

THE COMMON GOOD AND SOCIAL-COMPETITIVE CREATIVITY

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Abstract

What does it mean for the top management of a corporation pursuing common good by doing business activities?

This communication intends to give a contribution in answering to this question from a perspective typical of management studies.

Given a competitive strategy, the first step towards CG is the activation of a dialogue mechanism with various groups of actors in order to identify principal areas of need. A clear and decisive understanding of social issues is indeed a condition to shape a more valid strategy.

Before trying to respond to these social issues, the corporate executive must screen them using two criteria: *ethical* and *historical*. Once legitimate social needs have been identified for the corporate strategy, there is the problem of how to integrate them into this strategy. This communication propose a pyramid that identifies five efficiency levels in answering social needs. Conclusions remark that when for the top management of a corporation pursuing common good principally means searching innovative solutions to satisfy more effectively the expectations of one or more groups of stakeholders. It tends to make these solutions factors in developing the competitiveness of a company. Thus, it becomes synonymous with business creativity aimed also at satisfying everyone's expectations.

Identification and evaluation of social expectations

The model presented shows a logical process by which the top management of a corporation can make CG a distinctive part of corporate strategy (Figure 1).

Given a competitive strategy (the variable on the left of Figure 1), the first step towards CG is the activation of a dialogue mechanism with various groups of actors in order to identify principal areas of need. A clear and decisive understanding of social issues is indeed a condition to shape a more valid strategy for stakeholders, to pre-empt conflict and to help create cohesion around the corporate project.¹

The aspirations and interests of stakeholders may be more or less clear and can be changed into explicit requests to the company. In certain cases they take the form of demands, of organised protests or of well-orchestrated press campaigns. In other cases, pressure groups find it hard to express their expectations due to a lack of influence and means. In yet other cases, interests may be latent, given that they have not been fully understood.

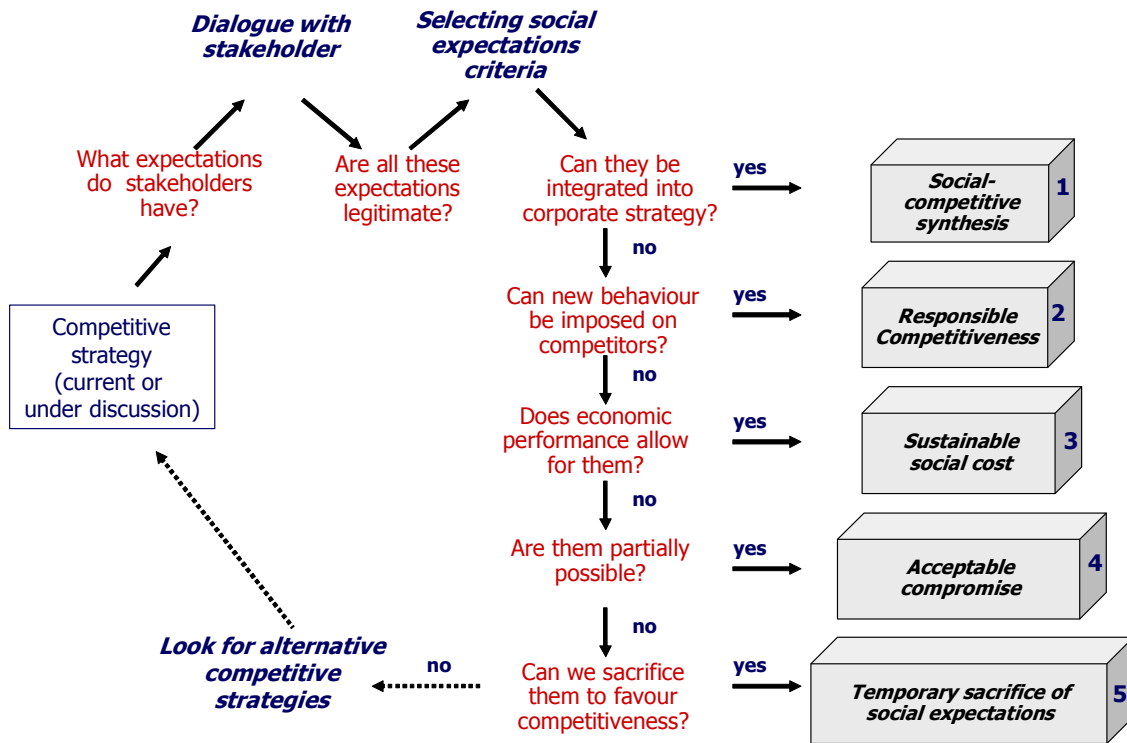
Before trying to respond to these social issues, the corporate executive must screen them using two criteria that we can call *ethical* and *historical*.

First, not all demands that a company considers are necessarily legitimate under an ethical perspective. For example, the economic demands of organised crime, even if widespread in certain contexts, are not legitimate expectations. Other areas are even more controversial, e.g. extending equal opportunities (pensions, health assistance, etc.) so as to recognise equal status of heterosexual and homosexual families. As is shown by the lively debate on this theme, if, on one

¹ See: Donaldson, Preston (1995); Post, Preston, Sauter-Sachs (2002).

hand, recognising rights that are not yet recognised in law may be considered an element of civil progress, on the other hand, it can also be a destabilising factor in society. Second, we need to make a historical judgment. Offering certain services (such as schools) to employees, which may in some circumstances be an excellent show of social responsibility, may seem, in other cases, to be meddling in things that have nothing to do with the company.

Figure 1



The social-competitive innovation pyramid

Once legitimate social needs have been identified for the corporate strategy, there is the problem of how to integrate them into this strategy. Here we have proposed a pyramid that identifies five efficiency levels in answering social needs (see the right-hand part of Figure 1). The highest level (known as social-competitive synthesis) shows the best response. When this is not practical, we need to go down a level and so on until we reach the fifth level. If this is not possible, we need to question the competitive strategy that the corporation intends to adopt.

Level 1. Social-competitive synthesis

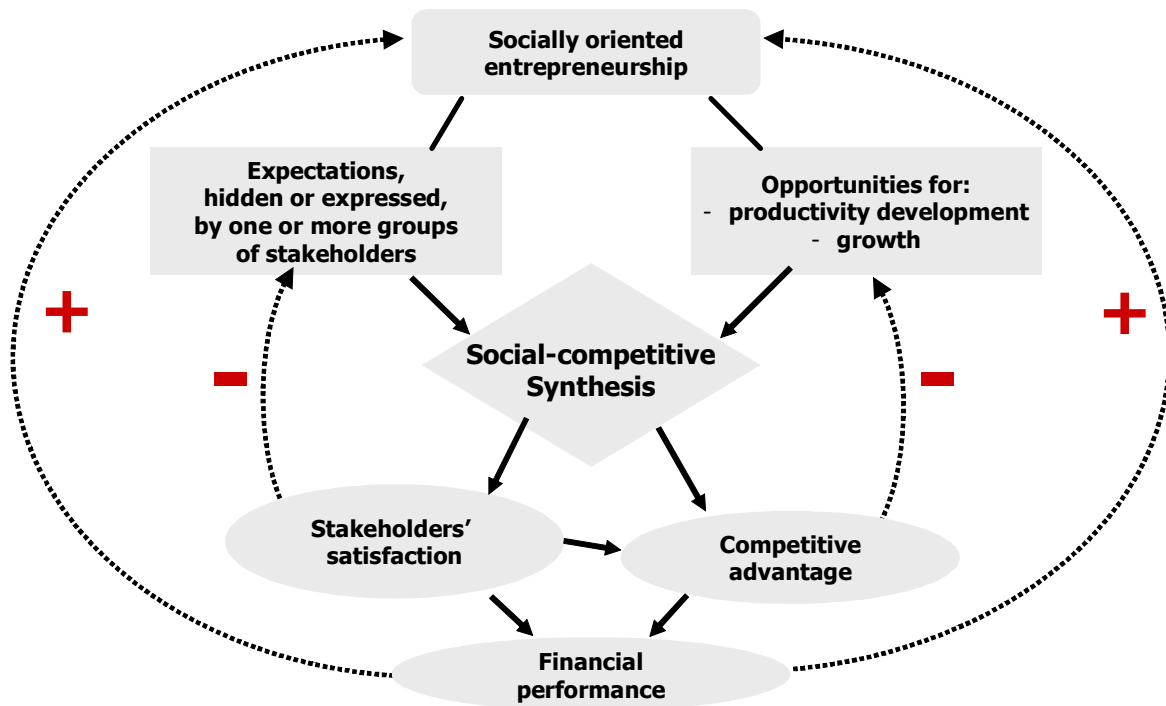
In order to satisfy legitimate social expectations, we need to answer this question: can we satisfy social expectations by integrating them into corporate strategy, i.e. making them a means to corporate development? By searching for an answer to this question, we have already started on the path towards *social-competitive synthesis*.²

This is an innovative means of replying to expectations from one or more groups of stakeholders going beyond legal obligations, giving life to a solution that contributes to maintaining

² See: Molteni (2004).

competitiveness and long-term success (Figure 2). This strategy can affect the whole of the corporation, one of its specific strategies, one specific function or a single process.

Figure 2



Let us look at the individual elements of this definition. Above all, the answer given to pressure groups is innovative, i.e. it is typical of entrepreneurial creativity. Secondly, such a response can be considered socially relevant in a very concrete fashion, given that it refers to a specific spatial and temporal point. This is because it is a programme that responds specifically to pressure groups' expectations compared to normal business practice. Thirdly, the social-competitive synthesis involves the company both comprehensively and in its individual parts. Regarding the whole this synthesis colours strategic and organizational policies. Regarding individual activities it can influence commercial, process, or political decisions. Fourthly, it is essential that this social entrepreneurial creativity does not sacrifice shareholders' expectations but rather is part of it. To understand social-competitive synthesis we need to place an idea or a project under two screening issues:

- Does this idea answer the real or latent aspirations of the various stakeholders more efficiently than the existing CR solutions?
- Can this response consolidate/increase the company's competitiveness? What links the social project to the competitive and economic performance of the company?

Only an affirmative answer to both issues would indicate an example of social-competitive innovation. A positive response to the social-responsibility question without its insertion into the development of the company would be an act of charity, that while seeming positive to its

beneficiaries could not be deemed *paradigmatic* for an enlightened management. Indeed this type of action is often criticised by those who would prefer to see resources used to generate wealth for shareholders. Social-competitive synthesis, however, increases both workers' and other social groups' satisfaction. This contributes to maintaining competitiveness and as a consequence, economic performance.

Finally, we should consider the effects of feedback – balancing and reinforcing³ – connected to the social-competitive process. Firstly, there are two balancing processes, given that the competitive advantage generated helps to narrow the gap between desired and actual strategy, as well as satisfying the stakeholders and enabling them gradually to fulfil their need. This balancing effect explains why social-competitive synthesis tends to lose its value over time from both the competitive and social points of view, to become a mere working condition of the company⁴. Thus, there is the need for continual re-launch, working out new projects with their own social-competitive characteristics. Secondly, there are two reinforcing processes as improved economic results make more financial resources available and thus increased faith in the potential of synergy. These both feed the development of the company and increase the will to satisfy the expectation of stakeholders in completely different ways.

Figure 3

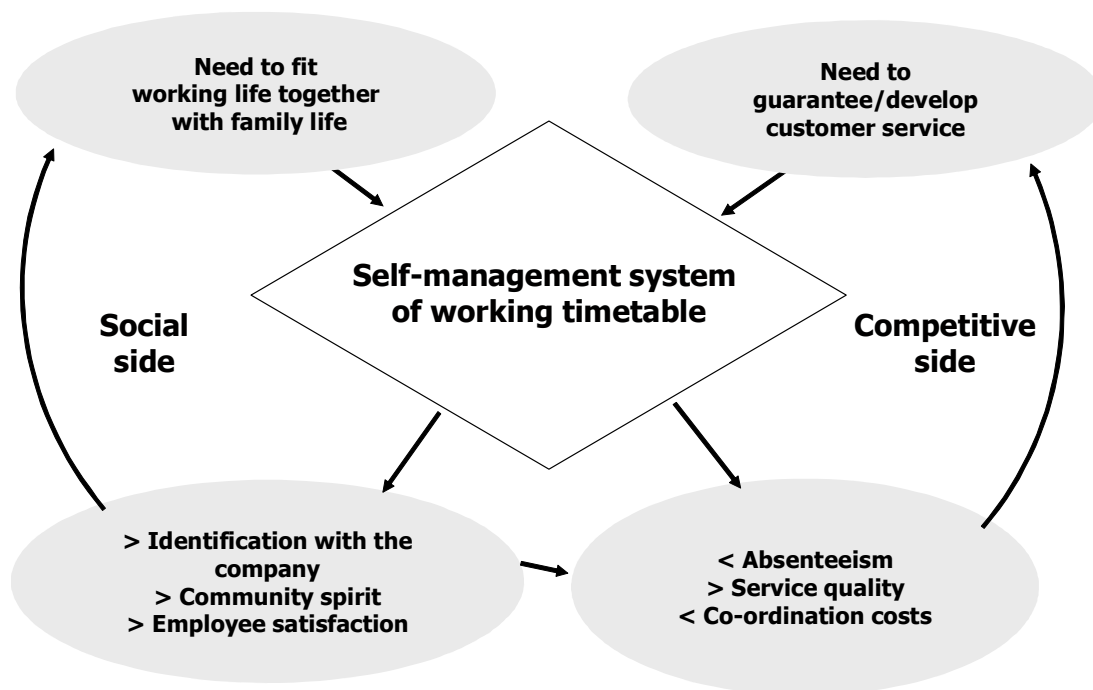


Figure 3 shows an example of social-competitive synergy in a large retail corporation. The company decided to look at the principal human resource management problem of its point-of-sales, i.e. the checkout timetable, in a completely different way. This also involved the speed and

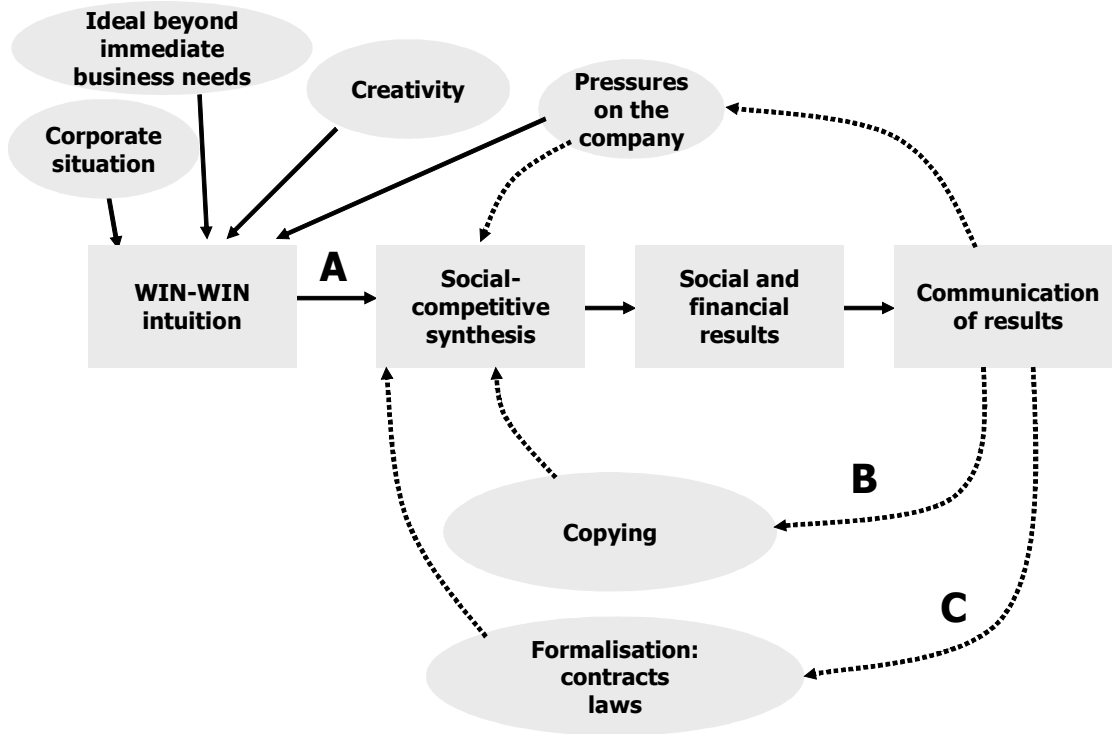
³ For a distinction between 'reinforcing (or positive)' and 'balancing (or negative)' feedback, see Senge (1990).

⁴ The differential value of the social-competitive synthesis also tends to decrease due to the copying process that corporate culture tends to generate.

quality of the checkout service that was one of the key points of quality perceived by customers. A self-management of working hours was started that allowed the workers, mainly women, to integrate their personal and family needs with that of work. For the company there were two basic advantages: the organisation and management of departments became easier, and the satisfaction of the personnel converted into less absenteeism and better customer relations.

Before going on to the next phase of the model, we should answer a typical ‘liberal’ objection towards socially orientated innovations: the social-competitive synthesis is nothing other than good management intended to maximise profits. If we look at the achieved synthesis, this may seem to be true. However, this is no longer the case if we ask *why* a particular solution emerges in one company and not another, and *why* at one moment rather than another. So, we can see that social-competitive synthesis is not a ‘flower in the desert’ but has been developed within a corporate context that makes the awareness of all its stakeholders’ expectations a primary concern.

Figure 4



To understand this better, let us look at the process by which the social-competitive synthesis is conceived and implemented (Figure 4). Above all, given a certain corporate mentality, not all corporations will want to satisfy their stakeholders’ expectations. Indeed, not all companies will even notice the presence, intensity and relevance of their stakeholders’ expectations. The ideal that goes beyond the immediate business needs is the only factor that is open to these manifest or latent expectations and that will energize the creativity necessary to bring about a solution. Once the concept of a *win-win* solution for both society and company gains a foothold, then realisation may occur and – If well managed with an eye to the maximum potential benefits of the idea – it will generate satisfaction for both the social partners and the company’s competitiveness, (path A in Figure 4).

External communication of these results can multiply the effects due to the copying phenomenon that is frequent among corporations (path B). Finally, it is not unknown for a *win-win* solution, copied by others to become widespread among all other companies and then to become a typical subject of union negotiation or new laws (path C).

Level 2: Responsible competitiveness

However, this *win-win* solution, which has the basic advantage of overcoming the dilemma between social usefulness and competitiveness, may simply not be available. This could to varying degrees stem from the difficulty of the situation, from the strength (or weakness) of belief that drives the search for solutions and from the lack of creativity in a project, even given goodwill.

Without social-competitive synthesis, action taken to satisfy the social expectations implying added costs would place the corporation at a disadvantage compared to its fiercest competitors. So the management must ask itself another question: can we change the rules of the game by imposing new modes of behaviour on the whole sector? In other words, how can we promote a “responsible competitiveness?”⁵ Thus, satisfying stakeholders would not mean that a company would lose competitiveness. The executive could then make policies to modify the context (De George 1999) (local, sector, national or international) in order to defend its own desired development strategy⁶.

Let’s consider an example. The head of a company, sensitive to environmental problems, is inclined to make ecological investments beyond the legal requirement. This operation creates a disadvantageous cost differential compared to competitors that behave irresponsibly. If this differential were unsustainable, the company’s choice could be put in the form of a dilemma, i.e. do we benefit the environment or the company performance? A way out could be to start an action in this sector that could involve the company’s main competitors and/or category associations that aim at promoting collective self-regulation or a new law that makes the planned investment obligatory for all. These new conditions would reconcile the two objectives that were previously considered a trade-off.

Importantly, managers sensitive to social issues tend not to limit their activity to their own corporation but become active in associations, of which the company is a member, as well as in the wider social and political scene⁷. They tend to foster relations with influential external partners (public administration, the mass media, opinion leaders, etc.) and they actively participate in debates on ‘hot’ social and economic themes. They promote or adhere to various forms of self-regulation that involve a higher respect for rights, as well as satisfying stakeholders rather than simply following the law, and they help to form public opinion and lobby for new laws. This involvement, created by the desire to contribute to integral development within their own context, also works for their corporation. Above all, it can mean that whatever the company has done voluntarily becomes obligatory for all other operators in its field. Furthermore, it can increase the consensus of social partners towards the company and its strategic goals (Molteni, 1990, chap. 4).

Level 3: Sustainable social cost

Whenever a particular action is seen to be impossible or at least, incapable of producing results in a given time, a new question needs to be asked: can the economic performance of a company allow the necessary costs to satisfy social expectations? If the answer is yes, we could say we are

⁵ This concept was developed by Simon Zadek (2006).

⁶ De George writes: «Companies with integrity do not harm or exploit or take unfair advantage of others. Rather they help develop adequate background institutions to make competition fair. They have a self-interested reason for doing so, as well as a more altruistic, ethical motivation.» (De George 1993, pp. 192-193).

⁷ On the importance of active involvement with public bodies also aimed at aiding competitiveness (Keim and Zeithaml 1986; Quinn and Shapiro 1991; Hillman and Hitt 1999; Schuler, Rehbein and Cramer 2002).

talking about sustainable social cost. With this term, we want to underline the fact that an activity undertaken in favour of stakeholders may create insufficient expected economic return to justify the investment in itself, but it may be compatible with the general economic-financial performance of a company. Judgement on economic sustainability implies, as well as careful examination of the cost of CR policies, also the evaluation of present and future economic results of a company. It goes without saying that the social cost becomes more sustainable as the general wealth of a company increases.

The concept of sustainable social cost reveals the errors of two reactions toward corporate social responsibility. The typical liberal objection would state: "It is easy to talk of corporate social responsibility when the company's performance puts abundant resources at its disposal. In these cases, the value of management is not in its social orientation but in its ability to generate and defend a competitive advantage. This confirms the fact that the only problems a company has to face are those of efficiency and competitiveness." This point of view (the importance of efficiency and competitiveness) is partially true, but does not explain *why* social costs are sustained in certain situations and not in others. One example of this is the Olivetti of the 50's, managed by Adriano Olivetti. The company was innovative in its relations with its employees, in its industrial set-up and the impulse it gave to culture and art thanks to the fact that some of its products guaranteed high competitiveness and hence high income margins. It is also true, however, that in the same period, other entrepreneurs who also enjoyed healthy economic situations used their accumulated resources simply for personal wealth and power. In short, it is part of the very definition of sustainable social cost that it can be undertaken only in times of economic prosperity but also needs participation of the main players before it is actually carried out.

The second point of view is that typical of those with a deeply rooted diffidence towards business that prefer sustainable social cost to social-competitive synthesis, given that the former has no pretensions to a return that may affect its authenticity.

Our position is diametrically opposite: sustainable social cost, although laudable, is less important from a business point of view than the social-competitive synthesis. This is because a hoped-for return on investment, rather than creating suspicion as to the motivation of a project, would mean that social respect is not only present but also able to generate functional solutions for the development and survival of the company.

Level 4: Acceptable compromise

Whenever economic performance does not allow social costs, then the problem arises of how, at least partially, to alleviate these expectations. We must begin to look for a compromise between social objectives and short-term performance objectives that are at least acceptable to everyone involved. This is the classic trade-off, where the problem is a delicate balance of all the parts in question. This usually means a partial sacrifice of some social expectations together with a re-definition of corporate strategy that considers reduced or delayed increase in performance. In synthesis, the art of compromise is needed in economics as well as in politics⁸, and the path to take is where the 'ideal' dovetails with reality.

⁸ Ratzinger has stated: «It is of course always difficult to adopt the sober approach that does what is possible and does not cry enthusiastically after the impossible; the voice of reason is not as loud as the cry of unreason. The cry for the large-scale has the whiff of morality; in contrast limiting oneself to what is possible seems to be renouncing the passion of morality and adopting the pragmatism of the faint-hearted. (...) It is not the adventurous moralism that wants itself to do God's work that is moral, but the honesty that accepts the standards of man and in them does the work of man. It is not refusal to compromise but compromise that in political things is the true morality.» (Ratzinger 1988, pp. 148-149).

Level 5: Temporary sacrifice of social expectations

If a reasonable compromise cannot be found, then the temporary sacrifice of social expectations that were originally identified may be necessary. This is not a complete refusal to satisfy social expectations other than those legally necessary. It is rather a momentary sacrifice until the conditions for future corporate development benefits everyone involved. This is the case when there are redundancies, due to technological changes affecting a particular sector. This is usually accompanied by a plan to rebound that will occur in the future in the hope of benefiting employment.

Whenever social expectations that remain unfulfilled are too important, the company executive should try to re-elaborate its competitive strategies. That is, to find a growth plan in which both competitiveness and social welfare are more easily harmonised. We could think of the case when a company decides to stop operating in a business or a geographical area so as not to find itself in a position to act unethically. Such an action would involve finding alternative paths towards channelling positive energies in a company.

Final Considerations

The model of social-competitive innovation can be used in two different managerial circumstances. Firstly, as we have already noted, it can be used to evaluate a competitive strategy that is already in force from a social point of view, thus making it more sensitive to social needs (and therefore more solid and sustainable from a market point of view).

Secondly, it can be used for planning. When creating a new strategy it is very important also to consider social implications of the planned action. One of the difficulties to overcome here is the identification of stakeholders' expectations, given that the social repercussions of a new strategy have not yet been tested. The sensitivity of management can ease the difficulty of creating preliminary dialogue with stakeholders. Indeed, their ability to forecast social and environmental problems may well be enhanced, thanks to listening to external influences and talking with stakeholders. Once relevant social expectations have been identified, the issues we have outlined can have a double role: on one hand, to understand fully the repercussions of the strategy being considered and, on the other, to stimulate social creativity so as not to give up in the face of dilemmas between economic and social objectives.

To conclude, we remark that when for the top management of a corporation pursuing common good principally means searching innovative solutions to satisfy more effectively the expectations of one or more groups of stakeholders. It tends to make these solutions factors in developing the competitiveness of a company. Thus, it becomes synonymous with business creativity aimed also at satisfying everyone's expectations⁹.

The creative factor should be introduced when talking about responsibility, as we must realise that perfection does not exist. In any situation, it is always possible to respect 'more', to appreciate 'more' and to satisfy 'more'. In this sense, social-competitive innovation can flourish more in situations where we are aware of its limits. Someone may be positively 'unsatisfied' and so will be aware of new possibilities, will listen and will always look for new solutions.

⁹ Regarding the importance of creativity in the search for new solutions for reconciling expectations which were trade-offs, see among others Coda (1995) and Lozano (2001, pp. 330).

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