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Business, Faith, and the Economy of Communion

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10. A Person-Centered Theory of the Firm

Learning from the Economy of Communion

Celeste Harvey, College of St. Mary

Abstract

In this essay the Economy of Communion model of business practice is explained by situating it in context with other traditional theories of the firm, the purpose of business, and other socially-concerned entrepreneurship models. Harvey argues that the Economy of Communion model of doing business represents a "Person-Centered Theory of the Firm" drawing on 2 empirical studies of EoC enterprises. She explains the unique features of the EoC model of doing business by first, comparing it to the stakeholder and stockholder approaches, and then by comparing and contrasting it with forms of social entrepreneurship and other models such as B Corps.

Keywords: Economy of Communion, social entrepreneurship, theory the firm, stakeholder, stockholder, person-centered

Introduction

Business is one of the most powerful institutions in the modern world. The majority of us will spend the majority of our life – in terms of shear time and productive energy – in the service of its agendas and aims, with our time and many of our relationships determined by its demands. So the question of the purpose of business is not an idle one. What owners, entrepreneurs, managers, and employees take to be the purpose of business will have an inescapable effect on how those of us engaged with the for-profit business sector spend our lives and our energies. And how we spend our lives, of course, contributes a fair amount to how well our lives are ultimately lived.

There are two dominant theories of the purpose of the firm: stockholder theory and stakeholder theory. This essay outlines a third possibility for thinking about the purpose of business and makes the argument that this alternative – the person-centered theory of the firm – gives us a better way of thinking about business, its purpose, potential, and place in society. This person-centered theory of the firm comes from the business practices of entrepreneurs, owners, and managers associated with the Economy of Communion (EoC). Drawing on the empirical research into the practices of EoC businesses completed by John Gallagher and Jean Buckeye and Lorna Gold, this essay will argue the person-centered theory of the firm offers a significantly different way of thinking about the purpose of business than what we have on offer with the two dominant theories of firm currently taught in most business schools – stakeholder and stockholder theory.

Furthermore, although the EoC shares much in common with other contemporary movements seeking to re-envision business as a force for good in the world – corporate social responsibility, social entrepreneurship and B Corps, for example – the Economy of Communion also differs from these other movements in important ways. What this means is that, despite their similarities, firms associated with the Economy of Communion cannot be totally understood through the lenses of these other popular movements.

There are two parts to this paper. The first part will explicate a person-centered theory of the firm (in contrast to stakeholder or stockholder theories) by drawing on two empirical research studies into the business practices of EoC companies. These studies suggest that what we find in the EoC is a distinctive way of thinking about the purpose of business, and that this way of thinking about business is different enough that it can be considered a rival to the two dominant theories of business, stockholder and stakeholder theory. The second part will compare and contrast the Economy of Communion with other recent movements that have sought to harness the power of business for social good and describe what makes EoC different from some of these other initiatives.

The Purpose of the Firm

There are two theories of business that predominate in business school education. These are theories about the purpose for which business exists and the objectives for which managers ought to aim. The first is commonly known as "stockholder theory" or "shareholder theory." Popularized by the Nobel Prize-winning economist, Milton Friedman, stockholder theory says that the purpose of business is to maximize value for owners, which is to say that the purpose of business is profit maximization. By contrast, stakeholder theory says the purpose of business is to create – or possibly maximize – value for all stakeholders in the business, not only the stockholders. In the broadest conception, a "stakeholder" is anyone whose interests are affected by the success or failure of the firm or who can themselves affect the success of the firm (Freeman: 46). Owners, employees, customers, suppliers, and financiers obviously have a significant stake in the success or failure of the firm. In a lesser, but still quite real way, local communities, competitors, employee's families, federal, state, and local governments, and maybe even the environment can be said to have a stake in the success or failure of the firm.

The debate between advocates of stockholder and stakeholder theories of business is on-going, and it is not necessary to dig into the mire of that debate here, but we might note a few key points. The difference between the two might not be as a great as it appears at first glance. After all, how could a business reasonably expect to increase profitability while ignoring or neglecting the interests of customers or workers or other stakeholders? A large business with a strong market position might ride rough-shod over stakeholder concerns for a while and pursue strategies that maximize profits at their expense, but this is not a viable long-term strategy for success. Small and medium sized businesses will have an even shorter window of success with such a strategy. Some major advocates of the stakeholder approach, emphasizing just these points, have strongly resisted the opposition of stakeholder theory to stockholder theory. Instead they have insisted that the entire basis of profitability in a business rests on stakeholder relationships. For this reasons some major advocates of stakeholder theory insist that the stockholder view "is compatible with stakeholder theory. After all, the only way to maximize value sustainably is to satisfy stakeholder interests" (Freeman et al.: 12). This perspective takes stakeholder theory to be the best strategy for sustainable profitability.

Those who see these two views as more opposed than aligned stress that businesses have obligations to their stakeholders for their own sakes. And these obligations demand more of managers than mere instrumental concern for stakeholder interests, contingent upon their ability to impact profits. This way of reasoning suggests stakeholder theory as something like a moral framework in business that requires managers to consider the interests of stakeholders for their own sakes, and not simply as instrumental to profit (Donaldson and Preston).

For all of the differences between stakeholder and stockholder theory, what they share in common is more important for our purposes here: the two dominant theories of the purpose of business fail to integrate business as an economic activity into a wider theory of life. Neither of these theories touches on or even attempts to answer the question of the purpose of business by situating business in the wider context of a good human life. Both treat business as an instrument for creating profit and neither attempts to answer the question: What is the purpose of the profit that we seek? The stockholder theorist's view is that this profit belongs to stockholders, while the stakeholder theorist believes that the company's profitability must promote the interests of all stakeholders, or at least be pursued with full consideration of the interests of stakeholders. But given that many stakeholder theorists think that stakeholder theory should be followed because it leads to greater success (financially) as a company, it is obvious that profit remains the primary motive, even for most stakeholder theorists (van der Linder and Freeman). Whether the business pursues profitability for the sake of stockholders or stakeholders, simply specifying the beneficiaries leaves the question of the purpose of profit unanswered.

Cut off from a wider vision of the purpose of life, the pursuit of profit as an end-in itself (for whoever that may be) has a tendency to alienate those engaged in the activity from themselves and from others. The problem with making profit for its own sake the ultimate goal is that it locks people in a rat race. It is almost always possible for an endeavor to be more profitable, so if profit is the aim, then no matter how much profit one earns, one might always have more, and thus one's life might be better if one had more. But this is the rat race run on a wheel that never stops. No matter how fast you run, you never reach the end. Cut off from a wider vision of the purpose of profit within a good life, the pursuit of profit as an end-in-itself has a tendency to alienate those engaged in business pursuits. Even if one is successful and enjoys the social respect, prestige, power, and lifestyle that can come with that, in the end, it is not uncommon to wonder, what has been the point of it all? In the Economy of Communion, we find a theory of the purpose of business and the purpose of profits given a place in a wider theory of life.

Origins of the Economy of Communion

The Economy of Communion began in Brazil as a pragmatic response to poverty on the part of the Focolare, an ecumenically-minded but predominantly Catholic faith community (see Gold; Masters and Uelman). A hallmark of Focolare spirituality is unity and solidarity with all people, but particularly the poor, and as members of a like-minded global community, the Focolare in Brazil had long been active with the poor inside and outside their faith community. But in Sao Paulo, where the initiative began, there was a depth of poverty that no amount of charity seemed capable of addressing. Out of this overwhelming need came the inspiration for the Economy of Communion project: operating profit-generating enterprises would expand the limited resources available for sharing. These businesses would be owned and operated by independent entrepreneurs – competent people with business acumen and a certain expertise – who would voluntarily join the association and share the profits of their enterprise to advance a common mission to make sure that the basic needs of all people can be met and that all people have the resources necessary to support a life worthy of the dignity of the human person. EoC entrepreneurs see themselves as creating a new economy founded on these ideals of unity and solidarity, an economy oriented around a culture of giving rather than a culture of having, and one that places the person at the center of the enterprise.

The Person-Centered Theory of the Firm

The founding vision of the Economy of Communion was to use the potential inherent in for-profit enterprise to provide for basic human needs through the sharing out of the profits generated by for-profit enterprise in the market economy. From its founding, the EoC has espoused a three-part vision of the purpose of profits: 1) direct assistance to the poor, 2) re-investment to grow the business, and 3) spreading "the culture of giving" though education about the project (EoC). But this commitment to the idea of a purpose for profits has proved to have far-reaching implications and has transformed the practice of business inside EoC firms. This way of doing business consistently challenges EoC business leaders to put the person at the center of the enterprise because it is the needs of persons which enterprise serves. The business does this by creating goods and providing services that meet genuine needs and improve the quality of life for individuals and communities, giving an outlet to the basic human need to create and have meaningful work in which to invest oneself, and connecting individuals to wider networks of reciprocity and gratuity through the communion made possible by market exchange.

While the business is an economic institution organized for the production and distribution of goods and services with economic value, the EoC shows how – even working within a competitive market economy – the purpose of the firm need not be a narrow economizing one. Understanding the true potential of business requires that we see the firm as a social institution as well as an economic institution and the market within which the firm operates as a meeting place for persons. This vision of the purpose of business offers us a genuine alternative to the dominant theories of business put forward in stakeholder and stockholder theory.

In Lorna Gold's study of EoC companies, she synthesizes her findings from many interviews with EoC business owners around the world. Gold finds that a central way EoC business owners think of their businesses is in terms of creating a "new economy," an economy that embodies genuine relationship between economic actors, one based on the principles of fraternity, gratuity and reciprocity between people (Gold: 88, 103). The business is an economic institution, but it is also a social institution, a place to form relationships with employees, customers, suppliers, and even competitors.

As an example, consider the case of a Brazilian EoC company in the medical supply industry. Cut-throat competition and sharp dealings with competitors are quite common in the medical supply industry in Brazil. The director of this firm relates the following incident: "There was a competitor who tried to attack us on every corner . . . creating a very difficult situation for our business. Then, at a certain point, the law in Brazil changed and it was a very important change" for the industry as a whole. "In order to help this business, we faxed this news to them. The business owner was so struck by our gesture that he not only wanted to re-establish his friendship with us, but he offered to help us in areas that we find difficult. It was through him that we had the idea of getting in a consultancy – the best decision we ever made" (Gold: 145). Thus a formerly aggressive relationship was completely transformed.

What the director of the Brazilian firm demonstrates is a not uncommon experience in EoC businesses. These businesses operate in a competitive context, but the EoC experience has been that relationships are possible even with competitors, and the cultivation of such relationships can have unpredictable domino effects on the firm. In the Brazilian firm, the consultant they brought in at the suggestion of their competitor "was so impressed by how we run our business that he goes out of his way to help us in whatever way he can." In the director's mind the connection is not coincidental: "This all started through responding to the aggression of our competitors with a different attitude" (Gold: 145).

The perspective of the EoC is that the market is more than just a place for economic transactions, the impersonal buying and selling of goods. Though this is how it is often presented, in reality, the market is a *meeting place*, a forum for the development and cultivation of human relationships. In Gallagher and Buckeye's study of EoC companies in the U.S., they point out that "Going beyond a purely transactional view of economic activity, the EoC understood communion or unity to be the true objective of business activity; markets were valuable not for buying and selling alone, but more importantly as places for interpersonal encounter and relationship" (21).

The EoC recognizes that an economy overly pre-occupied with values of efficiency, profit, and unconstrained desire-satisfaction can produce systems, processes, and institutions that are ultimately dehumanizing. In the EoC understanding, "humanizing" the economy is done by consistently privileging relationships over profit-maximization as well as by putting profits in common and using them to address acute social needs and concerns. It also means humanizing the policies and practices of business so that they express respect for the inherent dignity of each person (Gallagher and Buckeye 2014: 14).

This way of thinking about business and the market challenges EoC business leaders to continually put the person at the center of the enterprise. That person might be an employee whose economic welfare depends directly on the business, or that person might be a competitor with whom a relationship involving reciprocity or gratuity seems impossible according to dominant economic norms. In Gold's study, "over half of the businesses said that the EoC had changed the relationship with their competitors. In most cases, the aim was to create an open relationship in which competition did not degenerate into bad feelings" (145).

Consider next the case of Netuitive and the crisis that the business faced in the financial crisis of 2008. Netuitive, Inc. is a software company, providing algorithm-based software to help large organizations monitor their internal electronic systems (e.g. systems for online credit card payments, systems for purchasing plane tickets in a travel business, etc.). Netuitive's software enables IT departments to diagnose and fix problems before the systems fail. Netuitive is a privately held C-corp with 78 percent of Netuitive stock owned by outside investors. The CEO is committed to managing by EoC principles, but not all of the company's investors share the EoC vision. The CEO tells the following story of how the company was affected by the financial crisis of 2008 when orders from large banks – their biggest customers at the time – in his words, "evaporated."

> After trying every possible cost reduction measure such as salary freezes, cuts in bonus, marketing and in travel, etc. . . . we had come to the conclusion that the only way to save the company and to balance our budget was a reduction in force (30% of total). We had been very transparent about the economic situation of the company all along . . . . We involved each manager in defining the decision criteria/selection process on who to make redundant and every decision was truly a group decision. The most important discussion was on how we would treat the personnel made redundant. We [the managers at all levels] unanimously agreed to size severances at the high end of the possible range, way above industry standards, even if it meant reducing the now-more-than-ever-precious cash on hand for the company. We wanted to put the people first. When I presented the plan to the board, it raised some eye-brows; I feel that they allowed us to go ahead with it because they saw how responsible we were being in trying to salvage the company (Gallagher and Buckeye: 170-71).

With this reduction in their workforce and some other changes to their business model, the company survived the financial crisis. Reflecting back on the event, the CEO calls the event a "moment of truth." He describes it as "an opportunity to stick to our corporate values and demonstrate to ourselves and to all employees that we were true to them." According to the CEO, *the way* the process was carried out "turned the existing and former employees of Netuitive into even stronger supporters of the company" and its values. As evidence of this, he points to the fact that employees terminated in that round of lay-offs have gone on to refer new hires to the company in the years since (Gallagher and Buckeye: 172-73). This is hardly something one would expect of a former employee who felt mistreated or taken advantage of.

But of course, there is no guarantee that an unorthodox business decision will pay such positive returns. Consider a different case: Sofia Violins was founded in 1988. With headquarters in Indiana, Sofia "maintains a global group of master violinmakers in a vertically integrated production-sharing structure" (Gold: 112). The company has a foreign subsidiary in Bulgaria and had been associated with another foreign subsidiary as well, but the relationship with the latter was terminated after a series of troubles. The problems began when the local manager of this subsidiary stopped sending financial reports, leaving the parent company in the dark about the financials, while the subsidiary continued to receive thousands of dollars every month for rent, salaries, taxes, and other expenses. For obvious reasons this was unacceptable, and *Sofia* responded by firing the manager. In retaliation, the manager broke into the workshop after hours and stole $45,000 in finished product. According to the owner, "Because of a rather corrupt legal system there was no recourse possible to recover the instruments. We quickly made the decision to exit [country name redacted]" (Gallagher and Buckeye: 163). This would eliminate the risk of any such future incidents. But was it possible to resolve this risk without punishing the other employees and jeopardizing their future livelihoods?

> We attempted to do it in a way that would give our employees the possibility of continuing their work. We gave them all of the company's equipment and years of cured production wood material. We told them that we could be their largest customer. (We called it a "Happy Birthday ESOP.") (Gallagher and Buckeye: 163).

However, it became clear rather quickly that this arrangement was not going to work. The owner describes what happened next: "In response employees immediately began contacting our customers to see if they could get them away from us. In doing so, they blatantly infringed on our trademark. For us, that was the end of any contact with them" (Gallagher and Buckeye: 163). On this rather unhappy note, Sofia ended its relationship with this foreign subsidiary.

Part of what we learn from this story is that putting the person at the center does not give carte blanche to any behavior, as though it required supporting or endorsing a person's behavior no matter what. Just like other businesses, EoC businesses uphold standards for employee performance and failure in one's basic responsibilities is regarded as grounds for termination. And as with all relationships, betrayal can be their undoing.

But this story also highlights what both research teams found in their study of EoC firms: a strong sense of responsibility for the well-being of employees. Given the manager's graft and the lack of legal protection, Sofia concluded that the current form of relationship with their foreign subsidiary was not sustainable. The initial response, gifting machinery and production materials for what might have been the start of a totally independent company, neutralized the future risk from the legal environment beyond Sofia's control, but it also provided a path for the remaining employees to continue to make a livelihood as highly skilled luthiers.

For the EoC, responsibility for employee well-being entails, at a minimum, paying a fair wage, but especially in the Brazilian companies interviewed by Gold, it often means more. Some Brazilian companies reported contributing to the housing expenses and schooling fees of their employees in addition to the standard employee wages. The way this reduces profits for sharing is obvious, but the Brazilian directors reported a sense of obligation to their employees as their nearest neighbors in need (Gold: 110-11).

This matter of balancing the desire to produce profits to share with the demands of other interested parties raises many difficult questions about how the benefits of enterprise should be distributed. Putting the person at the center in those companies operating in countries where the employees are extremely poor poses serious challenges for the owners as they have to make difficult decisions about how to help and who to help. What is clear from the research is that different EoC owners balance competing claims in different ways. Some regard the needs of those nearest them as the most serious and pressing, while for others there is a strong conviction that there are distant others in still greater need of help.

What the researchers found to be widely shared is the conviction that the profits to be shared must be clean and generosity must be exercised pragmatically. The express goal of EoC businesses is to generate profits to share with those in need, but EoC business owners recognize strong limitations on this goal based on both ethical and prudential considerations.

Lorna Gold draws attention to the ethical boundaries placed around the goal of creating profits to share: "Since at its heart the Focolare seeks to create spaces where relationships are founded on love . . . the businesses had to reflect this spirit in everything they did. Profit therefore could not be the result of efficiency savings borne out of exploitation, coercion or corruption – they had to be the result of a new relationship . . . among the people within the businesses" (Gold: 117). So profits cannot be the result of underpaying employees, taking unfair advantage of competitive contexts or other such unethical or illegal means, such as tax evasion. In Gold's surveys 59 percent of respondents "reported a change in their attitude toward legal authorities and in particular toward taxation, through their participation in the EoC (149). As one director put it, the profits to be given had to be "clean" (Gold: 118).

The demands felt by the business owners to do more for their own employees or for distant others through profit sharing are potentially limitless, but the owners and directors also recognized strong pragmatic limits on their generosity. The researchers found a strong and shared sensibility among the North American business owners that to give everything away or to give too much away at any one time would be reckless (and ultimately futile) if doing so endangered the financial stability or future viability of the business or if giving now meant the business would be forced to borrow later (Gallagher and Buckeye: 150). The research revealed a shared language for talking about such limitations, suggesting a commonly-developed and communally-approved pragmatism. As one director put it, "We can't become the needy" (Gallagher and Buckeye: 150). To give in ways that would undercut the viability of the business in the long-run would be self-defeating. Gallagher and Buckeye characterize the general EoC approach as "pragmatic generosity."

A Rival Theory of Business

Some may wonder why EoC businesses cannot be considered profit-maximizing firms who simply have different ideas for how to allocate profits. After all, when all is said and done, EoC businesses are for-profit organizations. They are not charities or non-profits (there are a few exceptions). They are privately held companies which operate within the framework of market exchange. They pay their employees and sell their goods and services at prices which make them competitive and profitable in their particular context. They pay taxes. They actively pursue profitability.

Why then should not these businesses be understood on the stockholder theory of the firm? Primarily because, while they do pursue profit, this is not their ultimate purpose. These businesses see profit as a means to ends beyond profit itself. The business is itself an avenue for living out a spiritual vision of building relationship, or communion between people. Profit is a means for providing for people, eliminating barriers between the haves and the have-nots and participating in a culture of giving. Thus, EoC businesses see the purpose of business within a wider theory of life and are explicit about the wider ends that business serves when it is profitable. It has been said that profit is like food (Dicastery: §56). In the Economy of Communion profit feeds the life of the enterprise-engaged community.

If stakeholder theory is a managerial strategy for maximizing firm value, then obviously the same reasoning applies to, what we might call, strategic stakeholder theory. Might EoC be understood as a kind of stakeholder firm committed to giving due consideration to all stakeholders for their own sakes, and not merely as instrumental to profit-driven ends?

This kind of stakeholder firm comes much closer to the person-centered EoC ideal than does the strategic stakeholder theory or the stockholder theory. This kind of stakeholder firm takes into consideration the well-being of the people affected by and dependent on the business as it pursues its economic activities. It sees the personal dimension of economic activity and does not reduce consideration of persons to mere instruments to an ulterior end. This kind of stakeholder theory knows about justice. But it does not know about reciprocity or gift.

Business can be a social institution that enables its members to live out the dimension of gift in the economic sphere. And the person-centered theory of the firm expresses this. The business is a place to give the gift of oneself and to receive the gift of others. Speaking to EoC entrepreneurs in Rome, Pope Francis commented that "The first gift of the entrepreneur is of his or her own person: your money, although important, is too little." Those involved with the business bring their talents, their resources, their time, and also their needs as gifts. The immediate purpose of the firm is the production of goods and services with economic value, but the deeper purpose of the firm is to live out the spiritual vision that animates and gives meaning and purpose also to the rest of life. It says that business can bring unity between people, and it can be a space for reciprocity, gratuity, and gift.

Speaking about the need for a new model of economic development Vera Araùjo notes that, "There is a need for a kind of person who could be called *homo donator*, who is capable of giving rise to the category of *gift* or sharing within public activities and, in particular, within economic ones" (22). The activities of this kind of person can give rise to a new kind of culture.

> This culture can be called a *culture of giving*. It is not about being generous or benevolent or practicing philanthropy, nor it is about embracing the cause of charity. Rather, it is about learning and living out the dimension of gift, and giving oneself as an integral part of human existence" (22).

The relationships created and maintained to sustain the economic function of the business are also a place to bring to life a culture of giving. Within the Economy of Communion, drawing from the Focolare spirituality, it is not only those with material resources who contribute to the culture of giving. There is no scope or need for giving if others do not contribute their need. On this way of seeing, the need of the poor is also a gift contributed to the culture of giving. In practicing the culture of giving and working to realize communion in and between those involved in the business, the business is itself a space to live out the spirituality which animates and gives meaning to life outside of business as well. The Economy of Communion gives us a vision of the purpose of the firm which is in this way consistent with an ethic of life that goes beyond the firm.

How Does the Economy of Communion Compare to Other Recent Initiatives in the Realm of Business that Advocate for the Creation of Profits with a Purpose?

If EoC firms operate outside of the stakeholder/stockholder paradigms, can they be understood under the lens of other recent initiatives in the world of business? The EoC has definite similarities with corporate social responsibility (CSR), B Corps, and social entrepreneurship. What all of these ventures share in common is a motive to re-think the purpose of business or to use the power of business for higher ends and purposes. While there are a number of important similarities, EoC does not entirely fit the mold given by CSR, B Corps, or social entrepreneurship.

Corporate Social Responsibility

CSR is, today, firmly established in mainstream business culture. CSR has a long history in the business community, especially if one considers the business philanthropy of the nineteenth century and the corporate citizenship model of the early and mid-twentieth century to be the pre-cursors of today's CSR (Carroll). Many firms, both large and small, have corporate social responsibility programs. Corporate philanthropy is a mainstay of such programs, but the concept is a broad one encompassing a panoply of business activities and initiatives. For example, CSR might include coordination of employees engaging in community service events, donations of goods or services to worthy causes, affirmative action in hiring, ethics codes, efforts to ethically source materials and labor, ridding the supply chain of slave and child labor, improved work-place environment and employee benefits, and environmental sustainability, just to name a few. If there is anything that unites CSR initiatives, it might be the attempt by the corporation to go above and beyond the requirements of the law in order to be responsive to issues of broad social concern. As Carroll notes, surveys of CSR issues in the early 1970s identify "minority hiring," "concern for environment," and "hard-core [unemployed] hiring" as among the most prevalent corporate social responsibility activities listed by the firms surveyed (100 percent, 95 percent, and 79 percent respectively) (33). In the twenty-first century, the intense social concern with long-term unemployment that marked the 1970s has diminished, but businesses continue to initiate programs aimed at demonstrating their responsiveness to the social concerns of the day. While environmental sustainability remains a core component of many CSR programs, more recently, many large, publically traded corporations have promised to increase female and minority representation on their corporate boards. Some are being required by law to do so (Green et al.).

Corporate social responsibility is an important way for business to broaden its perspective and recognize the power, significance, and impact that business operations can have, directly and indirectly, on society. One possible way of understanding the Economy of Communion is as an exercise in corporate social responsibility. EoC businesses engage in philanthropy by sharing a significant portion of their profits with the poor in their community and with EoC ventures worldwide. Similar to corporations with strong, thorough-going CSR programs, EoC businesses often place a significant emphasis on creating good work-place environments, and taking care of employees through benefits programs. Furthermore, EoC businesses may make a concerted effort to be good corporate citizens, donating services or encouraging employees to volunteer in the community, and many also exhibit strong environmental concern in their production processes.

However, there are important differences between the business philosophy of EoC and CSR. Corporate social responsibility exists within the dominant paradigm of the purpose of business, and it does not fundamentally challenge that. The CSR paradigm accepts that the purpose of business is profit. It is for this reason that it is not at all uncommon for businesses to feel compelled to justify CSR initiatives on strategic grounds, for example, as good for public relations and therefore good marketing, or important for employee morale and therefore reducing employee turnover. The evidence of whether CSR does benefit the bottom line is decidedly mixed (Kurucz et al.: 84). That this is the paradigm for CSR is evident from the business literature on CSR. According to Keith Davis, CSR "refers to the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm" (312). This conceptualization of CSR defines "socially responsible" actions as those actions not directly related to the profit-generating activities of the firm, thus reinforcing the idea that the socially responsible actions of the firm are extrinsic to the business of the firm. Thus, CSR exists within and accepts that the purpose of business is profit.

Because the directors of EoC businesses see the purpose of business as broader than profit and see the profits of the firm as a means to sustaining authentic human goods made available by the activity of business, while EoC firms may undertake many initiatives traditionally associated with corporate social responsibility (and in the U.S. context, EoC owners may even use the language of corporate social responsibility to describe the firm's activities), these initiatives within an EoC company do not have the same status and are not truly comparable. Because profits are in service to a higher set of ends and values, the generation of those profits cannot be manifestly inconsistent with the higher ends and values those profits are intended to serve. The profits themselves must be "clean." This means that the socially responsible initiatives are not extraneous to the core business functions, but essential to it. For EoC businesses, *the way* profit is generated is as important as *that* profit is generated.

Certified B Corps

The Certified B Corp is a relatively new movement. Certified B Corps are businesses that have applied for and received certification from the non-profit B Lab which seeks to encourage the use of "business as a force for good" by assessing, verifying, and certifying the positive social and environmental impact of for-profit businesses. Every Certified B Corp is given an impact score based on an assessment of its overall social benefit. The total impact score is based on five broad areas of social impact: governance, workers, community, environment, and customers. According to B Lab, the Certified B Corp is a "new kind of business" that is purpose-driven, not merely profit driven, and creates benefit for all stakeholders, not just shareholders. In their statement of purpose, B Lab says this: "By harnessing the power of business, B Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment" (Bcorporation).

A number of well-known firms, long-recognized as leaders of corporate social responsibility, firms such as Patagonia, Ben and Jerry's, and Stonyfield Farm have sought B Corp certification. However, status as a Certified B Corp goes beyond the norms of corporate social responsibility and recognizes only those businesses that use the tool of for-profit business to accomplish a purpose with recognizable social value. The purpose of these firms is not strictly profit maximization. This sets B Corps apart from other kinds of businesses, even those with strong CSR platforms.

Like B Corps, EoC businesses have a clear sense of the value of the goods and services that they provide to their clients and customers, as well as how the work they do contributes to the common good, for example, by tutoring struggling students, crafting high-quality violins, providing environmental evaluations and geological surveys, fashioning durable employee uniforms, or producing non-toxic and sustainably-sourced cleaning products. And like B Corps, EoC businesses operate in the context of a competitive market economy. Maybe most importantly, B Corps and the Eoc share a vision of a wider transformation of the economic system, creating a new economy based on businesses that use the power of profit to sustain other human goods.

An important difference between EoC businesses and Certified B Corps is the EoC view that an important part of this new economy are the relationships created by the business, and the underlying spirituality that motivates the EoC. Certified B Corps are businesses with a goal to improve the world by the products and services they provide as well as *the way* that those goods and services are provided. *But EoC companies aim to be more than a group organized around a product or service.* In her study of EoC businesses, Gold captures this idea well:

> EoC businesses are understood "not simply as a mean to an end, but as an end in itself, as a 'social space'" (Sorgi). Within this social space, the goal of making a profit is paralleled with that of creating an atmosphere of caring among all those who participate and through promoting a more socially and environmentally sustainable world (192).

The EoC idea is that the business itself creates and sustains a new space for relationship. And this is intimately connected and in no way divorced from the underlying spirituality that drove the creation of the EoC. "In the EoC, far from being viewed as a simple means to an end, the business itself became the central focus for living out the spirituality. The directors interviewed regarded their businesses as playing a critical role in transforming modern society into one that is more equitable and just" (Gold: 127-28). In his address to the EoC, Pope Francis captured the EoC approach to living spirituality through business this way:

> With your life you demonstrate that economy and communion become more beautiful when they are beside each other. Certainly the economy is more beautiful, but communion is also more beautiful, because the spiritual communion of hearts is even fuller when it becomes the communion of goods, of talents, of profits.

It is in and through the economic activity of the business that people have an opportunity to live the spirituality that inspires them. And it is not only a one-way street, with spiritual values taming business pursuits, but the activity of the business also enriches the spiritual life. None of this is to say that EoC companies are incompatible with B Corps ideals. There may be EoC companies that would find B Corp Certification valuable, but there is also an added dimension of doing business in a person-centered way that is not captured by the B Corps model.

Social Entrepreneurship

Social entrepreneurship is an increasingly influential way of approaching social change. Especially in the U.S. context, this term is closely related to social enterprise. This is how one dictionary of business terms describes the relationship: "Social entrepreneurship describes the discovery and sustainable exploitation of opportunities to create social and environmental benefits . . . The social entrepreneurship process can in some cases lead to the creation of social enterprises" (Hockerts). On this conception, social enterprises are what social entrepreneurs create.

The term "social entrepreneurship" has taken on a broad and diffuse usage. There are at least three distinct uses of the term. "Social entrepreneurship" is commonly used to describe mission-driven businesses that are intentionally seeking to contribute to the common good through their business. These businesses have a purpose beyond profit, but they use the power of the for-profit model to produce goods and services with real social value in a financially sustainable way. These businesses may take a triple bottom line approach or measure their success in terms of the value of social benefits generated in addition to revenue. The businesses that seek and receive B Corps certification can be seen as paradigm cases of social entrepreneurship in this sense. Call this "social entrepreneurship Type 1."

A second way of using the term moves social entrepreneurship out of the traditional sphere of for-profit enterprise and into what has been the sphere of non-profit and charity work. It is not uncommon to find creative new ways of approaching what has long been known as charity work in the non-profit sector as "social entrepreneurship." These organizations find ways of funding traditional charity work with a for-profit enterprise – the hospital auxiliary thrift is a classic example of this kind of work – or they create new ways to provide the goods and services that have traditionally been provided by charity, but they do this in a financially self-sustaining way – Grameen Danone's mission to supplement the diets of malnourished children with essential nutrients through their yoghurt is a good example of this kind of social entrepreneurship (on Grameen Danone, see Kiviat). In the case of Grameen Danone, the initiative required philanthropic funding to get started, but the goal is to grow to a point where the production can be financially self-sustaining.

Rupert Scofield's *The Social Entrepreneur's Handbook* is good example of this usage of the term. The organizations that Scofield describes are indistinguishable from traditional charities, except that in addition to seeking donations and grants, they may also have a profit-generating subsidiary as another leg of their financial stool, and they may make use of the more rigorous financial tracking methods common in for-profit business to track things like cash flow, personnel performance, and non-monetary metrics of organizational success. In a classic in the scholarship of social entrepreneurship, William Dees calls these organizations "enterprising nonprofits." Call this "social entrepreneurship Type 2."

A third and more restrictive concept of "social entrepreneurship" focuses on innovative approaches to social problems that have the potential to drive wide-scale change. In *Getting Beyond Better*, Sally Osberg, President and CEO of the Skoll Foundation, and her co-author Roger Martin argue that what distinguishes social entrepreneurs from other actors seeking to improve society, such as social service providers and social activists, is that social entrepreneurs have a vision and drive to create wide-scale social change and they take direct action to drive that change. Social entrepreneurs effectively change the existing system or the prevailing conditions which create the problem whereas social service providers tend to work within the existing systems and social activists lobby others for ameliorative measures, but again, within the existing system (Martin and Osberg: 7-10). Call this "social entrepreneurship Type 3."

Pratham is an example of social entrepreneurship recognized by the Skoll Foundation for its pioneering work in literacy education in India. The organization's Teaching at the Right Level (TaRL) approach to literacy helps kids learn to read by targeting literacy interventions on the basis of current literacy levels rather than age or grade level. On Skoll's definition, Pratham is an example of social entrepreneurship because rather than working within the existing framework for helping students learn to read (e.g., tutoring struggling students using traditional literacy methods), or attacking the problem indirectly (e.g., by lobbying the government for more adequate funding and more accountability for teachers), it created a new program to directly remedy the problem of illiteracy in school-aged children (skoll.org).

While many B Corps presumably would not count as social enterprises on this definition, Skoll sees B Lab, the organization behind B Corp Certification, as an important example of social entrepreneurship. Essential to their recognition by Skoll is the fact that B Corp certification has the potential to drive large-scale social change. By offering a rigorous certification process, B Lab has pioneered a path to encourage socially responsible business. When it comes to the environment, government can regulate extractive processes or industrial pollution, providing a baseline beneath which business is not allowed to operate, but law is not an effective mechanism for enforcing ideals, and the competitive nature of markets tends to push competitors toward a lowest common denominator that discourages sustainable business practice. So B Lab has created a mechanism for encouraging environmental standards that neither government regulation nor the market can reliably enforce. By providing public recognition and third-party validation, B Lab has given conscientious consumers a way to vote every day for environmentally conscious business practices, and this has the potential to drive wide-scale change.

Social entrepreneurship obviously has much in common with Economy of Communion. Along with the Economy of Communion, all forms of social entrepreneurship seek to use the power of business and the profits it generates to serve a purpose beyond profit itself. Does Economy of Communion fit into one of the three types of social entrepreneurship?

B Corps are a paradigm case of Type 1 social entrepreneurship. Having already compared EoC businesses to B Corps, the same similarities and differences would apply to Type 1 social entrepreneurship. This means that while there will be substantial similarities, EoC is also different from Type 1 social entrepreneurship in important ways.

The origins of Economy of Communion, with its goal to establish profit-generating businesses so as to meet the needs of the poor, make it similar to Type 2 social entrepreneurship. Type 2 social entrepreneurship typically involves using the power of for-profit business to fund a cause that has traditionally been the provenance of government or charity. The international association of Economy of Communion is in fact a nonprofit organization that orchestrates the distribution of shared profits to projects oriented toward poverty alleviation around the world. Both EoC and Type 2 social entrepreneurship see business as a tool to promote important social ends and objectives that are not currently being met by traditional mechanisms of charity and government funding. Both movements encourage individuals to think creatively about how the free-market enterprise system might be marshaled to meet unmet human need. This connection is clearly rooted in Chiara Lubich's challenge to the Focolare community in Sao Paolo to go beyond philanthropy to meet the needs of the poorest for the long haul and in a sustainable way.

One thing that makes EoC different is that the businesses that were established to fund this objective do not have the typical relationship of Type 2 social enterprises to their parent organizations. Social enterprises are generally profit-generating subsidiaries of the parent non-profit, but EoC businesses are not legally connected to or controlled by the association. EoC businesses are independent entities that voluntarily choose to contribute to the EoC mission. Additionally, and this point was made previously, their purpose goes beyond sharing profits. It is also to realize a new person-centered way of doing business and to humanize the economy.

Given that part of the vision of EoC businesses is to humanize the economy, to "give a new soul" to the economy, EoC might best be understood along the lines of Type 3 social entrepreneurship. While the movement is small in absolute terms, the vision of the movement includes wide-scale transformation of the economy as such. The goal is to transform those aspects of the market economy that contribute to alienation, exploitation, and poverty into a sphere for communion oriented toward meeting the needs of all. As one business owner expressed it,

> What motivates me in the EoC is the possibility of giving a new soul to the economy, a new vision. Not just the distribution of profits, which is one of the important points . . . but above all, this motivation for a new society, for these

> new relationships that are built. I feel that this is the most revolutionary aspect of the EoC (Goldo: 130).

Type 3 social entrepreneurship is about driving wide-scale change to create a new social equilibrium around a pressing social problem, thereby moving to a more optimal and more just situation. While there are certainly obstacles to the adoption of the EoC ideal on a wide scale, there is no question that this has the potential to radically transform our economic reality.

Are EoC companies social enterprises? If so, in what sense? The broader vision of transforming the market economy makes EoC companies most similar to Type 3 social enterprises, and yet EoC companies are not in any sense charities and the paradigm cases of Type 2 and Type 3 social enterprises are what traditionally have been called charities, though they will often have some revenue-generating capacity and hence some degree of financial sustainability. EoC companies, by contrast, are financially self-sustaining organizations that provide goods and services with economic value in a competitive market economy and they do not rely on grant funding or donations to sustain their enterprise, which many Type 2 and Type 3 social enterprises do in order to achieve their mission. This means that on a practical level, EoC businesses are more like Type 1 social enterprises. Of course, the original motivation of many entrepreneurs for joining the association and aligning their business as an EoC company, was to be able to contribute the profits of the business to more effectively address the needs of the poor, and this makes EoC businesses similar to Type 2 social enterprises which are established to provide a funding source for a social cause. So EoC does not exactly fit any of the major models of social entrepreneurship, but it shares characteristics of all of them. Maybe we can call EoC companies Type 6 social enterprises, since 1 + 2 + 3 equals 6!

Social entrepreneurship is a broad and – in many ways – amorphous concept used to describe a number of different kinds of organizations, and the Economy of Communion overlaps in significant ways with the kinds of things commonly labeled "social entrepreneurship." Yet the Economy of Communion puts these elements together in uncommon ways, combining elements from the different types of social entrepreneurship in a way that makes the Economy of Communion a unique kind of movement.

Conclusion

The person-centered theory of the firm operative in Economy of Communion businesses makes a substantial contribution to our understanding of the potential of business as a force for good in the world and to our imagination about the possibility for persons of conscience and good will to be fully invested in the realm of business without bifurcation into a private-self and a business-self. Understanding this alternative to the dominant theories of the purpose of business offered by stockholder theory and stakeholder theory is important because the dominant theories of the purpose of business create a narrative about the way the world is and the way the world inevitably must be that leaves many in business with the decisive impression that if they want to be successful in business, they will have to partition their lives and set their personal values aside when it comes to making business decisions. This plays itself out in business education as well. As Michael Naughton has so memorably expressed this: when it comes to business education at liberal arts colleges, students often come away with the sense that they are receiving two types of education: "one that makes them more human and one that makes them more money" (31). By contrast, by putting the person at the center, the practices and principles of the EoC offer us a vision of business where we can – through the practice of business – become more human. And in and through the way we practice business humanize the economy.

Putting the person at the center of the firm is a way of recognizing that through our creative and productive efforts we meet our own needs as well as the needs of others, we can give the gift of self and receive the gift of others, and that productive enterprise even within a competitive market economy can be more than a transactional space. It can also be a place to build relationships that facilitate reciprocity, gratuity, and gift between persons.

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