

Translating Commons' 'Industrial Goodwill' Into Italian: Some Conceptual and Linguistic Considerations

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Received: August 6, 2020 Accepted: September 15, 2020 Published: September 22, 2020

doi:10.5296/ijl.v12i5.17489

URL: <https://doi.org/10.5296/ijl.v12i5.17489>

Abstract

This paper examines the English-language term 'industrial goodwill', which was introduced into industrial relations discourse by John R. Commons in his book *Industrial Goodwill* (1919). The paper then goes on to investigate the challenges resulting from the attempts to translate this concept into Italian, as no equivalent exists in the target language which fully captures its English meaning. More generally, this case study is used to highlight the relevance of language in comparative research. This is particularly true in industrial relations, as concepts in this domain are frequently culture and context specific.

Keywords: Translation, English, Industrial relations, Industrial goodwill, Comparison.

1. Introduction (Note 1)

Because the academic field of industrial relations (IR) originated in the USA and Britain (Blyton, Bacon, Fiorito, and Heery, 2008; Kaufman, 2004), English is the principal language in which IR theories and concepts have been constructed and explained. However, as a

number of scholars have observed (Blanpain & Baker, 2010; da Costa, 2005; Hyman, 2005), the use of English, either as a lingua franca or language of translation, can give rise to problems of interpretation, especially for IR research of a comparative nature. In the words of the Italian IR scholar Marco Biagi, “the linguistic standardisation due to universal use of English is not always matched by a similarity of structures and functions” in individual countries (Biagi, 2001, p. 483).

The English-language term ‘industrial goodwill,’ first introduced into the discourse of industrial relations by American institutional labour economist John R. Commons in his book *Industrial Goodwill* (1919), well illustrates the challenges of cross-linguistic and cross-cultural translation. To demonstrate, we compare the conventional English-language meaning of ‘industrial goodwill’ with its rendering into Italian and show that some important nuances of both a theoretical and linguistic kind do not well translate from one to the other. The lesson of this case study, therefore, is ‘scholars beware’ on both sides of the translation process, be it from English to another language or the reverse.

2. Discussion

2.1 What Do We Mean by ‘Industrial Goodwill’?

The overarching thesis Commons develops in his book *Industrial Goodwill* (1919) is that managers of business firms hold different perspectives or ‘theories’ about the nature of the labour input they hire to work as employees (formal or informal) in their establishments. He identifies five different theories: (1) labour is a commodity (the economist’s theory of supply and demand), (2) labour is a machine (the engineer’s theory of scientific management), (3) labour is a valuable natural resource needing state protection (the lawyer’s protective labour law theory), (4) labour is a citizen of an industrial government (the trade unionist’s theory of industrial democracy), and (5) labour is a volitional socially-conscious human being (the psychologist’s/sociologist’s theory of reciprocally-motivated behavior). These different theories of labour shape managers’ decisions about the status and treatment given to employees, the way employees are managed, and the nature of the firm’s human resource policies and practices.

Commons examines all five theories of labour, and the five different types of employment systems they create, but gives particular attention and emphasis to the fifth theory – the theory of labour as embodied in volitional, socially-conscious human beings. For reasons outlined below, he refers to this perspective on labour and the employment relationship as the *goodwill theory*.

The objective of managers in all five systems, Commons argues, is to get the most labour input (e.g., work effort, conscientiousness, cooperation) for the money spent and the strategy they choose depends critically on their theory of labour. He starts the analysis with a consideration of the commodity and machine theories. Each perspective assumes there is a maximum amount of work an employee can perform each hour at any given task, just as there is a maximum amount of energy contained in a kilo of coal or pulling-power contained in a horse, and management’s task is to extract as much as possible at least cost. Thus, the

manager who subscribes to the commodity theory focuses on getting the best bargain in the labour market by hiring and keeping workers willing to work at a lower wage than paid by competitors while the manager who subscribes to the machine theory uses production engineers to get the most labour from each worker by a combination of narrowly specialized jobs, rigid work rules, tight supervision, and piece-rate wage incentives. Both of these systems give unilateral control to management, which under the pressure of competition, firm survival and profit-seeking, are driven to negotiate a tougher deal with workers which can easily lead to onerous, exploitative and unfair ‘pay the least/get the most’ employment practices. Gradually, therefore, these two theories of labour backfire on management (and society) because workers become increasingly dissatisfied, angry and physically/spiritually harmed and, in retaliation, withdraw their work effort and cooperation and punish employers with strikes, unions, and radical politics. As Commons portrays it, therefore, the commodity and machine theories of labour inevitably lead to a reciprocal demand on the part of workers and the concerned public for the countervailing models of protective labour law and union-provided collective bargaining and joint governance.

A shortcoming in this industrial relations dynamic is that it leads to an adversarial ‘them and us’ type of employment relations system and generates, as in modern game theory models of prisoners’ dilemma and tit-for-tat (Dobbins, Dundon, Cullinane, Hickland, and Donaghey, 2017), dysfunctional ‘lose-lose’ outcomes in which employers and employees mutually hold back on cooperation, respect, and team effort to punish the other side and avoid being taken advantage of or played for a sucker. Commons, therefore, positions the fifth theory, labour as a socially-motivated human being, as an alternative to the other four and, if successfully implemented and sustained, argues it is the superior option in that it holds the potential for a mutual-gain/win-win outcome of higher profits and competitive advantage for companies, higher wages and better conditions and treatment for workers, and higher productivity and conservation of human resources for society. The key component that makes the mutual-gain outcome possible in the fifth labour theory is the concept of *industrial goodwill*.

Commons describes the commodity and machine theories of labour in chapters one and two of the book and in the third chapter describes the goodwill theory. As a general introduction to the concept, he states that “goodwill is *reciprocity*” (p. 19, emphasis added) and then explains (pp. 19-20, modestly condensed):

Goodwill is not necessarily a virtuous will or a loving will, it is a beneficial reciprocity of wills, and whether there is really a benefit or really a reciprocity, is a matter of opinion and mutual good feeling as much as a matter of science. Goodwill [engendered in the worker by the employer’s reciprocity] is productive because it enlists his whole soul and all his energies in the thing he is doing. It is that unknown factor pervading the business as a whole which cannot be broken up and measured off in motions and parts, for it is not science but personality – what the French call, *l’esprit de corps*, the spirit of brotherhood, the solidarity of free personalities. It is this corporate character of goodwill that makes its value uncertain and problematical. It is the soul of a going concern and the value of goodwill is reflected in its stocks and bonds (pp. 19-20).

As Commons develops the goodwill theory of labour through the rest of the chapter, he weaves together two separate but complementary meanings of the goodwill concept. The first is psycho/social and the second is legal/economic. In this regard, his usage is standard for the English language, as the *Oxford Dictionary* (2019) also provides two alternative definitional meanings for goodwill. The first meaning (psycho/social) is “friendly or helpful feelings towards other people or countries” and the second (legal/economic) is “the good relationship between a business and its customers that is calculated as part of its value when it is sold”. A standard and well-understood meaning in English, however, is not necessarily the same in other languages and here arises a potentially significant translation problem for comparative IR. To further explicate this problem and promote improved understanding, we next examine in more depth the two English language dimensions of goodwill, as used by Commons in the context of industrial relations.

2.2 The Psycho/Social Dimension of Industrial Goodwill

In the late 1800s and early 1900s a number of employers in the US and Europe started what in English is called ‘industrial welfare’ programs, such as factory dining halls, company sports teams and better housing for workers and their families. They were intended to make employees happier and thus generate feelings of gratitude and good opinion (i.e., goodwill) toward the employer. In a number of cases, however, these programs failed to accomplish their purpose because employees regarded them as paternalistic ‘do-gooder’ gifts unilaterally chosen and handed down to the workers by a kindly-but-authoritarian father figure who did not bother to first consult the workers and often spent the money on things that did not satisfy their central needs or desires.

To successfully generate goodwill, Commons argues, the employer needs to change approach and engage with workers as a collective group in meaningful, trustworthy two-way dialogue and communication in order to hear both their grievances and aspirations. This step, to be effective, typically requires some form of stakeholder governance, representative voice, and power-sharing. The second requirement is that the employer, preferably with involvement and input of employees, goes at least part way in implementing the employees’ highest-priority improvements and does so in a way that communicates a genuine ‘sharing and caring’ psychological contract and credible commitment to maintaining it – not as a short-run profit-making tool but long-term philosophical commitment to a stakeholder/mutual-gains model. Through these two steps workers transition in their self-identities from expendable ‘hired hands’ to ‘team partners’ in the business – typically embedded in and signalled by various formal IR/personnel arrangements (e.g., employee stock ownership, works councils) but, at a minimum, internalised by employees in a bona-fide psychological sense.

One way to envision goodwill is as a feeling of mutual esteem and respect that develops between two parties which, if powerful enough, leads them to transcend self-interest and think, feel, and operate as an organic unity. Thus, industrial goodwill is a reciprocated feeling of mutual regard and caring in the sense that the parties to the employment relationship regard themselves as committed partners who are willing to cooperatively work together,

make joint sacrifices, and invest in the long-run success of the business for mutual gain and self-realization. This transcendence gives rise to a perception of shared ‘unity of interest’ (unitarism) between employer and employee, although – as with even the best marriages – never a complete 100% integration.

The ‘high-performance work system’ (HPWS) model popular in human resource management (HRM) posits that the best way for firms to achieve maximum operational and financial results is to invest in a full set of advanced commitment-type HR practices, such as extensive training, promotion from within, employment security, and performance-contingent pay (Paauwe, Guest, and Wright, 2013). However, the critical defect in the standard version of the HPWS is it adopts a shareholder model of firm governance in which ‘high performance’ is defined 100% in terms of achieving the employer’s goals (e.g., profit, return on investment) and with employees’ interests and goals getting 0% weight. The HPWS theory is that since employees also derive benefits from many of these HR practices, albeit as a form of spillover or by-product, they feel gratitude and thus develop a goodwill feeling (Kaufman, 2020).

Following on from Commons, IR scholars today contend, on the other hand, that these kinds of HR practices, even if they have some benefits for employees, are similar to the industrial welfare programs of a century earlier and for similar reasons will typically fail to generate employee goodwill – now called commitment. That is, both HPWS and welfare programs are unilaterally decided and handed down, can be changed or eliminated at the employer’s discretion, and are not an investment in partnership and mutual gain but in maximum profit for shareholders – company slogans about ‘employees are our most important asset’ notwithstanding. In particular, Commons stresses that the necessary condition for a successful goodwill strategy is that management takes the first step in demonstrating genuine interest in a sharing/caring partnership because otherwise employees hold back for fear the company is advancing another cleverly-designed program cloaked in language of partnership and mutual gain but with the real intent of extracting more work from them. In turn, the sufficient condition for a successful goodwill employment model is that the company demonstrate a credible commitment to maintaining the stakeholder/mutual-gain psychological contract not only when it is convenient and good for profit but also when inconvenient or particularly challenging, such as during an economic downturn when the company is operating at a loss and competitor firms are implementing large layoffs, cutting wages/benefits, and speeding-up the production line.

2.3 The Legal/Economic Dimension of Industrial Goodwill

Commons’ use of the goodwill concept for IR theory also has a legal/economic meaning and rationale. In the extended quotation featured above, he says not only that “goodwill is reciprocity” but also that “goodwill is productive” and the “value of goodwill is reflected in its [the firm’s] stocks and bonds”. It is this latter usage which transitions the concept into the legal/economic dimension. Reciprocity, stakeholder governance, and mutual sharing/caring create goodwill between employer and employees but, by themselves, are not enough to persuade companies to adopt them. The reason is providing these things entails costs to the company, such as less short-run flexibility in decision making and personnel/HR practices,

greater power-sharing and voice for employees, and higher labour cost relative to competitors. So for a goodwill IR strategy to be attractive and successful, it must bring bottom-line benefits that outweigh the costs and make it a good investment. According to Commons, the profit benefit of goodwill comes through several complementary channels. That is, goodwill helps foster higher workforce morale and *esprit de corps* and closer identity of interest between employer and employee, both of which increase productivity and profit through greater employee work effort, engagement, cooperation, loyalty, and citizenship behaviour and, correspondingly, less absenteeism, turnover, conflict, and attitudes of ‘who cares?’ and ‘do as little as possible’.

Generically, therefore, Commons (p. 24) observes that goodwill is a form of “competitive persuasion” in all types of markets and exchange relationships in which buyers and sellers are motivated not only by the purely economic considerations of price, product attributes, delivery cost, etc. but also by the non-economic considerations of loyalty, expected good treatment, and gratitude embodied in the goodwill feeling. Goodwill, therefore, translates into repeat business and higher sales and profit which, in turn, are reflected in a higher capitalized value of the firm. Most attention in accounting, economics, and law is given to the capitalized value of the loyalty and repeat business of a firm’s customers (customer goodwill) but Commons extends the concept to the firm’s employees and the capitalized value of labour’s goodwill. Thus, he observes, (pp. 25-26, modestly condensed):

For goodwill is coming to be an intangible asset of business more valuable than the tangible properties. Goodwill is valuable because it lifts the business somewhat above the daily menace of competition and enables it [the company] to thrive without cutting prices. So industrial goodwill is a valuable asset like commercial goodwill and good credit because it brings larger profits and lifts the employer somewhat above the level of competing employers by giving him a more productive labor force than theirs in proportion to the wages paid. And this larger profit reflects itself in the larger value of stocks and bonds, the higher capitalization of the going business. Goodwill is the expectation of future profit, and whether it is commercial goodwill of patrons and customers or the industrial goodwill of laborers, it has its present market value, sometimes greater than the value of all the tangible property of the business (pp. 25-26).

Investment in employee goodwill can be quite profitable for a company but, unfortunately, is also discouraged and limited by several downside considerations. Because goodwill is an intangible asset, for example, companies have considerable difficulty measuring its value, which acts as an investment inhibitor. Also, legal and accounting rules prevent including employee goodwill as a ‘plus’ item on a company’s balance sheet. Additionally, companies tend to systematically underinvest in employee goodwill because most of the costs are tangible and immediate while most of the benefits are intangible and years in the future. Another factor is that it is difficult for companies to commit to a goodwill/mutual-gain psychological contract extending more than several years into the future because of continually changing competitive conditions, new production/work system technologies, and recurrent boom/bust economic cycles. Finally, employee goodwill is a fragile and risky asset because it takes careful management attention and years to build but can be quickly destroyed

by cost-cutting actions, either forced on management by unforeseen events or poorly implemented and explained, which employees perceive as violating the sharing/caring psychological contract.

3. Findings – ‘Industrial Goodwill’: Lost in Translation?

3.1 *The Economic Dimension of Goodwill and Its Translation Into Italian*

There are a number of words that are usually employed to render the English term ‘goodwill’ into an Italian equivalent, depending on whether one wants to convey the psycho/social or economic/legal meanings described above. Importantly, the Italian terminology used to refer to the economic dimension of goodwill is relatively well consolidated in business discourse and does not give rise to interpretation issues. In the financial domain, goodwill is usually translated into Italian as *avviamento* (literally: ‘start’, ‘beginning’). In order to appreciate the meaning of *avviamento* and assess whether this word does justice to its English equivalent, it might be useful to also link it to the Italian notion of *azienda* (literally: business), which is a legal concept in the Italian context and is closely related to that of goodwill.

The notion of *azienda* is laid down in article 2555 of Italy’s Civil Code, which states that *azienda* is the aggregate of assets organised by the entrepreneur to carry out the business activity. The *azienda* consists of the tangible and intangible assets needed by the entrepreneur to conduct business, irrespective of whether they are owned or not by them. Significantly, the concept of *azienda* is different from that of enterprise, i.e. the activity carried out by the entrepreneur. It is assets, along with the attitude of the entrepreneur to generate new wealth through those assets, which make up the *azienda*. Consequently, thanks to the entrepreneur’s attitude/effort, the *azienda* can gain a higher value than that corresponding to the mere assets constituting it. This surplus value is known as *avviamento* – that is, goodwill’s ability to generate financial value (Tiraboschi, 2019). Sometimes a distinction is made between *avviamento soggettivo* and *avviamento oggettivo*. *Avviamento soggettivo* (subjective goodwill) is concerned with the entrepreneur’s ability to maintain and increase the customer base, thus generating ‘personal’ profit. As for *avviamento oggettivo* (objective goodwill), it refers to those business components that do not change even after a change of ownership (Varrasi 2015).

3.2 *The Psychological Dimension of Goodwill and Its Translation Into Italian*

While the financial dimension of goodwill is nicely conveyed in Italian by the word *avviamento*, complications arise with the translation into Italian of the English term’s psychological meaning. For example, goodwill is frequently rendered as *benevolenza* (‘benevolence’ in English). This choice is questionable, however, since benevolence is a unilaterally bestowed gift of kindness that can stop anytime for any reason. On the other hand, when workers have a credible psychological contract that makes them stakeholders or junior partners in the way the firm is run, its governance structure and procedures, and the distribution of benefits/costs/profits, their attitude changes from a feeling of gratitude for a gift to a sense of ownership in the job and going concern. This change in attitude generates goodwill, a desire to see the enterprise succeed, and an energizing motivation to work hard,

be loyal, and go the extra mile for the company's outcomes, which McGregor (1960) later identified with a participative Theory Y form of management. Earning goodwill, Commons says, is therefore not only the right thing to do in ethical terms but also pays off with more commitment, more discretionary effort and higher productivity through genuine stakeholder-type partnership and sharing control.

Alternatively, goodwill in its psycho-social sense can be translated into Italian as *propensione benevola del cliente* (a client's propensity to be benevolent toward the employer) or *sentimento benevolo del cliente* (a client's feeling of benevolence). The term *volontà* ('will', 'volition', or even 'intention') likewise captures the idea that goodwill behaviour is a considered act of reciprocity and not simply a reflexive response to managerial actions. However, none of these translations fully capture the English meaning so an implication is that a broader synthetic terminology may be required. One possibility is to consider Italian terms such as *fiducia* (trust), *riconoscimento reciproco* (mutual recognition and gain) or *contratto psicologico* (psychological contract). Another option is to follow Commons and translate the French term *esprit de corps* into its closest Italian equivalent, *spirito di fratellanza* ('the spirit of brotherhood' in English). While perhaps an improvement over the benevolence idea, these terms likewise fail to capture the tangible aspects of industrial goodwill, as embodied at Commons' time in the English Quaker villages of Bourneville and New Earswick, where the family business owners for religious/moral reasons made substantial goodwill investments in improved employment conditions (Gospel, 2014).

4. Conclusion

Engaging in comparative analysis, whether in industrial relations or other social science fields, often entails translation problems from one language to another. This holds particularly true in IR, as concepts in this domain are frequently culture and context specific so that conveying their meaning in other languages becomes a complicated task. The notion of 'industrial goodwill', as developed a century ago by American IR pioneer John Commons, well exemplifies these linguistic challenges. One reason, as highlighted above, is that a full and accurate translation of the goodwill construct into a different language than English has to integrate in one word or phrase two separate meanings, one psycho/social and the other legal/economic. We found that the economic meaning of goodwill can be effectively conveyed in Italian by the word *avviamento*, perhaps supplemented by the term *azienda* (*business* in English). Greater difficulties arise, however, in fully capturing in Italian the psychological dimension of goodwill, since commonly used terms, such as *benevolenza*, do not convey the implied conditions of reciprocity and joint determination. These translation problems are not insurmountable but, as we have endeavoured to illustrate with this case study, they require extra awareness on the part of scholars engaged in comparative research.

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Note

Note 1. The study is the outcome of a joint analysis by the two authors. However, for research assessment purposes, Bruce Kaufman is responsible for Parts 1 and 2 and Pietro Manzella for Parts 3 and 4.

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