

## EXPANDED ABSTRACT

### Evaluating the Economy for the Common Good stakeholders

#### Objectives

The Economy for the Common Good (ECG) proposes that the success of an organization be measured according to how it deals with its stakeholders: suppliers, financiers, workers, customers and the social environment. It does so by assigning a numerical weight to each one. The intention is that public administrations grant better conditions to those organizations that best behave with society as a whole. To be able to take advantage of these conditions, an ECG organization should produce a balance of the common good using the matrix of the common good, whose function is to allow organizations to measure in their contribution to the well-being of society.

The objective of this article is to present three models that permits flexibility in the weight that is initially granted to each of the five stakeholders, and therefore contribute to an ongoing conversation within the ECG community. The models embody three ways to represent the weight of each stakeholder, by analyzing the type of relationship that organization has with each of its stakeholders. In the case of suppliers, the model goes a step further, by estimating the weight of each of the stages that make up the supply chain.

#### Design, Methodology, Approach

In the case of each of the models, a dynamic measurement process is proposed, based on the circumstances of each organization at the time their situation is evaluated, which can be updated in each of the evaluation reviews that are carried out.

The first methodology is based on quantifying the relationship established with each stakeholder based what the relationship costs in money, by measuring what each stakeholder contributes to the relationship in market prices. The other two methodologies are based on quantifying the relationship based on time, in the case of the second model, the working hours dedicated to the relationship, and in the case of the third model, these working hours adjusted to the environmental behavior of the organization.

#### Methodology 1: The magnitude of market prices

To measure the relative importance of each stakeholder for an organization, the market price is used in this methodology. For conventional economics, price in an ideal perfect market, without market failures, shows the level of efficiency in achieving balance of what is offered by producers and what is demanded by consumers (organizations and families). Adding the price that the

organization pays or obtains from each stakeholder provides a global contribution that, according to market prices, is relative to the contribution by its stakeholders. With the price of each stakeholder as a percentage of the total, it will be possible to know, by means of a rule of three, their relative weight over the whole.

Methodology 2: The magnitude of hours of work

Without the work of people (present or past in the development of machinery), there are no products and therefore there is no economic activity. The time dedicated to this work expresses the portion of life dedicated to the relationship, a magnitude that puts the life of each person at the center of that relationship. Each stakeholder has more or less relation with other agents depending on the time contributed to each relationship.

Material and service suppliers- both direct and further down the supply chain- provide time to facilitate the means of production to other organizations. Financial suppliers provide the time required to assess a proposal and grant a loan, or open a deposit. Each of these suppliers contributes to the good sold by the EGC organization the time of their workers in several senses- the time necessary to transform the intermediate goods, plus the time incorporated in the intermediate goods contributed by the suppliers, plus the time that the financial intermediaries have dedicated to manage the financing. In summary, each of the hours dedicated represent contributions of time, contributions of life from / to the different stakeholders. The contribution in time are hours of life that the organization which performs the balance receives and gives to its stakeholders and can be measured in working hours.

Methodology 3: The magnitude of hours of work adjusted to the impact produced in the environment

The environment that surrounds the organization devotes time to the organization and the organization corresponds to the environment to a greater or lesser extent. Conventional, neoclassical economics considers the economy as an isolated subsystem, self-sufficient, and considers that part of its study is environmental economics, where manufacturing, human and natural capital are substitutable, and the only unit of measurement is the price, which also incorporates measuring and paying for environmental externalities. Against this vision, the ecological economy argues that the whole is not the economy but the biosphere, and that the economy is only a subsystem of the social. The economy is within a natural framework that supports and enables its operation, and therefore the unit of measurement has to go beyond the price and provide for the measurement of physical units, within a global framework.

The previous section while studying the hours of work, implicitly recognizes the participation of the other, through the percentage of their life dedicated to the organization, thereby breaking with a self-sufficient individualism which has conveniently forgotten that people need the means to live. Therefore, the centrality of each person's life must take into account, and give due importance, to the

nature that sustains that life. The magnitude of "environmentally adjusted hours of work" corrects the magnitude of "hours of work" by collecting the deviations from the world average of how the economic activity of each organization affects water, land- including energy and materials- and the quality of the air.

### **Results, Research Limitations**

From a rather inflexible ECG matrix in version 4.1, the newer version (version 5.0) has offered an important improvement in flexibility. The three methodologies presented of the article add depth to how that flexibility should be implemented, providing detailed proposals as well as a fresh perspective and underlying foundation.

However, it is not without its limitations. Principally, it is worth considering whether the effort in terms of necessary calculation compensates for the added flexibility it brings to the matrix. Some of the data is easily available, such as the financial transactions of the organization (necessary for the first methodology), while the environmental ratios required for methodology three are also accessible and of increasingly high quality. For the second methodology, what is required is for the ECG organization to work more closely with its suppliers to garnish the information of time inputs.

A second possible shortcoming is that methodologies 2 and 3 suppose some estimations, which could distort the results. However, there is a strong argument for saying that, since in any case the first link of the supply chain can be correctly determined, the result will always be better than for a uniform matrix.

Therefore, it is considered that the added flexibility provided by the different methodologies more than compensates for the efforts required both in the collection of information and in the performance of calculations.

### **Implications, Practical Conclusions and Originality**

The three methodologies presented improve substantially the balance of the common good, allowing the use of different magnitudes and the consideration of different degrees of flexibility to assess the relative weight of different stakeholders.

In addition, the underlying philosophy of these methodologies is relevant not only for the economy of the common good, but also for those whose objective is a more equitable and fair distribution of the wealth generated in current production processes.

**KEYWORDS:** Economy for the Common Good (ECG), stakeholder weighing, working hours, supply chains.