Research Project

Analysing the Economy for the Common Good Model
Statistical Validations of its Metrics and Impacts in the Business Sphere

Summary (by ECG)

Context and goal of the study

After seven years of the model in operation, with a growing number of firms having produced their Common Good Balance Sheets, for the movement, it is necessary to test empirically whether the model’s implementation at firm level has produced the expected social, environmental and economic impacts. Up to date, there are no studies focused on the firms that operate under the ECG model. Hence, the study’s main goal is to provide a theoretical and empirical foundation from Business Administration approach that fits, both, scholarship and practitioners point of view. This goal is broken into three specific objectives.

1. Grounding the ECG model in the framework of the main Business Administration theories (Stakeholders theory, Shared value model, triple bottom line, ) providing the model with scholar foundations.
2. Performing the statistical validation of the metrics included in the Common Good Matrix (CGM) and the Common Good Balance Sheet (CGBS).
3. Testing the impact of the ECG model at the organizational level - the firms’ ability to create and deliver social, environmental and economic value once they have adopted the ECG model. (p. 4)

Theoretical framework

Traditional corporate reporting does not adequately satisfy the information needs of stakeholders for assessing an organization’s past and future potential performance. As a consequence, practitioners and scholars have developed new non-financial reporting frameworks from a social and environmental perspective. The Economy for the Common Good (ECG) model and its tools to facilitate sustainability management and reporting: the Common Good (CG) matrix and the Common Good Balance Sheet (CGBS) can provide a framework to do it. (5)

According to the study, the CG matrix can be considered as a tool to lever business models based on corporate sustainability. It can be adopted by whatever type of organization: from the public or private sector, for profit or not for profit organizations. In the eyes of the ECG model maximizing profit is not the last purpose of a firm, instead, profit becomes a mean through which firms can create different types of value to contribute to the common good. (6) The study classifies the ECG model “as both, social and entrepreneurial innovation process.”

“The CG matrix and the CGBS complement the information provided by the financial Balance-sheet and the income statement of a firm and help to implement sustainable business models.” (6) The study points out four approaches that help to ground the ECG model within the field of business administration: Stakeholders theory, Shared value approach, Triple bottom line and, corporate sustainability approach (CS). It finds that the ECG model goes beyond all four business approaches as it prioritizes the creation of social and environmental value over the economic one. (63) E. g., unlike the CS approach, the ECG model puts ethical behavior in the core of business management, which turns such approach into somewhat global and integrative. Authors argue that the CG matrix can be considered as a tool to lever business models based on corporate sustainability. (11) But it does not mean turning businesses into unprofitable, it only involves an important shift in the way businesses operate and set up their priorities. (63)
Methodology + Data gathering

The study includes 206 European firms which had produced their CGBS up to December 31, 2017. It applies a triple statistical analysis. Firstly, it analyzes the ECG firms’ profile by means of the descriptive analysis of the variables under study. Secondly, it statistically validates the metrics employed in the ECG Matrix by means of exploratory factor analysis (EFA). Finally, it tested the triple impact (economic, social and environmental) caused by the ECG model on firms’ operation.

### Directory
657 firms applying the model at different levels

### Population
400 firms produced their CGBS up to Dec. 31, 2017

### Sample
206 firms answered the questionnaire

**Size employees:**
- up to 10: 55,83%
- up to 50: 30,58%
- up to 250: 7,77%
- > 240: 5,83%

**Revenues:**
- up to 0.5m: 64,08%
- up to 2m: 16,02%
- up to 10m: 10,68%
- up to 50m: 5,83%
- > 50m: 3,40%

The businesses operating under the ECG principles show a clear pattern of tertiarization (23) More than 30% of them develop professional, scientific and technical activities, one exception is Italy where 42.86% of the companies operate in the accommodation and food service activities (25)

138 of them chose a peer audit whereas 68 of them opted for an external ECG auditor. (30) In contrast, the Spanish ones preferred to verify their CGBS by means of an external ECG auditor, 28 out of 40. As for the scores, 8% achieved between 101-300 common good points (advanced); 68% betwen 301 and 600 points (experienced); and 24% over 600 points (modelic). (16)

Whereas in Austria and Germany the majority of the companies is not sure about producing a new balance sheet (only between 30 and 40% are) in Spain more than 50% of the companies are sure. This could be related to the fact that in Spain “most of the verifications of the CGBS were developed by means of an external ECG auditor. So, maybe, the ECG auditors are serving as effective disseminators of the benefits of the model by means of their follow up.” (30)
Changes favored by the CGBS within the organization

The main changes the companies pointed out were: to be more conscious in regards to sustainability (11.92%), better business reputation and brand image (7.77%), improvement in cooperation strategies among businesses (6.75%), improve co-participation (4.15%), improve transparency (3.63%), conscious purchase policies (3.63%), working with ethical banking (3.63%), commitment with the ECG movement (2.59%), reduction in carbon footprint (2.59%), improving measurement and assessment (2.07%), internal procedures optimization (2.07%), better relations with suppliers (2.07%), better communication with employees and leadership (2.07%), improvement in employees’ commitment (2.07%), better levels of employees’ motivation and satisfaction (2.07%).

54.2% of them state they have noticed some type of social and/or environmental benefits in their operations after having produced their CGBS. (37)

Notwithstanding the above mentioned, most of the firms did not attribute any of the impacts on the ECG process. To test whether such impacts were or not attributable to the production of the CGBS, after checking the statistical reliability and validity of the metrics employed in the CG matrix and the CGBS, we proceeded to estimate the logistic regressions that related the impacts and the scores the business got from theirs CGBS – with the result that there is

![Figure 14. Social and Environmental impacts attributable to the CGBS production, (Weighted averages)](image)

**Note:** being 1 very negative impact, 2 negative impact, 3 no impact, 4 little impact, and 5 major impact

But also their financial situation improves when applying the ECG model. After the firms produced theirs CGBS they stated a stronger position in comparison with the industry’s average in the following items: sales revenue, productivity, customers’ satisfaction, product/service quality, brand image, product/service differentiation and improvement in management processes.
All in all, the study’s results can be summarized that implementing a common good balance sheet generates at least slightly positive impact both on the social and ecological performance of a company as well as on its financial performance.

The study is based on Explanatory Factor Analysis (EFA) and Logistic Regression as it is the first one that tries to validate the CGBS as an adequate tool to capture non-financials and to test its impacts. The research team suggests that future research should confirm these results by means of confirmatory factor analysis along with other regression techniques.

**Links:**

- [Chair Economy for the Common Good](https://www.univ.valencia.es/en/node/12058) at the University of Valencia
- Science Hub ECG ([in German](https://www.ecg.eu))
- [Scientific articles and theses](https://www.ecg.eu/en/premios-ecg) about the ECG