are generated by the individual for the sole purpose of being transmitted to other. A person who manages to produce goods for other people, contribute to his own motivation receiving other goods in return (Among the *transcendent goods* we can find the success in meeting customers needs, in contributing to the employees success, or in ensuring profit to shareholders).

• What motivates the teacher? •

The same teacher can be oriented by different goods

The teacher's performance can be influenced by material incentives, recognition, personal satisfaction, and the desire to make the students grow.



Extrinsic Material Goods

Why should the teacher be motivated to give a great lesson? What influences their performance?



Extrinsic Immaterial Goods



Intrinsic Goods and Self-Image

What would happen to the well-being of the teacher who operates with transcendence if there was someone else better than them at making their students flourish?



Transcendent Goods

- When I go to the copier room, I don't need to knock on the door before entering or say good morning once I'm inside.
- I can ask the copier to work all day, and it won't complain at the end of the day because its only function is to copy (it was created for this purpose) and it has no issues with fatigue.
- If the copier fails, I can easily replace it with another one that performs the same function.
- I don't need to thank the copier for doing its job well, as it remains indifferent to my appreciation.
- Even if the copier does its job well, it won't feel more motivated; it will continue to perform the same tasks as before.
- It is indifferent to whether I ask it to perform one job over another (e.g., photocopy in color rather than black and white).
- If the copier stops working, I don't need to ask it what the problem is, as it won't make me feel any better.
- Just a push of a button, and the copier will always do what I expect.



Person

**Instrument
(Copier)**

Do I treat people like my copier?

Are my employees' needs similar to those of my copier?

Are my employees tools or ends?

Chat GPT, I hate you!



I'm sorry to hear you're feeling this way. If there's something specific that's bothering you, let me know, and I'll do my best to help.

Can you help me in my intellectual job?



Absolutely! What kind of help do you need with your work? Whether it's analyzing data, brainstorming ideas, or anything else related to your role, I'm here for it.



EXPLORING DIVERSE EMPLOYEE ROLES: KEY CATEGORIES

A visual guide to distinct roles within an organization, highlighting responsibilities and contexts.

MANAGERS

STRATEGIC LEADERSHIP



TEAM GUIDANCE



Managers oversee strategic goals, lead teams, make high-level decisions, and monitor overall performance.



OFFICE STAFF

IMPIEGATI

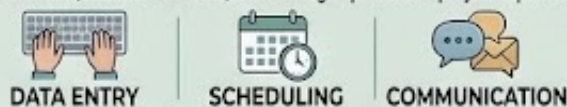
ADMINISTRATIVE SUPPORT



SPECIALIZED SUPPORT



Office Staff provide crucial administrative support, coordinate data and workflow, maintain records, and manage specialized project reports.



WORKERS

OPERAI

PRODUCTION & ASSEMBLY



TECHNICAL MAINTENANCE



Workers are directly involved in production, operate machinery, ensure product quality, and perform essential maintenance tasks.



INTEGRATED EMPLOYEE ECOSYSTEM: COORDINATED FOR SUCCESS

One human and three AI agents







Fundamentals of Business Administration

What is the economic activity?

Differences between owner and entrepreneur

- **Jean-Baptist Say**, French Economist: “Entrepreneur is someone who takes resources from a lower level of productivity and raise them to a higher level.”
- **Victor Kiam**, Former owner of New England Patriots: “Entrepreneurs are **risk takers**, willing to roll the dice with their money or reputation on the line in support of an idea or enterprise. They willingly assume responsibility for the success or failure of a venture and are answerable for all its facets.”
- **Joseph Schumeter**, Austrian Scientist: “An entrepreneur is the ultimate **innovator** and earns his profits, however temporary, from successful innovations.

None of the above definitions state that the entrepreneur is necessarily the owner of the firm. However, one of the most important decisions of the controlling owner who does not want to manage the firm (e.g. because he/she does not have expertise to do that) is the selection of the firm’s managers.



Fundamentals of Business Administration

What is the economic activity?

Production process (or transformation process)

Through the **production process** (or transformation process) inputs are transformed into output (goods or services).

The output can be purchased by the final consumers and/or by other organizations (e.g. Fiat sells its cars to final consumers and to other companies that use those cars as factors of production). In this the latter case the output represents the input of those companies.

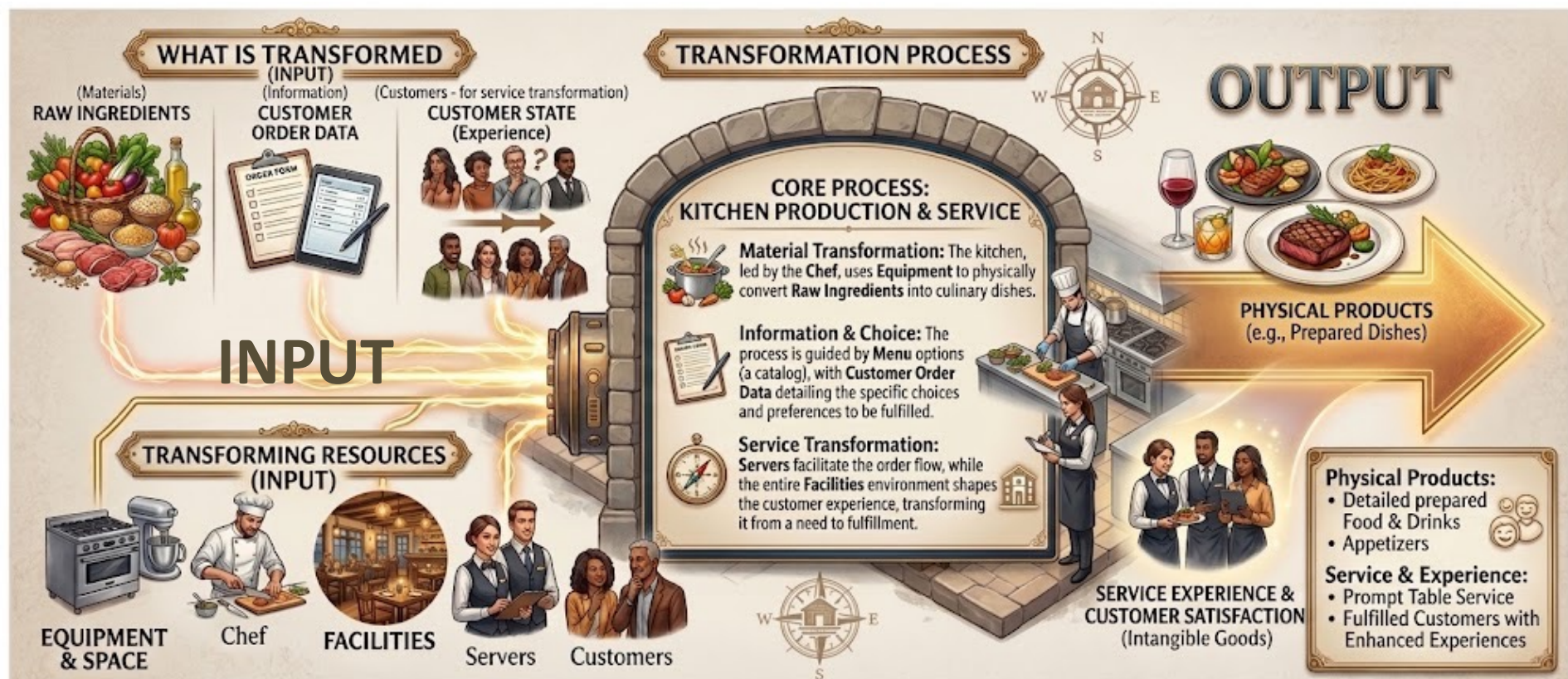




Fundamentals of Business Administration

What is the economic activity?

Representation of the restaurant



A Corrected & Clear Process Overview: Inputs to Outputs



Fundamentals of Business Administration

ECONOMIC ACTIVITY IN PUBLIC ADMINISTRATION (Input-Process-Output Diagram)



NON-PROFIT ORGANIZATION ACTIVITY (Input-Process-Output Diagram)





Fundamentals of Business Administration

What is the economic activity?

Transformation process

The transformation process should not be viewed only in the physical-chemical sense (e.g. the automotive companies that assembly components purchased by other companies in order to produce cars, see Fiat, Peugeot); it may consist, in fact, also in the **value creation through the transfer of goods and services in time and space** (e.g. commercial companies, see, Euronics, Carrefour, Mediaworld, Walmart).



Fundamentals of Business Administration

What is the economic activity?

Business model

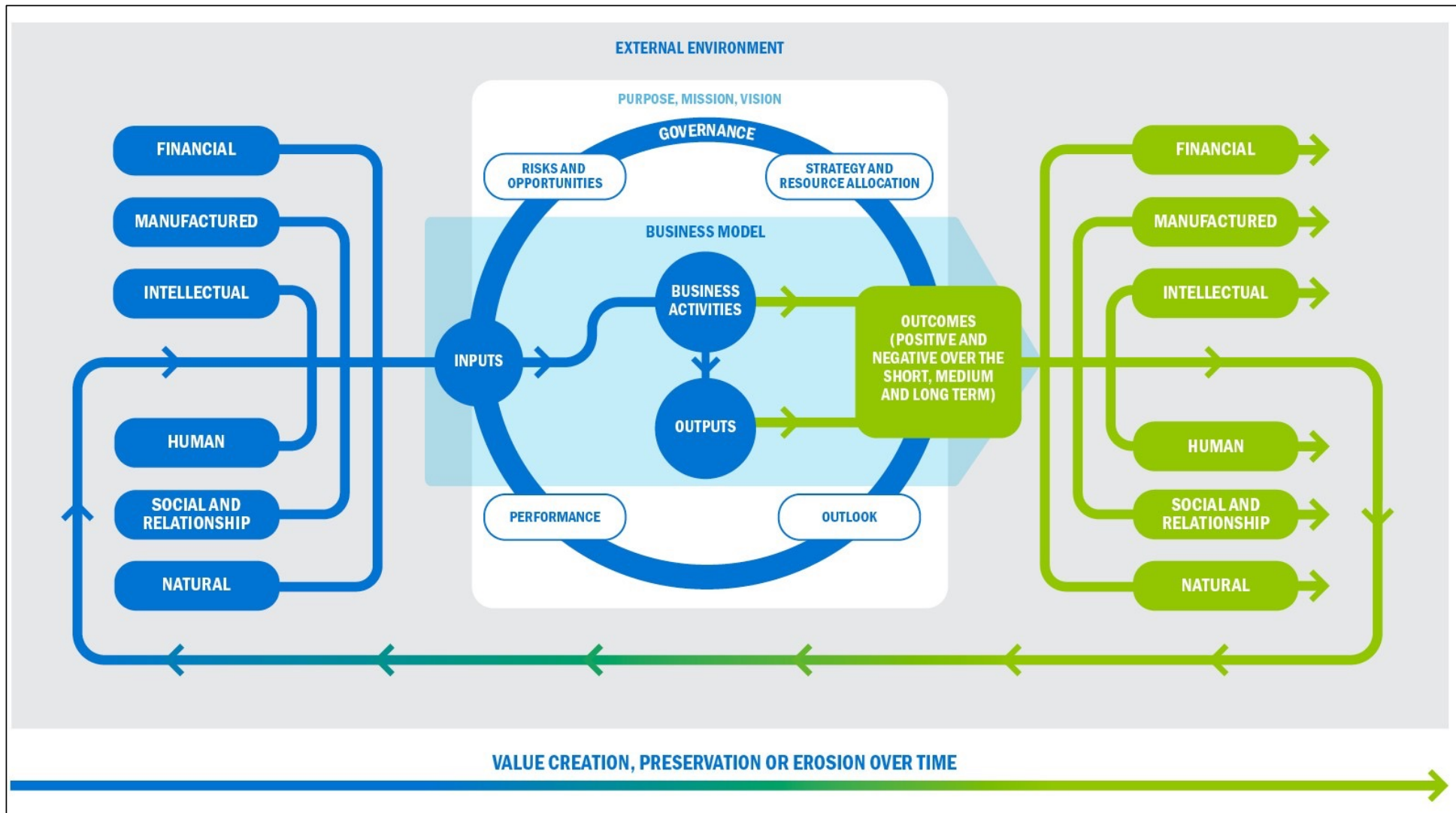
“An organization’s **business model** is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization’s strategic purposes and create value over the short, medium and long term”





A Detailed Comparison: Inputs, Processes, and Outputs for Two Restaurant Business Models

Business model given by the framework of the International Integrated Reporting Council





Fundamentals of Business Administration

The capitals (i.e. the input) are categorized and described as follows:

Financial capital – The pool of funds that is:

- available to an organization for use in the production of goods or the provision of services;
- obtained through financing, such as debt, equity or grants, or generated through operations or investments;

Manufactured capital – Manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services, including:

- buildings
- equipment
- infrastructure (such as roads, ports, bridges, and waste and water treatment plants)



Fundamentals of Business Administration

The capitals (i.e. the input) are categorized and described as follows:

Intellectual capital – Organizational, knowledge-based intangibles, including:

- intellectual property, such as patents, copyrights, software, rights and licenses
- “organizational capital” such as tacit knowledge, systems, procedures and protocols

Human capital – People’s competencies, capabilities and experience, and their motivations to innovate, including their:

- alignment with and support for an organization’s governance framework, risk management approach, and ethical values;
- ability to understand, develop and implement an organization’s strategy;
- loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.



Fundamentals of Business Administration

The capitals (i.e. the input) are categorized and described as follows:

Social and relationship capital – The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:

- shared norms, and common values and behaviours
- key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders
- intangibles associated with the brand and reputation that an organization has developed
- an organization's social licence to operate



Fundamentals of Business Administration

The capitals (i.e. the input) are categorized and described as follows:

Natural capital – All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization. It includes:

- air, water, land, minerals and forests
- biodiversity and eco-system health.



About Gasunie

Gasunie has been connecting the Netherlands with energy for decades — a societal mission we are proud of. Our pipelines run through cities, villages, and towards industrial areas. Thanks to our gas network, the Netherlands stays warm, industries keep running, and households have the certainty of energy — 24 hours a day, 7 days a week. Invisible to most, but essential to everyone.

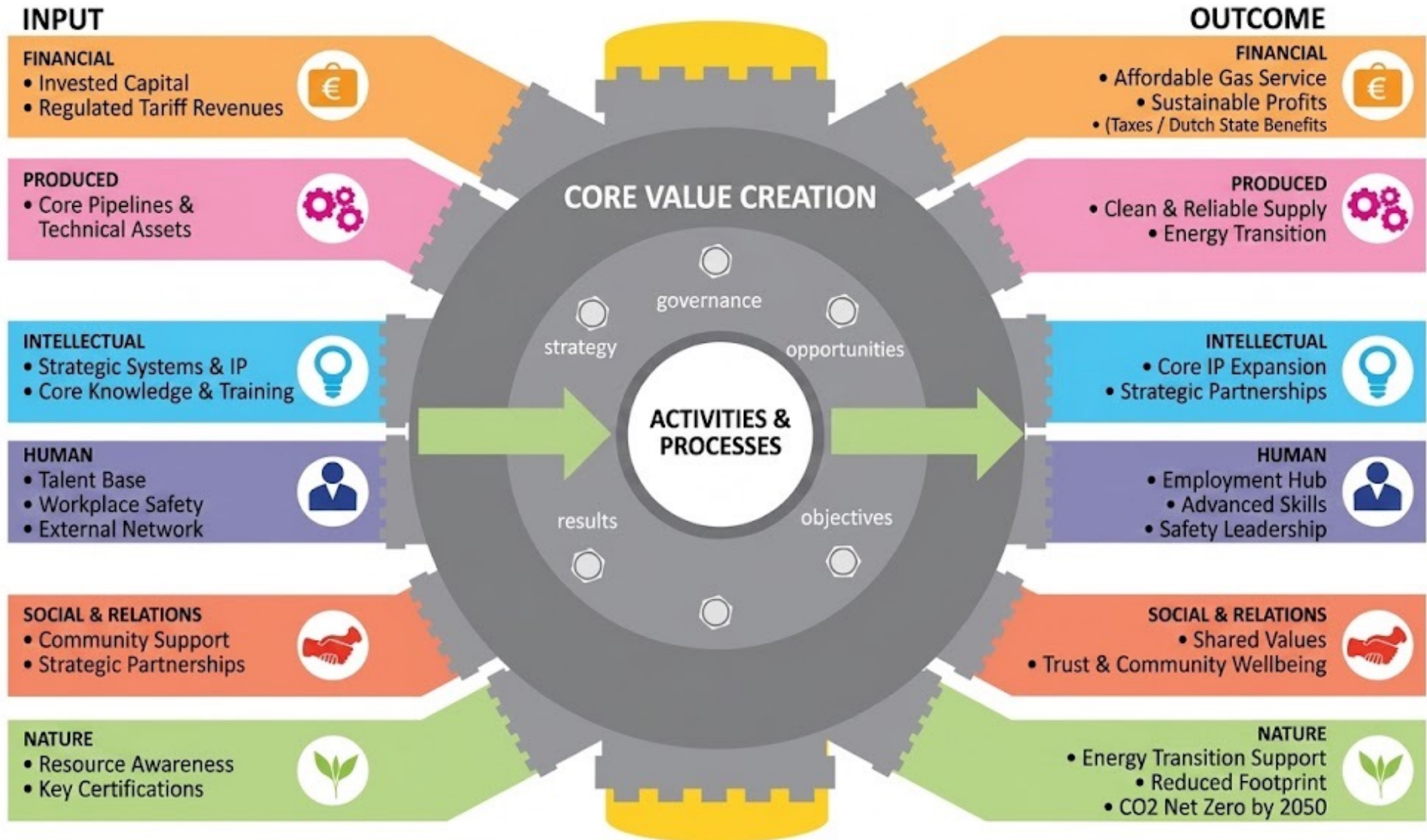
Our drive

We are working on new energy for a prosperous society.

Our Vision

We ensure that industry, energy producers, and households are now and in the future connected to affordable, reliable, and CO₂ free energy infrastructure.

EXTERNAL ENVIRONMENT





[FoBA - Assignment I - Objective of the organizations](#)

[FoBA - Ch. I - Assignment II - Maslow's hierarchy of needs and Covid](#)

[FoBA - Ch. I - Assignment III - The tangible and intangible products](#)

[FoBA - Ch. I - Assignment IV - Factors of production](#)

[FoBA - Ch. I - Assignment V - The needs satisfied and to be satisfied](#)

[FoBA - Ch. I - Assignment VI - Increasing the productivity](#)

[FoBA - Ch. I - Assignment VII - The attribute of Economicità](#)

[FoBA - Ch. II - Assignment I - The useless entities](#)

[FoBA - Ch. II - Assignment II - The British Petroleum case](#)

[FoBA - Ch. II - Assignment III - The British Petroleum case. What, how and why](#)

[FoBA - Ch. II - Assignment IV - The Why, How and What \(the golden circle\)](#)

[FoBA - Ch. II - Assignment V - The objective of your private hospital](#)

[FoBA - Ch. II - Assignment VI - The non-business entities](#)

[FoBA - Ch. II - Assignment VII - Unsustainable firms](#)

[FoBA - Ch. III - Assignment II - Corruption](#)

[FoBA - Ch. IV - Assignment I - The phases of production and the outsourcing](#)

[FoBA - Ch. IV - Assignment II - Classifying the factors of production](#)

[FoBA - Ch. IV - Assignment III - The risk](#)

[FoBA - Ch. V - Assignment I - The "Bio fruit experience" failure](#)

[FoBA - Ch. V - Assignment II - Primary interest and income statement](#)

[FoBA - Ch. VI and VII](#)



What is your business idea?

On Wednesday 30 September, at 10:10 am, you will have 10-20 minutes to discuss what your business idea could be. **Those who want** to present will have one minute to share their idea with the class. The audience should identify the strengths and weaknesses of the business ideas presented.

This is an extraordinary opportunity before the formal presentation that we will have on 29 September!





Fundamentals of Business Administration

What is the economic activity?

Productivity

Productivity

Measures the amount of output produced by a given number of inputs over a period of time.

Increased by the efficient use of production

Cost of producing good or service should be as low as possible

Creates a higher standard of living

Labor productivity measures the amount of goods and services produced by one hour of labor.

Do you remember the economic problem?



What do you prefer?



ChatGPT

how artificial intelligence could increase the productivity of the firm



Artificial intelligence (AI) can boost productivity in a firm in several ways:

1. **Automation of Repetitive Tasks:** AI can handle routine and repetitive tasks such as data entry, scheduling, and basic customer service inquiries, freeing up employees to focus on more complex and value-added activities.
2. **Enhanced Data Analysis:** AI algorithms can process and analyze large volumes of data quickly and accurately, providing insights that help in decision-making, forecasting, and identifying trends.
3. **Improved Efficiency:** AI can optimize operations by streamlining workflows, reducing errors, and improving resource allocation. For example, in manufacturing, AI-driven systems can optimize production lines and manage inventory more effectively.
4. **Personalized Customer Experiences:** AI can analyze customer data to deliver personalized recommendations and services, improving customer satisfaction and loyalty.
5. **Predictive Maintenance:** In industries reliant on machinery, AI can predict when equipment is likely to fail, allowing for timely maintenance and reducing downtime.
6. **Enhanced Communication and Collaboration:** AI tools can facilitate better communication and collaboration among team members, including AI-driven project management tools that help track progress and manage tasks.
7. **Intelligent Recruitment:** AI can streamline the hiring process by screening resumes, assessing candidates, and even conducting initial interviews, ensuring that the best candidates are identified efficiently.
8. **Innovation and R&D:** AI can assist in research and development by simulating experiments, analyzing results, and even generating new ideas based on existing data.

Implementing AI in these areas can lead to increased efficiency, reduced costs, and improved overall productivity.





FoBA - Assignment I - Objective of the organizations

FoBA - Ch. I - Assignment II - Maslow's hierarchy of needs and Covid

FoBA - Ch. I - Assignment III - The tangible and intangible products

FoBA - Ch. I - Assignment IV - Factors of production

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FoBA - Ch. IV - Assignment II - Classifying the factors of production

FoBA - Ch. IV - Assignment III - The risk

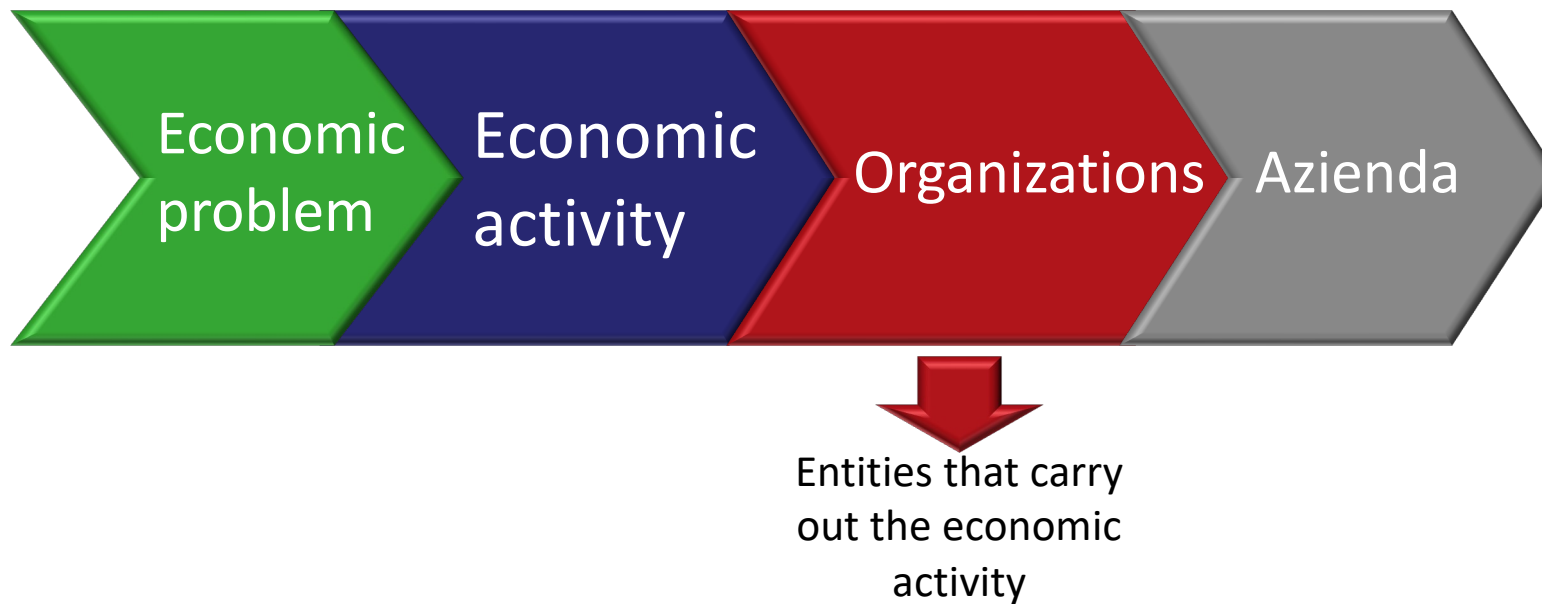
FoBA - Ch. V - Assignment I - The “Bio fruit experience” failure

FoBA - Ch. V - Assignment II - Primary interest and income statement

FoBA - Ch. VI and VII



What is an organization?



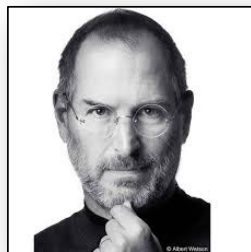


Fundamentals of Business Administration

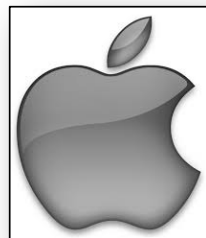
What is an organization?

From the idea to the product and to the needs and wants satisfaction

In today's economic system the economic activity is played by different entities: individuals, groups of persons, entities organized differently. These entities are named organizations.



The
business
idea



The
organization



The product



The needs
and wants
satisfied





Fundamentals of Business Administration

What is an organization?

Our definition

Following the definition we use in this course:

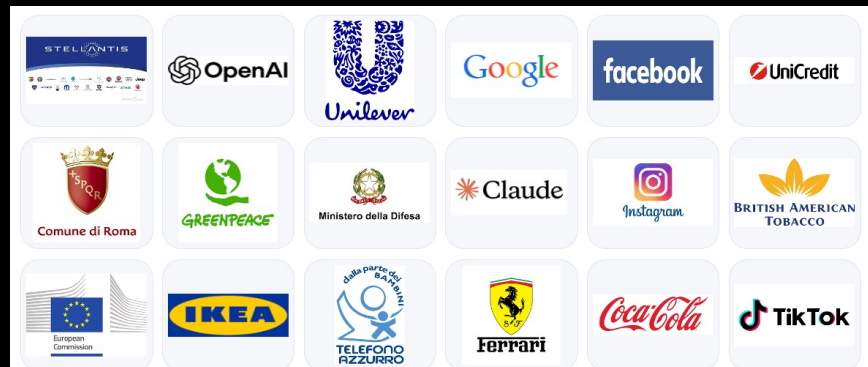
The organization is an entity that in carrying out an economic activity (i.e. it is an **economic entity) produces goods and services that users need and want**

Organizations create and satisfy human needs. All organizations (private and public) have labour and capital that are used to carry out the economic activity.

First element of good governance

Purpose of the organization (*productive purpose*),
reason for its existence, its function in the economy

**1) Produce goods and/or services useful to
satisfy human needs, in an economic way**





The stakeholders

Definitions

All organizations have stakeholders!

1. **“Any group or individual that can affect, or is affected by, the performance of the organisation” (Freeman 1987).** *Stakeholder theory* (Freeman, 1984) draws attention to the need to balance the value creation for shareholder with the protection of the interests of the stakeholders
2. “Individuals or groups who depend on the organisation to fulfil their own goals and on whom, in turn, the organisation depends” (Johnson & Scholes 1999)





GLOBAL IMPACT OF ANTHROPOGENIC CLIMATE CHANGE



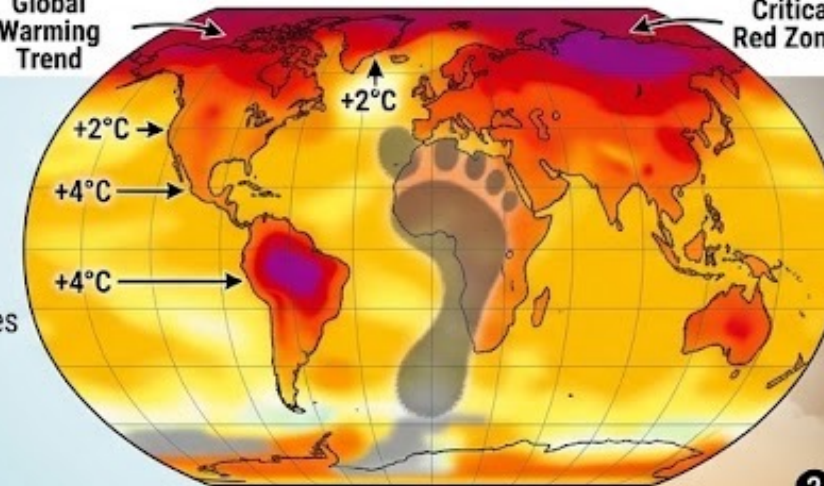
ANTHROPOGENIC ORIGIN
(Human-Caused)

A SUSTAINABLE FUTURE: STABLE CLIMATE

WHAT DO WE GAIN?

- **People:** Health, Food Security
- **Economy:** Green Innovation, Clean Resources
- **Ecosystems:** Biodiversity, Water Reserves

Global
Warming
Trend



Critical
Red Zones

CONSEQUENCES OF CLIMATE CHANGE: HUMAN-CAUSED

1 DESTROYED ECOSYSTEMS

(Wildfires, Drought)



2 DAMAGE TO THE ECONOMY

Agricultural Losses, Infrastructural Damages



IMPACT ON PEOPLE

Health Emergencies, Migrations, Famine



PEOPLE

ECOSYSTEMS

Agricultural Losses,
Infrastructural Damages

Iniziativa per una Comunicazione Migliore Initiative for Better Communication (with the support of the European Union)



Fundamentals of Business Administration

The stakeholders

Primary Stakeholders expectations

GLOBAL COMPANY STAKEHOLDER OBJECTIVES (REFINED)

Owners (Shareholders)



- Maximize dividend payments (Growth)
- Growth in share price
- Consistent dividend payments
- Net asset value growth

Suppliers



- On-time debt payment by company
- Adequate liquidity (cash flow)
- Director integrity and public standing
- Strong Negotiating purchasing manager ability

Government



- Efficient natural resource use
- Strict legal adherence
- Timely tax payments
- Provision of employment

Customers



- Competitive prices
- Emphasis on quality
- Efficient Return and Replacement policies
- Extended Warranty / guarantee provisions

Employees



- Good compensation and benefits
- Job security
- Personal development & career purpose
- Engaging, interesting work

Lenders



- Company liquidity (cash)
- Quality asset security
- Managerial character and standing
- Repay interest and capital on time

Legend: Labort Legend



The stakeholders

The stakeholder theory

“Donaldson and Preston (1995) argued that stakeholder theory explicitly or implicitly contains theory of three different types—descriptive/empirical, instrumental, and normative.

Descriptive/empirical formulations of the theory are intended to describe and/or explain how firms or their managers actually behave.

Instrumental theory purports to describe what will happen if managers or firms behave in certain ways.

Normative theory is concerned with the moral propriety of the behavior of firms and/or their managers. Briefly summarized, descriptive/empirical, instrumental, and normative theories address the questions: what happens? what happens if? and what should happen?, respectively” (Jones, 2005).



Fundamentals of Business Administration

The stakeholders

Different types of stakeholder groups

Primary:

a firm cannot exist without
their continuing participation



Primary stakeholders include:
shareholders & investors,
employees, contractors,
customers & suppliers

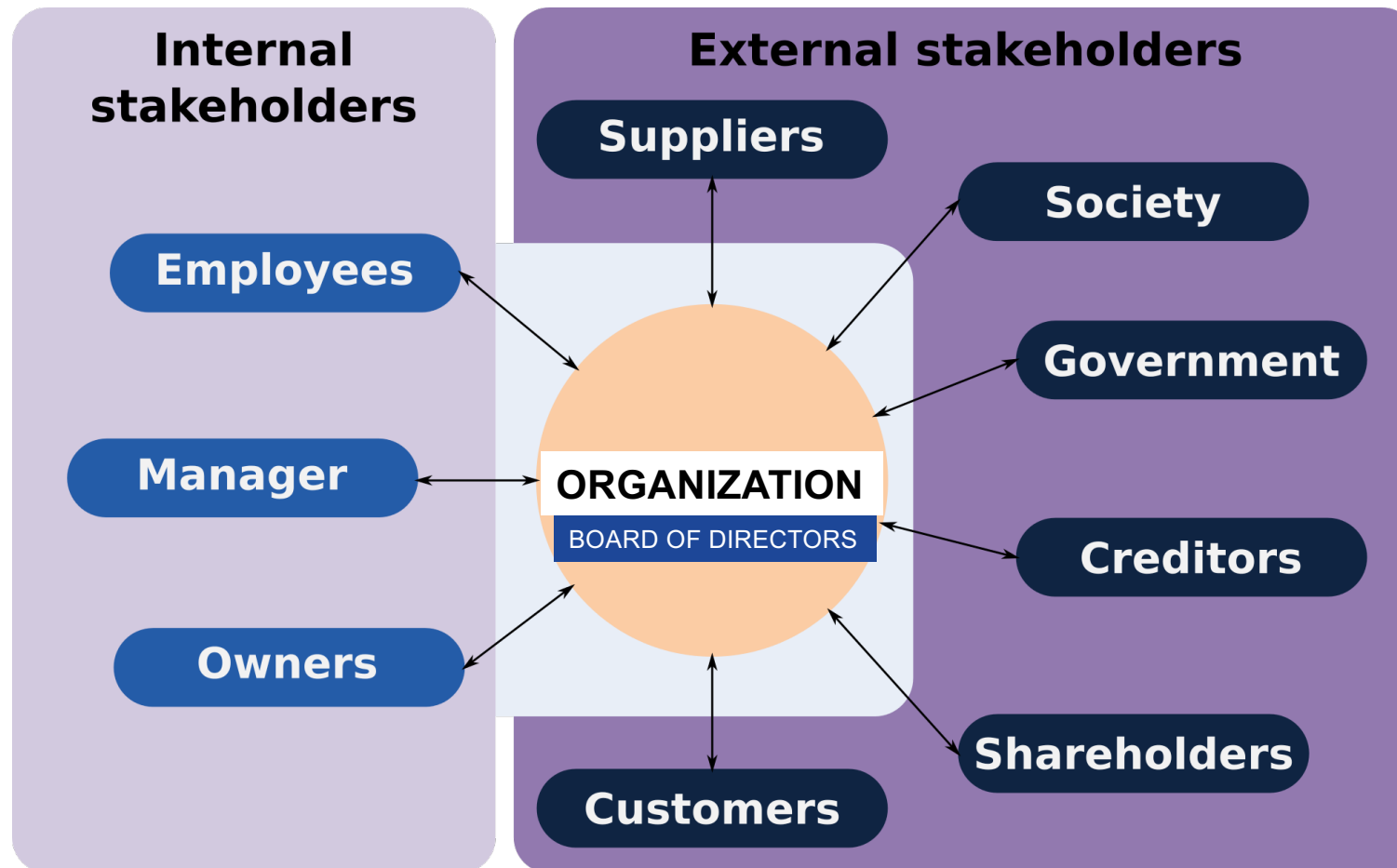
Secondary:

those who influence or affect or are
influenced/affected by, the organization, but
they are not engaged in transactions with the
organization or essential for its survival



Secondary stakeholders include:
media, action groups, government
agencies, trade unions, regulatory
authorities







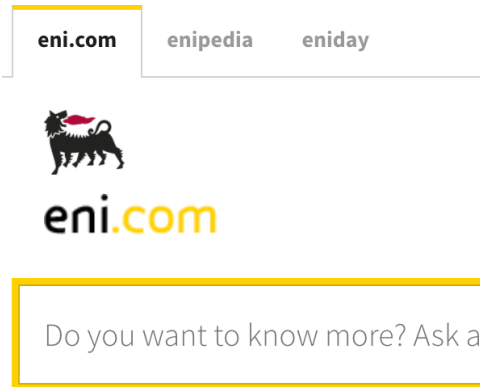
Fundamentals of Business Administration

Definition of code of ethics

A code of ethics, also called ethical code, sets out the company's values, ethics, objective and responsibilities. A well-written code of ethics should also ***give guidance to employees on how to deal with certain ethical situations***. Every code of ethics is different and should reflect the company's ethos, values and business style. Some codes are short, setting out only general guidelines, and others are large manuals (a code of conduct), encompassing a huge variety of situations.

(Source: <http://smallbusiness.chron.com/>)





Home / Company / Governance / Code of Ethics

Company Profile

Our management

Governance

Eni's Model

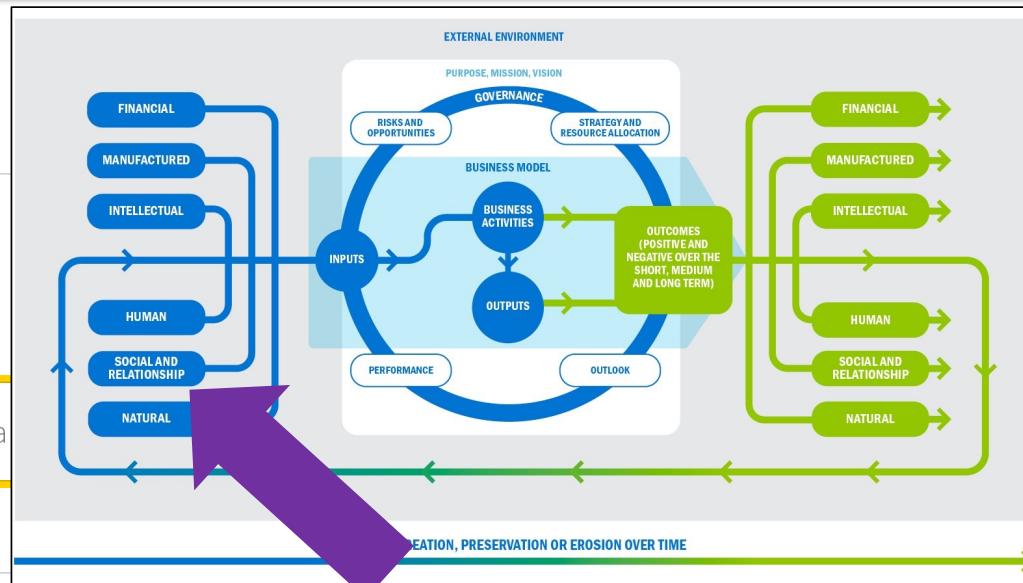
By-laws

Corporate
Governance
Code

Code of Ethics

This sets out the main values that guide Eni's actions. Everyone in Eni, along with those who work with us towards the same objectives, is bound to comply with the principles in the Code of Ethics.

Integrity and transparency are the principles that guide Eni's action in formulating a management and control structure that is suited to its size, complexity and operating structure, in adopting an effective internal control and risk management system, and in communicating with shareholders and other stakeholders, also by reviewing and updating the information on its website.



Code of Ethics

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The Code contains concrete rules of behaviour, so that the principles contained therein form a practical guide for corporate operations.

For that purpose, the Code of Ethics has been translated into **21 languages** (english, french, german, russian, vietnamese, chinese, dutch, hungarian, turkish, slovenian, spanish, kazakh, greek, portuguese, flemish, slovak, arabic, polish, romanian, indonesian and czech). It has been distributed widely and is explained through a range of initiatives, including special training courses. The Code represents an essential general principle of Model 231 of which it is an integral part, as well as a key element of the anti-corruption framework: the synergies between the Code of Ethics and the Model 231 are underlined by the assignment to the Eni Watch Structure – established by Model 231 – of the function of **Guarantor of the Code of Ethics**, with the duty of promoting and verifying its implementation.

The Guarantor of the Code of Ethics presents a **report every six months** on the implementation of the Code and any updating need to the Control and Risk Committee, to the Board of Statutory Auditors and to the Chairman and Chief Executive Officer (“CEO”) of Eni, who in turn report to the Board.

The Code of Ethics applies to all direct or indirect subsidiaries, both in Italy and abroad. Each subsidiary assigns the function of Guarantor of the Code of Ethics to its own Watch Structure.

4. Relations with customers and suppliers

4.1. Customers and consumers

Eni pursues its business success on markets by offering quality products and services under competitive conditions while respecting the rules protecting fair competition.

Eni undertakes to respect the right of consumers not to receive products harmful to their health and physical integrity and to get complete information on the products offered to them.

Eni acknowledges that the esteem of those requesting products or services is of primary importance for success in business. Business policies are aimed at ensuring the quality of goods and services, safety and compliance with the precautionary principle. Therefore, Eni's People shall:

- comply with in-house procedures concerning the management of relations with customers and consumers;
- supply, with efficiency and courtesy, within the limits set by the contractual conditions, high-quality products meeting the reasonable expectations and needs of customers and consumers;
- supply accurate and exhaustive information on products and services and be truthful in advertisements or other kind of communication, so that customers and consumers can make informed decisions.

4.2. Suppliers and external collaborators

Eni undertakes to look for suppliers and external collaborators with suitable professionalism and committed to sharing the principles and contents of the Code and promotes the establishment of long-lasting relations for the progressive improvement of performances while protecting and promoting the principles and contents of the Code.

In relationships regarding tenders, procurement and, generally, the supply of goods and/or services and of external collaborations (including consultants, agents, etc.), Eni's People shall:

- follow internal procedures concerning selection and relations with suppliers and external collaborators and abstain from excluding any supplier meeting requirements from bidding for Eni's orders; adopt appropriate and objective selection methods, based on established, transparent criteria;
- secure the cooperation of suppliers and external collaborators in guaranteeing the continuous satisfaction of customers and consumers, to an extent adequate to that legitimately expected by them, in terms of quality, costs and delivery times;
- use as much as possible, in compliance with the laws in force and the criteria for legality of transactions with related parties, products and services supplied by Eni companies at arm's length and market conditions;
- state in contracts the Code acknowledgement and the obligation to comply with the principles contained therein;
- comply with, and demand compliance with, the conditions contained in contracts;
- maintain a frank and open dialogue with suppliers and external collaborators in line with good commercial practice; promptly inform superiors, and the Guarantor, about any possible violations of the Code;
- inform the relevant Eni Corporate structure about any serious problems that may arise with a particular supplier or external collaborator, in order to evaluate possible consequences for Eni.

The remuneration to be paid shall be exclusively proportionate to the services to be rendered and described in the contract and payments shall not be allowed to any party different from the contract party nor in a third Country different from the one of the parties or where the contract has to be performed².



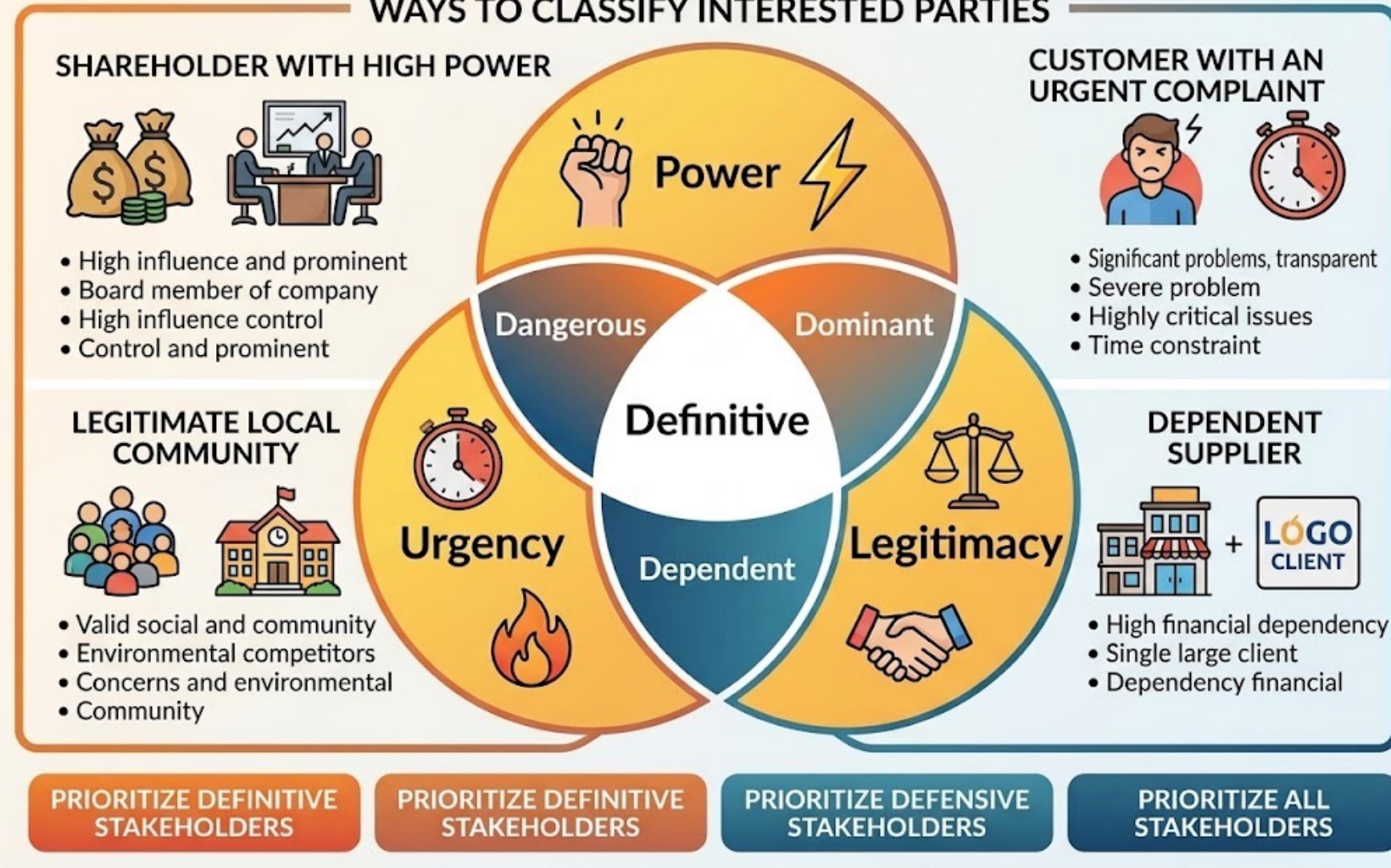
Describe how you intend to manage relationships with your stakeholders within your company's code of ethics.

I asked Copilot to create a figure based on this sentence.

What is unethical about this figure?

CASE OF STAKEHOLDER CLASSIFICATION

WAYS TO CLASSIFY INTERESTED PARTIES





Fundamentals of Business Administration

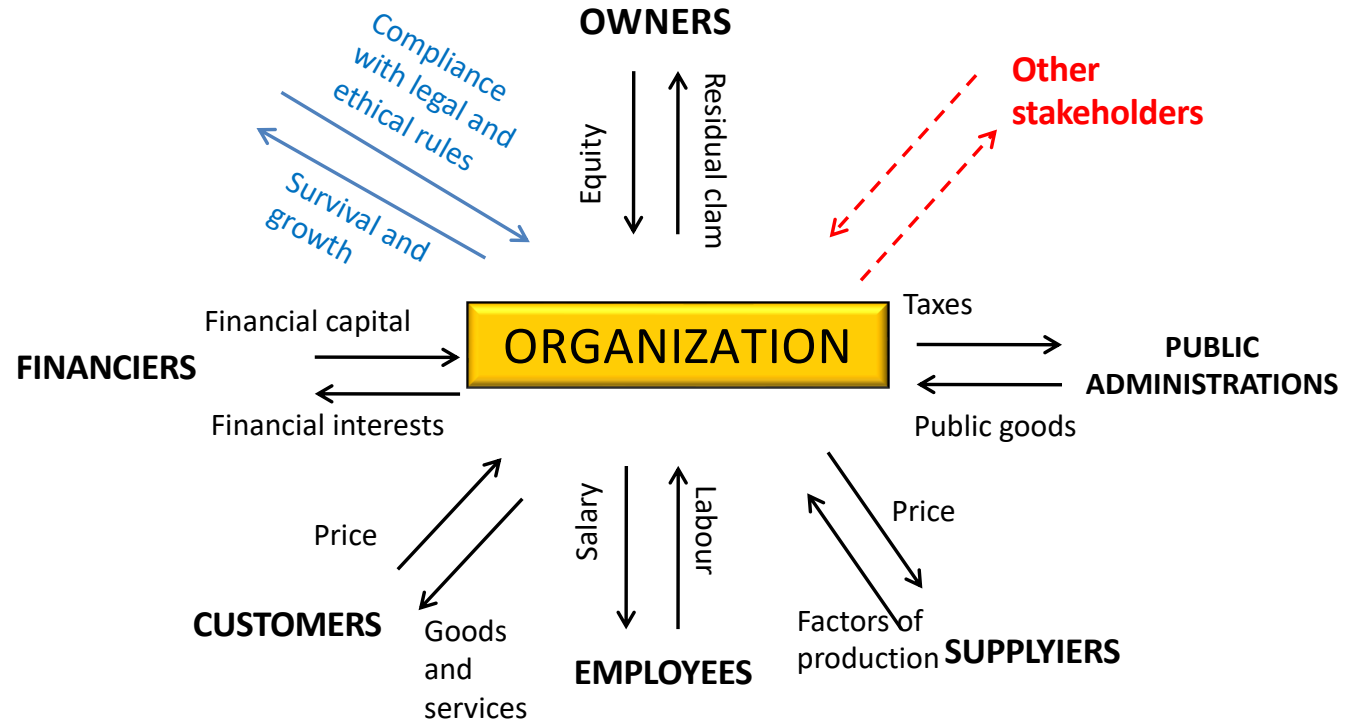
The stakeholders

The Mitchell typology of stakeholders			
Stakeholder category	Stakeholder salience	Attributes	Stakeholder subcategory
Latent stakeholders with only one of the three attributes	Low	legitimacy	Discretionary stakeholders
		power	Dormant stakeholders
		urgency	Demanding stakeholders
Expectant stakeholders with two of the three attributes	moderate	power and legitimacy	Dominant stakeholders
		legitimacy and urgency	Dependent stakeholders
		power and urgency	Dangerous stakeholders
Definitive stakeholders with all the three attributes	high	power, legitimacy and urgency	

Do organizations have their own interests, or are interests held only by stakeholders?

Company as a real person (or stakeholder) with its own particular interest.

→ The arrows pointing outward represent **rights** (particular interests, remunerations), while those pointing inward represent **duties** (contributions).



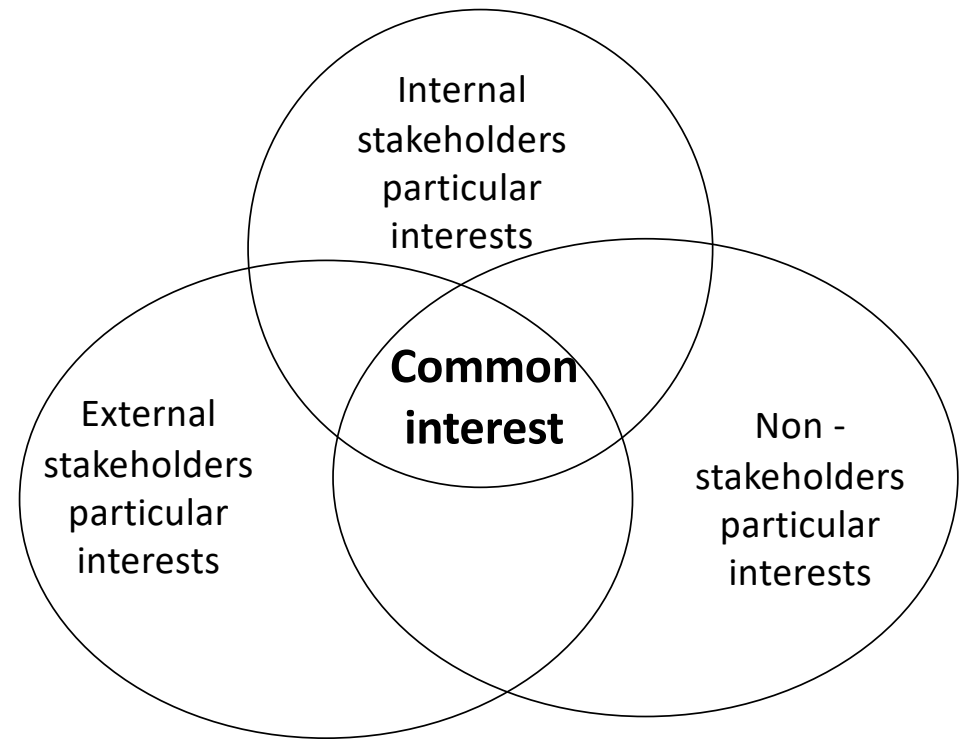
organization as a legal fiction (an instrument without interests), which enters into contracts with parties who exchange voluntarily.



The interest of the organization as a common good of its stakeholders and community

The organization is not only a sum of individual interests of stakeholders, being also a common good, or a common interest of all stakeholders and society. It happens when the organization satisfy human need, creating value for those who participate to the value creation process in a sustainable way. Thus, **the common interest is that the organization survives over time**. This aspect is fundamental since **stakeholders should put the common interest beside their legitimate, and sometime temporary, particular interest**.

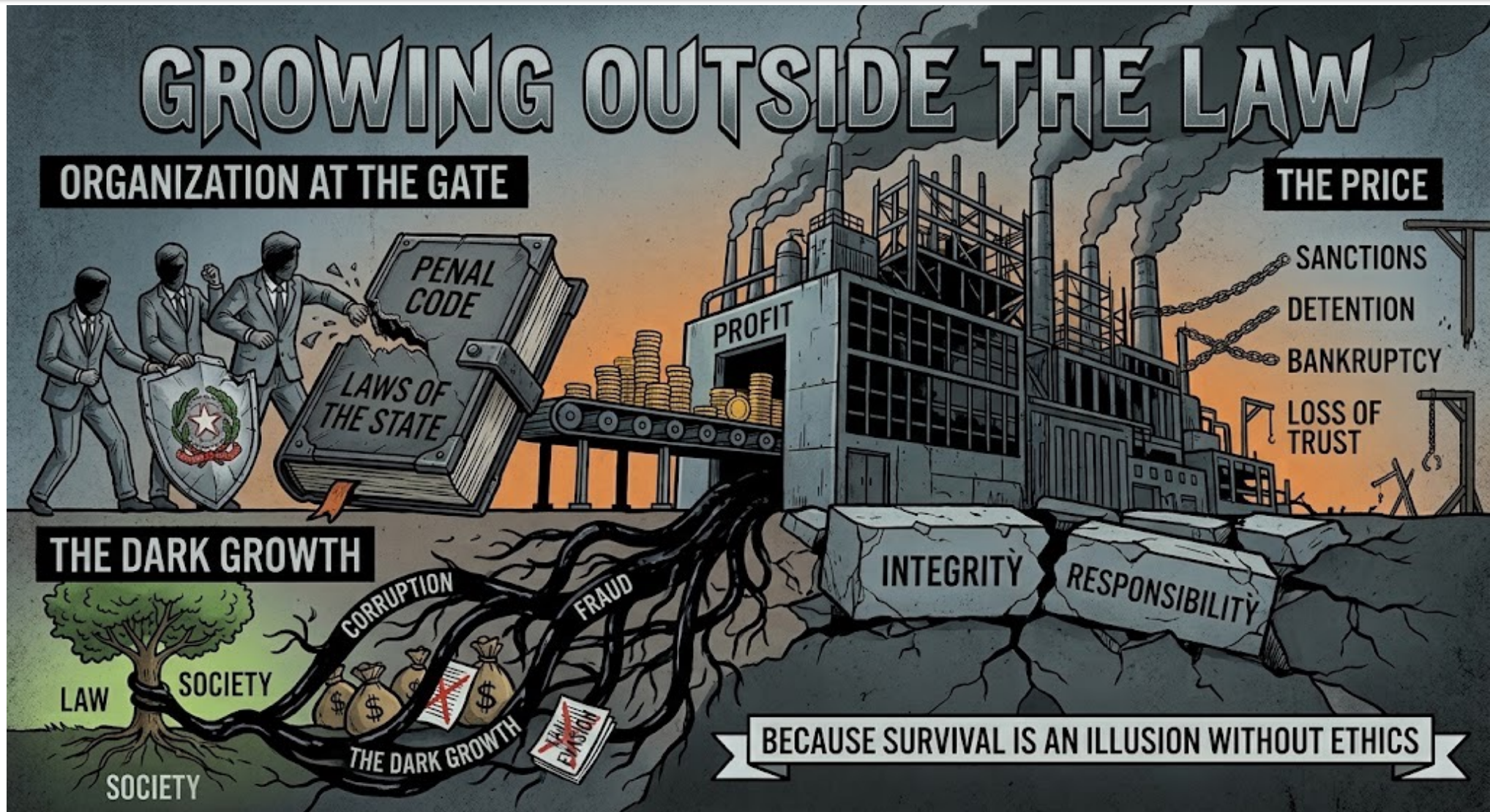
**Common interest =
Survival and growth
of the organization**

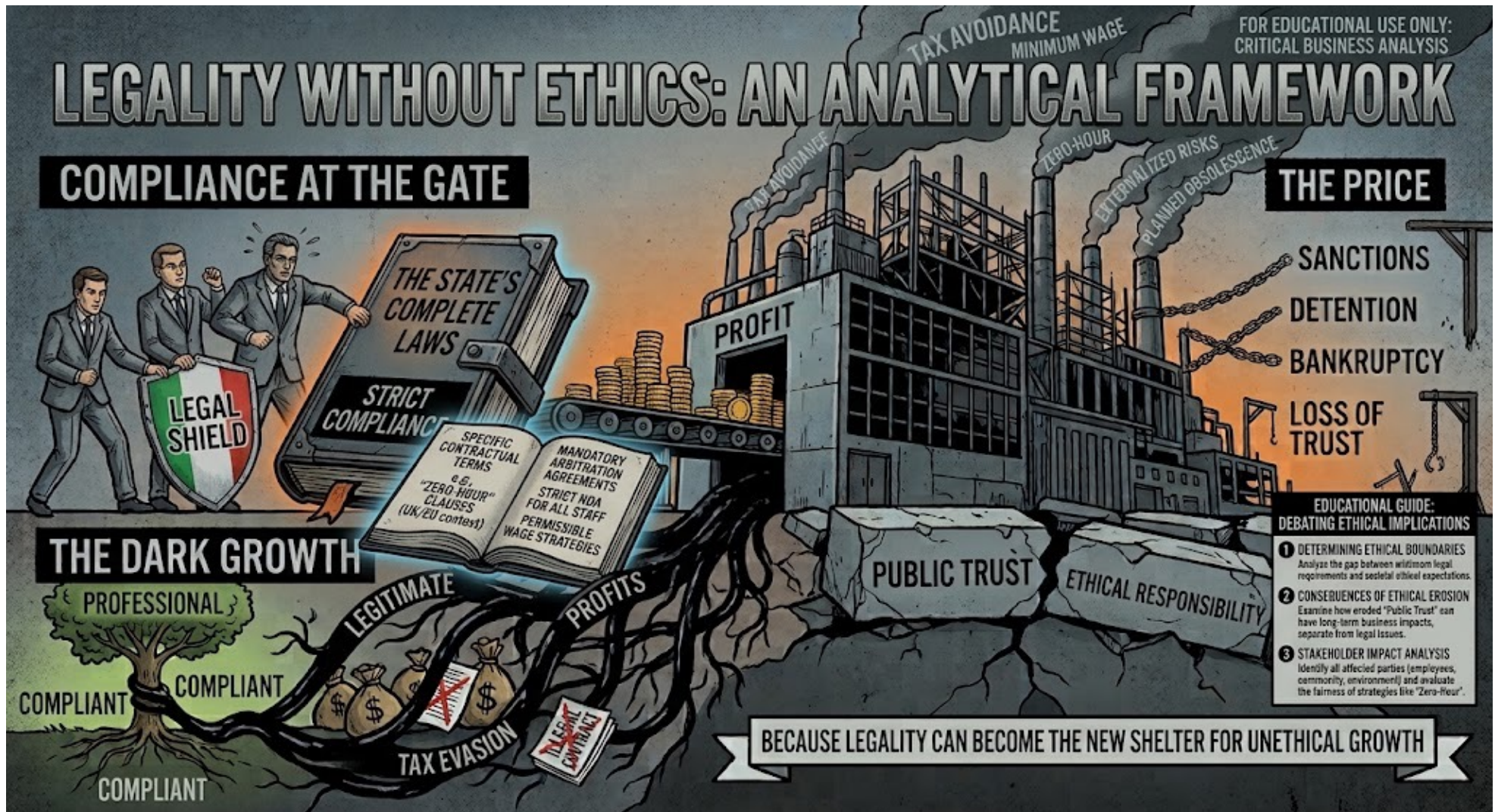


Second element of good governance

**Conditions of economic and financial equilibrium that enable
the organization to survive and growth over time**

2) Survival and growth of the organization (*Particular Interest of the Organization*)





Third element of good governance

To pursue the organization's purpose aimed at satisfying needs and enabling the survival and sustainable development of the organization, it is necessary to comply with the rules

3) Compliance with legal and ethical rules

Compliance with legal and ethical rules must aim not only to protect stakeholders (including the company), but also to prevent them from pursuing illegitimate interests

The three elements of good governance





What is an organization?

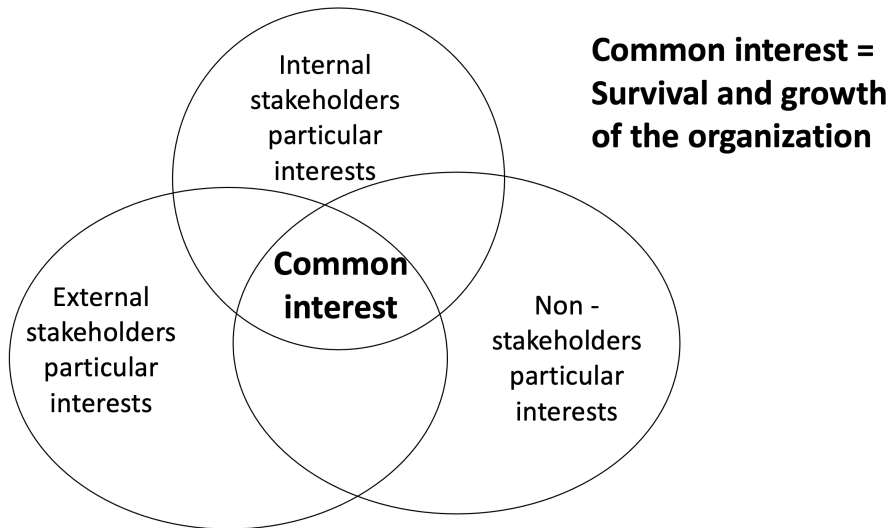




Fundamentals of Business Administration

The “azienda” as a type of organization

The “Maestro” Zappa



Economia Aziendale (EA) is an Italian doctrine founded in 1927 by Gino Zappa. The is a unitary science that studies the “*life condition and the existence manifestations of the Azienda*”, which is investigated as an economic coordination of elements implying dynamic processes





Fundamentals of Business Administration

The “azienda” as a type of organization

Zappa (1956) states that the *azienda* is an ‘**economic institution intended to last for an indefinite length of time and that, with the aim of meeting human needs, manages the production, procurement or consumption of resources in continuous coordination**’ (p. 37, our translation).

Onida observes that the company does not follow solely economic purposes, and its life has not only economic problems, since ‘**as social institution, the company has necessary to contribute to the human being, to promote the development of his personality and to better achieve the purposes of human life** associated to it, which they are essentially of ethical nature’ (1971, p. 44, our translation).

Ferrero points out that the firm is a ‘**durable source of common welfare present and future**’ (1968, p. 63, our translation).



Fundamentals of Business Administration

Comments of the students of seven years ago

«The course provides valuable insights into business administration. However, concepts that we studied did not exactly correspond to the international scope of the program. Such concept as "Economia Aziendale" is not recognised outside of Italy, for instance».

«Too much azienda!!!»

Now the **principles of the Economia Aziendale are internationally recognized**

Journal of Business Ethics (2009) 89:303–318
DOI 10.1007/s10551-010-0391-7

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Ethical Thinking in Traditional Italian *Economia Aziendale* and the Stakeholder Management Theory: The Search for Possible Interactions

Stakeholder Theory and Business Economics (*Economia aziendale*)¹

Gianfranco Rusconi



ELSEVIER

Contents lists available at [ScienceDirect](http://www.sciencedirect.com)

Critical Perspectives on Accounting

journal homepage: www.elsevier.com/locate/cpa

Full length Article

“Purpose and profit”: *Economia Aziendale* as a paradigm of sustainable business^{☆,☆☆}

Ericka Costa ^{a,*}, Rossella Leopizzi ^b, Andrea Venturelli ^c

The Italian *Economia Aziendale* and Catholic Social Teaching: How to Apply the Common Good Principle at the Managerial Level

Ericka Costa · Tommaso Ramus

Ethical Thinking in Traditional Italian *Economia Aziendale* and the Stakeholder Management Theory: The Search for Possible Interactions

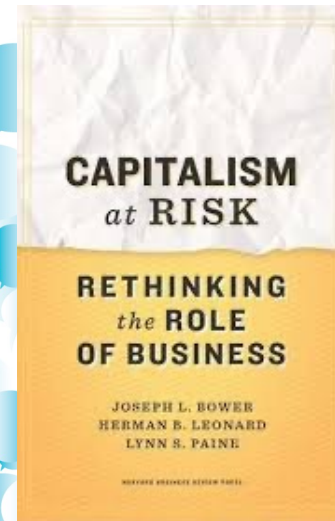
ABSTRACT. Over the last few years, there has been an exaggeratedly widespread and frequently confused use of the concepts of 'stakeholder' and 'corporate social responsibility'. However, some interesting insights of both these notions can be found in traditional European business administration studies. In this article, the Italian view will be examined. In particular, this paper investigates the teachings of some of the historical masters of the Italian *Economia Aziendale* (EA), with particular attention to the concept of the *azienda*, its finalism and its essential characteristics, in order to verify some consistencies with the more recent Stakeholder Management Theory (SMT). Principles and considerations seem to emerge from EA scholars' seminal works that unequivocally connect ethics with business decisions. EA fits in with

Full compliance with the principle of *economicità* 'constitutes a rule that does not damage the *socialità*, that is, the action of the firm for the common good, but contributes towards making this action really effective' (Onida, 1971, p. 105).

Onida (1961, pp. 2, 9–10, 14; 1954a, p. 254) distinguishes the 'common good' (*bene comune*) from the 'common wealth' (*benessere comune*) giving the latter a sense of economic affluence. The 'common wealth' is, in fact, a fundamental condition of the 'common good', from a human point of view. Therefore, 'the *economicità*, in business administration, since it favours the economic common wealth, is fundamentally in compliance with the common good and meets *socialità* criteria and is, indeed, a powerful instrument of *socialità*' (1961, p. 10).

SPOTLIGHT THE ERROR AT THE HEART OF CORPORATE LEADERSHIP

SHARE THIS ARTICLE. HBR LINK MAKES IT EASY.
SEE PAGE 13 FOR INSTRUCTIONS.



The Error at of Corporate

MOST CEOs AND BOARDS BELIEVE THEIR MAIN DUTY

In the fall of 2014, the hedge fund activist and Allergan shareholder Bill Ackman became increasingly frustrated with Allergan's board of directors. In a letter to the board, he took the directors to task for their failure to do (in his words) "what you are paid \$400,000 per year to do on behalf of the Company's owners." The

board's alleged failure: refusing to negotiate with Valeant Pharmaceuticals about its unsolicited bid to take over Allergan—a bid that Ackman himself had helped engineer in a novel alliance between a hedge fund and a would-be acquirer. In presentations promoting the deal, Ackman praised Valeant for its shareholder-friendly

capital allocation, its shareholder-aligned executive compensation, and its avoidance of risky early-stage research. Using the same approach at Allergan, he told analysts, would create significant value for its shareholders. He cited Valeant's plan to cut Allergan's research budget by 90% as "really the opportunity." Valeant CEO Mike

the Heart Leadership

IS TO MAXIMIZE SHAREHOLDER VALUE. IT'S NOT.

BY JOSEPH L. BOWER AND LYNN S. PAINE

Pearson assured analysts that "all we care about is shareholder value."

These events illustrate a way of thinking about the governance and management of companies that is now pervasive in the financial community and much of the business world. It centers on the idea that management's objective is, or should

be, maximizing value for shareholders, but it addresses a wide range of topics—from performance measurement and executive compensation to shareholder rights, the role of directors, and corporate responsibility. This thought system has been embraced not only by hedge fund activists like Ackman but also by

institutional investors more generally, along with many boards, managers, lawyers, academics, and even some regulators and lawmakers. Indeed, its precepts have come to be widely regarded as a model for "good governance" and for the brand of investor activism illustrated by the Allergan story.

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Discovering the good principles of the Economia Aziendale after **90 years!**

TOWARD A COMPANY-CENTERED MODEL

A better model, we submit, would have at its core the health of the enterprise rather than near-term returns to its shareholders. Such a model would start by recognizing that corporations are independent entities endowed by law with the potential for indefinite life. With the right leadership, they can be managed to serve markets and society over long periods of time. Agency theory largely ignores these distinctive and socially valuable features of the corporation, and the associated challenges of managing for the long term, on the grounds that corporations are "legal fictions." In their seminal 1976 article, Jensen and Meckling warn against "falling into the trap" of asking what a company's objective should be or whether the company has a social responsibility. Such

questions, they argue, mistakenly imply that a corporation is an "individual" rather than merely a convenient legal construct. In a similar vein, Friedman asserts that it cannot have responsibilities because it is an "artificial person."

In fact, of course, corporations *are* legal constructs, but that in no way makes them artificial. They are economic and social organisms whose creation is authorized by governments to accomplish objectives that cannot be achieved by more-limited organizational forms such as partnerships and proprietorships. Their nearly 400-year history of development speaks to the important role they play in society. Originally a corporation's objectives were set in its charter—build and operate a canal, for example—but eventually the form became generic so that corporations could be used

to accomplish a wide variety of objectives chosen by their management and governing bodies. As their scale and scope grew, so did their power. The choices made by corporate decision makers today can transform societies and touch the lives of millions, if not billions, of people across the globe.

The model we envision would acknowledge the realities of managing these organizations over time and would be responsive to the needs of all shareholders—not just those who are most vocal at a given moment. Here we offer eight propositions that together provide a radically different and, we believe, more realistic foundation for corporate governance and shareholder engagement.

1 Corporations are complex organizations whose effective functioning depends on talented leaders and managers. The

Zappa (1956) states that the *azienda* is an 'economic institution intended to last for an indefinite length of time and that, with the aim of meeting human needs, manages the production, procurement or consumption of resources in continuous coordination' (p. 37, our translation).

The New York Times

Shareholder Value Is No Longer Everything, Top C.E.O.s Say

Chief executives from the Business Roundtable, including the leaders of Apple and JPMorgan Chase, argued that companies must also invest in employees and deliver value to customers.



By David Gelles and David Yaffe-Bellany

Aug. 19, 2019



Nearly 200 chief executives, including the leaders of Apple, Pepsi and Walmart, tried on Monday to redefine the role of business in society — and how companies are perceived by an increasingly skeptical public.

Breaking with decades of long-held corporate orthodoxy, the Business Roundtable [issued a statement](#) on “the purpose of a corporation,” arguing that companies should no longer advance only the interests of shareholders. Instead, the group said, they must also invest in their employees, protect the environment and deal fairly and ethically with their suppliers.

“While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders,” the group, a lobbying organization that represents many of America’s largest companies, said in a statement. “We commit to deliver value to all of them, for the future success of our companies, our communities and our country.”



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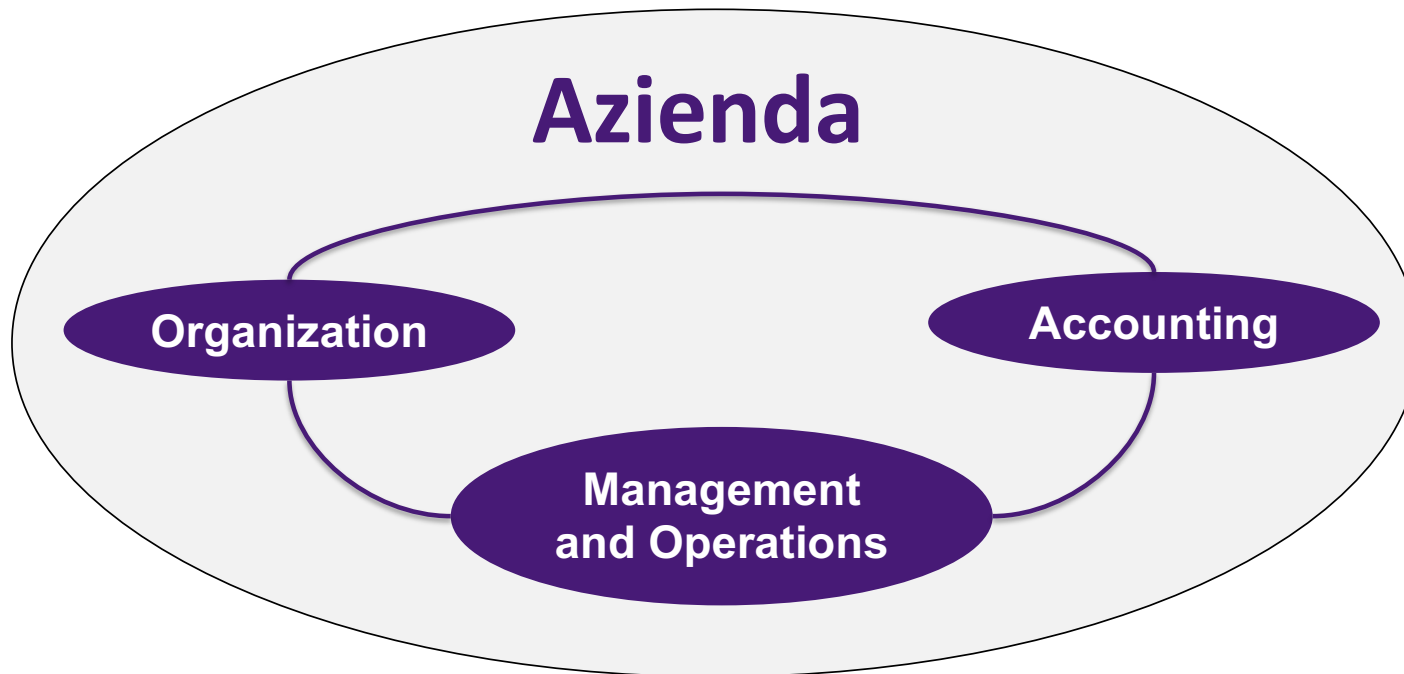
The “azienda” as a type of organization

The *azienda* is regarded as an autonomous and holistic (*unitaria*) system, and *EA* is claimed to possess ‘laws’ of its own, independent of its subdisciplines or even of microeconomics. Second, *EA* is thought to be composed of three organic segments or sections. Thus, the *azienda* can be examined in terms of coordinated “subsystems” with such traditional segments as *organizzazione* (organization), *ragioneria* (accounting) and *gestione* (management and operations)’, Viganò and Mattessich, 2007



The “azienda” as a type of organization

According to the *Economia Aziendale*, the *azienda* can be examined in terms of coordinated “subsystems” with such traditional segments as





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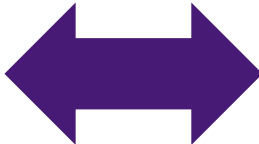
The “azienda” as a type of organization

According to Cinquini and Marelli ‘the main features can be summarised in two general points: (a) **it covers all forms of economic organisation at all levels** – from the household, through business firms, public enterprises and town councils, right up to the state; and (b) **it aims at developing the general principles that govern the equilibrium of the ‘azienda’** (2007, p. 2).



The “azienda” as a type of organization

Since the international literature does not use the term “*azienda*”, we use the English term “**economic entity**” or “**organization**” as a synonymous of *azienda*, although these terms are not perfectly overlapping, since the *azienda* possesses some specific attributes

AZIENDA  **ECONOMIC ENTITY
ORGANIZATION**



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The “azienda” as a type of organization

The three attributes of the azienda

The “azienda” is an organization (for profit and non-for-profit *) that possesses three attributes:

- 1) it is a **system**;
- 2) it has **decision-making autonomy**;
- 3) it operates with **Economicità (effectiveness and efficiency)**

** E.g. Business entities, public administration, foundations, associations*



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The “azienda” as a type of organization

The three attributes of the azienda

Thus, all the “*aziende*” are organizations while there are some organizations that cannot be qualified as “*aziende*”, because they do not possess the three attributes listed above.

The need to find the boundaries of the *azienda* stems from the fact that only to the *azienda* can be applied the principles, rules and tools developed by the disciplines *economico-aziendali*. It should be noted that the Economia Aziendale is fundamental also for those organizations that do not possess the attribute listed above but they want to become *aziende*.



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The “azienda” as a type of organization

*The three attributes of the azienda: “it is a **system**”*

The *azienda* is a system in the sense that its parts (e.g. capital such as machinery, equipment) and **persons** (labour) are not separated; instead they are coordinated and integrated, they are bounded together in order to accomplish a specific objective. Thus, the *azienda* is a **system with a specific objective, with its own interest**.

Moreover, the *azienda* is not an organization with a short life-time, instead is an organization set to continue (‘institution intended to last for an indefinite length of time’). In the *azienda* the “**system effect**” must be achieved, so that the whole is higher than the sum of the parts.

The systemic coordination in small and big entities



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https://www.youtube.com/watch?v=_SsccRkLLzU&feature=youtu.be

The systemic vision allows understanding the importance and the relativity of each behaviour and operation



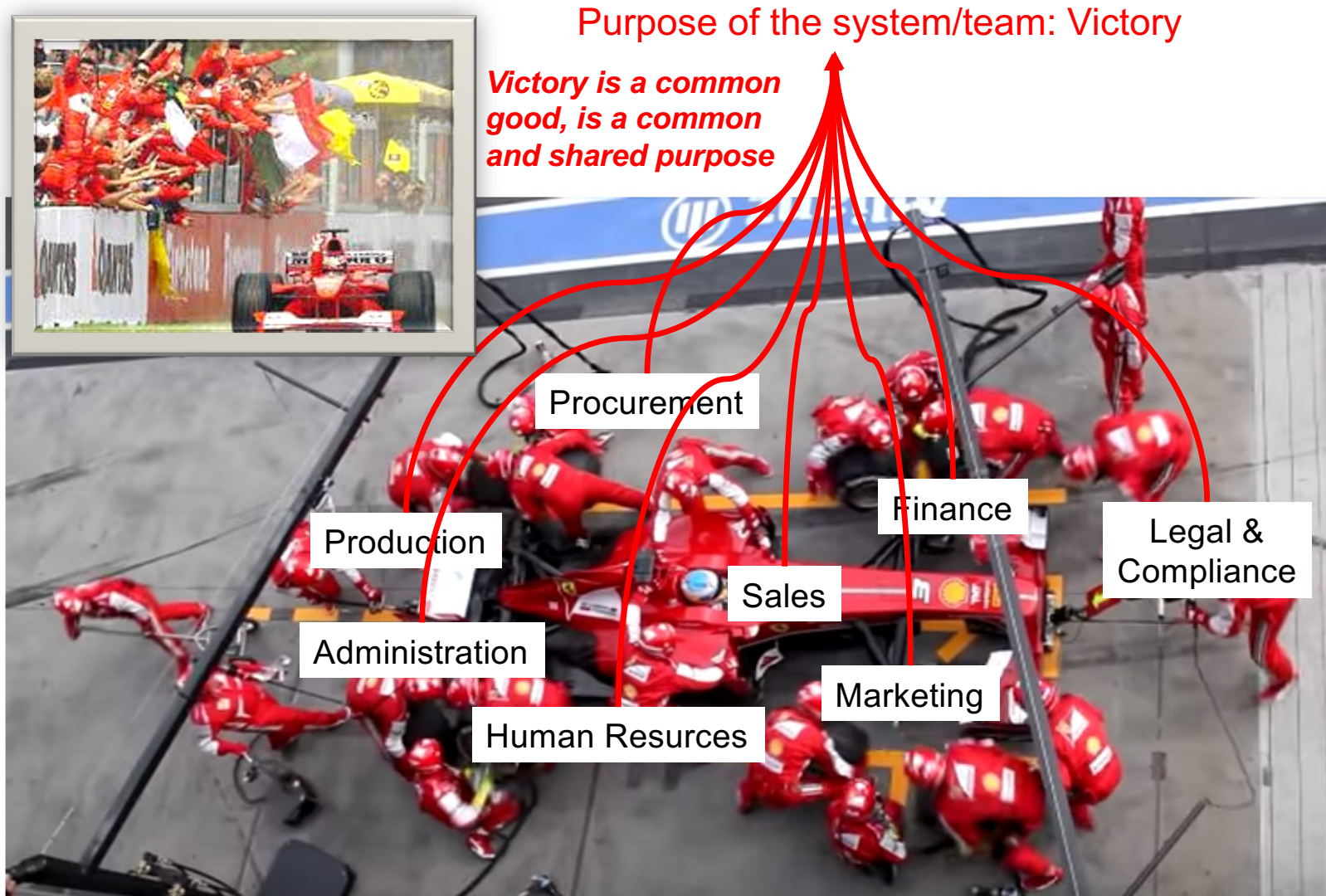


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The importance of the purpose for the system effect

<https://www.youtube.com/watch?v=aHSUp7msCIE>





All functions converge towards the common goal





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The “azienda” as a type of organization

*The three attributes of the azienda: “it is a **system**”*

The *azienda* “is not identified with the owners, the capital, the assets, the people taking part in it or with the contracts or the relationships among its components, but rather it is an autonomous and real entity composed of all these elements and the relationships among them. It is very important to point out the concept of system which is used by Zappa but not fully explored [...] In the *azienda*, the components will change, the elements will modify, but the whole will persist” (Zappa, 1950, p. 13).



The “azienda” as a type of organization

The system coordination is characterized by some adjectives:

1. dynamic
2. long-lasting
3. complex
4. objective oriented
5. open
6. probabilistic

The case of criminal organizations



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The “azienda” as a type of organization

Dynamic

As Amaduzzi (1948) and Ferrero (1968) pointed out, an *azienda* features a permanent motion towards a balance which is not the rest or stagnation, but rather the mobility of the *azienda* in managing itself and to operate adjusting to the never ending changes in the necessary conditions to attain such *balance*, while always assuming a future-oriented perspective



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The “azienda” as a type of organization

Long-lasting

The *azienda* is defined also as long-lasting system.

Financial instabilities of big US companies like Worldcom and Enron, caused by short-term orientation together with the duty of managers to act towards shareholders (shareholder theory) give important indications on the issue. Sometimes, the short-term orientation was considered the real cause of the global economic crisis; therefore, the theory on the azienda could not forget to specify “in what time” create value, spreading a cultural model where the ideal time orientation is based on long-term and where the individual opportunism is seen as a threat.



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The “azienda” as a type of organization

Complex

The azienda is a complex system because of the high number of elements they feature, the factors they involve and the *interdependence* relations to which they are bound (Masini, 1986).

As said before, the system complexity increases as the dimension of the business gets bigger (Apple is much more complex than a small family business).

The system complexity requires subsystems differentiation



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The “azienda” as a type of organization

Objective oriented

The system aims to achieve univocal objective.

Considering that the interest of individuals is not always aligned with the interest of the *azienda*, as emerged from the Anglo-American theories, the concept of primary interest of *azienda* will be proposed as broaden objective.



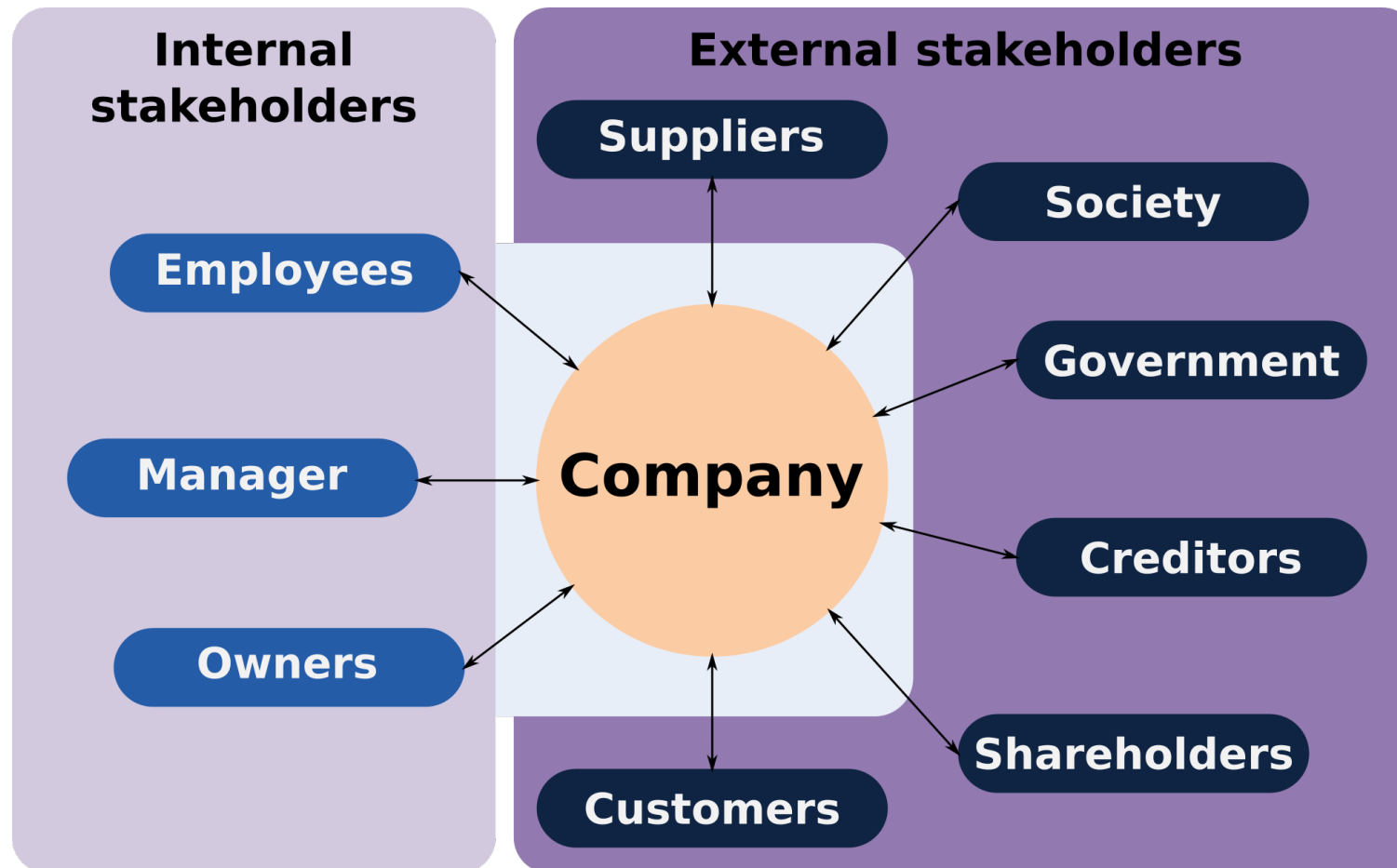
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The “azienda” as a type of organization

Open system

The *azienda* is an **open system** in the sense that it is inserted in an environment with which it interacts constantly.

Task environment and general environment





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The “azienda” as a type of organization

Probabilistic

The *azienda* operates under uncertainty. The *azienda* addresses its problems using a probabilistic approach (Amaduzzi, 1978), running the particular and general *risks* associated, which can be deadly. Among these risks, there is the *economic risk* (Cavalieri, 1995), which arises because the possibility to recover the capital invested in production factors is based on conjectures, and cannot be avoided (just reduced).



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The “azienda” as a type of organization

*The three attributes of the azienda: “it has **decision-making autonomy**”*

In economics, the concept of “autonomy” can be referred to various aspects. When it is used as one of the three attributes of the *azienda* it refers to the **decision-making power**.

In particular, the *azienda* should have a decision-making autonomy in the sense that in reaching its objective it is not subjected to the direction of other organizations. In other words the *azienda* must be independent from external pressures.

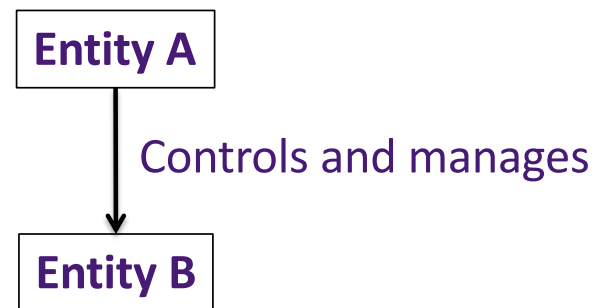


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The “azienda” as a type of organization

*The three attributes of the azienda: “it has **decision-making autonomy**”*

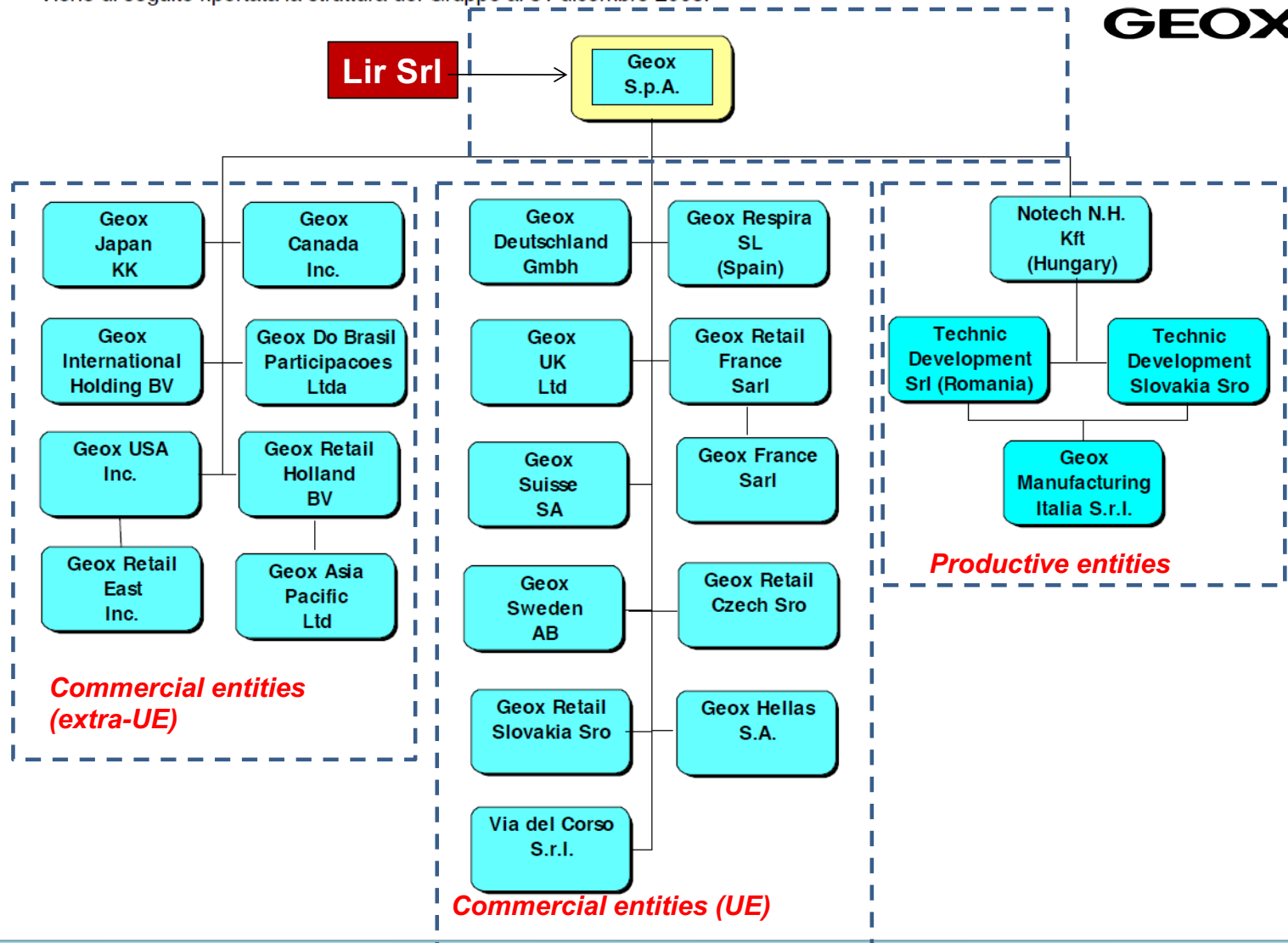
The *azienda* has the **decision-making autonomy** in the sense that it is not subjected to the control **and management** of other organizations.



Entity A controls and **manages** entity B, thus entity B has not decision-making autonomy, it is a sub-system of entity A

Two entities and a single *azienda*

Viene di seguito riportata la struttura del Gruppo al 31 dicembre 2008:





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The “azienda” as a type of organization

*The three attributes of the azienda: “it has **decision-making autonomy**”*

More precisely the *azienda* has a decision-making power when it can autonomously **achieve its objective**, i.e. what we will call the “WHY” of the *azienda*. Thus **the WHY can be also assigned by other entities** (e.g. entity A assign the WHY to Entity B), **what is relevant is that the *azienda* is autonomous in achieving that objective and that its activity is not related to the activity of other entities.**

Legal responsibility

Economic independence



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The “azienda” as a type of organization

*The three attributes of the azienda: “it operates with **Economicità (effectiveness and efficiency)**”*

The *economicità* is a **method of action**, a condition of existence and operation that implies that the entire activity of the *azienda* is permanently inspired by the logic of strategic effectiveness and operational efficiency.

The **strategic effectiveness** is the ability of the *azienda* to allocate the available resources to the achievement of winning goals, or, rather, to select suitable products to meet and satisfy the overall expectations of the customers/users.

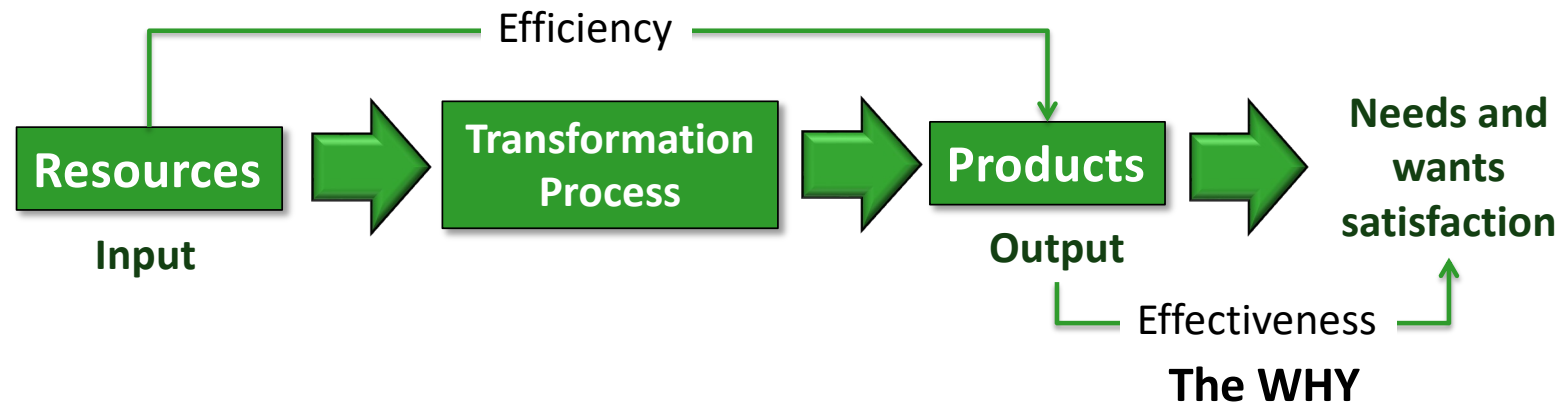
Operational efficiency is the *azienda*’s ability to achieve these productions, due to the levels of quality, reducing the use of available resources.



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The “azienda” as a type of organization

Resources



Effectiveness without efficiency

Efficiency without effectiveness

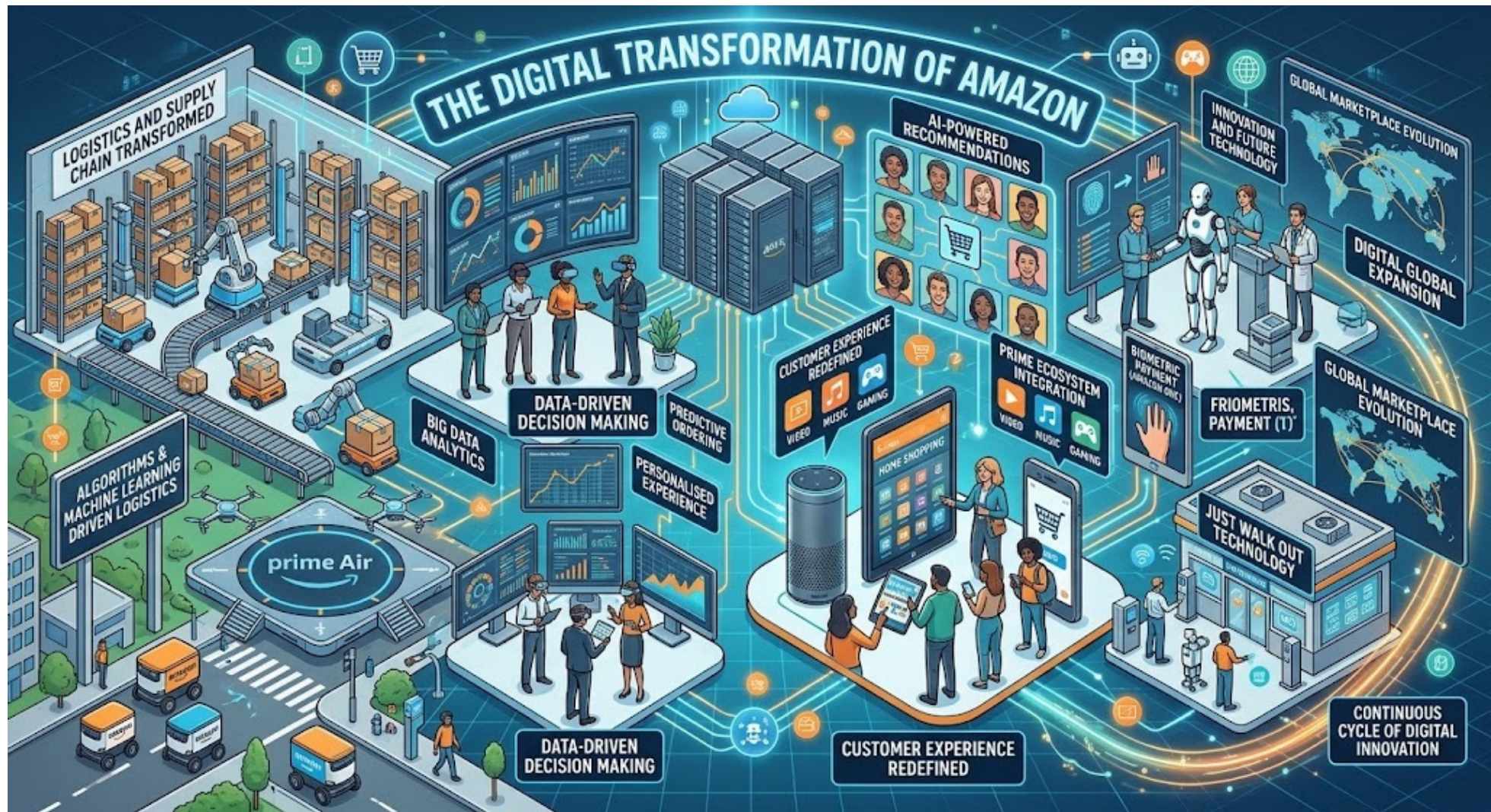


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Increasing the effectiveness and efficiency using the digital transformation

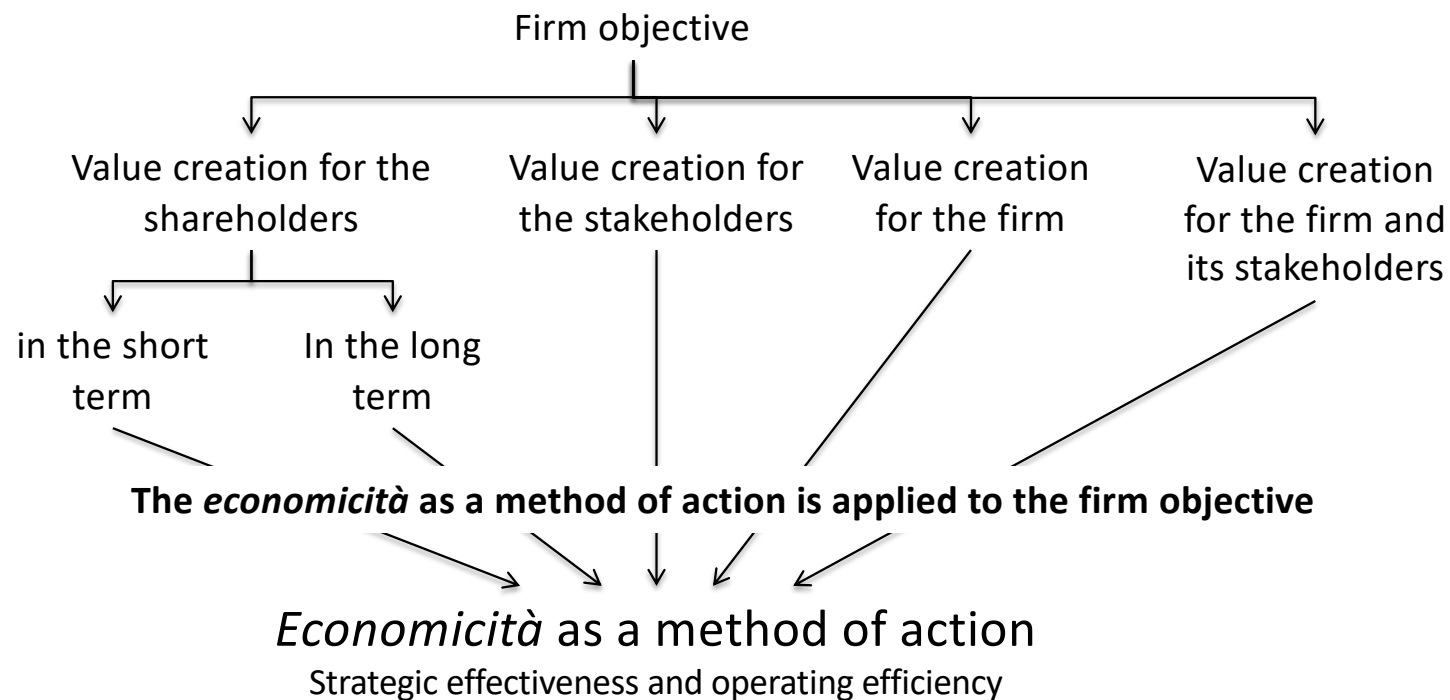
«**Digital transformation** is the integration of **digital** technology into all areas of a business, fundamentally changing how you operate and deliver value to customers. It's also a cultural change that requires organizations to continually challenge the status quo, experiment, and get comfortable with failure».

Source: <https://enterprisersproject.com/what-is-digital-transformation>





The link between *economicità* and the objective of the *azienda*





[FoBA - Assignment I - Objective of the organizations](#)

[FoBA - Ch. I - Assignment II - Maslow's hierarchy of needs and Covid](#)

[FoBA - Ch. I - Assignment III - The tangible and intangible products](#)

[FoBA - Ch. I - Assignment IV - Factors of production](#)

[FoBA - Ch. I - Assignment V - The needs satisfied and to be satisfied](#)

[FoBA - Ch. I - Assignment VI - Increasing the productivity](#)

[FoBA - Ch. I - Assignment VII - The attribute of Economicità](#)

[FoBA - Ch. II - Assignment I - The useless entities](#)

[FoBA - Ch. II - Assignment II - The British Petroleum case](#)

[FoBA - Ch. II - Assignment III - The British Petroleum case. What, how and why](#)

[FoBA - Ch. II - Assignment IV - The Why, How and What \(the golden circle\)](#)

[FoBA - Ch. II - Assignment V - The objective of your private hospital](#)

[FoBA - Ch. II - Assignment VI - The non-business entities](#)

[FoBA - Ch. II - Assignment VII - Unsustainable firms](#)

[FoBA - Ch. III - Assignment II - Corruption](#)

[FoBA - Ch. IV - Assignment I - The phases of production and the outsourcing](#)

[FoBA - Ch. IV - Assignment II - Classifying the factors of production](#)

[FoBA - Ch. IV - Assignment III - The risk](#)

[FoBA - Ch. V - Assignment I - The "Bio fruit experience" failure](#)

[FoBA - Ch. V - Assignment II - Primary interest and income statement](#)

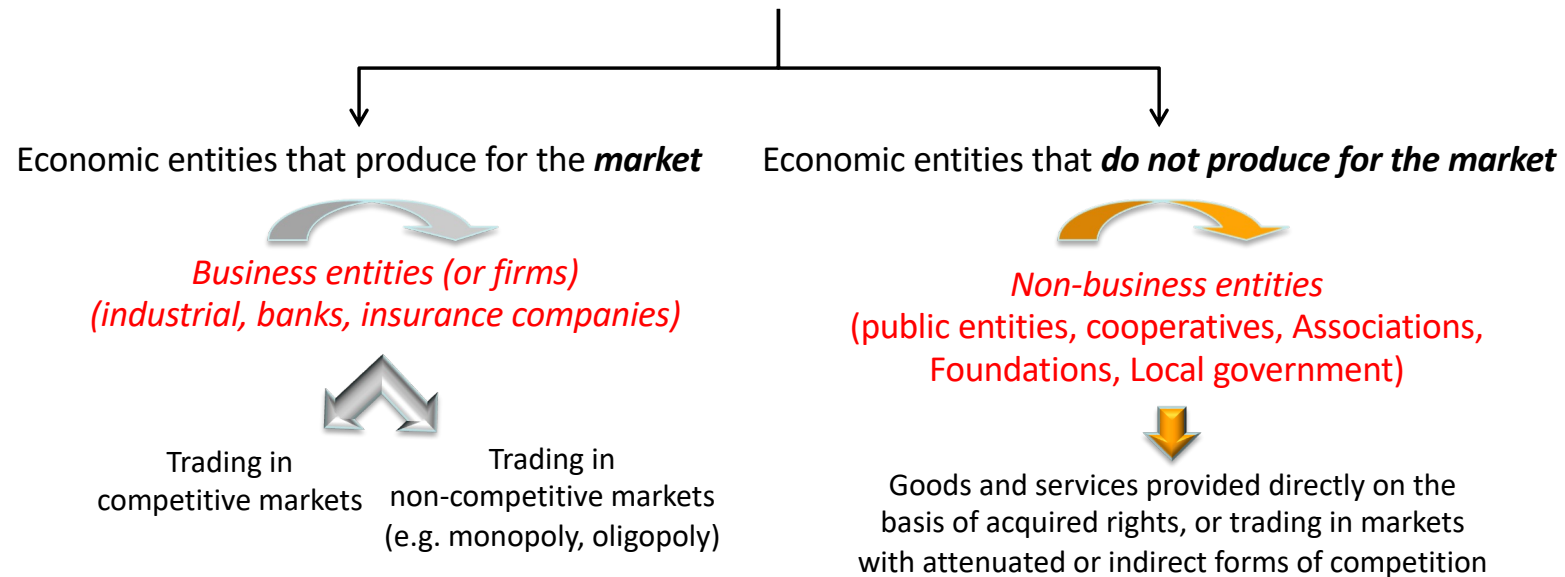
[FoBA - Ch. VI and VII](#)

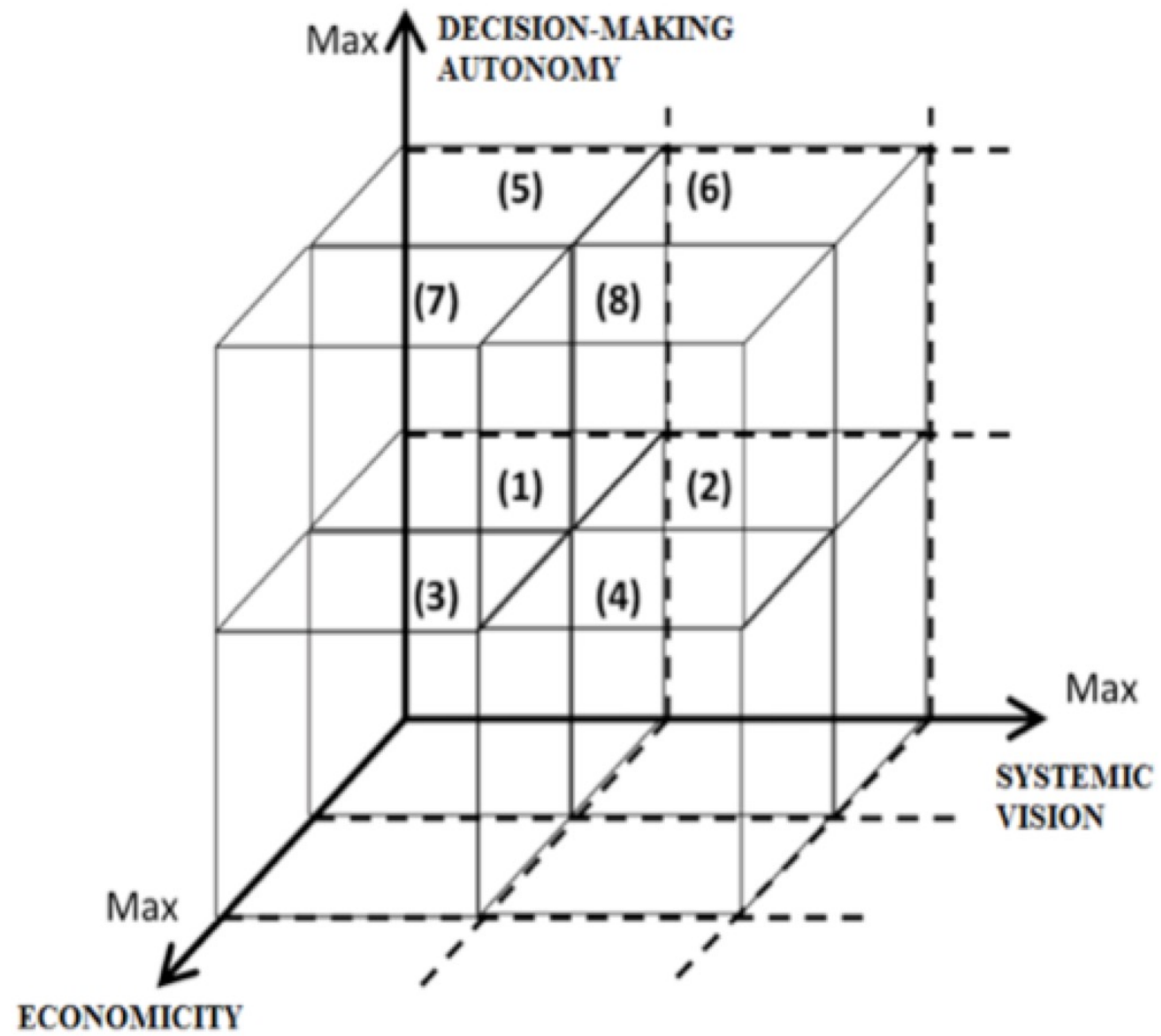


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Classification of the *aziende*

On the basis of the relationship established with the target market, it is possible to distinguish







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The “azienda” as a type of organization

Summarizing, while **all organizations should be economic entities**, since they all operate in a situation of scarcity of resources and limitlessness of needs, **not all economic entities can be qualified as *aziende***, in the absence of the attributes discussed above.

Because of the international literature does not use the term “*azienda*”, **we decided to use the English term “economic entity” as a synonymous of *azienda***, although these **terms are not perfectly overlapped**. Examples of economic entities are hospitals, companies, municipalities, foundations, associations and agencies.

Thus, **an *azienda* could contain more economic entities, as well as an economic entity could contain more than one *azienda***. This aspect will be treated more ahead