

Expanded abstract

The organizational model of the Economy for the Common Good and its comparison with other approaches to Sustainability

Objective

This paper aims to analyze the Economy of the Common Good (ECG) model as an appropriate model for those companies that seek sustainability and base their behavior on ethics and the human dimension simultaneously. To do so, the authors compare the ECG model with the Shared Value Creation (CVC) approach and with Corporate Social Responsibility (RSC), in order to highlight its main contributions and particularities.

Approach/methodology

Christian Felber (Austrian sociologist and political activist) presented in 2008, a document entitled “New values for the Economy”. In this document, he raises the bases for an alternative economic system to capitalism and communism. To do so, he had the support of a group of Austrian entrepreneurs. Thus, giving birth to the new economic and social model known as the Economy for the Common Good. Moreover, in 2010 he published the book entitled “Economy for the Common Good”.

It is important to realize that the ECG model is being applied in close to 2,000 firms located in 30 countries worldwide, including Europe, North America, and Latin America. In fact, on December 31, 2017, there were already 657 companies throughout Europe (in 12 different countries) that were implementing the EBC organizational model. Another key point is the Opinion of the Economic and Social Committee on the Economy for the Common Good, which recognizes the ECG model as a sustainable economic model geared towards social cohesion.

In order to achieve the research objectives, the authors analyze the theoretical foundations of the CVC and its relationship with Corporate Sustainability (SC), and secondly, we present the ECG’s bases.

Taking into consideration the definition of CVC, firms can create economic value and, simultaneously, create value for society by trying to solve its needs and challenges. Therefore, companies need to go beyond CSR, since these social responsibility policies place CVC as something peripheral to the company’s strategy. This means these policies are used by companies as a way to seek social legitimacy and increase the short-term income statement.

Under those circumstances, SC arises from the relationship RSC and Sustainable Development as an inclusive business approach in which the different firms’ stakeholders are integrat-

ed into its development with the purpose of creating long-term value. This is to create value from an economic, social and environmental point of view. Notwithstanding, both models do not take into consideration the ethical behavior of companies.

By its part, the ECG model bases its principles and values not only on the economic and financial benefits, but on the need to measure social and environmental impacts. These values are 1) human dignity, 2) solidarity and social justice, 3) environmental sustainability, and 4) transparency and co-determination. Thus, these values are related to ethics and humanism, and also to the Sustainable Development Goals. In the light of this, firms working under the ECG framework prioritize social goals over financial and economic goals.

With this in mind, the ECG employs the Common Good Balance Sheet (BBC) as the tool to guide and measure the contribution of the business to the common good in terms of economic, social, and environmental impacts. Thus, the BBC takes a set of indicators as a starting point and works as an integrated report, is that is works as a source of information related to sustainability concerns for both internal and external stakeholders. Moreover, the BBC is addressed to any type of organization such as public administrations, firms, non-profit organizations, and even communities, including MSMEs, as the model counts with a simplified version designed for MSMEs.

Additionally, the BBC employs the Common Good Matrix (MBC) as a strategic matrix by connecting the firm's behavior regarding the general principles and values of human to the stakeholders grouped into five groups: 1) suppliers, 2) owners, equity, and financial services providers, 3) employees, 4) customers and business partners, and 5) social environment, thus resulting in 20 items. Then, each item is assigned with a maximum score of 50 points. Therefore, the maximum score for a company applying the MBC is 1,000 points.

Seeing that, one could assume that both the EBC model and the CVC approach highlight that sustainable companies are those capable of creating economic, social and environmental value. Hence, contrary to works that indicate companies' economic cost when applying CSR, both, CVC and the EBC model, point out that creating social and environmental value can also be beneficial for companies. In this sense, social responsibility actions must be understood, not as a cost, but as a real investment. This is, social and environmental value can lever a positive impact on the financial results of the company in the long term.

Although this may be true, different from the ECG model, the CVC approach does not propose to replace competition with cooperation. To put it differently, the ECG model considers cooperation as a fundamental factor when implementing the strategy while from the CVC point of view, competition remains the key to business success.

By all before pointed, the authors identify the ECG model as the closest to SC. Indeed, SC highlights the importance of ensuring the survival of future generations by means of environment conservation and social and human values' recovery. In this sense, the ECG model is a holistic and integrated model that ensures the contribution to SC.

Results/implications

The first thing to remember is that enterprises are one of the key agents in the operation of the economy. For this reason, they must focus their efforts to social development through social and environmental creation, in addition to the creation of financial and economic value. With this intention, the ECG model, when applied to the business sphere, clearly contributes to the implementation of business models that drive to SC. In like manner, the ECG model can also become a marketing tool. In this sense, it is relevant to analyze the motivating factors of ECG firms when implementing the ECG model.

In order to get a better understanding, the authors propose the MBC and the BBC as tools that facilitate the management and monitoring of firms' behavior in terms of social and environmental concerns. Besides, the ECG model allows its implementation by any type of organization. As a matter of fact, at the end of 2017, close to 650 European enterprises were working under the ECG framework, even though its novel implementation.

Practical conclusions and original value

The ECG model not only provides a tool to measure social and environmental value for firms, but it is also a method to improve the management process, thus driving enterprises towards SC. Certainly, the BBC allows quantifying social and environmental variables, hence including within its operation such diverse approaches as feminist economics, circular economy, sustainable economy, or democratic economy, among others.

Given these points, the ECG model is a holistic business model focused on sustainability. As a result, it is suitable to achieve SC due to 1) the ECG model allows its implementation by any type of organization, 2) it allows quantifying social and environmental variables. In other words, the ECG model is a reliable and valid measurable model. 3) It enables the variables and indicators' adaptation to each organization, thus providing flexibility, and 4) it is a dynamic model since allows continuous improvement measures from a strategic perspective. Henceforth, future research should analyze the evolution and implementation degree achieved by the ECG model within a short time.

Keywords: Economy for the Common Good, Sustainability, Shared Value, Sheet for the Common Good.