

## COLLECTIVE ETHIC IDENTITY IN THE LOW COST HIGH VALUE COMPANIES

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**Abstract.** *The global social and economic changes have induced companies to innovate more quickly and to administer business costs, from supplies through production and logistics, to reduce and contain inefficiency. The purpose is to offer consumers goods and services with high levels of real and perceived value, at fair prices. The low cost high value production philosophy is based on a set of behaviors designed to offer goods and services at low cost respecting the quality factor; implementing innovative distribution processes and modern management policies, while encouraging a consumer style can generate high benefits for consumers, for businesses and for the country's system. Companies that choose to adopt Low Cost/High Value strategies produce goods or services with characteristics which are important for customers like design, environmental safeguards and easy access, for more natural, ecological environmental products. The companies, in defining business objectives and decisions that will follow them, will have to consider both the economic choices and both social ones. It is possible reach the long-term development if companies put their attention to the various stakeholders' needs by combining them with the respect of the rules and social values, and therefore necessary to balance economic value and competitive and the intangible value given by the consensus achieved by having undertaken social and environmental policies. The final objective is to analyze the strategies implemented and business models of three companies that have adopted low cost high value, the Centro Medico Santagostino, OdontoSalute and Nau! in northern Italy. The three companies in addition to the signing of the ethical code dell'AssoLowcost are engaged at various levels to increase their social responsibility. It is with "cross-case analysis" that we will try to identify the specific features of the low cost high value business model and the contribution to the corporate social responsibility.*

**Keywords:** *Low Cost High Value; business model; venture capital; prime move; environment.*

### **Introduction**

This research focuses on and analyzes certain management and strategic factors that have lead companies to position themselves in the low cost/high value sectors and the contribution to the corporate social responsibility. The global social and economic changes have induced companies to innovate more quickly and to administer business costs, from supplies through production and logistics, to reduce and contain inefficiency. The purpose is to offer consumers goods and services with high levels of real and perceived value, at fair prices.

The final objective is to analyze the strategies implemented, and the business models of three companies that have adopted low cost/high value, particularly in the realm of health services and what is their contribution to corporate social responsibility with the study of "cross-case analysis" (Osterwalder, Pigneur & Tucci, 2005).

The growth of new business ventures is very important; new entrepreneurs and new ideas entering into an economic-productive system, lead to new goods and production techniques and encourage the interaction between people, ideas and capital that results in the inception and development of new fields of business. This, in turn, sparks a virtuous cycle, leading to the growth of technical and organizational skills that makes it possible to recreate the pattern in other businesses operating in the same field.

### **Organization and research method**

An analysis of changing economic and political choices in health care will be highlighted if there is a new real space of action for companies to be compared with the activity of supply of health care services. Wanting to prove, therefore, that there is a new sector that stands between the public and private health care, business health low cost high quality and sustainable.

The specific objective and the ultimate goal of the research is to be put in benchmarking, through the study of cases, Hartley (1994), which may act as a guide for those who want to go down this road or want to improve their corporate policies in view of low cost high value in order to maintain the virtuous cycle of economic growth and healthy. The adoption of a descriptive research design, fieldwork and qualitative method is the default choice in the structuring of research and considered appropriate to achieving the objectives of the work to define the business model for Low Cost High Value in health care providers (Selltiz, Wrightsman, & Cook, 1976).

Case studies are considered the most effective course to come up with answers to “how” and “why” questions when researchers have only limited control over events, but at the same time want to explore con-current trends with the aim of explaining certain phenomena and casual relationships. This is the reason why case studies and real stories are the research strategies that are most suitable to this kind of study. Yin R.K.(2003) suggested applying the logic of “*literal e theoretical replication*”, which is based either on the identification of cases that will give similar results (literal replication ) or which will give different results, but for predictable reasons (theoretical replication). The importance of this logic is that it allows for the extension or replication of the emerging theory. In our case we have chosen the “*literal replication*” analyzing three kinds of companies active in the low cost/high value sector to find their similarities. They are Italian companies working in northern Italy: the Centro Medico Santagostino Milan in Lombardy, OdontoSalute Gemona in Friuli - Venezia Giulia and NAU! In Castiglion Olona, Varese. They are companies that have adopted the low cost/high quality philosophy by focusing on improving their organization and creating economies of scale to cut costs, thus making health services available to a wider range of consumers. These companies adhere to the ethical code drawn up by the AssoLowcost and so, while adopting different business strategies, they must follow similar parameters.

### **Ethical codes in low cost high value**

The function of the ethical codes is to present the "charters of rights and fundamental duties, with which the company clarifies its ethical and social responsibilities towards the various stakeholders, internal (shareholders, employees and management) and external (customers, suppliers, competitors, social and natural environment surrounding and public institutions). Through the code of ethics, despite their differences, we try to make explicit a kind of "social contract" that binds the company to the various groups and individuals that interact directly or indirectly with it and have the rights and interests at stake against him (Sacconi, De Colle & Baldin, 2001).

Companies associated with AssoLowcost must respect the general principles of the his ethic code the companies should commit to put at the center of their strategies geared towards sustainable economic development to improve the quality of life, to try to meet the needs of society and the communities in which they operate, helping to solve problems and respecting their cultures, religions and traditions, with particular attention that their activities do not conflict with the protection of the rights and dignity of man. The ethic code of AssoLowcost promotes the principles of Corporate Social Responsibility and the respect of following documents presented in table 1.

**Table 1. Reference documents CRS AssoLowcost**

Universal Declaration of Human Rights (ONU 1948);	DIRECTIVE 2006/54 / EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation;
European Convention for the Protection of Human Rights and Fundamental Freedoms (1950);	London Convention on Civil Liability for damages related to the environment derived from oil pollution (1999)
Declaration of the Rights of the Child of the United Nations (1959.1989);	EU regulation 2006/1907 Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) on the subject of dangerous chemicals
ILO Conventions relating to the Fundamental Principles of Workers' Rights, with particular reference to the protection of child labor n. 138, 182 and 190;	Decree Decree no. 22/97 in terms of waste management, hazardous waste, packaging and packaging waste.
Washington Convention on international trade in flora and fauna and the danger of their extinction (1973)	Montreal Convention (1999), the EU Regulation (EC) No 2027/97, as amended by Regulation (EC) No. 889/2002 and Regulation (EC) No 261/2004 as well as endorsed by the Bill of Rights ENAC passenger enacted concerning air transport;
Convention of Rio de Janeiro on sustainable development and the specific rights charters, international conventions and regulations regarding specified below in relation to particular industries (1992);	Vienna Convention on Nuclear Safety (1998);

The policy developed by the European Union in the Green Paper "Promoting a European framework for Corporate Social Responsibility 2001", in support of corporate social responsibility, defines it as the voluntary integration of social concerns and environmental concerns in their business operations and in their interaction with their stakeholders. The growth of new businesses that adopt the corporate social responsibility is very important; new entrepreneurs and new ideas that come into a system of economic productivity, lead to new goods and production technologies and foster interaction between people, ideas and capital that results in the birth and development of new fields of activity. So is possible to give form to a virtuous circle, leading to the growth of technical and organizational skills that makes it possible to recreate the model in other companies in the same sector. the continuous monitoring of the European Commission shows that The number of EU enterprises that have signed up to the ten CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011, COM (2011) 681.

It is possible reach the long-term development if companies put their attention to the various stakeholders' needs by combining them with the respect of the rules and social values, and therefore necessary to balance economic value and competitive and the intangible value given by the consensus achieved by having undertaken social and environmental policies, Mario Carrassi, Vittorio Peragine (2007). It is to consider what was said by the authors Michael E. Porter and Mark R. Kramer (2001) as regards Creating Shared Value as an equilibrium between economic results and CRS: *"Companies can create economic value by creating societal value. There are three distinct ways to do this: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations. Each of these is part of the virtuous circle of shared value; improving value in one area gives rise to opportunities in the others"*

The company to build community consensus must on the one hand efforts to meet human needs and the other side to try to reach them must invest and this can only be done effectively if there are financial resources to create precisely effectiveness and efficiency also at the individual level.

It is a circular process in which all aspects of social, environmental and economic are linked together and

when a connection is broken here is that the company will face serious difficulties, because if there is wealth you can not take corporate operations and environmental protection in line with the expectations of stakeholders and the community and it is unable to generate even greater consensus, attraction of human resources and virtuous image of the company that is reflected in a certain degree of competitive strength, therefore profit

The three companies studied in the cases work in addition to the signing of the code of ethics dell'AssoLowcost are engaged at various levels to increase their social responsibility. They are the prime mover that launch innovations, investing in the development of new products, and accept the risk of exploring unknown territory. Nau! It manufactures and sells eyeglasses, sunglasses and contact lenses, high levels of design, selection of frames with low impact with recycled materials, strictly in line with the trends and habits of their patrons. This company chose to partner with Legambiente; OdontoSalute are clinics specializing in dental care, and every year presented the sustainability report. The Centro Medico Santagostino is the first clinic low cost multifunctional surgery with medical examinations subject to price control (maximum fee: 60 Euros). The starting capital of the Centro Medico Santagostino was conferred from Oltre Venture Capital Sociale, an investment fund ethically committed in projects and services aimed at the so-called "gray area of social fragility". Applying the method of venture capital to the social: offering funds, experience and managerial competence.

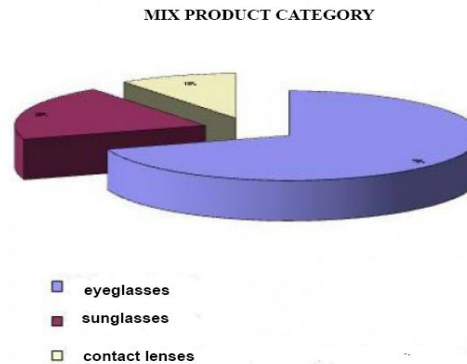
The advantage of being first movers lies in the ability of the company to be in a pole-position to gain economically and this can be reached through several stages. In the first stage a particular advantage of the pioneer over its rivals can usually be attributed to some variable such as unique resources, or a particular foresight, or even just to a stroke of luck. Once this variable occurs, a series of mechanisms allow the company to take advantage of its position to increase the scope, or the length, of its profit as a first mover. It is important to bear in mind that in certain markets there is only room for a limited number of profitable enterprises so the first move is to select the most interesting niche sectors and then to put into effect those strategies that will limit the space available to further competitors (Lieberman & Montgomery, 1988). The next step is to pass from narrow and traditional skills to the wider and newer skills necessary, at the same time as the rules of the game are being re-written. Norman (2002) calls *prime mover* innovator/inventor those individuals that he considers "creators of sleeping assets markets". The prime mover transforms these assets into liquidity that can be advantageously employed in a different context. In this sense the prime mover makes all the players richer, leading others to identify untapped assets to be exploited, such as, in the realm of low cost high value health services, short waiting lists, comfortable accommodation and convenient geographical locations. They have a new approach as *subjects capable of impacting on the outside environment. They are organizations that don't only understand the changing market but, in some ways, implement or direct the change itself* (Norman, 2002) The prime mover has considerable advantages, among them technological leadership, learning curves, brand identification, as well as the opportunity to shift the switching expenses on to the client and the chance to exploit the positive effects generated by customer satisfaction (Querici, 2014)

### Case works

The business model that AssoLowcost recommends for its members is based on the following success factors: *clear and transparent information regarding the prices charged for different services, careful attention to contact and reservation procedures, with several options for remote access to services, concentrate on certain services to achieve those economies of scale necessary to contain costs, adopting quality control standards in order to guarantee high levels of quality, implementing purchasing procedures and underwriting supply contracts with partner companies, relies mainly on word of mouth from clients, who pass on to others their favorable impressions regarding services rendered. So that a product or service enters the wider family of low cost and high value is not just a product or service sold at a low price because of lower quality, it is necessary that the general reduction of costs should not be attributed only to the lower cost the raw material or to a lower level of quality in the production phase, but should be attributed in large part to the optimization of other activities that are part of the value chain*

*in the respect of ethical values, social responsibility and environmental protection.*

The three cases studied, Centro Medico Santagostino, Progetto Dentale Apollonia (from June 2013 the name has been changed to OdontaSalute) and NAU! though offering different types of goods and services, shared certain common elements like business strategies, the organization of their supply chains and customer satisfaction and orientation. The company Nau!, manufactures and sells prescription eyeglasses, sunglasses and contact lenses fig.3.1. It was founded in 2004, and is located in the province of Varese in northern Italy.



**Figure 1. Mix product category of Nau! ([www.nauottica.com](http://www.nauottica.com))**

The company chose Legambiente as partners; the association, which works to protect the environment. Legambiente has an innovative approach to the topic of the economy and employment. Their aim is to promote and enhance the wide variety of production activities (local products, cultural heritage, technical innovation and maintenance of urban and regional), which are able to improve the quality of the environment and to give more competitiveness for Italy. Since 1986, every summer, the Green Schooner Legambiente makes the circumnavigation of the Italian coast by collecting and examining about 500 water samples and performing on each of the analyzes required by law.

Apart from spreading in real time the results of the analysis of the places visited, the boat offers environmental events in each stage to talk with citizens and governments of all the issues that affect the health of the sea: from fishing to tourism activities, from nautical sabotage, by reckless coasts to the phenomenon of erosion.

Promotes and enhances the fundamental role of marine protected areas for the conservation of the fragile marine ecosystem. Promotes sustainable tourism in respect of the territories and ecosystems. The crew of the schooner green wears glasses recycled plastic Nau! Nau! signature and supports projects for the defence and preservation of the environment, supports campaigns to protect the ecosystem and donates, for every pair of glasses sold in recycled plastic, a contribution to Legambiente.

Concern for the environment has led Nau! optics to realize the first eyeglasses and sunglasses in recycled plastic. The particularity in the processing is that the recycling, defined pre-consumer, takes place with the use of milling and curls of machining of its frames. The production process of these collections is certified by the Institute for the Promotion of the plastics for recycling that issued the Certificate of Conformity Plastic Second Life - Category B. The line of eyewear (Querci, 2013).

The majority shareholder of the Medical Center Santagostino is a capital fund "patients and responsible" that does not require a specific return on investment, but that provides managerial and public relations

(capacity building). The company which funded the Medical Center Santagostino, for 70% of capital invested, is Oltre Venture which operates in the field of Venture Capital Association, bringing the amount of 1,500,000 euro investment with the aim not to cash, but to come back in two years, in order to expand and improve services, while 30% of the remaining capital is made available by financing partners that accept a minimum remuneration of capital, equal to 3%. The Medical Center Santagostino operates outside the system of accreditation of the NHS and it is stated in the private sector, but in a quasi-market, between profit and non profit. The Medical Center Santagostino, is an innovative project which can not be separated from economic revenue. In fact, although the primary objective of lenders is not profit, but the exploitation of economically sustainable initiatives for social interest, to start a project of this nature serve specific skills, as well as a substantial capital to invest in the early stage, but also in conservation of a high standard of quality throughout the process of affirmation and development of the initiative (Mariani, 2012).

The company Venture addition to the traditional supplier of venture capital has added an offer of an innovative financial instrument to support the social, funding and supporting the development of companies that pursue activities in the economic sustainability and social value, working in those sectors characterized mainly by a socio-economic fragility. Besides Venture operates in the Venture Capital Company and was established in November 2006 and its actions are aimed at two main areas of investment:

- the study and analysis of the evolution of social needs, becoming a permanent observatory on intervention models most innovative and effective
- The role of "incubator" of enterprise with organizations or persons bringing innovative business idea in the social and potentially attractive to new investors including Venture same addition.

As in financing with venture capital involvement of Oltre Venture it does not end only with the help of financial resources but also provides managerial skills and know-how in the social sphere. Allowing you to successfully combine some key factors such as:

- entrepreneurship
- both managerial and financial skills
- focus on results
- the partnership between investors and entrepreneurs.

This form of financing satisfies two types of innovation: innovation in the field of financing, characterized by the overcoming of traditional philanthropy, the first example in the Italian economic landscape, investing in venture capital enterprises engaged in innovation in this area and the innovation firm that faces new sectors or experiments with new types of offers on products / services mature. The investment risk is mitigated by the knowledge of supporting complex and innovative business ideas with a major social return.

OdontoSalute have fourteen locations, in north, center e sud Italy, ample parking, near airports, and motorway exits, very diverse socio-economic clientele. Seven clinics are owned by other franchise agreement, they have special agreements with hotels, restaurants and transportation companies to ensure a pleasant stay during treatment

Large volumes of sales and narrow margins are the philosophy of all three companies and suppliers have had to conform to this same policy. Just one of the six dental clinics of the OdontoSalute group invoices, in one month, what a traditional dental clinic invoices in a year, giving it a strong bargaining position with suppliers, which are never very numerous. The strategies to contain costs benefit patients who are offered quality services at lower prices than those of the competition, with minimum waiting lists and easy access to care.

The social report of OdontoSalute highlights its approach with stakeholders to its Corporate Social Responsibility and evaluate the benefits produced by the multiplicity of outcomes that positive relationships are maintained with the communities, or social groups (young and old), represented by all agencies, organizations, formal organizations and informs them that they are in contact in various ways with the clinics.

The term stakeholder is used in this context to identify and classify all subjects, individual and collective, that interact more and less structured with the company; relations that are characterized by the sharing of objectives, from intentionality and projects, reports of business-to-business or non-commercial research, animation and social promotion. All these subjects considered (companies, groups, communities and citizenship), along with OdontoSalute, constitute a large social system of reference within which the actions and behaviors of each social actor able to create positive synergies for the entire system. In these links social actors live a mutual and constructive in which there is convergence of purpose and collaborative attitudes, and where well-being and success of each is tied to the fate of others.

## **Conclusions**

A code is intended as text deliberately developed by management to shape the perception of the reality of others. Subsequently, the language of the code is seen as an attempt to interpret the situation and to build the social reality (Ainsworth & Hardy, 2004).

It is demonstrated that the company is a cohesive group in terms of responsibility and ethical behavior, and who in this group must follow the common ethical principles. In line with a perspective proposed by Brewer & Gardner (2004).

The three companies studied are able to look beyond the boundaries of the core business and interact with the main economic players (suppliers, partners and customers), co-operating to generate income, is the reason for the success of Low Cost/High Value enterprises. The value of these enterprises has its roots in three strategic ideas. The first is to offer customers/patients an incentive to take advantage of what is being offered, that is a complex variety of goods and services, so that they will be satisfied with their choice. There are many examples in the cases we have studied. At Medical center Santagostino the waiting rooms have Wifi, a library and a quiet meditation room, at OdontoSalute, they have special agreements with hotels, restaurants and transportation companies to ensure a pleasant stay during treatment, NAU! has chosen Legambiente as a partner; the association, which works to protect the environment, has embraced the popular fast fashion movement.

The companies work to constantly strive to come up with proposals that involve customers and suppliers, sympathizers and business partners, in an effort to put together new consumer packages something which is possible put in with rethinking relationships and business choices. Finally it is important to consider a competitive advantage as the sum of the efforts of all the people involved, communicating with customers to repeat winning strategies. Value must be aggressively pursued to ensure a “dynamic overhaul of the enterprise” (Kachaner, Lindgardt & Michael, 2010).

Good timing is one of the ingredients which contributed to the success of the three companies; they were the first to enter the low cost market, meeting the demands of a clientele that, for cultural or ethical reasons, was ready to welcome their.

Compared three business models that become evident that the narrow definition in which low cost equals cheaper it is limited is no longer true because of the greater importance of employees, attention to the expectations and needs of customers and the wide choice of products and services. If, at first, business choices and the organization of the three companies have been motivated by the recession and the contraction in consumer income, research shows that this consumption trend will last over time, regardless of the economic crisis.

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 OdontoSalute: <http://www.odontosalute.it>  
 Oltre Venture: <http://www.oltreventure.co>