

Stakeholder Management, Cooperatives, and Selfish-Individualism

Research Article

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Abstract: We analyze stakeholder management (STM) relative to cooperation and individualism within the fourth industrial revolution (FIR). STM is a recent corporate governance tool boosting cooperation and allowing representativeness of individualistic behaviors even in dialectical environments. Though forerunning it, cooperatives massively use STM now, while the FIR demands cooperation also at non-cooperative enterprises. We reach two main conclusions. Deeper orientation towards STM helps solve the shareholder management (SHM) crisis. Moreover, exemplifying the benefits of STM towards social and environmental goals, cooperatives can inspire also other companies aiming to reduce the negative externalities of SHM and profit from cooperation within the FIR.

Keywords: Stakeholder Management • Cooperative Banks • Shareholder value • Individualism • Market Society

JEL-Classification: L21, L31, L33, M14, P12, P13

1. Introduction

“Stakeholder Management as a concept, refers to the necessity for an organization to manage the relationships with its specific stakeholder groups in an action-oriented way.”
(R. Freeman)

“Cooperatives are people-centred enterprises owned, controlled, and run by and for their members to realise their common economic, social, and cultural needs and aspirations.”
(International Cooperative Alliance)

*“If they are not for me, who will be for me?
And if I'm just for myself, who am I? [...]”*
(Hillel, Jewish Rabbi)

“[...] love your neighbor as yourself.”
(Matthew, 22:39)

Two overarching drivers are nowadays inducing change in the economy and society. First, the wave of intense technological innovation – labeled Fourth Industrial Revolution (FIR) – is deeply reshaping production and consumption, typically requiring more cooperation. Second, major socio-economic and environmental crises are growingly questioning the role of shareholder management (SHM) and its short-term profit maximization goal, evoking the advantage of more stakeholders' involvement in corporations, e.g. through stakeholder management (STM). Our paper lies at the junction between these two drivers of socio-economic change. The originality of our idea is examining the two drivers jointly through the lenses of cooperatives, considering that cooperative behavior is stimulated by the FIR while cooperatives are the champions of STM. Accordingly, we reassemble diverse strands of literature to furnish

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a holistic vision in which more cooperatives and more stakeholder management offer a recipe for evolutionary business models supportive to innovation and sustainable development.

The development of cooperatives is an historical process founded in the XIX century. At the origin, cooperatives were associated to a larger movement of transformation of society organized especially to advocate, on Socialist or Christian inspiration, more equality for workers, families, and lower social classes. Originally, cooperatives were in profound contrast with capitalism viewed as exploitative of labor. But the idea of cooperatives was not “*revolutionary*” in the Marxian sense. Cooperatives were essentially mediating between the liberal order of the market economy and projects of changing society by means of revolution. Indeed, on one side cooperatives are juxtaposed to market society because they are based on a solidarity principle, and, on the other side, they are at odds with socialism since cooperatives recognize the role of property rights, even if among cooperative members.

Cooperatives did not intend to change the entire political and institutional order. The struggle of cooperatives is oriented to promote a more equitable distribution of resources among members giving back to workers part of the value that enterprises obtain in profits. The “*revolutionary*” meaning of cooperatives was moderate in respect to more aggressive political movements of the XIX century such as, e.g., the communist party, anarchists, nihilists, and supporters of insurrections. For example, cooperatives accepted the principle of division of labor, while communists promised to eliminate that in the new order. Cooperatives were an efficient methodology to organize production, or consumption, while curbing the inequality induced by capitalist enterprises. The cooperative movement was more oriented to soft power, hegemony, and moral suasion. The “*weak revolution*” of cooperatives was key to the historical and organizational success of the cooperative principle. Cooperatives efficiently used division of labor in the capitalist society, creating organizations specialized by functions i.e. cooperative banks, workers cooperatives, consumers cooperatives, etc.

2. Cooperation vs Individualism: Historical Roots and Current Debates

According to the International Cooperative Alliance a cooperative is “[...] an *autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a*

jointly-owned and democratically-controlled enterprise” (Alliance, 2022).

The idea of cooperation has been developed in opposition to that of a capitalist society based on selfish individualism (Bauman, 2013) completely atomized and able to destroy the classic forms of human aggregation in both private and public realms. Entrepreneurs with business talent are oriented to selfish behaviors (Weitzel, et al., 2010). Capitalist systems created many forms of inequality in economic terms, such as in income distribution, as well as from a social point of view, e.g. generating prosperous and leisure- opposed to working-classes (Veblen, 2005). The idea of cooperation aimed to overcome the massive exploitation of working classes in capitalist systems (Baldacchino, 1990). In a sense, the cooperative movement was inspired by values devoted to restoring human relationships through communities, thereby creating a more inclusive society (Borzaga, et al., 2014). Associationist socialism together with utopian socialism played a very important role in the introduction of cooperative principles unlike Marxism. In fact, even if Marx had some initial sympathies for the cooperative movement, he had in mind a project for the integral transformation of society in the communist sense that went beyond the social economy and the cooperative economy (Defourny & Develtere, 2009).

Selfish individualism vs virtuous individualism.

The rise of individualism in the West is a process involving the entire society. Christianity has played an essential role in boosting individualism (Dumont, 1982). Even if individualism is often regarded negatively, it also boasts virtues. Entrepreneurs are a case of heroic individualism (Cruise, 2017). For example, both religious traditions of saints and martyrs, and the mythological representation of ancient Greek heroes represent positive individualism. In a sense, those forms of individualism reach the highest point of sacrifice to affirm certain values (Peterson, 1999). On the contrary, in the context of capitalism, individualism has a negative connotation since it leads to selfish behavior. In the market context, individualism is the supreme manifestation of egoism, egotism, selfish behavior, and personal freedom (Macpherson, 1989). The cooperative principle opposes selfish individualism while valuing virtuous individualism especially through reciprocity (Sen, 1996). Alongside, from an utilitarian point of view, the cooperative principle can be viewed as a sort of individualism that maximizes cooperative behavior. Individualism can be really a force for the good of society – as for saints’ and heroes’ sacrifice. As argued by some sociologists (Pellicani, 1988) the process of wealth accumulation entails a sort of financial ascetism in the sense of Max Weber (Lehmann, 1987),

because even wealthy people are not guaranteed in their grace, and they try to have a proof of having been chosen, by increasing their commitment to the real world, especially in trade and financial affairs. Again, we can say that the cooperative principle accepts individualism as a general concept, but opposes the specific type of selfish consumerist individualism generated by capitalism. There is also the case for cooperative utilitarianism (Williams, 2017) Cooperative behaviors can respond to internal or external incentives (Boone, et al., 2010). The cooperative principle questions individuals' greed and the rejection of any form of solidarity and communitarian engagement of the wealthy class egoistically devoted to a process of accumulation and leisure consumption. This critique addresses also the absence of a truly democratic society. Indeed, in a democratic society the political effort to promote civil virtues generates citizens who can actively participate in the building process of the common good even through cooperatives (Tov & Diener, 2009). The cooperative principle blames the limits and negative externalities of selfish individualism and of social indifference by hegemonic classes. But, cooperatives are not just an intellectual critique, they are real actors of economic change promoting equality and more resilient communities and organizations (Borzaga & Galera, 2016).

The distinction between "selfish individualism" and "virtuous individualism" can be better understood in the light of the contrast between egotism and self-love. In fact, while egotism consists in satisfying oneself in a narcissistic way, self-love is a necessary condition for opening to relationships with others. In this sense it is possible to analyze the famous proposition of the master Rabbi Hillel "If I am not for me, who will be for me? And if I am only for myself, who am I?" (Wise, et al., 2012). In this sentence we can verify the distinction proposed between a virtuous individualism contained in the question "If I am not for me who will be for me?" which evidently refers to self-love and the selfish-individualism that is present in the question "And if I am only for myself who am I?".

Therefore, while on the one hand "selfish individualism" constitutes a limit to social action and depresses the very possibility of relationship and cooperation, on the other hand "virtuous individualism" opens relational opportunities that can become organizations, as in the case of cooperatives, or real guidelines of a macro-economic nature and economic policy as in the case of social inclusion. The effects of individualism on the common good can therefore be positive or negative depending on whether they are associated with "virtuous individualism" or "selfish individualism" respectively. For example, the consequences of "selfish-individualism" may consist in greed, expropriation, position

rents, attitudes that can lead to the creation of economic organizations dedicated to extracting value from economic and social systems. In the case of "virtuous individualism" it is possible that there are very significant impacts in terms of value creation that can lead to the creation of social relations in the informal economy, to cooperation, up to, in the most extreme cases, to the creation of organizations based on charismatic and to acts of heroism in faith and charity. In summary, this principle derives from the application of the Gospel rule of loving others as oneself and has a content of salvation in faith (Winthrop, 2013).

Cooperation and Altruism. Cooperation and altruism can be considered as complementary attitudes (Rotemberg, 2006). Cooperative behavior requires a certain degree of altruism and, conversely, altruistic behavior can be realized only with the practical exercise of cooperation (Putterman, 2006). But the difference between the cooperative principle and altruism is in the governance process. While charities and foundations can be inspired by altruism and operate with great efficiency in their purposes (Shiller, 2013), they do not offer participants the same ability to be represented in the decision making process, to share responsibility for the common good, taking not only a stake but also a risk in the production of goods and services. That is, whilst charities and foundations are hierarchical organization that are built in the spirit of capitalism, cooperatives are more horizontal and democratic organizations. Indeed, foundations are generally more related to the idea of donation than to that of cooperation. This is, for example, the case of multi-billionaires who, after high speculative financial and rent-seeking careers in sectors with huge ROIs, later in life choose to donate their wealth by creating a foundation (Coupe & Monteiro, 2016). We may remind Federico Ozanam (1994) the founder of Saint Vincent de Paul charity network, highlighting how philanthropy differs from charity in a letter to Léonce Curnier, of 23 February 1835: "Philanthropy is like a proud lady for whom good deeds are kind of adornments and who takes pleasure in looking at herself in the mirror. Charity is a sweet mother holding her sight focused on the child she brings to her own breast, and she doesn't care about herself forgetting her beauty for her love". In current economic jargon we could say that philanthropy is good, but materializes *ex post*: it doesn't ask "how or through which productive process profits have been made". On the contrary, cooperation is inspired by charity and is something good *ex ante* since it safeguards the human dimension not only in the distribution of profits but also in the productive process. In reality, even if there is merit in donating wealth for the benefit of the poor and for promoting good causes (Carnegie, 1906), foundations are altruistic

Main Distinctions Between Selfish Individualism and Virtuous Individualism		
Definition	Selfish individualism	Virtuous individualism
Causes	Egotism	Self-love
Rabbi Hillel	"If I Am Only For Myself Who Am I?"	"If I Am Not For Me Who Will Be For Me?"
Effect on Common Good	Negative	Positive
Economic Consequences	Greed, Expropriation, Rent Seeking	Social Relations, Cooperation, Charismatic Organizations
Gospel	-	Love Others as Yourself

Table 1. Main Distinctions Between Selfish Individualism and Virtuous Individualism

manifestations of shareholder value maximization. A foundation operates following the choices and direction of its founder (Sandberg, 2016) – the main shareholder –, and its functioning is hierarchical and, in a sense, egotistic for the lack of dialogue and confrontation. On the contrary, cooperatives, even if pursuing the same objectives of foundations, give more representative power to minorities, workers, members through the “*one head one vote*” principle and operating a permanent dialogue with the various set of economic and social agents within their community to improve social inclusion (Borzaga & Fazzi, 2014). Also, from a functional viewpoint, foundations are close to the idea of shareholder-value maximization and represent a sort of utilitarian transformation towards altruistic behavior, while cooperatives try to transform the socio-economic environment by a method of governance that is more democratic, sustainable and devoted to maximize stakeholder value. Even when foundations and cooperatives choose the same social objective they promote substantially different sets of positive externalities: while foundations try to maximize their founders’ goals in a proxy of shareholder-value maximization process, cooperatives promote participation (Estrin, et al., 1987) and sustainability, creating values for stakeholders.

Cooperatives and the Fourth Industrial Revolution. Cooperatives are showing resilience even as capitalist economies change. The advent of the FIR opened a new phase for both cooperatives as organizations and the cooperative principle as a tool to build the common good of knowledge (Figure 1).

- *Cooperative organizations:* From the organizational point of view, massive use of artificial intelligence, machine learning, big data, blockchain and Internet of Things have created the premise to develop new cooperative platforms allowing users to share, create and generate value especially in the context of smart cities

(Rahman, et al., 2019). For example, the sharing economy can be efficiently organized and managed by cooperatives (Findlay, 2018), which can solve the asymmetric information between consumers that have resources to invest in consumption and individuals that can offer experience of consumption. The sharing economy can be optimized by consumers cooperatives (Hira & Reilly, 2017). But workers cooperatives can also solve the inefficiency and exploitation of workers in the gig economy, where matching is hampered by asymmetric information between workers offering labor and firms with short-term oriented labor demand. Since the FIR has opened new markets with low efficiency levels, such as in the sharing economy (Kim & Lee, 2019) and the gig economy (Hooker & Kim, 2019), then cooperatives can intervene there both increasing productivity and generating a more equitable distribution of value added. The application of artificial intelligence, machine learning and big data can improve the ability of cooperatives to create more productive and sustainable communities (Berendt, 2019) both in the sharing economy – with the consumers cooperative model – and in the gig economy – as workers cooperatives.

- *Cooperative principle:* The FIR also deepens the use of the cooperative principle in building knowledge (Popkova, 2019) as common good. Knowledge features absence of rivalry and presence of positive externalities. Governments, corporations, universities, charities cooperate either formally or informally to create knowledge through Research and Development (R&D), on one side, and technological innovation, on the other. R&D raises the productivity of human capital enhancing economic growth as in the Solow (Solow, 1956) model and in the endogenous growth theory (Romer, 1994) while on the other side technological innovation can reduce the gap between potential and real output in Schumpeterian models (Schumpeter, 2013). But, in any case, R&D and technological innovation require cooperation (Serrano-Bedia, et al., 2010) among researchers, institutions, corporations to create the conditions to improve knowledge. Accordingly, managerial models of R&D and innovation introduce the concept of cooperation – a mix of cooperation and competition (Blanchot & Fort, 2007).

On one side, the FIR opens new markets for cooperatives as organizations – e.g. in the sharing and gig

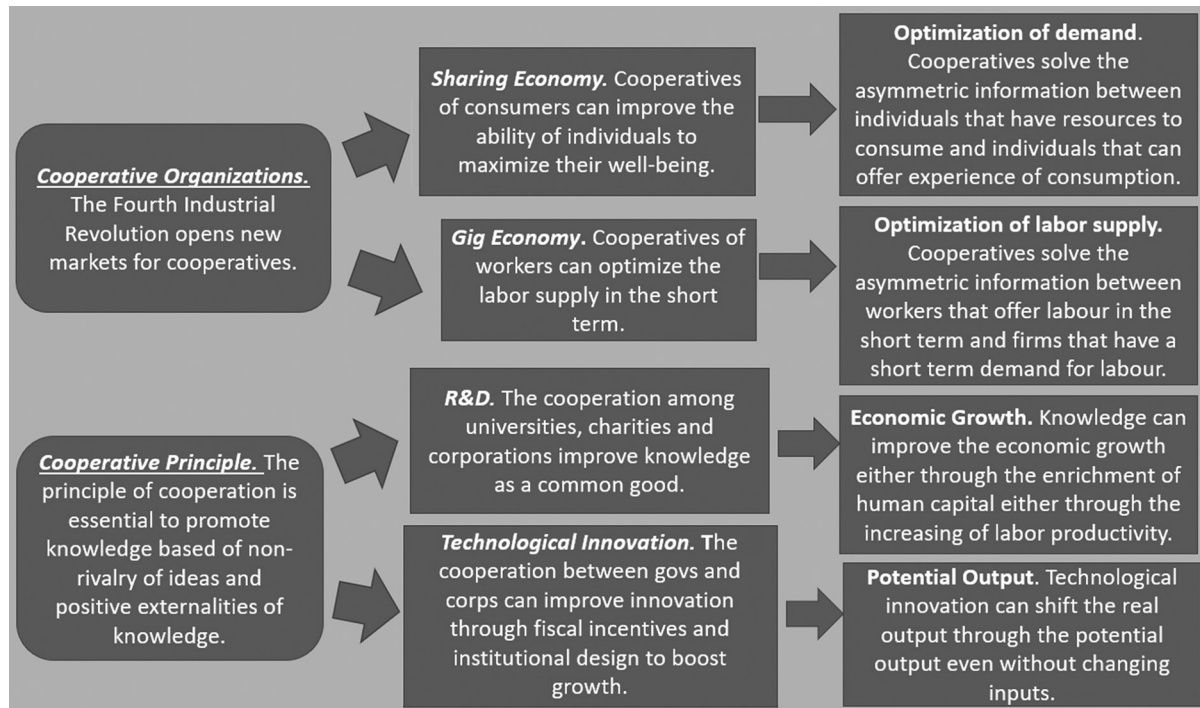


Figure 1. Links between the FIR and cooperatives/the cooperative principle. Cooperatives can solve the inefficiency in both sharing economy and gig economy. The cooperative principle inspires knowledge creation in both R&D and technological innovation.

economy –, and on the other side it spreads the cooperative principle among corporations, institutions, and governments to create the common good of knowledge especially through the use of platforms (Sutherland & Jarrahi, 2018). Even for-profit and shareholder value-oriented organizations cooperate with public organizations and charities, in the realm of the knowledge economy to attain innovations, patents and solutions to global problems – e.g. against pandemics and global warming. This is a paradoxical effect: the big tech corporations that have generated the FIR through profit maximization have increased the role of cooperation to promote knowledge considered as a factor to improve productivity and value added (Castells, 1996). The coexistence of organizations that maximize profits next to organizations that promote cooperation has become an essential component of the market economy and of the evolution of productive systems. Since, as for many other common goods, the production of knowledge is never enough, the need to promote cooperation is real both in the strategy of corporations as well as in the political economy of governments.

There is a significant distinction between “cooperative platforms” and “sharing economy” compared to traditional cooperatives. In particular, the “cooperative platforms”, even if they allow users to share contents in the digital economy, do not provide for forms of

co-management and co-ownership. In the case of the “sharing economy” the user who decides to participate by offering its products and services operates as a third party, external, or as an independent professional who chooses to join voluntarily. However, even in the case of the “sharing economy” as well as in the case of “cooperative platforms”, the degree of participation of operators in the governance structure is not comparable to the ability of cooperative members to have a role in determining the governance guidelines of cooperative enterprises. However, precisely for these reasons, if the “sharing economy” platforms and the “platform cooperatives” acquire governance structures borrowed from traditional cooperatives, they could improve the economic treatment of collaborating users and have a much more significant impact in social and environmental terms.

However, the ability of corporations to be efficient in the process of cooperation requires a change in the strategic paradigm of management from a model oriented to shareholder value maximization to a model based on stakeholder value maximization. The passage is necessary because cooperatives can enhance productivity and create a more equitable model able to empower communities, minorities, and constituencies. The stakeholder management (STM) approach can mediate between corporations’ for-profit interests and the need to promote cooperation to obtain more

complex and relevant goals for the long run, not only for market positioning but also in the sense of social and political hegemony. The STM approach allows corporations to balance among different communities, agents, clients, political constituencies, institutions, competitors that can impact the market and social value of the firm. The STM approach seems to offer managers a model to create a decision-making system in which corporate financial egotism can coexist with social engagement of the firm. Nevertheless, this promise faces at least three obstacles: presence of inequalities among stakeholders, impossibility of a unique equilibrium, and difficulty to apply STM to small- and medium-sized enterprises.

In the remainder of the paper, Section 2 expands on cooperation in economic theory. In Section 3 we recapitulate the stakeholder vs. shareholder debate also considering the stakeholder management approach and considering the role of cooperatives. Finally, Section 4 concludes synthesizing the main results of our interpretation and offering suggestions on possible new avenues of research.

3. The stakeholder vs. shareholder debate and the role of cooperatives

The ideological and managerial contrast between shareholder theory and stakeholder theory has its foundation in a famous article written by Friedman in the *New York Times* (Friedman, 1970) where he sentenced the absolute identity between managers' ability to maximize profits and the contribution of corporations to optimize social goals. Thus, corporations can promote social good by maximizing shareholder value. However, few years later a new definition of corporate governance/goals was elaborated – the stakeholder theory – by R. Edward Freeman and others (Freeman & Reed, 1983) juxtaposition of shareholder vs stakeholder theory was evident and was renamed in the economic and managerial literature as the “*Friedman vs Freeman Debate*”. Contrary to Friedman, who equated for corporations pursuing profit and contributing to social goals, the stakeholder theory requires a deeper understanding of the complex set of interests that governance should mediate and represent so to create sustainable outcomes.

Before turning to discuss the stakeholder vs shareholder view in detail, we should mention how the latter view by and large prevailed for decades. However, more recently the stakeholder view enjoyed a revival. Perhaps the most vivid signal that times are changing in favor of the stakeholder view can be found in the stance of the Business Roundtable, (BR) representing

the CEOs of America's leading companies with above 15 million employees and more than \$7 trillion in annual revenues. In 2019 BR revised its *Statement on the Purpose of a Corporation* to focus it on the following items:

- i. Delivering value to our customers [...] meeting or exceeding customer expectations;
- ii. Investing in our employees [...] compensating them fairly and providing important benefits [...] supporting them through training and education that help develop new skills for a rapidly changing world [...] fostering diversity and inclusion, dignity and respect;
- iii. Dealing fairly and ethically with our suppliers;
- iv. Supporting the communities in which we work [...] respecting the people in our communities and protecting the environment by embracing sustainable practices across our businesses;
- v. Generating long-term value for shareholders, who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

This revision of what the BR believes should be the purpose of a corporation represents a U-turn with respect to its past position, when it supported the view that a corporation should just focus on maximizing shareholder value – i.e., short-term profits. This U-turn was noticed by the *New York Times* titling “Shareholder Value Is No Longer Everything, Top C.E.O.s Say” (Gelles & Yaffe-Bellany, 2019).

On their part, cooperatives are essentially oriented towards STM (Leviton-Reid & Fairbairn, 2011). After the global financial crisis of 2008, the business and financial community has reflected on its role in the economy and for society. The weaknesses of shareholder management have been recognized also at top managerial schools that have introduced the “MBA-Oath” (Khurana & Nohria, 2008). Cooperatives have offered a case of sustainable governance during the crisis (Birchall & Ketilson, 2009), improving the ability of economic organizations to offer work, credit and product and services to local communities. With their STM, cooperatives can offer a model for corporations that intend, at least strategically, enforce a stakeholder value model.

Cooperative enterprises are certainly the productive organizations that more than any other company forms can operate through the tools of the STM-CSR. However, the ability of cooperatives to implement this decision-making structure is certainly maximum for social cooperatives (Borzaga, et al., 2014) and less pronounced for cooperatives that produce benefits exclusively

for their members. Even if cooperative enterprises of all types and levels, of consumption, production, and credit, are certainly oriented to operate according to the STM-CRS models, there is no doubt that it is the social cooperatives that have the primacy in the implementation of governance models. Inclusive and sustainable, ethically oriented, and morally inspired. However, alongside social cooperatives, local cooperatives are also very relevant, as they have a great ability to produce positive externalities in the reference communities. Finally, the purpose of cooperatives is not only to function in the production of economic and social value while also rejecting the logic of mere profit, but rather it is also to create a real “cooperative and solidarity economy” that goes beyond borders of the cooperative enterprise and becomes a social change tool at local and territorial level.

Cooperative enterprise follows an overarching motivation of improving the wellbeing of members. The possibility for the cooperative enterprise to make profits is subordinated to the achievement of ethical and moral objectives based first on the centrality of the cooperative members and secondly on the creation of a wider economy of cooperation that goes beyond the limits of the cooperative enterprise. The subordination of the profit motive to seeking the wellbeing of members brings the cooperative enterprise away from shareholder-oriented organizations and closer to stakeholder-oriented organizations. In fact, given that a cooperative enterprise usually has a local community dimension, the possibility of becoming member of the cooperative should be available to all citizens of the community. In that case, supposedly, all the various stakeholder constituencies could be represented as members in a way to endogenize the dialogue among stakeholders in the cooperative synthesis. Besides, even in the case in which some of the relevant stakeholder constituencies were not represented in the set of cooperative members, it is possible to argue that the wellbeing of members would, in any case, be affected by these other stakeholder constituencies since the latter belong to the local community.

However, it should be noted that not all co-operative firms have the possibility of effectively applying the STM model. Furthermore, there are many distortions and external incentives that can pervert the correct functioning of the cooperatives. In addition, there are degrees in the ability of cooperatives to implement STM models. For example, worker cooperatives and consumer cooperatives have low levels of STM while banking cooperatives and social cooperatives have very high levels of STM. This differentiation derives from the nature of the economic activity carried out and

from the relationship between the advantages offered for the cooperative members and the overall impact of the cooperative in the external environment in terms of positive externalities.

Furthermore, a further element to take into consideration concerns the distinction between local cooperatives or cooperatives that have a significant territorial orientation and cooperatives that operate at national or international level or that have less local and territorial roots. The dimension of the territorial roots is very relevant to be able to create a model of the STM type. In fact, the managers of the cooperatives can be called to participate in an enlarged governance in the local communities in which they operate to contribute that is not only economic but also cultural. On the contrary, in the case of cooperatives operating on a large international, national and in some cases even regional scale, this relationship with the communities could be weaker and reduce the effective capacity of the cooperative management to apply the STM models.

As evident in graph 3, local and rural cooperatives are “stakeholder-friendly” while cooperatives that have an international, national, and sometimes regional dimension are less “stakeholder-friendly”.

3.2 Stakeholder Theory

Stakeholder theory and strategic management. (Freeman & McVea, 2001) tackle the use of stakeholder management (STM) as a part of strategic management. They recap the historical development of the STM concept. The authors consider the need to overcome the “*Separation thesis*” – i.e. the idea of the separation between ethics and business or ethics and politics – which is grounded in Friedman’s idea that shareholder value maximization is the highest social contribute of corporate management. The distinction between business and ethics hinges on the idea of specialization of knowledge and professions and the creation of a society with high degree of segmentation. The authors contend that there is no practical possibility to separate ethical values from practical actions since values are embedded in actions. The distinction between ethics and business has been used to neglect the strategic role of stakeholder theory. The authors suggest a more pragmatic approach to recognize the role of stakeholder theory in strategic management. In this sense, the cooperative model represents the best form of governance in which the ethical and value dimensions are implemented in a coherent managerial model capable of producing positive effects both in the internal organizational structure and in the reference community.

(De Colle, 2005) analyzes the ethical implications of STM in decision-making and its role in the managerial process of organizations, suggesting ten main rules:

1. *Identify and map all stakeholders:* stakeholders are identified by considering the difference between stakeholder shareholders and stakeholders external to companies such as, for example, citizens or environmentalists. This identification allows us to tell the real commitment of the stakeholders towards the company. In the case of cooperatives, the internal stakeholders are the cooperative members while the external stakeholders are the customers, consumers, or the reference community.
2. *Evaluate the issues at stake:* here the interests of the stakeholders are defined. The main problem is to delineate the relationship between a company and its stakeholders. In the case of cooperatives, this relationship is facilitated by the fact that the internal stakeholders are members and participate in the decision-making and governance of the company.
3. *Identify existing corporate values and commitments:* To address the complex set of relationships with its stakeholders, a company should clarify its existing set of values and commitments. In the case of cooperatives, this link is facilitated by the fact that the solidarity and mutual value model is grafted both in the company statutes and in the governance choices.
4. *Prioritize Issues:* Management must rank the issues relevant to the stakeholder approach. In the case of the cooperative, the cooperative members actively participate in defining the prevailing corporate guidelines.
5. *Review/develop policies:* In applying the stakeholder approach, managers need to develop and review policies to maximize value for some stakeholders. The complexity and intensity of this process depend on the characteristics of the stakeholders and the way they relate to society. In the case of cooperatives, the condition of the stakeholders to be maximized is that of cooperative members who, according to the type of cooperative, can be producers, consumers, or bearers of capital.
6. *Set objectives:* to maximize the relationship between a company and its stakeholders, it is important that management specify the set of objectives to be pursued. In the case of cooperatives, the relationship between stakeholders and objectives passes through a company management that is not aimed at the profit dimension but rather at the dimension of the positive sum game between the cooperative enterprise, cooperative members, and the external environment.
7. *Measure performance:* performance evaluation is an essential component of the stakeholder-company relationship. But there is a lack of uniformity between the different ways used to measure the relationship between society and stakeholders. A specific problem arises if stakeholders require qualitative metrics. While maximizing shareholder value is about the monetary value of shares, no clear metrics apply to shareholder value. For example, workers can rate corporate wellness hours, environmentalists aim to minimize CO2 levels, and political parties appreciate the company's active participation in increasing consensus during elections.
8. *Communicate and report:* continuous communication and reporting are a fundamental part of the company-stakeholder relationship. Accountability can be achieved with periodic reports and communications in which a company shows its stakeholders the results obtained.
9. *Review commitments and policies:* A company should get feedback to implement. STM should not be seen as a rigid strategy, but as a dynamic approach possibly open to criticism and suggestions from stakeholders. In this way, the approach to stakeholders can become dialectical and strategic, generating a more resilient scenario in which both a company and its stakeholders maximize their objectives efficiently. In the case of the cooperative, the strategic dimension of the management model is evident in the long-term relationships established with the cooperative members, with customers and with the members of the reference community.
10. *Ongoing commitment:* to optimize the STM model it is important to continuously develop the relationship between a company and its stakeholders. In the case of the cooperative, this objective is also translated as a cultural change of the environment in which the cooperative operates with initiatives that are aimed at promoting the economy of inclusion, the circular economy, sustainability, and proximity.

The author considers this set of elements as a tool to improve the STM decision-making system.

The cooperative model presents a governance dimension in which the STM principles are incorporated and operate as company tools that are permanently active.

The ethics of stakeholder management. (Cragg, 2002) considers the relation between ethical behavior and business purpose. The author starts from the moral dilemma between the pursuit of efficiency in business and respect of an ethical perspective, and asks “*Why be ethical?*”. The narrative pathos around the ethical issue is built referring to old Greek myths, such as the story of the ring of Gyges in Plato’s Republic, to show that also honest humans can commit crimes in certain circumstances destroying ethical and moral duties. The same issue arises for managers when choosing between ethical pro-social principles and selfish individual optimization. The presence of grey zones between ethical and un-ethical choices can create further complexity. In corporations, moral issues arise in the relationship between managers and shareholders. In the author’s view, maximizing shareholder value has only two constraints: respecting the law and general morality. Maximization of profit has three theoretical justifications: agency theory; firms-as per the contract theory; neo-classical economics. Managers and economists consider shareholder value maximization as a sort of holy principle even if its application in large corporations creates inefficiencies, social and financial losses which sometimes can trigger financial crises. Applying shareholder value maximization impedes giving an ethical meaning to managers’ actions and so lowers managers’ moral responsibility to shareholders, workers, customers, and communities. In theory and practice, the claim for ethical virtues of management is neglected as non-professional and non-scientific, while shareholder value maximization is viewed relevant as both instrument of management and tool in strategic corporate governance. Even if corporations maximize shareholder value via profit maximization managers must uphold multiple responsibilities to communities, government, and public interest at large sense. To optimize all these relationships, corporations must embrace a complex approach considering the ethical effects of managerial choices, especially in the shareholder value maximization model. In the case of cooperatives, this contradiction between corporate

objectives and ethical-moral values does not exist as cooperative companies implement solidarity and mutual aid principles that allow them to reduce moral risks and to be coherent in a unified project from an economic and ethical point of view.

Goodpaster (1991) tackles the ethical issue of the duties of managers and stakeholders distinguishing between hard and soft fiduciary duties that characterize managers’ decision-making (Figure 2). Managers bear hard fiduciary duties to shareholders who invest in the corporation, share the risks under the promise of receiving a return participating in corporate profits. The relationship among managers and corporations is clear, it is explicit in contracts and can inspire managerial choices and corporate strategic positioning in the markets towards both competitors and political institutions or engaged communities. The hard-fiduciary duty among managers and shareholders is public, and stakeholders, political parties and communities know that managers are paid to maximize shareholder value. However, the author says that insisting only on explicit contracts and hard fiduciary duties can create a business without ethics. It is true that managers signed no contract with communities, environmentalists, feminists, or political parties to offer extra-monetary benefits since these social actors do not participate in the risk of the corporation and should not participate in its profits. But, in the author’s words “*corporations are not solely financial institutions*” (page 70) and managers should count their relationships with stakeholders as part of ethical, moral duties, based on extra-legal obligations. Managers must be aware of the relevance of soft fiduciary duties serving the claims of communities, environmentalists, workers, political parties. The STM model is the only one creating a common framework bridging between business without ethics – shareholder value maximization – and ethics without business – corporations captured by social commitments. Such ethical and moral problems do not exist in the case of cooperatives in which managers show greater sensitivity both towards internal stakeholders and towards external stakeholders and the various environmentalist, genderist and ethnic constituencies.

Sulkowski et al. (2018) consider the role of a corporation in “shaking stakeholders”. In their words:

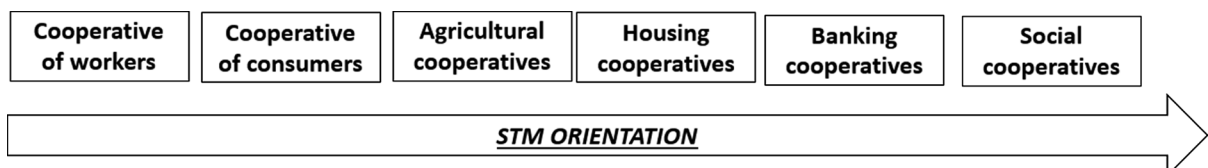


Figure 2. Degree of STM orientation among different typologies of cooperatives.

"[...] shaking stakeholders means to proactively initiate cooperation with those affected by a firm to alter awareness, behavior, and networks so as to catalyze change in society and the marketplace to reward co-created innovations in core operations of the firm that improve social and environmental impacts".

Shaking stakeholders can be a generalized approach for the corporation especially on themes needing special corporate activism to mobilize stakeholders, e.g. against global warming. A corporation must shake stakeholders via engagement and creating new proper teams and networks of – internal or external – heterogeneous stakeholders to push relevant social, political, and environmental goals. The “shake stakeholders” approach to corporate activism contrasts with the view of corporations as passive actors under the pressure of stakeholders. This practice of involving stakeholders in company projects is a natural fact in the context of cooperative enterprises in which internal stakeholders or cooperators are always involved in company decisions while external stakeholders are considered as constituencies of reference in the creation of a wider cooperative economy that involves the social environment in which the cooperative operates.

Stakeholder theory and corporate social responsibility. Freda (2017) studies whether Corporate Social Responsibility (CSR) and traditional business theory are compatible and the motivations that lead firms to adopt CSR. Stakeholder theory seems to be the perfect bridge to connect efficient corporate management with social and environmental goals, suggesting that corporations must satisfy the interests of different constituencies – employees, customers, local communities etc. The main claim in stakeholder theory is the moral and managerial duty towards non-shareholding groups. A mix of STM and CSR policies reduces the social, political, and cultural opposition to the corporation and builds long-run relationships between firms and constituencies and a widespread prosperity in local communities. However, if the stakeholder approach promotes CSR, the reverse does not hold. Freda (2017) shows that many corporations apply fake CSR policies, de facto ignoring the interests of stakeholders. Fake CSR policies help a firm keep a good social and public image but reduce the possibility to actively participate in the building process of common good by rewarding stakeholders. Cooperative companies bring together the elements of CSR and STM in a model of participation of cooperative members oriented not to profit but to economic and environmental sustainability and social inclusion. However, even the cooperative model can

be traversed by “speculative” tensions as in the case of cooperatives that fail to pursue strictly mutualistic objectives and deviate from a more profitable orientation. To avoid such distortions, greater involvement of members and the creation of a cooperative culture, even outside the company dimension, can be very useful in ensuring that cooperatives are more oriented towards mutual and solidarity objectives.

Clarkson (1995) analyzes the stakeholder theory considering three main points: (1) corporations manage relationships with stakeholders rather than society as a whole, (2) there is a distinction between stakeholder issues and social issues, (3) stakeholder theory is a method to pursue CSR goals. This paper seems especially interesting because it clearly distinguishes stakeholder issues from social issues. Indeed, in this case it is useful to recall the distinction between communities and society. Societies are multi-communitarian based complex structures, while communities are generally based on small groups – sometimes even on tribes that have a certain specific language and rituals to create economic value. Stakeholder value maximization corresponds better to communitarian ends than to societal goals. In the main idea of the author, STM can help manage communities, but must be augmented with CSR and Socio-Political Interventions to manage social issues (Figure 3). This model of integration between STM and CSR is incorporated in the organizational governance structure of cooperative enterprises.

Strand et al. (2015) address stakeholder theory in Scandinavian countries, where concepts like stakeholder theory, sustainability, and CSR are well developed. Scandinavia has deep traditions in STM. In fact, even the idea of “*creating shared value*” has Scandinavian roots. Many cultural and institutional reasons have aided to adopt the stakeholder approach, but these values, once embedded and implicit in the local business culture, have then become more explicit and formalized as CSR commitments and STM approaches, making Scandinavian countries world leaders in CSR and STM. Not by chance, the main driver behind the stakeholder success in Scandinavia is the presence of a widespread cooperative culture that has eased developing a stakeholder-oriented business ecosystem. The authors suggest that the CSR-orientation of Scandinavian corporations has been sustained by the presence of governmental policies devoted to preserve social values and the environment. However, Scandinavian governments are now reducing their efforts on these issues and the authors fear that, if left by themselves, corporations might somehow defect CSR and stakeholder orientation. However, if the productive activities were carried

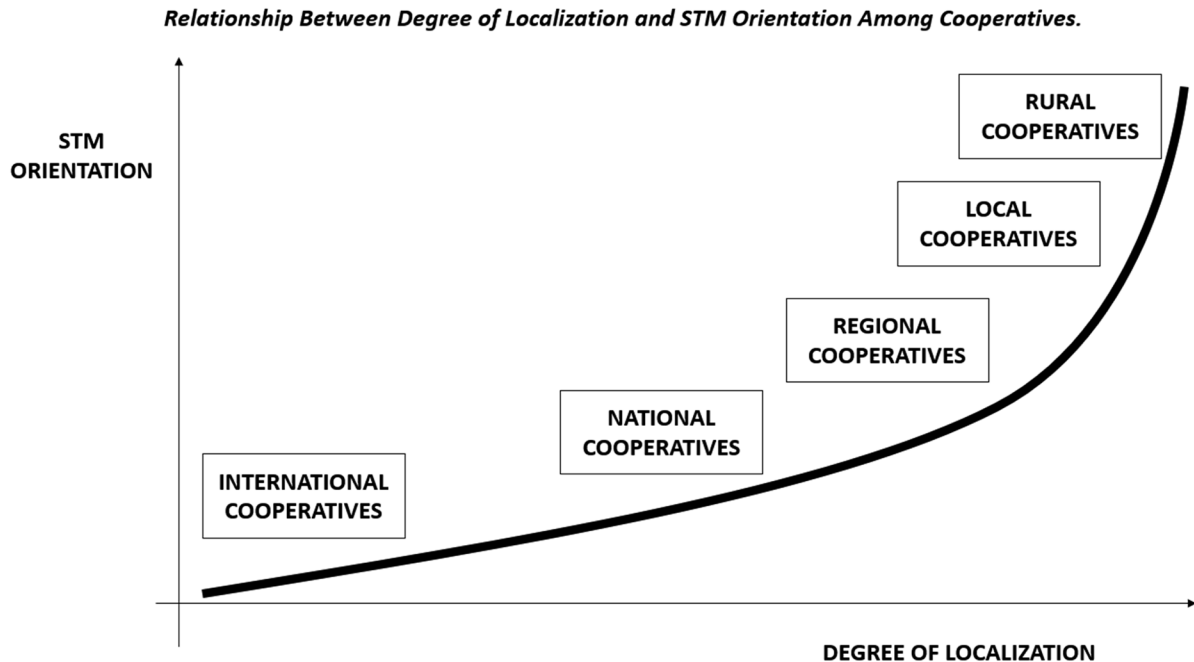


Figure 3. Relationship Between Degree of Localization and STM Orientation Among Cooperatives.

out in the form of cooperative enterprises rather than in the structure of the joint stock company, the probability of a “betrayal” of the principles of STM and CSR would be lower. In fact, cooperative enterprises implement statutory decision-making structures of the STM and CSR type and have a greater capacity to be “democratic” in the decision-making process and therefore manifest a greater degree of independence than joint-stock companies in the event of changes in the political and institutional framework.

Castelo Branco and Lima Rodrigues (2007) study CSR orientation in the context of STM (Figure 4). Corporations must subscribe obligations towards communities, society, workers, institutions, environment, and the tools developed in STM can help fix the specific responsibility of companies to such heterogeneous set of social and community actors. The authors suggest that the real conditions in which a firm operates, and the dialectical and opportunistic motivation of a selfish management induce adopting CSR. But effective CSR adoption requires to implement the STM approach. This one-to-one relationship is triggered by the need of a corporation to operate efficiently in the market. Corporations might disregard the essential ethical dimension of their business activity, while CSR orientation responds to their need to take responsibility on social and environmental issues in the interest of an audience greater than strict shareholders. The authors believe that the wealth of a corporation is not based on transactions but on

relationships, which are either collaborative or based on on-going conflict. STM helps corporations to efficiently develop relationships with a heterogeneous set of social and economic actors holding stakes in the business activity. Viewing the corporation as a set of relationships rather than a set of transactions is material for ethics. It requires embracing certain moral values and a vision of society based on commitment, interactions and political engagement. For the authors, stakeholders are individuals and constituencies with a stake in the corporation, but they also “*place something of value at risk*”. In this sense, stakeholders are also risk-takers and should participate in profits as shareholders do. Thus, the idea of profit as a reward for risks offers a legitimation of stakeholders’ claim to participate in the distribution of corporate value. In their view, a corporation is not only a “*nexus of contracts*” but also a “*nexus of relationships*” among heterogeneous stakeholders. Some stakeholders play with the corporation a positive sum game, in which every gain for the corporation is also a gain for stakeholders – e.g. investors, employees, customers and market partners. Instead, other stakeholders play with the corporation a negative sum game – e.g. citizens who suffer for pollution generated as negative externality in production. Applying a STM model helps a corporation to play a complex set of games with different stakeholders which are positively or negatively affected by the usual business of the corporation. CSR and STM are integrated tools that a corporation can efficiently use to participate

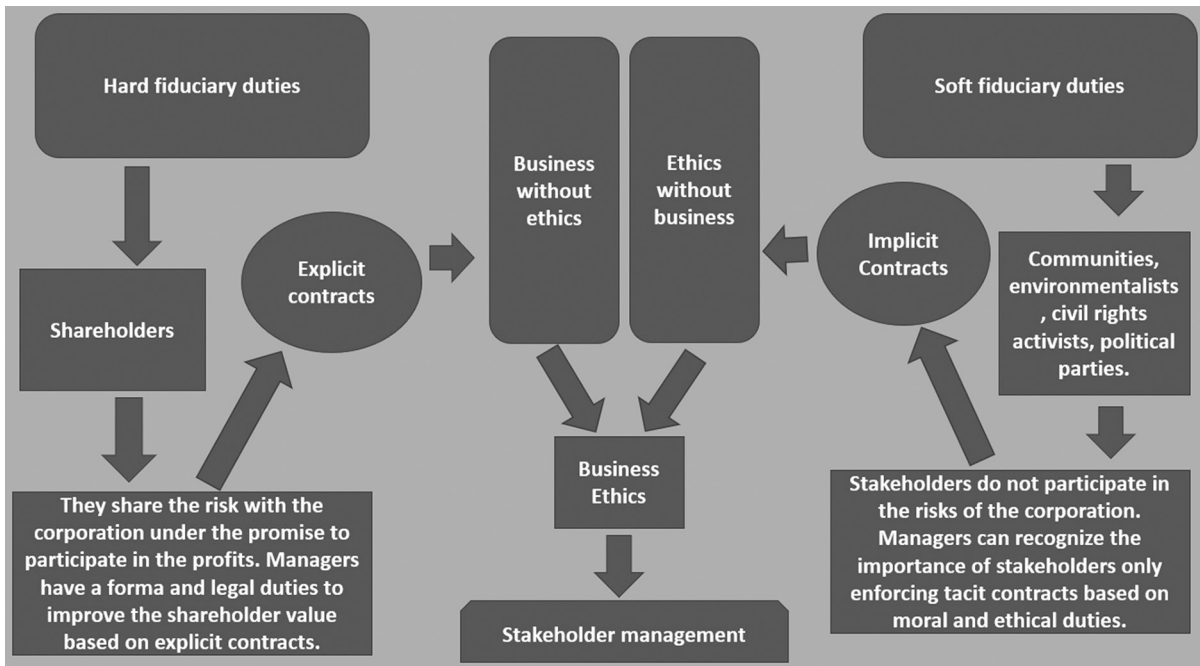


Figure 4. Based on the work of Goodpaster (1991) the relationship between the case for business without ethics and the case for ethics without business is synthesized in stakeholder management.

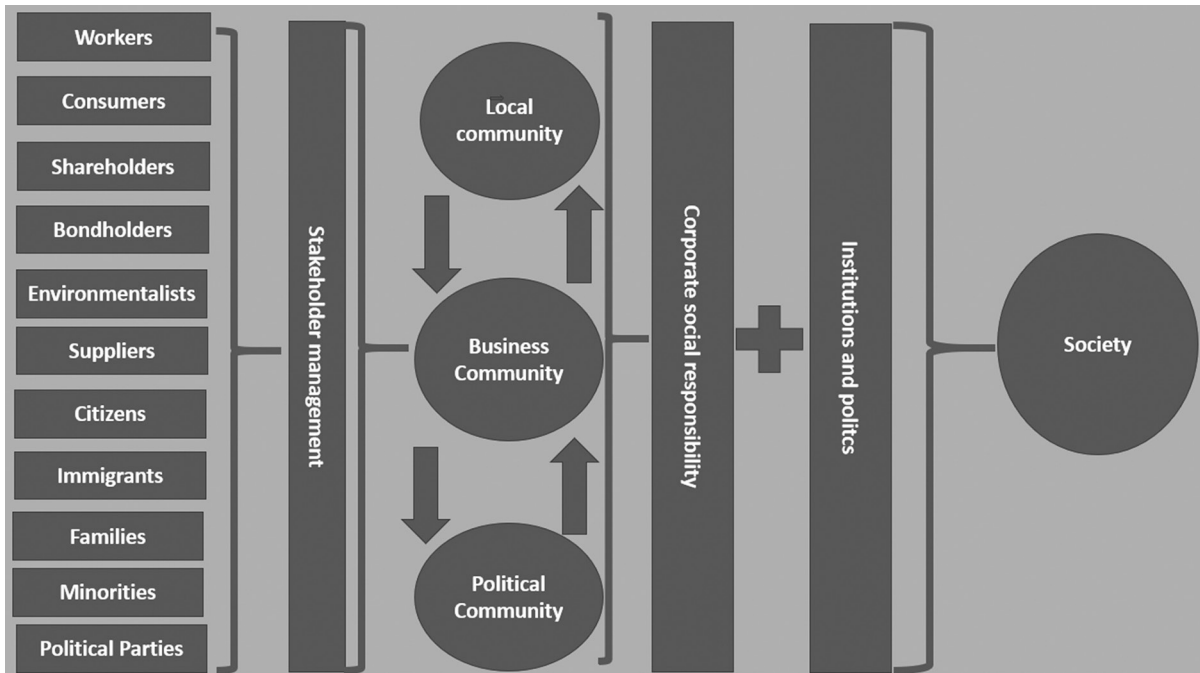


Figure 5. Graphical illustration of the work distinguishing among issues regarding stakeholders, communities, and society. STM can transform single stakes in communitarian issues, but it cannot transform communitarian issues in social issues, which instead needs CSR and the intervention of Institutions and Politics. So, STM is a tool to optimize the relationship among corporation and communities with low political and institutional commitment, while it also requires CSR, Institutions and Politics to tackle societal goals.

in building a “good society”. Hence, managers cannot be viewed as mere shareholders’ maximizers, but they should instead be intended as “builders of stakeholders relationships”. The possibility of putting together the

relational dimension, the CRS and the STM in a single governance model finds its maximum manifestation in the cooperative companies which therefore use a business management method based on the inclusion of

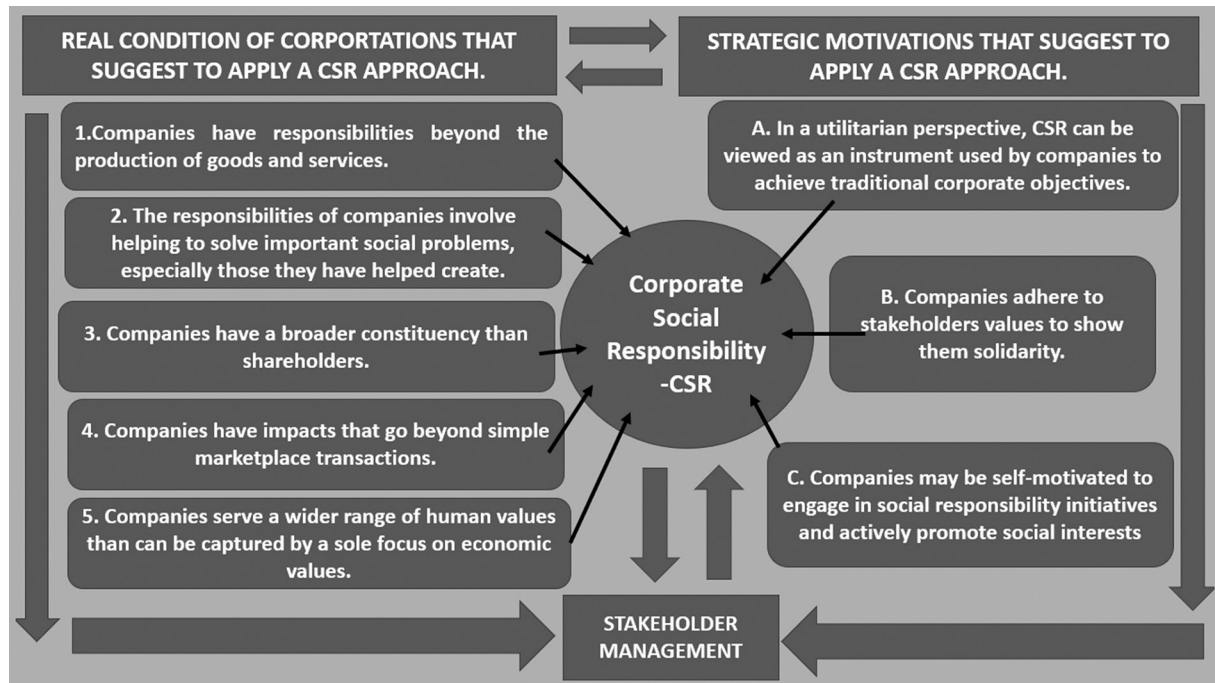


Figure 6. The complex set of real conditions and motivations that sustain the choice of CSR in and the biunivocal relationship between CSR and Stakeholder Management based on the article of Castelo Branco and Lima Rodrigues (2007).

stakeholders, and the production of social and environmental positive externalities.

4. Conclusions

In this article we have analyzed the connection among stakeholder management-STM, cooperation and individualism in the context of the fourth industrial revolution-FIR. In our analysis STM is a tool that can help to solve the shareholder management-SHM crisis either in productive organizations. In this sense the ability of cooperatives to pursue social, environmental, and ethical goals in an unitarian governance framework offers a model for non-cooperative and even for-profit organizations SHM oriented. The FIR has created new social inequalities, new environmental issues and renewed the old ethical questions of the substitution of workers with technology. Artificial intelligence, machine learning and

the massive usage of data i.e. the essentials of FIR, can create new discriminations among workers and social classes. The old fashion of luddism can darken the promise of a better future that humanity can conquer with innovation technology of the FIR. STM and the introduction of cooperative principles even in SHM oriented organizations, can mitigate the needs of workers in the gig and in the sharing economy, creating the premise for the building of a new common good based on prosperity and rising equality. The two main issues of FIR on one side and of socio-economic and environmental crises on the other side let open many questions about inequality, social inclusion, sustainability especially for SHM economic organizations. In our view STM as it has been performed in cooperatives can mitigate the negative externalities of SHM organization creating the premise for a more inclusive and sustainable innovation technology in the context of FIR.

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