

SUPSI

EoC and Other Forms of Value-Based Business

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Outline

1	From the mainstream view of human relations to a different idea of market relationships
2	Overview of three different types of value-based business
3	Analogies between EoC businesses and the three types of social enterprise
4	Conclusions

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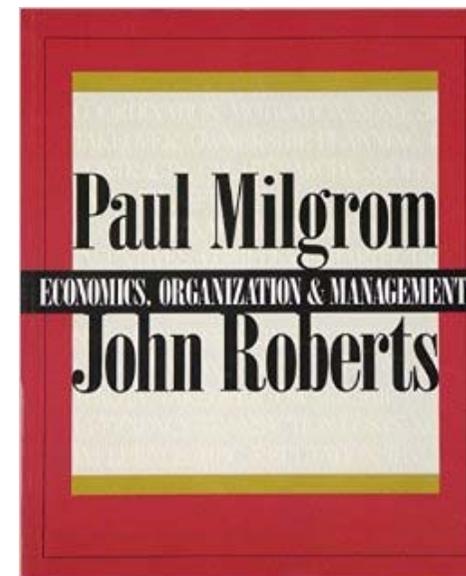
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The mainstream understanding of human relations



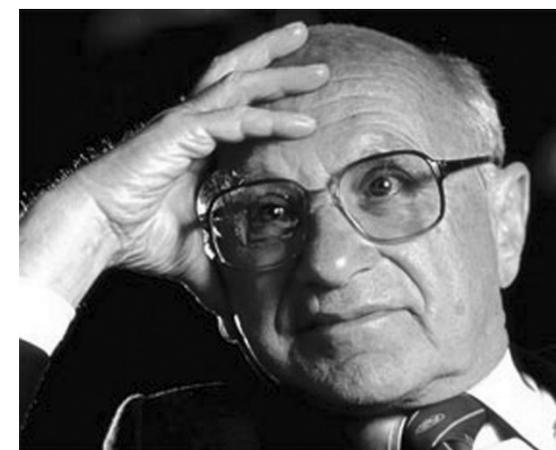
- *“People are fundamentally amoral, ignoring rules, breaking agreements, and employing guile, manipulation, and deception if they see personal gain in doing so”*

[Milgrom & Roberts, 1992]



- *“The Social Responsibility of Business is to Increase its Profits”*

[Milton Friedman in *The New York Times Magazine*, 13 September 1970]

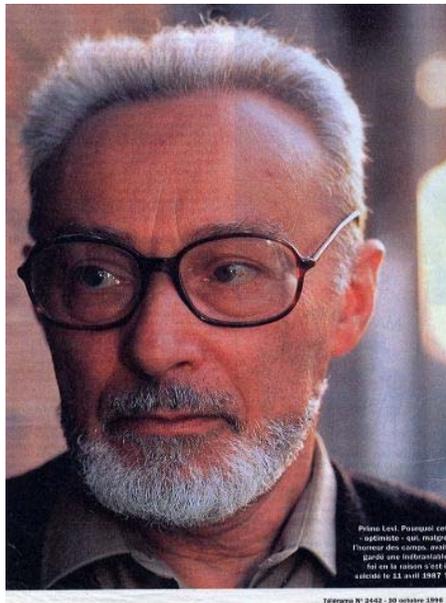


Oliver Hart and Bengt Holmström, winners of the Nobel Prize in Economics 2016



- *“Their economic theory of contracts has become a universal grammar to design human relations, not only in businesses.*
- *The theory assumes that if you pay a human being in an adequate and sophisticated way, you can get almost everything from everybody.*
- *All the other non-monetary and not self-interested kinds of motivation of human beings should not be taken seriously because they are **neither credible nor reliable**” (Bruni, Luigino – EoC website).*

Professionalism: i.e. to do its job properly out of dignity



Primo Levi
(1919-1987)

- *«I have often noticed in Auschwitz one curious phenomenon: the need of the work “well done” that is ingrained in man and drives him to do well even the imposed, slave labor. The Italian bricklayer who saved my life by secretly bringing me food over six months, used to hate the Nazi, their food, their language, their war: but when they made him build walls, he used to build them straight and solid, not because of obedience but because of dignity” (Levi 1997, p. 85). »*

Market interactions from the perspective of civil economy



- Civil Economy is a school of economic thought that goes back to the writings of Antonio Genovesi (Naples, 1713-1769).
- From the point of view of civil economy « *market interactions [are] instances of a wider class of reciprocal relationship in civil society, characterized by joint intentions for mutual assistance* »



Fraternity can emerge ... even in market relationships



- Although in market interactions nobody needs to self-sacrifice, mutually beneficial exchanges can be considered as **genuine social interaction**.
- The social orientation of market relationships is characterized by the eighteenth-century word (used by several Enlightenment writers): «**fraternity**».
- «*Fraternity in market relationships can be best translated into modern terms by using ideas from the theories of 'team reasoning' and 'collective intentionality'*».

Mainstream businesses, civil and social enterprises



Mainstream Businesses

Goal (and essential identity):

To make profits

Constraint:

Maintain one's own legitimacy in the social context, by distributing some benefits to the other stakeholders as well (CSR)

Civil Enterprises

Goal and essential identity:

To produce mutual benefit (without need of anybody to self-sacrifice)

Value-Based Businesses (Social Enterprises)

Goal and essential identity:

To solve social problems through social innovation.

Constraint:

Self-financing (total or partial) of the productive activity



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Locating social enterprises in the whole economy



Three types of social enterprises (or value-based businesses)

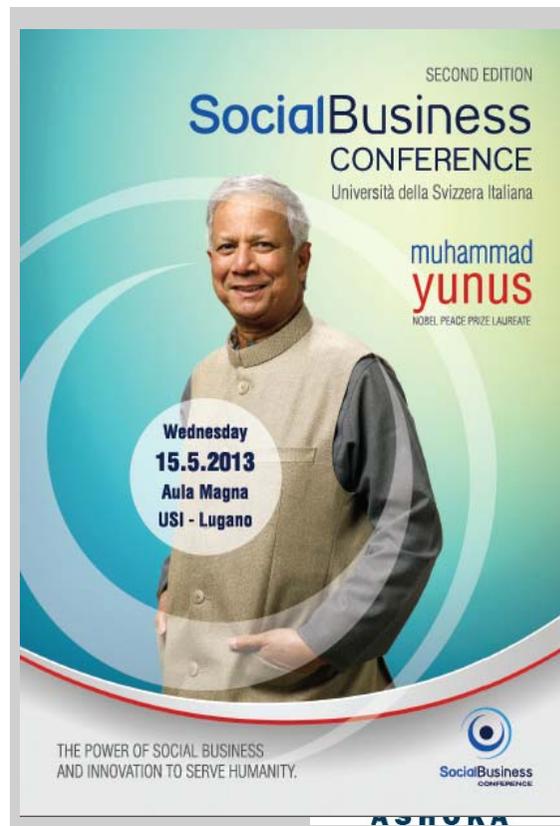
Earned Income School

Branching out of
NPOs in the US

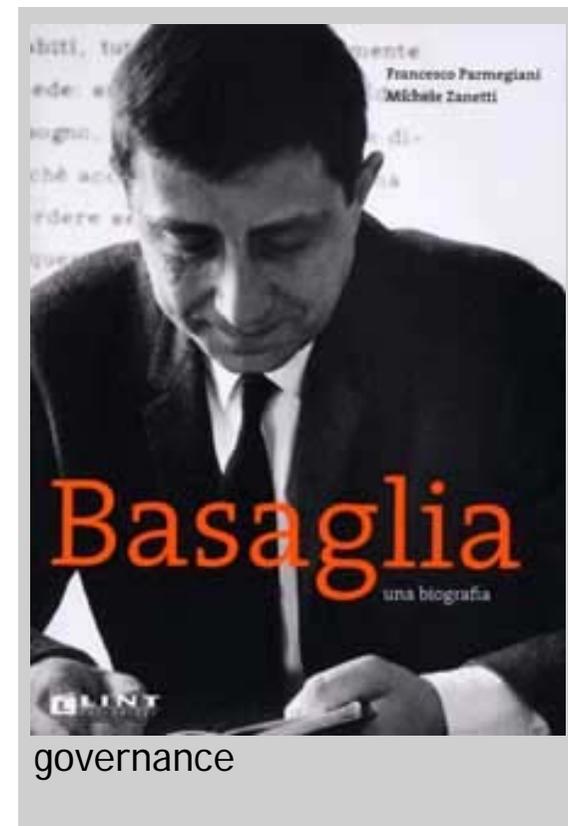
Development of
ancillary commercial
activities to generate
new revenues for the
mission of the NPO.

“Mission-driven”
business approach
considers as SE “any
business that trade
for a social purpose”

Social Business



Work Integration Social Enterprises



Convergence within pluralism



- Attempts by scholars of the different schools to converge on the following aspects. In the US these key elements are:
 - Social impact enlarged to blended value creation
 - Focus on the social innovation dynamic
 - Importance of business methods and earned income for social innovation
 - Any kind of legal forms: for-profit, nonprofit, public body
- In particular in the European perspective following aspects are key:
 - Having the common good as the reason of economic activity fosters a high level of social innovation;
 - Profits are mainly used with a view of achieving the common good
 - Organization and ownership systems reflect democratic governance, participatory principles and should be focused on social justice



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EoC and “earned income school”



- At first glance, the EoC project seems to have at least three points in common with the principles of the “earned income school”.
 1. The rationale (to supplement private donations / the communion of goods).
 2. The indirect contribution to poverty and other social problems (which makes the business activity instrumental).
 3. The (only apparent) separation of the **resources generation process** (assured by EoC enterprises) from the **resources distribution activity** (managed by AMU or the Focolare Movement).

EoC and “Social Business School”



- Elements characterizing Social Business that are also emphasized in the EoC architecture:
 1. Emphasis on the role of EoC-entrepreneurs as driver of innovation



EoC and “Social Business School”



2. Popular ownership participation (including the poor) of the EoC industry parks



3. Attempts to directly solve social problems



EoC and “work-integration social enterprises”



- Similarities with European social enterprises:
 1. The criticism towards the ‘*mainstream*’ economic system and the purpose of creating a different (more inclusive and democratic) economic model: stated differently, the goal of humanizing the entire economic sector.
 2. Governance of communion, which might have some similarities with the multistakeholder governance of social cooperatives.

The peculiar identity of EoC businesses



- In order to grasp the specificity of EoC businesses we must focus on the countless relationships each enterprise entertains with customers, suppliers, workers, etc
- The ultimate goal of EoC enterprises – **a very high and demanding goal** – is promoting “communion” within the economic sphere, that is the highest degree of mutual openness and brotherhood among people.

The peculiarity of EoC



- In their business relationships EoC companies do not limit themselves to acting correctly, but behave in an **other-regarding** way. Indeed, one could say that EoC businesses act as promoters of relationships of reciprocity.
- If the “**affective tone of relationships**” has a value for human persons, this should be true also within the economic sphere.

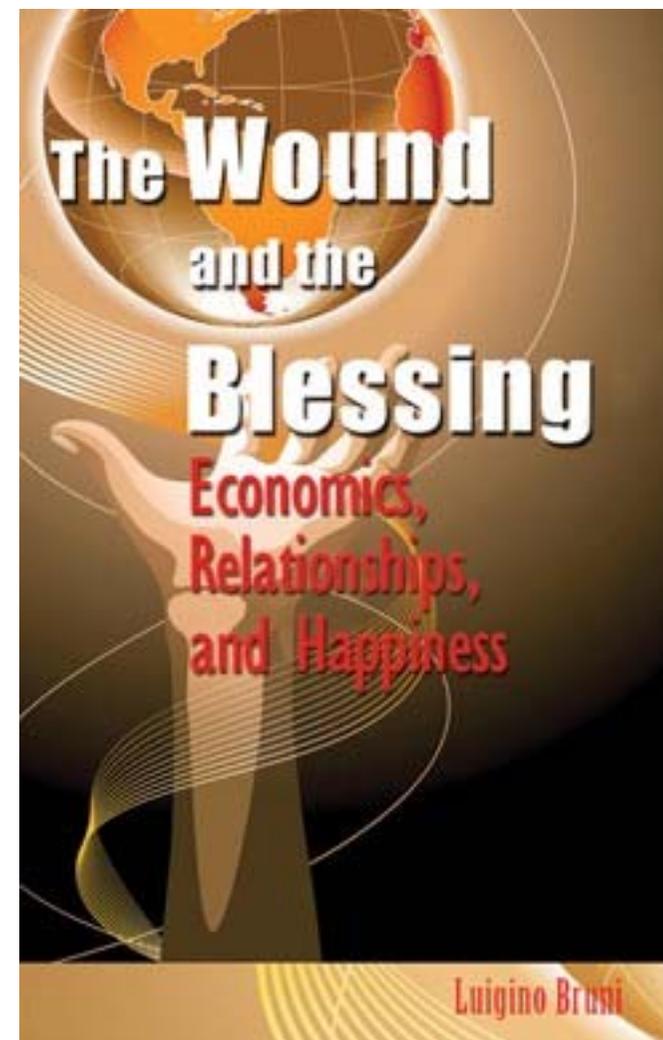


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Wound and blessing

- The EoC's greatness might become also its limitation.
- **“Generating communion”** is an objective which is very difficult to measure throughout performance indicators.
- Need for institutional solutions and lasting accountability mechanisms. Otherwise the EoC could degenerate in ethics of (good) intentions.



Wound and blessing (continued)



- This brings us back to the three social enterprise schools that were mentioned before.
 - A first group of EoC companies has been radically committed to donating a substantial portion of their profits!
 - A second group took a direct role in the fight against various forms of poverty.
 - A third group of EoC companies is trying to implement management tools necessary to achieve fraternity in corporate governance.

Economic Pluralism



- In order to contain in market the economy the supremacy of schools of thought just focusing on the pursuit of profit and to feed real debates on globalization, we need to revitalize **economic pluralism**.
- EoC and social enterprises are together vehicles for ensuring and reinforcing this economic pluralism at different levels:
 - at the level of **economic activity's goals** (mutual interest, public interest and not only private interest)
 - at the level of the **stakeholders' rights** (limits to rights linked to capital ownership, multi-stakeholders' governance ...)
 - at the level of the **types of resources mobilized for production** (market-based resources, public subsidies, donations, volunteering).

