Sustainability and Responsibility in Business
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The Collaborative Enterprise
Contents

- Critiques of the Competitive Model
- Collaborative Models of Governance: Alternative Practices
- The Benefits of Collaboration
- The Collaborative Approach
Critiques of the Competitive Model (1)

- **Sumantra Ghoshal** heavily criticized the current management mainstream, including competitive strategy by **Michael Porter**

- “If companies exist only because of market imperfections, then it stands to reason that they would prosper by making markets as imperfect as possible. This is precisely the foundation of Porter’s theory of strategy…” (Ghoshal, 2005: p. 15)

- The prevailing competitive model requires a fundamental correction to enable companies to develop really sustainable and responsible ways of doing business
The Big Idea

Capitalism is under siege.... Diminished to set policies that sap economic growth.... The purpose of the corporation must be trust in business is causing political leaders Business is caught in a vicious circle.... redefined around CREATING SHARED VALUE

How to reinvent capitalism—and unleash a wave of innovation and growth by Michael E. Porter and Mark R. Kramer

Creating shared value (CSV) should supersede corporate social responsibility (CSR). By guiding the investments of companies in their communities, CSR programs focus mainly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company's profitability and competitive position, leveraging the unique resources and expertise of the company to create economic value by creating social value.
Critiques of the Competitive Model (2)


- The word *compete* originally meant to seek together, but, as a cause/effect of the globalization processes, it has currently taken on controversial dimensions. Nevertheless, *competition* is a successful catchphrase, whose implementation results in broadly negative impacts.

- Competition cannot tackle the challenges generated by an unleashed globalization, enabled by privatization, deregulation and liberalization.

- Competition, which could be a very useful tool, has become the only purpose of our socio-economic systems in a Darwinian struggle for life.

- A cooperative and collaborative approach, which goes beyond competition, is needed.
Collaborative Models of Governance: Alternative Practices (1)

- **Coop** is the largest Italian retail chain, with:
  - a 18.1% market share in the grocery market
  - 7,205,497 members grouped in 119 territorial consumers’ cooperative societies
  - 1,446 points of sale and 1,722,384 square meters
  - 56,384 employees
  - a 2009 turnover of 12,764 million Euros

- Coop has built and maintains a distinctive positioning on the market thanks to its true and genuine commitment to sustainability. To pursue this goal, the Coop system has developed a broad set of initiatives:
  - New performance management and reporting tools - The Social Balance/Report
  - SA8000 - Collaboration along the entire supply network for the ethical sourcing
  - Private label - A successful experience to foster sustainable patterns of production and consumption
  - Investing in the local communities – The Coop system as an engine of development
Collaborative Models of Governance: Alternative Practices (2)

- The illycaffè case (Perrini, Russo, 2008):

  - The family-owned company located in Trieste sells a unique single blend of premium-quality coffee worldwide.
  - This top-quality blend, at the basis of the growth and competitive success of the Group, is deeply rooted in strong collaborative relationships with farmers in South and Central America, India, and Africa.
  - illycaffè and the local suppliers develop long-term, mutually beneficial relationships and build robust partnerships according to a virtuous cycle of sustainability based on four principles:

    - Sustainable development and quality – an inseparable pair
    - 100 percent of illy coffee is purchased directly from local producers
    - Quality as a tool for improving the living conditions of farmers over time
    - Fair price (Arabica coffee beans paid about 30-35% more than the market price)
Collaborative Models of Governance: Alternative Practices (3)

- **Slow Food** defends and promotes good, clean and fair food. Its philosophy is based on three principles: The small, the local, and the slow (Slow Food International, 2011; Tasch, 2008)

- One of the most important projects carried on by Slow Food is **Mercati della Terra**, an initiative aimed at promoting markets of local producers in Italy and all over the world

- The project intends to build short supply chains of seasonal, territorial, and high-quality products thanks to the joint efforts of local producers, local enterprises, local communities, and municipalities

- The purposes of these efforts are the following:
  - Valuing typical traditions
  - Shaping new connections and social networks among producers and co-producers
  - Bypassing brokers
  - Reducing transports
  - Safeguarding the environment
Values-driven companies participating in the Social Venture Network in the USA are other advanced examples of collaborative ways of doing business (Cohen, Warwick, 2006):

- **Eileen Fisher**, a well-known women’s clothing producer, adheres to SA8000 and all the factories that produce for this firm are required to adopt SA8000 and demonstrate continual improvement in the protection of workers’ rights. Local producers are not alone in this compliance process: Training is provided to factory managers and workers.

- **Pura Vida Create Good**, the premier sustainable beverage company. The mission of Pura Vida is to “Create Good”. By purchasing and selling only 100% Fair Trade, organic, shade-grown coffee, Pura Vida ensures that farmers in America, Africa, and Asia receive a fair wage and can support their families, and that the natural habitat they live in is preserved. Through its charity-the Create Good Foundation-, Pura Vida operates programs for helping the communities in areas where its coffee is grown.
2 More Down, 46 to Go!
New Jersey and Virginia Pass Benefit Corp Legislation
The Benefits of Collaboration

- Robert Frank’s book *What Price the Moral High Ground?* represents a real breakthrough in business ethics literature (Frank, 2004)

- Frank challenges the central view that competitive pressure makes naïve to expect that people (and organizations) restrain themselves for the common good. Both on empirical and theoretical results Frank shows the emergence of pro-social behavior even in highly competitive environments

- People who are intrinsically motivated to adhere to ethical norms often prosper in competitive environments. Socially responsible organizations are rewarded for the higher cost of caring:
  - Opportunistic behavior can be avoided between owners and managers
  - Getting moral satisfaction employees are ready to work more for less salary
  - High quality new employees can be recruited
  - Customers’ loyalty can be gained
  - The trust of sub-contactors can be gained
The Collaborative Approach (1)

- The strength and sustainability of enterprises come from their ability to fit into the environmental, social and cultural context in which they operate.

- By developing mutually beneficial relationships with the stakeholders, enterprises can get deep support from the stakeholders based on their commitment.

- This may lead to a superior performance from a multiple bottom line perspective.

- Collaborative enterprises value and develop relationships with their stakeholders and try to generate long-lasting win-win solutions.
The Collaborative Approach (2)

The stakeholder network – the relational view of the firm

- Firm
- Customers
- Financial Partners
- Government
- Shareholders
- Suppliers
- Employees
- Civil society
- Customer stakeholder 1
- Customer stakeholder 2
- Employee stakeholder 1
- Employee stakeholder 2
- Civil society stakeholder 1
- Civil society stakeholder 2
- Supplier stakeholder 1
The Collaborative Approach (3)

- The collaborative enterprise can develop over time because of its capability of building and maintaining sustainable and durable relationships with the members of its stakeholder network. The sustainability of the company depends on the sustainability of its stakeholder relationships.

- This extended relational view of the firm goes beyond the traditional approach that involves value-chain partners and competitors (Dyer, Singh, 1998; Post, Preston, Sachs, 2002). It encompasses not only relationships with other firms, but also with other stakeholder groups (e.g., governments and civil society).

- The competitiveness/competition notion and the related concept of shareholder value are insufficient and self-defeating: A more comprehensive and fitting view of the firm is needed.

- The really good companies are beyond competition by serving the multiple needs of their stakeholders.