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Commentary on the identity and supererogatory actions of companies

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Abstract

This paper argues that identity economics and social psychology provide a useful frame of reference to interpret supererogatory actions and suggests that identity of companies can be a driving force behind these actions. Companies may perform actions against the narrow sense of economic rationality if those actions serve purposes of high importance for them. The climate crisis and the more recent COVID-19 crisis call for supererogatory actions by companies more than ever before.

KEYWORDS

generosity, identity economics, self-verification, strategic CSR, supererogation

1 | INTRODUCTION

Sometimes companies make extraordinary actions in favor of their stakeholders that go beyond economic rationality or legal requirements. These actions are called "supererogatory actions" which represent a different logic than strategic CSR.

In their paper, "A Qualified Account of Supererogation: Toward a Better Conceptualization of Corporate Social Responsibility," Tencati et al. (2020) present some demonstrative cases where companies initiated pro-stakeholder activities and policies that transcend conventional corporate social responsibility conceptions and go beyond their self-interests. These initiatives are neither legally nor morally obligatory for the companies. In their paper, Tencati et al. developed a qualified account of the concept of supererogation which aims to identify the unique features of generous initiatives of companies that cannot be understood within conventional reasoning focused on the business case.

2 | THE LOGIC OF STRATEGIC CSR

According to Werther and Chandler (2005) "strategic CSR is the incorporation of a holistic CSR perspective within a firm's strategic planning and core operations so that the firm is managed in the interest of a broad set of stakeholders to achieve maximum economic and social value over the medium to long term." In this logic, the inclusion of stakeholder interests in the company's strategic actions is based on the medium and long-term self-interest of the company. It serves the purpose of maximizing economic and social value which may lead to increased self-worth of the company (Figure 1).

In the logic of strategic CSR, certainly, there is no room for supererogatory actions that go beyond the extended self-interest of the companies or requirements by the law.

3 | METHODOLOGY

This paper uses some insights from identity economics and social psychology to develop an alternative frame of reference to interpret initiatives and policies of companies beyond legal or moral obligations. It is argued that identity economics and social psychology can help to understand how actions transcending strict economic rationality might work in competitive context. The paper employs the principle of moral projection developed by Goodpaster (1983), which states that it is useful to describe organizations by analogy with individual human persons. According to this principle, major findings of identity economics and social psychology about the moral attributes of individuals are projected to companies to form a hypothesis about the dynamics of supererogatory actions. The hypothesis can be tested later on by analyzing past and present actions of companies that go beyond economic rationality and legal and moral requirements.

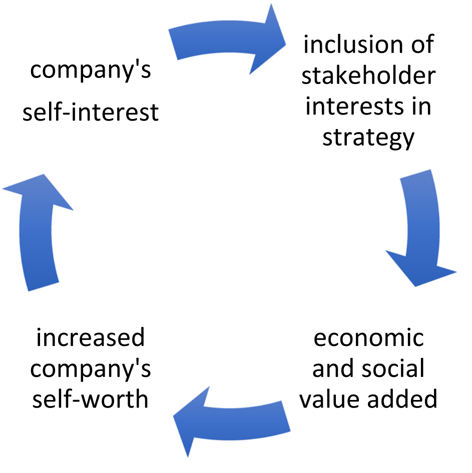

FIGURE 1 The dynamics of strategic CSR

4 | SUPEREROGATORY ACTIONS OF COMPANIES

Tencati et al. (2020) present five cases where companies go beyond their business interests and do something which is neither legally nor morally obligatory for them. These companies include Coop, Patagonia, REI, General Motors, and Interface.

- In 2010, Coop, the largest Italian retail chain, initiated a multimedia campaign inviting citizens, particularly its own customers, to consume less bottled water, as a means of offsetting the ecological footprint caused by transportation, and to drink tap water instead. Bottled water is one of the most important revenue sources and profitable products for Coop.
- On Black Friday of 2011, Patagonia, the world-renowned American apparel company, launched its famous campaign "Do not buy this jacket." The advertisement was accompanied by a picture of the company's best-selling R2 coat, designed and realized in accordance with strict environmental criteria. Moreover, the campaign asked costumers to pledge to engage in less consumption in the service of protecting the planet.
- REI, the Seattle-based outdoor gear and apparel retailer, made an unprecedented decision to close all its 149 stores on Thanksgiving Day and Black Friday in 2016. Through the "#OptOutside" campaign, REI invited employees (with pay), customers, and American people in general to get outside during the break and reconnect with nature.
- In 2015, General Motors offered to give its 48,000 union workers an unexpected bonus. Each worker received $9,000 in profit sharing, which was $2,400 more than General Motors was contractually obligated to pay, as stipulated by its agreement with United Auto Workers.
- In 2017, Interface, the world-renowned modular carpet producer, has recently launched its innovative "Climate Take Back" campaign. In its Mission Zero® program, the company aimed to eliminate any negative environmental impact associated with the firm by 2020. After decades of hard work, Interface is poised to reach its Mission Zero® goals and the new mission of Climate Take Back commit to running business in a way that creates a climate fit for life.

Tencati et al. (2020) observe that these supererogatory actions bring significant benefits to stakeholders (including the natural environment) and involve substantial costs or revenue losses, providing the firm an incentive not to act. Also, they note that even if these initiatives could benefit the firm in the long term, because of improved reputation or better stakeholder relationships, it is far from sure that the benefits will ever materialize or be large enough to outweigh the costs. So the economic rationale for instituting these policies is lacking, and a cost–benefit analysis would not support such actions on the basis of the logic of "business-case."

Tencati et al. (2020) suggest that to fully appreciate these practices, it is not adequate to rely on conventional CSR concepts such as the business case, win–win opportunities, or corporate philanthropy. They argue that *supererogation* provides a promising perspective that transcends the limitations of CSR concepts.

Tencati et al. (2020) opt for the "qualified" account (Heyd, 2015) which identifies supererogation as a response to moral obligations for which an agent is normally excused from compliance. They suggest three conditions that the firm's actions are qualified as supererogatory: (i) The action is other-regarding; i.e., it brings significant benefits to stakeholders other than shareholders, (ii) there are moral or utilitarian reasons strong enough not to act, and (iii) there is not a clear business case for the action. The three conditions allow the authors to distinguish between firms that merely comply with stakeholder pressures, laws, and strict moral obligations—or which address social and environmental issues only when they have a compelling business case for it—and those that show ethical excellence in their behavior, conceive innovative and beneficial initiatives for their stakeholders, and go beyond what is expected from them. In short, supererogation means that companies give more than what is morally required and rationally expected from them (Tencati et al., 2020).

The qualified account of supererogation is certainly a welcome contribution to the theory of the firm; however, in its present form, it is incomplete. It does not disclose the underlying *motivation* of companies to make supererogatory actions. This paper addresses this question and thus aims to make some further contribution to the debate about the issues of "beyond duty" and philanthropy in business ethics.

5 | INSIGHTS FROM IDENTITY ECONOMICS AND SOCIAL PSYCHOLOGY

The role of identity is well studied in economics. In their seminal paper, "Economics and Identity," Akerlof and Kranton (2001) argue that identity can account for important phenomena that conventional economics cannot explain. In accordance with social psychology, Akerlof and Kranton define identity as an *actor's sense of self*. They consider identity as a new type of externality which affects economic behavior. It is suggested that economic actors have a twofold utility function, namely, the traditional 'standard utility' and another that can be called 'identity-utility'. An actor may gain utility by being loyal to his or her identity even at the expense of conventional utility. Although Akerlof and Kranton's theory remains utilitarian, the introduction of identity-utility proved to be very useful.

Sen (1999) argues that people choose their identity instead of discovering it. However, the identity choice of people is not unrestricted. Sen regards having an identity as the most important capability. Identity is built by the choices people make, and it is central to the development of the other capabilities of individuals.

Kirman and Teschl (2006) suggest that the identity of economic agents is not characterized by a given and unchanging preference ordering but reflects a process of continuity and change. They describe the interplay of three different aspects of a person that evolve over time: (I) what the person currently is and does, (II) who the person wants to be, and (III) where the person chooses to participate, which social groups he or she chooses to belong to. These aspects correspond to vectors in the characteristics space and form the persons' identity that moves and changes in a space of characteristics. This dynamic model of Kirman and Teschl accounts for what the person wants to be, what he or she wants to choose, and what social group he or she wants to join.

Mlinar and Crespo (2020) believe that the key notion of a person's identity is intentionality as *position-taking*.

> To take a position or stance means to enter into a motivational (not mere causal) level of relationship with the world and others and, therefore, to generate "habitualities" over time—a "sedimented" structure informing my actual volitional life in correlation with a horizon of sense. 'Habitualities' are individualized not because of their specific content (which can be revised, changed, and even shared with others), but because of their mineness—their first person perspective. (…) The specificity of economic action—broadly understood—does not call for human agent

> and human identity specificity; quite the contrary, it requires the consideration of them in their full wholeness and unity. (Mlinar & Crespo, 2020, p. 208)

Self-verification is a well-studied phenomenon in social psychology. Self-verification theory proposes that people prefer others to see them as they see themselves. People seek self-verification because self-verifying evaluations make the world seems coherent and predictable. People strive for self-verification by gravitating toward interaction partners and settings that seem likely to provide self-confirming evaluations. Finally, people process feedback about themselves in ways that promote the survival of their self-views. In general, self-verification strivings are adaptive and functional, as they foster feelings of coherence, reduce anxiety, improve group functioning, and erode social stereotypes (Swann, 2012).

In summary, we can say that identity economics and social psychology suggest that economic agents can do and evaluate things on the basis of their identity. They are inclined to perform actions against the narrow sense of economic rationality that serve purposes of high importance for their self-verification.

Identity economics and social psychology mostly study agency on the individual level. It is a question how the dynamics of individual behavior can be used at organizational level of companies.

Pruzan (2001) observes that it is an astounding assumption that collectivities can have competencies normally attributed to individuals, i.e. to reflect, evaluate, learn, and make considered choices and argues that, under certain conditions, it is meaningful and efficacious to ascribe the competency for conscious and intentional behavior to organizations. Pruzan (2001) also suggests that organizations including companies have "the ability to reflect on existential matters as corporate identity (who are 'we'?), visions (what are our fundamental reasons for existing, our ideals?) and values (what are the standards we will employ to measure, evaluate and report on how well we live up to our ideals?)." Companies as collectivities have a self-referential capacity for integrating cognitive expressions of purpose and ideals into its vocabulary and identity.

Reflecting on their identity, history and prospective future companies can do a lot of things which go beyond their narrow business interest and preserve and maintain their identity especially in interactions with vitally important stakeholders (Ackerman, 2000).

A major proposition of the paper is that supererogatory actions of companies can be understood in the frame of self-verification processes where in accordance with their identities companies develop and implement actions beyond narrow economic rationality and moral and legal duties. The positive feedbacks that companies get from their stakeholders may reinforce their sense of identity and contribute to their identity formation (Figure 2).

6 | SUPEREROGATORY ACTIONS IN COMPETITIVE MARKETS

Identity-based supererogatory actions may help the survival of companies in competitive markets. Frank (2004) showed that socially responsible firms can receive special benefits in comparison with non-responsible firms. He identified five types of cases where socially responsible organizations are rewarded for the higher cost of caring.

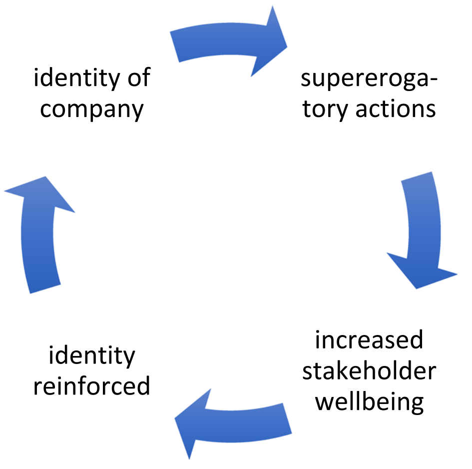

FIGURE 2 The dynamics of supererogatory actions

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.
v. The trust of subcontractors can be established.

The crucial point is that these special benefits cannot be achieved by non-responsible companies. So supererogatory acts may provide some competitive advantage for companies over their rivals which are not inclined to act generously toward their stakeholders.

Generosity is an essential aspect of supererogatory actions. Generosity means that a company gives more than it is morally required or rationally expected. Generous acts are usually reciprocated by the receivers. In this way, "gifts exchange" may emerge between the company and its stakeholders.

Fehr and Gaechter (2000) were able to demonstrate experimentally the virtuous circle between responsible behavior and positive stakeholder response. They designed a gift-exchange game in which the employer makes a wage offer with a stipulated desired level of effort from the worker. The worker may then choose an effort level, with costs associated with his or her increase in effort. The employer may fine the worker if his or her effort level is thought to be inadequate. The surplus from the interaction is the employer's profits and the worker's wage minus the cost of effort (and the fine, where applicable). A self-regarding worker would choose the minimum feasible level of effort, and, anticipating this, the self-regarding employer would offer the minimum wage. But experimental subjects did not conform to this expectation. Employers made generous offers, and workers' effort levels were strongly conditioned on these offers. High wages were reciprocated by high levels of effort.

7 | CONCLUSION

Environmental philosopher Naes (1993) suggested to revisit Kant's distinction between moral and beautiful actions in the context of the current ecological crisis.

In his "Versuch einiger Betrachtungen über den Optimismus," Kant (1759) made such a distinction. According to Kant, an act can be called as "moral act" if and only if it is solely motivated by the respect for the moral law; that is, the actor does it because it is his or her duty. But if the actor performs an action because he or she is inclined to do that or simply feels natural to do that, Kant calls it "beautiful act." Inspired by this Kantian terminology, I suggest understanding the supererogatory actions of companies as beautiful acts which proceed from their inclinations and the way they define themselves.

Not all companies are capable of doing supererogatory actions. If the identity of a company is not constructed in a way to act generously toward their stakeholders, then we cannot expect that the company will develop pro-stakeholder actions and policies beyond its pure self-interest. Only those companies can develop supererogatory actions whose identity permits or even dictates that. But those companies can harness the benefits of their beautiful actions.

How such identity is formed with some companies while others fail to do so remains a big question. Some empirical research suggests that the value commitments of the founders/owners and CEOs play a crucial role in the formation of the identity of companies. (Ocsai, 2021; OHiggins & Zsolnai, 2017). However, much more empirical research is needed to disclose the full mechanism of identity formation of companies.

The various crises of the Athropocene including the climate crisis, biodiversity loss, ecosystem collapse, and rising global inequalities require organizations that serve the wellbeing of people and nature in integrated ways (Shrivastava & Zsolnai, 2022). In such situation, supererogatory actions of companies are more needed than ever before.

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