

The firm that we want (A new firm in a new economy)

Lorenzo Caselli, Vittorio Coda, Giorgio Donna, Pier Maria Ferrando

The manifesto “La nuova economia che vogliamo e la salvezza della civiltà” [The new economy that we want and the salvation of civilization] - published on “Il Sole 24 Ore” on 20th September 2023 - assumes important and sharable hypotheses and objectives such as overcoming the “*homo economicus*” perspective, the “*shareholder-only*” view of the firm, and the disengagement of values.

For a long time, we, as business scholars, have been developing our research and reflections based on an assumption that people are not mere cogs in a machine but rather thrive in the richness of relationships. In line with this perspective, the *shareholder-only view* of the firm represents an ideological barrier that may obstruct our understanding and resolution of problems; only active listening to knowledge developed in other disciplines and openness to society’s multiple dimensions can provide more meanings and directions to our line of work. Contributions to this topic can be found in various works published on Impresa Progetto (www.impresaprogetto.it) and by ISVI (Istituto per i Valori d’Impresa [Institute for Business Values] - www.isvi.org).

From this perspective, we find it useful to highlight some assumptions that, we believe, should guide the evolution of businesses in their transition to a sustainable and inclusive economic system, that respects not only economic efficiency, but also the principles of social responsibility and ethics: a new firm in a new economy.

1. Overcoming neoliberal reductionism

The ideas of neoliberalism, austerity policies, and practices of the *shareholder-only view* of the firm, which were supposed to ensure an optimum production and distribution of wealth, have instead given rise to an inconsiderate consumption of the planet’s resources, a generation of diseconomies, and a widened gap of inequalities. In light of these evidences, the separation between economic and social dimensions in neoliberal reductionism must give way to an integration and reshaping process in order to pursue the society’s common good as a whole.

Contemporary firms establish their legitimation through an interplay of economic, social, and environmental aspects of their activities, through engaging with other actors in the business environment, and through the societal context itself. In

this regard, their function is to produce goods and services for the market, while also establishing relationships of coexistence both internally and externally. Here lies the foundation of their responsibility, which is simultaneously economic, social, and environmental, and which the corporate governance is called upon to implement. Such a responsibility is a constitutive element for firms as it fosters their sustainability in the medium and long term and their social legitimation.

2. Overcoming the shareholder-only perspective

Theoretical debates have outlined a perspective to overcome the *shareholder-only* perspective by adopting the view of a *stakeholder-oriented* firm, also recently revitalised and relaunched as a *purpose-oriented* firm. In this view, the firm regards a good cause as its core purpose and rationale; it is an overarching goal in relation to the interests of shareholders and stakeholders that guide business choices and behaviours. Through this purpose, the firm articulates its own ethical character as it engages with the environment by enhancing its culture and material, immaterial, and ethical heritage.

With reference to current experiences in Italy, none of the business models established in international contexts have prevailed in the country, including the prevalent *shareholder-only* model in the Anglo-Saxon world, the co-management “Mitbestimmung” characteristic of the Rhineland model, and the “Colbertist” model of French business corporations. Alongside various critical acts such as cynical or speculative behaviours of multinational groups and private equity funds, the exploitation of workers within the gig economy (and beyond), the excessive use of subcontracting, and the widespread tax violation, there are numerous cases of companies and corporate behaviours expressing positive attitudes towards change. A notable example is the large number of medium-sized manufacturing firms – commonly known as the firms of the “fourth capitalism” – often embodying the characteristic of a family-owned entrepreneurship that is attentive to values and capable of targeting long-term projects and objectives. Furthermore, manifestations to overcome the *shareholder-only* perspective include the dissemination of ESG best practices and sustainability reporting, the “Benefit Corporation” model, and the good economic results of firms attentive to investment, innovation, employee well-being, and the quality of their responses to the market requests.

3. Assuming purpose-orientation as the centre of the gravity of change

With respect to the theoretical contributions, the evolution of regulatory frameworks and the exemplary practices of the best Italian companies, the purpose-oriented firm stands out as the frontier of an evolutionary path towards an overall change.

In this perspective, “purpose” is assumed as an overarching goal with respect to the interests of both shareholders and stakeholders. The firm is not an instrument

through which shareholders and stakeholders pursue their own interests, but an autonomous subject of the economic and social systems whose purpose is to provide economically and socially advantageous responses to the needs “of the people and the planet” with proper avoidance of various types of diseconomies (economic, social, environmental). By aligning to these conditions, businesses become socially responsible actors with ethical principles and efficient generators of innovation for the development of an inclusive sustainable economic system.

What should be noted is that this perspective is by no means foreign to the tradition of Italian Business Studies, which conceives the firm as an “institute made to last”, thanks to far-sighted management, and it perceives “doing good business in the interest of all its stakeholders” as the sole purpose of well-governed firms.

4. Addressing problems raised by the purpose-oriented perspective of the firm

Businesses should articulate their purpose orientation, embed it in their corporate cultures, business models, and decision-making processes, and communicate it externally to demonstrate their role in contributing to inclusive sustainable development. This articulation should effectively engage management in pursuing it and policymakers in supporting it.

Particularly, purpose orientation should foster public-private partnerships within policy frameworks that respond to today's and tomorrow's challenges such as climate change, energy and digital transition, inequalities, and migratory phenomena.

Governance systems and the composition of corporate governing bodies should be designed (taking into consideration the specificities of different types of companies) to combine or at least reconcile the interests of shareholders and stakeholders in their pursuit of the purpose.

Management, control, and remuneration systems should also be adopted, along with metrics for measuring results and accountability, to account for companies' ability to create enduring values for shareholders and stakeholders as well as the impact of their activities on the environmental and social dimensions.

5. Rethinking business studies

The perspective of a better and fairer society, in which businesses are full-fledged protagonists, should stimulate us as business scholars to revive the civil function of our research, teaching, and testimonial activities through the activation of a virtuous circularity between moral essence and intellectual progress.

Our task is to explore the potentialities and needs for change that arise in firms and the economic, social, and environmental systems by updating theoretical concepts and models and proposing ideas deemed useful for innovating not only management tools and practices, but also regulatory frameworks and public policies. To this end, it is equally crucial to commit to developing and transmitting such

knowledge to students, practitioners (e.g., entrepreneurs, investors, managers, and employees), policymakers, and the general public, in order to disseminate and promote a more conscious business culture.

In this perspective, business scholars are now called to re-align their perspectives by favouring transversality and openness, pursuing a non-formal understanding and critical knowledge of businesses in their evolutionary projection and in their institutional, social, and cultural frameworks. Bridges should be created between the different fields of Italian Business Studies, between our knowledge and the others', between academia and the external reality, between values and competencies aimed not only at knowing "how to do", but also at knowing "how to be", and between scientific rigour and culture which extends new horizons of knowledge.

Co-signed by:

Silvio Bianchi Martini, Elio Borgonovi, Enrico Cori, Francesca Culasso, Paola Demartini, Renato Fiocca, Marco Frey, Giorgio Invernizzi, Mario Minoja, Marcantonio Ruisi, Gianfranco Rusconi, Luigi Maria Sicca, Silvana Signori, Terry Torre, Alessandro Zattoni.

Submissions and contributions can be sent to Impresa Progetto directly (redazione@impresaprogetto.it) for publication.

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