

The Collaborative Enterprise

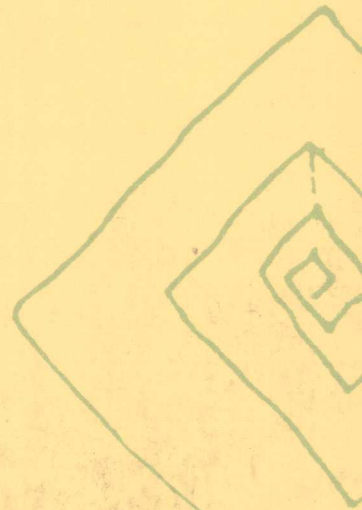
Creating Values for a Sustainable World

edited by

ANTONIO TENCATI

and

LASZLO ZSOLNAI



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Preface

The Collaborative Enterprise project started with a discussion between Antonio Tencati (Università Bocconi, Milan) and Laszlo Zsolnai (Corvinus University of Budapest) during the Annual Meeting of the Business Ethics Faculty Group of the CEMS – The Global Alliance in Management Education, held in Lisbon in April 2004. The discussion, also influenced by the work carried out by the Group of Lisbon, focused on the urgent need to overcome the dominant competitive model because of its increasing and unsustainable impacts on human, natural and social capital.

On the basis of these reflections, we organized the CEMS Blocked Seminar on ‘Corporate Social Responsibility and Sustainability: New Perspectives on Business Management,’ which was held at Università Bocconi in Milan in September 2005. In addition to *Antonio Tencati* and *Laszlo Zsolnai*, faculty included *Knut J. Ims* (Norwegian School of Economics & Business Administration, Bergen), *Eleanor O’Higgins* (University College Dublin) and *Steen Vallentin* (Copenhagen Business School). *Ulisse Pedretti* from Coop Italia presented the experience of the retail chain in addressing the sustainability issues.

The seminar was a great success and we decided to develop the core ideas further. We wrote a joint paper on ‘The Collaborative Enterprise,’ which was presented in the Fourth TransAtlantic Business Ethics Conference at *The Wharton School, University of Pennsylvania*, in October 2006. The paper explored collaborative ways of doing business where enterprises seek to build long-term, mutually beneficial relationships with all stakeholders and aim to produce sustainable values for the entirety of their business ecosystems. We argued that competitiveness involves self-interest and aggressivity and produces monetary results at the expense of nature, society and

future generations. Our paper generated a lot of debate. Some reactions were encouraging while others were critical, suggesting that the collaborative model was relevant only for the European context, especially Continental Europe. However, the evolution of the international economic conditions and the surrounding academic debate (consider, for example, the contributions by the late Sumantra Ghoshal) supported us in strengthening our research efforts. After some revision our Collaborative Enterprise paper was published in *Journal of Business Ethics* in 2009 (Vol. 85, No. 3, pp.367–376).

In June 2008 we organized an international workshop entitled ‘The Collaborative Enterprise: Creating Values for a Sustainable World’ at Università Bocconi in Milan. The workshop aimed at collecting and documenting alternative working models of business that challenge the currently prevailing competitive model. Contributors to the workshop included Johan Wempe (Saxion Universities of Applied Sciences), Maurits Sanders (Saxion Universities of Applied Sciences), Hendrik Opdebeeck (University of Antwerp), Ove D. Jakobsen (Bodø Graduate School of Business), Knut J. Ims (NHH, Bergen), Zsolt Boda (Corvinus University of Budapest), Alan Strudler (Wharton School, University of Pennsylvania), Eleonora Curlo (Zicklin School, Baruch College, The City University of New York), Margit Osterloh (University of Zurich), Hossam Zeitoun (University of Zurich), Tibor Hejj (Proactive Management Consulting Ltd., Budapest), Rita Hejj (Proactive Management Consulting Ltd., Budapest), Giacomo Mojoli (Slow Food), Francesco Perrini (Università Bocconi), and Clodia Vurro (Università Bocconi). Based on the presentations of the Milan workshop and other invited papers, we developed the present book on Collaborative Enterprise.

Our book promotes a *collaborative attitude* of doing business based on a positive view of the self and others. The authors of the book believe that we need to go beyond the current management mainstream, which is incapable of facing the challenges of sustainable development. Enterprises seeking to build long-lasting,

mutually beneficial relationships with all their constituencies, while producing values for their stakeholder networks, represent new hopes for a better future.

Milan and Budapest, April 2010

Antonio Tencati and Laszlo Zsolnai

Acknowledgements

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Antonio Tencati and Laszlo Zsolnai

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The Collaborative Enterprise

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The Collaborative Enterprise Framework

This chapter aims to explore collaborative ways of doing business where enterprises seek to build long-term, mutually beneficial relationships with all stakeholders and want to produce sustainable values for their whole business ecosystems.

Based on the arguments developed by the Group of Lisbon, chaired by Riccardo Petrella, and the late London Business School professor Sumantra Ghoshal, we criticize the one-dimensional pursuit of competitiveness of contemporary business. We think that the exclusive focus on monetary results (especially short-term shareholder value) is detrimental for nature, society and future generations, and finally for business itself.

The strength and sustainability of enterprises come from their ability to fit into the environmental, social and cultural context in which they function. By creating values for all stakeholders, enterprises can involve them and gain deep support based on their commitment. This may lead to superior performance from a multiple bottom line perspective.

Competitiveness is the prevailing ideology of today's business and economic policy. Companies, regions, and national economies seek to improve their productivity and gain competitive advantage. But these efforts often produce negative effects on various stakeholders at home and abroad. Competitiveness involves self-interest and aggressivity and produces monetary results at the expense of

nature, society and future generations. We are arguing for a more *collaborative strategy* where business tries to balance environmental, social and monetary values in innovative ways and makes positive contributions to all stakeholders.

Critiques of the Competitiveness Ideology

Sumantra Ghoshal's Approach

A world-renowned London Business School professor, the late *Sumantra Ghoshal*, heavily criticized the current management ideology, including *competitive strategy* propagated 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 that focuses on how companies can build market power, i.e., imperfections, by developing power over their customers and suppliers, by creating barriers to entry and substitution, and by managing the interactions with their competitors. It is market power that allows a company to appropriate value for itself and prevent others from doing so. The purpose of strategy is to enhance this value-appropriating power of a company... (Ghoshal 2005, p.15).

Some diminishing components of social welfare are not just a coincidental byproduct of Porter-style competitive strategy. Within the current management framework there is no escape from the conflict between economic goals and their social and moral implications (Ghoshal 2005, p.15).

Economic efficiency has become the greatest source of social legitimacy for business in today's world. The focus on efficiency allows economics to neatly sidestep the moral questions on what goals and whose interests any particular efficiency serves. Ghoshal refers to Nobel-laureate institutional economist *Douglas North*, who

clearly demonstrated that in reality there is no absolute definition of efficiency.

What is efficient depends on the initial distribution of rights and obligations. If that distribution changes then a different efficient solution emerges. As long as the transaction costs are positive and large, there is no way to define an efficient solution with any real meaning. And North argues that the transaction costs are not only positive and large but they are growing in our economically advanced societies (Ghoshal 2005, p.24).

In his latest works Porter tries to address the emerging issue of CSR (Porter and Kramer 2002, 2006), but Ghoshal's arguments are still well grounded. In Porter and Kramer's contributions corporate social responsibility seems to be only an add-on element in the traditional framework. In fact, it is not related to a genuine moral commitment of the company or a deep change in the perspective of analysis and in the rules of the game. CSR is only considered an additional instrument to achieve a better competitive performance: 'Not every company can build its entire value proposition around social issues..., but adding a social dimension to the value proposition offers a new frontier in competitive positioning' (Porter and Kramer 2006, p.91).

Competitiveness is a self-serving ideology employed by mainstream business to pursue its profit at the expense of nature, society and future generations. This ideology requires a fundamental correction to enable companies to develop sustainable and responsible ways of doing business.

The Group of Lisbon's Approach

This is exactly the point addressed by the *Group of Lisbon*, chaired by *Riccardo Petrella*. Established in December 1991, the Group started to work in 1992 and in 1994 issued its breakthrough report, 'Limits to competition,' supported by the Gulbenkian Foundation in Lisbon. Then the report was published by MIT Press in October 1995. The

Group was composed of nineteen distinguished persons from business, academies, governments/public institutions and NGOs in Europe, North America and Japan (The Group of Lisbon 1994).

The report develops a strong, well-documented and clear criticism of the competition ideology dominant in the post-Cold-War world. In the 1990s competition became the main goal not only of companies, but also of regions, nations, municipalities, public institutions and so on.

The word *compete* originally meant 'to seek together' (from the Latin *cum petere*), 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 and a value for itself: its pursuit justifies every political choice, even if it implies stronger and stronger cuts in the employment rates, social welfare, and expenditures for the protection of the environment. This new credo undermines the bases of social cohesion in both the most developed and the developing countries.

Furthermore, competition cannot tackle the challenges generated by an unleashed globalization enabled by privatization, deregulation and liberalization (on these issues, see also Worldwatch Institute 2006):

- the growing poverty and socioeconomic inequalities within and between nations;
- the delinking process between the richest and the poorest people/countries;
- the rise of an international criminal economy;
- the declining role of the state as a founding political institution and the absence of a real and effective political democracy at the global level;

- the increasing pressure on and the misuse/overexploitation and pollution of global environmental commons such as water, air and land;
- the depletion of biodiversity and natural resources;
- the loss of human values, such as peace, justice, dignity, solidarity and respect in our societies.

Competition could be a very useful tool if it supported and fostered broad and shared innovation and emulation processes. But when the only purpose of our socioeconomic systems is to engage in a Darwinian 'struggle for life' on a global scale, it results in a disruptive and meaningless global war among companies, affecting also the overall well-being of regions, nations and cities.

Therefore, hegemony does not work and competition is not the answer to our needs for a sustainable pattern of development. Instead of a financial globalization carried on by firms and economic interests focused on short-term gains, a *cooperative approach* is required to provide a new, effective and efficient way of global governance.

This new world order should be based on four social contracts, which are in the general interest of the largest number of people and nations, and especially of the poorest human beings. In more detail, these *contracts for change* promote a common effort aimed at fulfilling the basic needs and expectations of the eight billion people who will live on Earth by the year 2020. The objectives of these global social contracts are as follows:

- (i) Removing the inequalities by providing 2 billion people with water, 1.5 billion people with a home, and 4 billion people with efficient energy.
- (ii) Ensuring tolerance and dialogue among the different cultures.