

Chapter 20

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Beyond Competitiveness: Creating Values for a Sustainable World

“There must be no competition among you, no conceit.... Always consider the other person to be better than yourself, so that nobody thinks of his own interests first but everybody thinks of other people's interests instead.” *Philippians 2: 3-4*.

Economics is rightly called a "dismal science." It propagates a negativistic view of human nature. In this view economic agents are always self-interested and want to maximize their own profit or utility. Their interactions are based on competition only and their criterion of success is growth measured in money terms. Mainstream economics generates *vicious circles* in which market players expect the worst from others and act accordingly. Competitive economics produces an enormous abundance of goods and services but at an intolerable environmental and social cost.

If we want to get closer to a sustainable world we need to generate *virtuous circles* in economic life where good dispositions, good behavior and good expectations reinforce each other. Our *collaborative enterprise project* promotes a view in which economic agents care about others and themselves and aim to create values for all the participants in their business ecosystems. Their criterion of success is mutually satisfying relationships with the stakeholders.

The contrasting characteristics of the competitive and collaborative models are summarized in *Table 1*.

Table 1 *Competitiveness versus Collaboration*

| | The Competitive Model | The Collaborative Model |
|-----------------------------|--|---|
| Basic motive | self-interest | care about others and oneself |
| Main goal | maximizing profit or shareholder value | creating values for all the participants in the network |
| Criterion of success | growth in money terms | mutually beneficial relationships with the stakeholders |

Positive Psychology and the "Homo Reciprocans" Model

The skeptics, including most economists, may believe that the premises of the collaborative model are naive. Recent discoveries in social sciences suggest that this is not the case.

A new branch of psychology called *positive psychology*, initiated by Martin Seligman and Mihaly Csikszentmihalyi, studies the strengths and virtues that allow individuals, communities, and societies to thrive (Positive Psychology Center, 2007; Seligman & Csikszentmihalyi, 2000).

Positive psychology has been defined as a science of positive subjective experience, positive individual traits, and positive institutions (Seligman & Csikszentmihalyi, 2000), which aims at improving quality of life and preventing the pathologies caused by a barren and meaningless way of living. Positive psychologists try to improve everyday well-being, to make life worth living. As a supplement to the vast research on the disorders and their treatment, they suggest that there should be an equally thorough study of strengths and virtues, and that they should work towards developing interventions that can help people become lastingly happier (Seligman, Parks, & Steen, 2004).

Positive psychology focuses on three different routes to happiness (Seligman, 2002; Seligman, Steen, Park, & Peterson, 2005):

(i) *Positive emotion* and *pleasure* (the pleasant life). This is a hedonic approach, which deals with increasing positive emotions as part of normal and healthy life. “Within limits, we can increase our positive emotion about the past (e.g. by cultivating gratitude and forgiveness), our positive emotion about the present (e.g. by savouring and mindfulness) and our positive emotion about the future (e.g. by building hope and optimism)” (Seligman, Parks, Steen, 2004, p. 1380).

(ii) *Engagement* (the engaged life). This constituent of happiness is not merely hedonic but regards the pursuit of gratification (Seligman, Parks, & Steen, 2004). In order to achieve this goal, a person should involve himself/herself fully by drawing upon “character strengths such as creativity, social intelligence, sense of humour,

perseverance, and an appreciation of beauty and excellence” (Seligman, Parks, & Steen, 2004). This leads to beneficial experiences of immersion, absorption, and flow.

(iii) *Meaning* (the meaningful life). This calls for a deeper involvement of an individual, using the character strengths to belong to and serve something larger and more permanent than the self: “something such as as knowledge, goodness, family, community, politics, justice or a higher spiritual power” (Seligman, Parks, & Steen 2004).

Peterson and Seligman developed the so-called *Character Strengths and Virtues* framework, which identifies and classifies strengths and virtues that enable human flourishing. It lists six overarching virtues, common to almost every culture in the world, made up of 24 measurable character strengths. The classification of these virtues and strengths is as follows (Peterson & Seligman, 2004; Seligman, Steen, Park, & Peterson, 2005):

- (1) *Wisdom and Knowledge*: creativity, curiosity, open-mindedness, love of learning, perspective;
- (2) *Courage*: authenticity, bravery, persistence, zest;
- (3) *Humanity*: kindness, love, social intelligence;
- (4) *Justice*: fairness, leadership, teamwork;
- (5) *Temperance*: forgiveness, modesty, prudence, self-regulation;
- (6) *Transcendence*: appreciation of beauty and excellence, gratitude, hope, humor, religiousness.

What we need in business and economics is a commitment to helping individuals and organizations identify their strengths and use them to increase and sustain the well-being of others and themselves.

One of the most exciting developments in the behavioral and social sciences is the emergence of the so-called *Homo reciprocans* model as a major alternative to the model of *Homo oeconomicus* propagated by mainstream economics and business. The *Homo oeconomicus* model suggests that economic agents are exclusively self-interested and always maximize their utility functions. Overwhelming empirical evidence shows that

this is a rather unrealistic description of human behavior. The model has also been criticized on various normative grounds (Zsolnai, 2002a).

Experimental economics provides decisive results questioning the validity of the Homo oeconomicus model. Take *public goods games*, for example. The experimenter gives the subjects some money and explains that they can choose, separately, how much to keep and how much to contribute to a common pool, which will be, say, doubled, to pay for a benefit in which all will share equally. The payoffs are such that contributing nothing maximizes one's individual gains. In such situations, Homo oeconomicus contributes nothing, and hopes to exploit others. However, experimental subjects usually punish those who cheated them, even at considerable cost to themselves. More surprisingly, this is true even on the last round of the game, when they couldn't hope that punishing the cheaters would change their behavior in the future. Homo oeconomicus, by contrast, realizes that punishing cheaters under these conditions is, like contributing to the common pool, a pure waste of money, and so refrains from doing so.

Or consider the results of the so-called *ultimatum game*. This is an experiment with two players that has been carried out in more than 100 studies in dozens of countries with highly consistent results. The experimenter picks a player at random, hands him or her a wad of cash to divide between himself or herself and the other player. The second player can either accept the offer, in which case they split the pot as arranged, or reject it, in which case both get nothing. According to the Homo oeconomicus model the first player offers the minimum amount of money that can be accepted (only one cent). But in reality most people offer between 40 and 50 percent, and routinely reject offers of less than a third, even in one-shot games where there's no chance for retaliation, and even when the pot amounts to several months' earnings. That people make large offers is striking enough, but what really rules out Homo oeconomicus is that people reject quite substantial offers in order to punish others for not cooperating, even when it costs a lot to do so (Shalizi, 1999).

Samuel Bowles, Robert Boyd, Ernst Fehr, and Herbert Gintis summarize the emerging model of Homo reciprocans as follows. Homo reciprocans comes to new social situations with a propensity to cooperate and share, responds to cooperative behavior by maintaining or increasing his or her level of cooperation, and responds to selfish, free-

riding behavior by retaliating against the offenders, even at a cost to himself/herself, and even when he or she could not reasonably expect future personal gains from such retaliation (Bowles, Boyd, Fehr, Gintis, 1997). This is certainly in line with empirical observations: people do produce public goods, they do observe normative restraints on the pursuit of self-interest (even when there is nobody watching), and they will put themselves to a lot of trouble to hurt rule breakers.

Robert Frank's research, reported in our book, shows that socially responsible firms can survive in competitive environments because social responsibility brings substantial benefits for firms. Frank identifies five distinct types of cases where socially responsible organizations are rewarded for the higher cost of caring: (i) opportunistic behavior can be avoided between owners and managers, (ii) moral satisfaction induces employees to work more for lower salaries, (iii) high quality new employees can be recruited, (iv) customers' loyalty can be gained, and (v) the trust of subcontractors can be established. In this way caring organizations are rewarded for the higher costs of their socially responsible behavior by their ability to form commitments among owners, managers and employees and to establish trust relationships with customers and subcontractors (Frank, 2004).

These findings give us the hope that noble efforts of economic agents are acknowledged and reciprocated even in highly competitive markets. Institutions and individual behavior co-evolve in social interactions and shape the evolution of individual preferences; in turn, these preferences shape the overall evolution, and may lead to the emergence of new economic organizations (Shalizi, 1999).

Issues for Future Research

Our work is a first step in a research track to reframe current behavioral and institutional patterns in economics and business practices. In this book we have collected theoretical contributions, reflections, cases, examples, and initiatives to provide an overview of the topic of collaboration. We need to involve other scholars, other perspectives from different regions and different backgrounds to further advance the study.

The collaborative model opens new research avenues at different levels: at the level of the individual; the level of the firm; the level of districts, clusters, industries and sectors; and the level of the economy as a whole.

Individual level

The new paradigm represented by the Homo reciprocans model is a major challenge to the mainstream competitive model. We need further studies and empirical support to revise and replace the current behavioral bases of economics. A new positive vision of the individual is strongly needed. Positive psychology, anthropology and biology (see, for example, Tomasello, 2009), and neuroeconomics (see Camerer, Loewenstein & Prelec, 2005) could provide important contributions to reframe the currently dominating negativistic view of human beings.

Micro level

The firm is the main focus and the starting point of our collaborative enterprise project. The sustainability challenge calls for innovative business and managerial models to combine different values and value dimensions (Zsolnai & Tencati, 2009). And, as the many examples presented in the chapters of our book point out, that is possible. Creating values for the different constituencies through creativity, broad stakeholder engagement and more balanced and democratic mechanisms of governance is characteristic of the most innovative enterprises. These dispositions also make them more resilient and long-lasting. With regard to the micro level, it is important to study the enabling conditions in terms of institutions, culture, values, managerial approaches, and so on (Campbell, 2007), that allow collaborative enterprises to flourish. Furthermore, we think that especially the studies on small and medium-size companies could provide interesting and widespread examples of progressive, locally based and community-rooted practices (Spence, 2007).

Meso level

The collaborative model considers the firm as part of a broader ecosystem, that is, a stakeholder network of which the firm is one of the components. Therefore, the study of these aggregations, especially at the territorial level, becomes critical. Industrial districts

(Becattini, 1990; Becattini, 2004) and clusters (Ketels, Lindqvist & Sölvell, 2008; Porter, 1998a; Sölvell, 2009) are based on the symbiosis between the economic dimension and the social one. In these forms of organization the economic activities are fundamental to boosting the local development (Becattini, Bellandi, Dei Ottati, & Sforzi, 2003) and, in parallel, the social capital (Bourdieu, 1986; Putnam, 1993; 2000). Social capital, which connects the local communities and the industries, is one of the most important drivers that explain the long-term success of the involved firms on the market (Porter, 1998b). Furthermore, broader networks emerge at the industry and sector level to address sustainability and competitive issues (consider, for example, the waste management policies and the building of industrial ecosystems: Tencati, Perrini, 2006; Tukker, Charter, Vezzol, Stø, & Andersen, 2008). Sustainability and competitive dynamics are no longer matters that can be addressed by isolated and single players. The sustainability goals need broader models of governance. Competition emerges among collaborative networks composed of different actors (Zadek, 2006; Zadek, Sabapathy, Døssing, & Swift, 2003).

It is also interesting to consider the inputs provided by organization studies. According to Ronfeldt, after tribes, hierarchical institutions, and markets, collaborative networks are the emerging form of organization, which affects the current stage of social evolution. “Enabled by the digital information-technology revolution, this form is only now coming into its own, so far strengthening civil society more than other realms” (Ronfeldt, 2009). In particular, this framework could also be applied to understanding meaningful evolutions enabled by the information and communication technologies such as the social networks and the online collaborative platforms (Bielli & Nemeslaki, 2009).

Macro level

The current pattern of global development is not only socially and ecologically but also economically unbearable. This calls for enlarged, more participating models of governance to address the sustainability challenge, and for the construction of decentralized community-based initiatives connected in global networks, which could constitute feasible and fitting alternatives to the global mainstream.

From the relational state perspective (Albareda, Lozano, Tencati, Perrini & Midttun, 2009) we can observe the institutionalization of global action networks such as the Global Compact, the Global Water Partnership, The Forest and the Marine Stewardship Councils, the Global Reporting Initiative, the Microcredit Summit Campaign, the International Federation of Organic Agriculture Movements and the Fair Labor Association, which operate in both environmental and social realms (Glasbergen, 2010; Global Action Network Net, 2010). They can be described as “civil society initiated multi-stakeholder arrangements that aim to fulfil a leadership role for systemic change in global governance for sustainable development” (Glasbergen, 2010, p. 130). In these new forms of partnership collaborative efforts are carried on jointly by governments/public institutions, firms and civil society organizations. Therefore, the collaborative model is gaining ground in the political arena with solutions, trying to overcome the conventional public-private partnerships.

The collaborative networks enable local communities to become innovative players on the global scene. Therefore, it is crucial to study the emergence of new patterns of governance where coalitions of global players and global alliances of local actors interact to address disequilibria in economic, social and ecological conditions. A deeper analysis of collaborative models of governance is also needed when they arise to manage the paths of development at local, national and regional levels (Albareda, Lozano, Tencati, Midttun, & Perrini, 2008).

The previous reflections define a research agenda focused on the different features and implications of the collaborative model. However, a conclusive remark is needed. We do not want to neglect the important economic and social role played by competition. What we consider unacceptable is that competition—one of the possible tools to advance human well-being and societal welfare—has become the only criterion to rule economic and social life. We are against glorifying economic competition as an end in itself because it leads to detrimental effects on nature, society and future generations (Zsolnai, 2009).

We believe that economic players need to go beyond competition to build a progressive economics. Business should respect the ecological and social limits in which it operates, and embed its activities in the natural and social systems (Zsolnai, 2002b).

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