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A framework to assess social capital development in public policies[1]

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Abstract

Social capital, at a macro level of analysis, arises by most formalized institutional relationships, structures and public policies constituting the State organizational and legal framework. Good public policies, services and transparency foster in individuals their social commitment, honesty, and a solid trust towards public institutions, all drivers responsible for social capital development. Although analytical tools are already sufficiently developed for this purpose, so far the literature has been more successful in documenting the beneficial impact of social capital than in deriving a practical analysis framework to lead decision makers to assess policies in term of social capital development. To this end this research represents a first attempt to evaluate public policies in terms of social capital development. A new brand approach, based on the theory of holistic development - “sviluppo integrale” in the Italian acceptation - provides policy and decision makers with an essential evaluation tool. This may effectively support them in selecting policy options producing best results in terms of social capital development or those not affecting at least the current level of this intangible strategic resource.

Keywords: social capital scorecard, management tools, public policy evaluation, sviluppo integrale.

[1]L’articolo è stato sottoposto a doppio referaggio anonimo.

1. Introduction

At an international institutional level, social capital is defined as "networks, together with rules, shared views and values facilitating cooperation within and between groups" (OECD 2013). The growing interest in social capital results, in part, from empirical evidence about the role of networks and trust in contributing to higher quality community governance as well as economic, social and personal development (Healy 2002). The relation between social capital and economic growth has been outlined by several authors (Putnam 1993, 1995, 2000a, 2000b, Portes 1998, Woolcock 1998a, 1998b, 1999, 2000, Woolcock and Narayan 2000, Narayan 1995, 1997, 1998, 1999, Narayan and Cassidy 1999) as well as institutions (World Bank 2008, OECD 2013).

The development of social capital thus represents a great challenge for policy makers that needs effective management tools to deal with. So far the literature has been more successful in providing measurement methods and in documenting the beneficial impact of social capital on economic growth, rather than in providing a management tool to lead decision makers to select policy alternatives in term of social capital. Such tool would address to solve a common problem of several current policies: their failure due to a scarce collaboration of society institutions.

This research aims to take this opportunity by designing a brand new management tool for public organizations. Such tool would be based firstly on the recognition, in public strategizing, of a network of institutions whose collaboration determines policies success. Secondly, on the preventive analysis of policy prescriptions' influence on society institutions behavior in order to assess collaboration and trust generated by public policies. In extreme synthesis, network and trust, that literature unanimously recognizes as responsible of social capital development, are basic elements of such management tool. The implications for the span and processes of public strategizing are discussed in the following paragraphs.

2. The recognition of a "network" in public policies

Networks are nodes of individuals, groups, organizations, and related systems linked by ties which represent the relationships among such groups (Pinheiro 2011, D'andrea et al. 2010, Carrington et al. 2005, Corbisiero 2007, Trobia et al. 2011). These ties are featured by intensity that may be low or high according to the trust existing among institutions. By adopting the analysis framework delineated by Woolcock (1998) in the "synergy view" of social capital, the network to be analyzed in public policies includes public organizations, firms and community groups.

This preamble is crucial not only to recognize in public policy design the existence of a network of institutions to deal with, but also to design the methodological approach underlying the assessment of public policies. Today, public strategizing is often featured by a sectional focus on the macro aggregates of State organization resources. As a consequence of such approach, public policies usually take into consideration the interests of only one type of institutions operating into the society. The analysis level is thus not widened to the effects of such policies on the socio-economic environment, i.e. on the other institution operating in the society. Therefore, following this first approach, the assessment of public policies in terms of social capital would be insufficient.

In reality State organization does not operate alone but in connection with other society institutions in quality of financing and beneficiary entities. The awareness of the existence of a network may lead policy makers to focus not only on macro aggregates of resources, but also on drivers of other society institutions enabling the production of such aggregates. Following this approach in public policies, their evaluation in term of social capital leads State organization to perform better activating the drivers of other society institutions.

Therefore, the recognition of a network in public strategizing is fundamental since in the society operates a plurality of institutions, outside the State organization, influencing policy success.

3. A framework to assess the trust generated from public policies

The recognition of a network has put in evidence a wider horizon of analysis for public policies. In order to provide a measure of social capital, public policies should be evaluated in terms of trust outcome: this represents a measure of the strength of network links among society institutions. Such outcome may be also forecasted by analyzing the strength of policy design itself and its influence on society institutions to policy prescriptions. To this end, the theory of “holistic development” (“sviluppo integrale” in the Italian acceptation) provides a framework of analysis. Such theory extends the theme of evaluation of public policies by considering their consequences for other institutions operating in the society. This consequently may support policies makers in recognizing those policies alternatives promoting collaboration, reciprocity, transparency and trust among institutions of society, all drivers responsible for the development of social capital.

The theory of “holistic development” has been initially developed by the Business Management school of the University of Palermo. It is based on the assumption that a single action pursuit by an entity, either an individual or an organization, produces four types of effects, or in other words it could be analyzed in its four dimensions (Sorci et al. 2007, Wojtyla 1982):

- the action itself: it includes the immediate scope, the achievement of an objective result;

- the intentional or reflective one: it includes the action's capacity to improve or worsen the person or the entity that puts it into effect;
- the relational one: the action's capacity to improve or worsen the person or the entity who receives it;
- the socio-environmental one: the action's effects on the society and the economic environment.

Applying this concept to the State organization policies, it could be argued that its holistic development occurs if it designs policies to obtain results along the following four dimensions:

a) the achievement of a good financial result;
b) the internal dimension that such result has in terms of growth in values, knowledge, economic growth, professionalism, work efficiency and cohesion;
c) the external reflection over the recipients, for which the State organization must generate value;
d) the positive reflection over the socio-economic and environmental context in which public strategies take place. Such dimension of the results is mainly responsible of the social capital development in the society. Good management, services and transparency foster in society institutions their social commitments, honesty and solid relationships with people.

The "holistic development" excludes the maximization of a single success' dimension (e.g. profits, surplus in national accounts or public debt consolidation) preferring an appreciable degree of achievement of all of them.

Since a holistic development strategy reconciles all sizes of business success and creates benefits for all institutions involved in the territory, it consequently promotes collaboration, shared norms and beliefs, mutual obligations, perceived fairness, reciprocity, transparency and network among institutions of society, all drivers responsible for the development of social capital. In extreme synthesis, it can be stated that a policy issued according to the holistic development theory increases trust among society institutions, thus increasing social capital.

Moreover, the theory of the "holistic development" pushes for a step further in the conceptualization of the design of public policies: enterprises and citizens are not considered anymore as independent variables vis-à-vis policies achievements.

4. Assessing public policies alternatives in terms of social capital

Measurement in social sciences is an inevitably tricky business. Theories such as social capital comprise constructs that are inherently abstract and require subjective interpretation in their translation into operational measures. Such operational measures are invariably indirect surrogates of their associated constructs (Narayan and Cassidy 2001).

In the case of social capital, literature has overcome the issue of measurement with the use of proxies, i.e. variables whose behavior can give a plausible measure of development (or depletion) of social capital (Krishna and Uphoff 1999, Narayan and Pritchett 1999, Brem and Rahn 1999, Uslaner 2001, Grootaert 1999, Andriani and Karyampas 2009, Putnam 1993, Paldam and Svendsen 2002, Knack and Keefer 1997, World bank 2008). Nevertheless, different measurement methodologies adopted (quantitative, comparative and qualitative) have prevented the emersion of a commonly accepted measurement method.

Starting from the well-consolidated literature about social capital evaluation through the use of proxies, the present work proposes a specific application to the field of public policies. In particular, the research seeks to provide decision makers with a simple and flexible model for selecting best policies alternatives in term of social capital, thus benefiting society of such basic intangible assets. The model is presented below.

This is based on the scheme of a scorecard. Similarly to the Balanced scorecard designed by Kaplan and Norton (1996) the model proposed aims to support public institutions in aligning their activities to the vision and strategy of the organization (Kaplan and Norton 1996) and to monitor organization performance against strategic goals. The Social Capital Scorecard (SCSC) built in this study proposes a "balanced" view of public organizational performance in the way outlined by the "holistic development" theory. In particular, such tool analyses public policies alternatives in terms of expected trust outcome generated in the society institutions. Such outcome is thus measured by means of scorecard indicators set for each type of institution (public organizations, enterprises and families) involved by public policies.

The first group of indicators proposed is set for public organizations. These indicators show the impacts of policy on "expected" honesty and collaboration of other institutions, basic elements for the success of a public policy. Such indicators, each evaluated from 1 to 5, are the following:

i. *Strength of policy design*: a weak and incoherent policy design cannot rely on collaboration of citizens;
ii. *Respect of institutions*: a policy issued regardless the mission and reputation of public institution charged of its application causes a drop of citizen trust on public institutions and facilitates deviant behaviors among honest people; in Italy, for instance, this has occurred recently through several tax amnesties;
iii. *Strategic time horizon*: a short term policy usually creates uncertainness of law and undermine citizens' collaboration and trust;
iv. *Strategic spatial horizon*: policies designed regardless what is done in other countries usually create space for citizens' opportunistic behavior;
v. *Focus on financial performance versus drivers*: a policy inspires collaboration and facilitates compliance when focuses on behavior of the institution concerned and on "incentives" to comply with, while a policy directly operating on macro aggregates of financial resources usually creates harm to society or wasteful spending, thus depleting citizen's trust and collaboration;

vi. *Existence of a free international market*: the danger of citizens' opportunistic behavior is amplified compared to point iv.

The second and third group of indicators proposed concerns respectively enterprises and families. They show the impact of public policy on trust and collaboration of such institutions. Differently from the evaluation of previous indicators, this step of SCSC implicates for the public decision maker the adoption of a "recipient point of view" in order to select the best policy alternatives. These last are featured by a high recipient perceived fairness and facilitate citizens' shared norms and beliefs, mutual obligations, reciprocity. Such indicators, each evaluated from 1 to 5, include:

i. *Economic impact*: a negative economic impact always causes a drop in enterprises' and families' trust and collaboration towards public organizations;
ii. *Impact on development*: a negative impact on the possibility to develop (barriers, long delays, overcrowding compliance of laws, uncertainness of law), create a drop in enterprises trust and collaboration towards public organizations;
iii. *Impact on welfare*: a decrease of level in acquired rights always creates a drop in families trust and collaboration towards public organizations;
iv. *Perceived fairness*: a low perceived fairness of policy, as mentioned in the example about tax amnesties, may facilitate deviant behaviors among honest people;
v. *Communication of policy*: a well communicated and transparent policy design always reduces its negative externalities or increases its positive effects in term of enterprises' and families' trust towards public organizations;
vi. *Gathering of benefits*: the possibility to gather benefits from the policy by part of enterprises and families facilitates always an increase in their trust towards public organizations;
vii. *Policy transparency*: it is strictly connected to indicators *iv*. and *v*.;
viii. *Policy compliance*: when policy compliance is easy it creates enterprises' and families' collaboration towards public organizations;
ix. *Impact on bureaucracy*: when policy implicates a simplification of bureaucracy burden, it always facilitate trust of enterprises and families towards public organizations, otherwise a drop.

According to a normal scorecard, the SCSC reports the weights not only of indicators included in each performance area (public organization, enterprises and families) but also those belonging to such performance areas[2]. The introduction of such elements gives a large flexibility to decision makers to adapt the model to specific orientations in public management: the weight of each

[2]In order to not create a long digression about both types of weights, in this paper they have been set constants in the SCSC model.

performance area as well as that of each indicator may be set according to a "statist" or "participatory"[3] culture in force in public management, or to specific fields of public policies[4].

The indicators proposed for each kind of institution represent thus the intensity of trust links with other institutions. They should be evaluated as proxies of trust, among institutions, created or depleted by public policies. Ultimately, the weighted average of these indicators represents in synthesis the overall trust outcome generated by a public policy that should be compared with the respective outcomes of policies alternatives.

Table 1 - The SCSC to assess public policies

Institution	Weight	Indicator	Indicator Weight	Score
		Strength of policy design	0,17	from 1 (low) to 5 (high)
		Respect of Institutions	0,17	from 1 (low) to 5 (high)
Public organizations	**0,33**	Strategic time horizon	0,17	from 1 (short) to 5 (long)
		Strategic spatial horizon	0,17	from 1 (national) to 5 (international)
		Focus on fin. perf. vs drivers	0,17	from 1 (fin. perf.) to 5 (drivers)
		Existence of free int. market	0,17	from 1 (free) to 5 (close)
			1	
		Economic impact	0,125	from 1 (negative) to 5 (positive)
		Impact on development	0,125	from 1 (negative) to 5 (positive)
		Perceived fairness	0,125	from 1 (low) to 5 (high)
		Communication of policy	0,125	from 1 (low) to 5 (high)
Enterprises	**0,33**	Gathering of benefits	0,125	from 1 (low) to 5 (high)
		Policy transparency	0,125	from 1 (low) to 5 (high)
		Policy compliance	0,125	from 1 (complicated) to 5 (simple)
		Impact on bureaucracy	0,125	from 1 (increase) to 5 (decrease)
			1	
		Economic impact	0,125	from 1 (negative) to 5 (positive)
		Impact on welfare	0,125	from 1 (negative) to 5 (positive)
		Perceived fairness	0,125	from 1 (low) to 5 (high)
		Communication of policy	0,125	from 1 (low) to 5 (high)
Families	**0,33**	Gathering of benefits	0,125	from 1 (low) to 5 (high)
		Policy transparency	0,125	from 1 (low) to 5 (high)
		Policy compliance	0,125	from 1 (complicated) to 5 (simple)
		Impact on bureaucracy	0,125	from 1 (increase) to 5 (decrease)
			1	

[3]"Statist" and "participatory" culture with respectively a high and a low weight of "public organizations" performance area.
[4]For instance, a policy regarding public healthcare may have the weights of "enterprise" performance area set to zero.

5. Conclusions

The implementation of the Social Capital Scorecard (SCSC) responds to a serious need of society: to have policies fostering social capital. Policies issued regardless of their expected performance in terms of social capital often provoke the danger of disappointment of families and enterprises towards public institutions. This in turn produces a lower social commitment and collaboration on which public institutions can rely. Eventually, an impoverishment of networks and trust determines the depletion of social capital and increases social costs for lack of collaboration among institutions. On the other side, a preventive policy alternatives assessment according to a "balanced view" of public performance offered by the SCSC undoubtedly reduces the risk to undermine the reciprocal trust among society's institutions and foster the selection of policies increasing social capital.

Social capital contributes to improve the competitiveness and development of a territory by reducing transaction costs between parties belonging to the same or different set of institutions (Collier 1998). Thus, social capital undoubtedly represents a strategic asset for the development of a territory and an indispensable factor of competitiveness to be addressed by public organizations' policies.

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