The Human-Centred Business Model

Stakeholder Relationships: Integration Towards HCE

Pillar 6

Rome, 1st April 2019

Angela Sansonetti (Golden For Impact Foundation, The Netherlands)
Maurizio Zollo (Imperial College of London, UK)
Frank Brueck (University of Stellenbosch, South Africa)
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td></td>
</tr>
<tr>
<td>1.1. The Purpose of the Human-Center Business Model</td>
<td>1</td>
</tr>
<tr>
<td>1.2. The Goal of Pillar 6: Stakeholders Relationships</td>
<td>3</td>
</tr>
<tr>
<td>1.3. How stakeholder relationships relate to the 2030 Agenda</td>
<td>6</td>
</tr>
<tr>
<td>2. Theoretical Framework of a Stakeholder Perspective on the HCBM</td>
<td>9</td>
</tr>
<tr>
<td>2.1. Stakeholder Theory Literature Review</td>
<td>9</td>
</tr>
<tr>
<td>2.2. Stakeholder map, enablers and challenges</td>
<td>13</td>
</tr>
<tr>
<td>2.3. From Stakeholder theory to Human Centred Ecosystem</td>
<td>16</td>
</tr>
<tr>
<td>3. Transition to HC Enterprise model</td>
<td>18</td>
</tr>
<tr>
<td>3.1. Human Implications</td>
<td>18</td>
</tr>
<tr>
<td>3.2. Social, environmental and integrity implications</td>
<td>22</td>
</tr>
<tr>
<td>3.3. Governance implications</td>
<td>24</td>
</tr>
<tr>
<td>3.4. Financial implications</td>
<td>26</td>
</tr>
<tr>
<td>3.5. Supply Chain implications</td>
<td>29</td>
</tr>
<tr>
<td>4. Analysis and Design of HCE Ecosystem</td>
<td>31</td>
</tr>
<tr>
<td>4.1. Analysis of Innovation and Sustainability Ecosystem</td>
<td>31</td>
</tr>
<tr>
<td>4.2. Players of HC Ecosystem</td>
<td>36</td>
</tr>
<tr>
<td>4.3. Innovative Social Scales-ups business Models</td>
<td>40</td>
</tr>
<tr>
<td>4.4. HCE Value Chain Design</td>
<td>43</td>
</tr>
</tbody>
</table>
5. Conclusions

6. References

7. Acknowledgments
Introduction

1.1. The Purpose of the Human-Centred Business Model

This research paper is part of a series of background papers developed in the framework of the Human-Centred Business Model (HCBM) project. The HCBM Project, promoted within the Global Forum on Law, Justice and Development (GFLJD) initiative, is currently coordinated by the Organisation for Economic Co-operation and Development – Development Centre (OECD-DEV), with the partnership of several academic and research organisations. The Pillar 6 of the HCBM project, co-led by the Golden for Impact Foundation, focuses on the role of stakeholder relationships and their progressive integration as the firm evolves towards a Human-Centred Enterprise (HCE).

The purpose of the HCBM Project is to build a holistic approach to sustainability conceived around the notion of business ecosystems focused on human needs, and therefore capable of generating sustainable and inclusive economic growth. To this end, the HCBM project proposes a new framework on sustainability focused on a set of environmental, social and ethical principles and guidelines that will be voluntarily adopted by private and public organisations across industries and geographies, supporting the transition towards a more sustainable and inclusive growth.

The HCBM principles cover social, economic and environmental issues including poverty, hunger, health, gender equality, clean water, affordable energy, urbanisation, global warming, environment, social justice and peace, following the Sustainable Development Goals [SDGs], part of the 2030 UN Agenda, and the Paris Agreement. One of the contributions of the project consists in the development of indicators are parameters to measure social-economic and ethical enterprise performance, and to evaluate progress in term of inter-generational and intra-generational equity. The broader objectives of the project include:

- The description and promotion of a novel business eco-system focused on the satisfaction of human values and needs, and the voluntary adoption of ethical, social and environmental sustainability principles
- The development of a set of principles that will be voluntarily adopted worldwide by organisations in the private and public sectors
- The design and introduction of incentive systems supporting the adoption of HCE legal, organisational and financial standards, at the local, national and international level
The construction of a fundamental innovation and experimentation framework, based on the integration of stakeholder interests and needs, to transition towards a Human-Centred Enterprise model.

The design of a pilot program aiming at testing the proposed model in a set of countries, as well as a multi-stakeholders approach to promote and disseminate the model.

An initial plan to develop and diffuse the requires knowledge, competencies and technical and social tools for universal adoption of the HCBM principles and behaviours.

To achieve this set of goals, the Human-Centred Business Model (HCBM) Project is divided into six Pillars, articulated as follows:

- **Guiding Principles**: the “minimum common denominator” of values and guiding principles that all the HCBM enterprises must include in their mission and bylaws;
- **Legal Framework and Governance**: addressing the legal and corporate governance framework coherent with the guiding principles;
- **Financial Mechanisms and Instruments**: looking at the suitable forms of financial instruments that can support the transition of companies towards Human-Centred Enterprises (HCEs);
- **Fiscal Regime**: envisaging a suitable fiscal regime for sustainable businesses (including the HCEs);
- **Corporate and Public Procurement Policies**: addressing mechanisms for sustainable procurement both for the public and private sector;
- **Stakeholders Relationship towards Human-Centred Enterprise** focuses on the paradigm shift from stakeholder relationship building through engagement processes to a stakeholder-centred logic of the enterprise embedded in sustainable business ecosystems.

To summarise, the core output of the HCBM Project is the design of a new form of business ecosystem defined by the aim to address the centrality of humans needs, and characterised by enterprises driven by ethical, social, and environmental principles. To achieve this overarching objective, the HCBM project foresees a second stage of experimentation through pilot projects in selected countries, followed by scaling and diffusion to the rest of the world.

### 1.2. The Role of Stakeholder Relationship in HCEs

The economic systems that are prevalent in the world today are the result of the evolution from the early stages of capitalism, characterised by paucity of financial capital and abundance of human, social and natural resources. These initial conditions justified giving a predominant role in the construction of the enterprise, within its legal and socio-cultural system, to those who
owned the scarcest resource (financial capital) and to erect the production of returns to their investment as the fundamental goal of enterprises. After the second World War, this understanding became even more extreme in what became the dominant ideology assigning to the maximisation of shareholder returns not only the role of a key performance metric, but that of the overarching purpose of the enterprise. This narrative implicitly relegates the satisfaction of human needs and interests to secondary role and outside the definition of the purpose and mission of the business firm. The same narrative has put under increasing scrutiny over the last few decades by two fundamental factors. On the one hand, the multiple and simultaneous occurrence of ethical, financial, social and environmental crises centred or at least involving in a core role, the behaviour of businesses in their pursuit of shareholder value maximisation. On the other, the significant decline of financial capital as a potential source of sustainable competitive advantage for firms (due to the level of efficiency reached by financial markets), and the recognition of the strategic value of human, social and natural capital for the creation and protection of sustainable competitive advantage.

The evolution in the strategic value of the various forms of capital necessary for any organisation to operate, as well as the multiple critical failures attributed to the system assigning dominance to the suppliers of only one (and not the critical one) form of capital, beg a fundamental rethinking of the purpose and goals of the business firm in the direction of giving salience to the interests and needs of the providers of all the forms of capital, including the employees and their families, the customers and final users of the products, the suppliers and business partners, the financial investors, and the local communities that provide the license to operate and contribute the use of natural, social and human capital to all the enterprises located n their geography.

This fundamental rethinking of the purpose and objectives of the firm requires a transition towards sustainable and inclusive models of the enterprise through the evolution of the relationships that the enterprise has with its stakeholders. In this context, this HCBM Pillar 6 on ‘Stakeholder Relationships and integration towards Human-Centred Enterprise’ aims to re-address business towards ethical, social and inclusive principles in the perspective to design a new business ecosystem focused on sustainable and collaborative approaches among the multiple actors involved in global value-chain.

In this new sustainable environment, value creation focuses on collaboration, supply chain resilience, shared resources allocation, and shared risk and benefits with all the stakeholders that invest financial, human, social and/or natural capital for the success of the enterprise.
Therefore, the ecosystem of stakeholders committed to a firm becomes the focus of the purpose of the enterprise through aligned strategies, structures and processes, based on trust, open communication, commitment to continuous improvement, and the intrinsic product value for consumers (As Bonney et al., 2007). To fully exploit mutual benefits along the value chain, in particular, a common strategy among the key stakeholders, and its execution across functions is essential (Gattorna, 2006; Fearne et al., 2008; Zollo, Minoja and Coda, 2018).

On these theoretical premises, Pillar 6 focuses on the analysis of relationships among enterprises, their employees, customers, suppliers, investors and communities, and their role in the creation of economic and non-economic value all of them. The evidence from academic research shows that the firms that invest in the development of these relationships and in the quality of these interdependencies with and among create significantly more economic value than their peers prioritising transactional approaches (Eccles et al, 2014). These interdependencies cannot be described in terms of simple contractual exchanges, but involve social interactions define an ecosystem centred on human values and needs.

Thus, the Human-centred enterprise (HCE) become the nodal element within a network of interrelated stakeholders that create, sustain, and enhance its value-creating capacity. This is true for all four focal areas of the HCBM - environmental, social, and economic sustainability, as well as in the integrity principles. To succeed, the HCE relies on the interplay and cooperation of the relevant stakeholder groups connected to each of these principles. The enterprise, however, always finds itself at the core of the activities.

In a stakeholder perspective, Human Centred Enterprises respect the following HCBM Economic Principles (EP) and Goals (GEP) and Social Sustainability Principles (SSP) and Goals (GSSP):

GEP-1.2. Economic value and impacts generated by the company should benefit the company, its shareholders and its stakeholders

GSSP-1.1. Enterprises shall respect human rights, particularly, the right to human dignity, the right to integrity, the right to equality, the right to privacy, the right to freedom, the right to work, the right to health.

i. Goal GSSP-2.1. Business shall provide wages that guarantee an adequate standard of living for the worker and his/her family (remuneration and appropriate health insurance and retirement plan that ensure dignified life for the worker and the family including health, food, education, housing etc.).
ii. Goal GSSP-3.1. Respect with labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

iii. Goal GSSP-6.1. Freedom of association and Right to Collective Bargaining

iv. Goal GSSP-8.1. The enterprise should provide training to its employees to improve their skills, should encourage lifelong learning and assist career ending resulting from termination of employment or retirement.

v. Goal GSSP-9.1. The enterprise should aim for positive community impact from its operations.

vi. Goal GSSP-9.2. Impact on Quality of Life in the Community.

vii. Goal GSSP-10.1. The enterprise must ensure protection of its customers' health and safety.

viii. Goal GSSP-10.3. The enterprise must protect its customers' privacy and data Optional (Essential PR).

In order to realise HCBM goals for an individual HCE, a complex system of evaluation, negotiation, collaboration and cooperation of stakeholder groups needs to be put in operation. The classes of stakeholders to involve in the achievement of each goal are: internal management, employees, customers, suppliers, and local communities. Important influencers to involve, despite the fact that they are not stakeholders but representatives of their interests, are unions, NGOs, the families of employees, legislators/politicians, industry associations, regulators, media as well as national and international governments institutions. Importantly, stakeholders and influences are relevant in different ways for the identification of issues, for their prioritisation, the search for potential solutions, their experimentation and deployment of the related organisational change and development initiatives, for assessing the impact of the initiatives and feedback to the continuous sensing, adaptation and learning processes necessary to develop and realise the Human-Centred Enterprise.

1.3 How Stakeholder Relationships Relate to the UN 2030 Agenda

The UN 2030 Agenda for Sustainable Development and the Laudato Si, Pope Francis’ Encyclical, define a new vision for people, planet and prosperity ‘to shift the world on to a new
sustainable and resilient path’. The multidimensional nature of sustainable development goals defined within this UN Agenda aim at creating conditions for sustainable and inclusive economic growth, shared prosperity and good work for all, related to the different dimensions of development.

On this framework, the UN 2030 Sustainable Development Agenda focuses on the key-role of an unprecedented variety of stakeholders to commit to its realisation. The scale and ambition of the new Agenda and the thorough engagement and consensus-building process that generated its contents have culminated in strong pressures on all the actors involved to deploy massive behavioural change processes, aimed at achieving the goals by 2030.

Each stakeholder will enact these change processes according to its role in the socio-economic system:

- National and local governments are expected to provide the policy and legal framework that are vital for enabling the Agenda. Their role includes formulating a roadmap, developing a policy and enabling framework, developing and implementing plans, and monitoring impacts and progress against targets.

- International organisations are expected to develop an effective support framework for governments to collect, monitor, analyse, and distribute vast amounts of data and information related to the SDGs. Their role includes offering technical assistance and managing knowledge transfer to local partners to enable the implementation of the SDGs and their global coordination.

- Businesses (both state-owned and private companies) are expected to play a pivotal role in supporting the Agenda (mostly explored in the next section). In addition to their role as corporate citizens (taxes, job creation, investment and funding initiatives), their responsibilities include sharing their resources and capabilities necessary for innovative solutions to SDG challenges, and developing and implementing new and more sustainable business models that will generate the fundamental behavioural changes necessary to achieve most of the SDGs.

- Civil society is expected to play a central role in the behavioral change process for which individual citizens and their collective associations are responsible. In addition, it acts as the watchdog of governmental and private sector initiatives (or lack thereof) during their definition and implementation phases. This role includes stimulating and generating innovative ideas and change proposals to support the delivery efforts of local, regional and global institutions.
Academia and research organisation are expected to play an important role by supporting the enactment of the Agenda. Their role includes developing implementation initiatives through technological and social innovation processes, impact assessment and modelling exercises, and providing general support for behavioural change efforts at the policy, business and community levels. (UNEP report). Moreover, universities and educational institutions are responsible for the development of sustainability-related mindsets in current and future citizens, businesses and representatives of governmental and non-governmental organisations.

The Agenda emphasis the key-role of businesses for achieving Sustainable Development Goals (SDGs), and places a clear and strong endorsement of the role of business private and state-owned companies. This role is not limited to the financing of sustainable development initiatives. Enterprises and in general, business sector are perceived as the real game changer in the enhancement of the quality of the agenda, jointly to be pursued by the public, private and civil sectors contributing with their resources, competencies, relationships and ideas. The business sector, “ranging from micro-enterprises to cooperatives to multinationals”, is expected to play a pivotal role in achieving the Agenda’s goals. The role goes way beyond simple financial support and leveraging business skills to projects that tackle sustainability issues. Companies are expected to be an active source of innovative solutions in tackling sustainable development challenges.

The framework also suggests that business could play a facilitating role in preventive risk management, and in monitoring progress made by the implementation of policy interventions towards resilience. For instance, business is called upon to integrate disaster risk management into business models and practices through disaster-risk-informed investments, especially in micro and small enterprises. The business sector is also encouraged to engage in awareness-raising, employee and customer training, supporting research, innovation, and technological development for disaster risk management, as well as in the sharing and dissemination of knowledge and pre-competitive data to foster collective learning and adaptation.

Additionally, the Action Agenda (Addis Ababa| Action Agenda, AAAA) emphasises the development and dissemination of technology as well as capacity building as principal means in the implementation of the 2030 Agenda. The promotion of both public and private investment in energy infrastructure and clean energy technologies, including carbon capture and storage technologies is considered a priority. This area of the Agenda has even received (the only)
quantification of the global commitment of funding, totalling US100 billion per year by 2020, dedicated to the transition towards renewable energy sources and the creation of the appropriate infrastructure for universal access.

As a final breakthrough in the process of designing a new pathway for development, the UN Conference on Climate Change brought the targets mentioned in Goal 13 of the Agenda to a whole new level. The 196 governmental representatives that gathered in Paris reached a new agreement imposing a mix of binding and voluntary measures on the global community. The agreement aims at holding the increase in the global average temperature to “well below 2-degrees Celsius above pre-industrial levels” and includes a promise to pursue efforts to limit it to 1.5 degrees Celsius. It also sets the deadline for reaching an emissions peak before 2030, and for emissions to decline altogether soon after 2050. To finance the required business and social environment in developing countries, the agreement incorporates the climate financing fund of US100 billion per year agreed on, in principle, in Addis Ababa and to be further developed in a detailed roadmap to be executed by 2020.

Since climate change represents both a policy and a business problem, CoP21 has been a critical event with significant implications for companies in the private and public sector. On the one hand, the business sector is a major utiliser of fossil fuels and is responsible for almost 30% of global greenhouse gas emissions. On the other hand, many industries depend heavily on various natural resources and raw materials that can be affected by changes in climate and soon become unavailable.

Moving away from fossil fuels and taking the path of de-carbonisation requires more than encouraging more significant investments in renewable energies and in developing clean and low emissions technologies. It requires a profound rethinking and redesigning of the environmental impacts of the entire life-cycle of current and future products. It requires engaging the entire value chain in significantly different ways and creating much more inclusive and low impact business models. Finally, it requires a deeply transformed managerial mindset and organisational culture, where these sensitivities become part of the individual and collective consciousness, automatic reflexes, rather than the outcome of deliberate, effortful, decisions and planned action.

2. Theoretical Framework of a Stakeholder Perspective on the HCBM
2.1. Stakeholder Theory Literature Review

In order to discuss the stakeholder perspectives of the Human-Centred Enterprise in a Human-Centred Ecosystem the basics of the stakeholder concept need to be addressed.

Stakeholder theory originates from the observation that the environment in which firms perform are dramatically changing.

Turbulent and dynamic environments require a new conceptual framework able to comprise the multiple inputs that come from internal and external stakeholders that continually enter into a relationship with firms.

These environmental and sustainable shifts include growing consumers demand, corporate responsibility policies, workers’ claims for more participation in decision-making processes, and the emergence of corporations with huge economic powers and high “impacts on human lives comparable to the impacts of political governments.”

Also, internet technologies are reconfiguring traditional activities by replacing some elements of the industrial value chain, and offering the chance to bridge the gap between consumers and suppliers in a new pervasive environment focused on consumer needs and characterised by sharing economy (Sansonetti, 2012).

Thus, stakeholder theory supports this framework explaining the ‘what’ and ‘how’ of this transformation and ‘which’ players conduct this new arena.

Neoclassical theories analyse firms as closed systems, only focused on shareholders interests, stakeholder theories opened the firm up to its societal context.

Stakeholder theory originates as a theory of strategic management.

The first conceptualisation established by Freeman (1984) in "Strategic Management: A Stakeholder Approach"examines stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation objectives”. It includes various actors along internal and external dimensions of the firm, as shareholders, customers, employees, suppliers and governments, competitors, special interest groups, and the media.

Thus, changes in external and internal firm environments require managers to include the satisfaction of various constituents, i.e. stakeholders, “that can affect, or are affected by, the accomplishment of the business enterprise” (Freeman, 1984: 25).

Freeman illustrated his influential notion of stakeholder theory with the so-called "hub-and-spoke" stakeholder model, depicting corporations as the hub of a wheel and stakeholders at the
ends of spokes around the wheel (Steurer et al, 2005). Focusing on the needs of shareholders alone, firms might lose other stakeholder contribution to value creation processes.

After, Freeman defines them as “those groups who are vital to the survival and success of the organisation” (Freeman, 2004) confirming the key-role of stakeholders in the management of companies.

According to this vision, organisations should be examined as cluster of stakeholders, and their purpose should be to manage stakeholders interests and needs (Friedman, 2006) for allowing the long run survival (Fontaine et al., 2006).

The broad definition of stakeholders as potentially including any subject that can affect, or is affected, by the firm has undermined the managerial relevance of stakeholder theory and opened the way to its “normative” views (Donaldson and Preston, 1995), and to several approaches related to the increase of interest and popularity from academics, but also non-governmental organisations (NGOs), regulators, media, business and policymakers.

Broad considerations of stakeholders have included powerless subjects (Argandona, 1998; Reed, 1999) as well as the environment (Starik, 1995). Other scholars have included stakeholders considering their power over firms (Frooman, 1999) and analysed their salience with respect to multiple dimensions, i.e. power, legitimacy, and urgency, to suggest “who and what really counts” (Mitchell, Agle, Wood, 1997). Following this popularity, a profusion of different and overlapping theories induced a confusing situation in this field. In order to make order within the large stakeholders theory literature, Donaldson and Preston in “The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications” (1995) try to systematise the several contributes in three branches:

- Descriptive in which the aim is to understand how managers analyse the Stakeholders and how they represent their interests, hence corporations are a constellation of competitive and cooperative interests;

- Instrumental Approach examines, under an organisation perspective, the connections between the practice of stakeholder management and the achievement of various corporate governance goals;

- Normative is the core of stakeholder theory and focuses on the identification of moral, ethical or philosophical guidelines linked to the activities or the management of corporations. Normative Stakeholder theory contains theories of how managers or stakeholders should act and should view the purpose of organisation, based on some ethical principle (Friedman 2006). It promotes the vision of the company that maximise shareholder value in order to be ethics and sustainable.
Hence, for many authors relationships between the firm and its stakeholders are based on moral and ethical principles, and can be evaluated as the effect of it values and principles. Each company should define fundamental moral principles, and use these principles as a basis for company decision making.

Over the years, stakeholder theory evolved from a simply "theory of the firm" (Jones and Wicks, 1999, p. 208) into a more comprehensive field of research embracing "the overall stakeholder relationship as a multifaceted, multi-objective, complex phenomenon" (Harrison and Freeman, 1999,) from several perspectives (Andriof and Waddock, 2002, Steurer, 2005). The recognition of the conceptual breadth and criticisms to stakeholder theory has offered chances for its re-definition (Phillips, Freeman, Wicks, 2003). Freeman and colleagues have worked to address several misinterpretation and critical distortion seeing stakeholder theory as a socialism-flavoured moral doctrine primarily concerned with the distribution of financial results. This effort has refocused stakeholder theory to its libertarian vision (Freeman and Phillips, 2004) to define a “stakeholder capitalism” different from the “standard” background conditions (and implicit moral content) of greedy individuals and organisations “responsible to others for the effects of their action only in so far as they are caught doing harm”. Rejecting the “separation thesis” among business and ethics, stakeholder theory sets itself as a managerial theory according to which “economic value is created by people who voluntarily come together and cooperate to improve everyone’s circumstance” (Freeman, 2004: 364). Then, profits are considered as the result and not the end of business activities where managers are encouraged to articulate a sense of purpose and define the kind of relationship they need to deliver on their purpose. In the last years the Stakeholder theories are moving towards stakeholder relations management (SRM) , and stakeholder value creation.

Stakeholder relations management focusing on stakeholder issues from the vantage point of Sustainable Development. Steurer refers to SRM as a conceptual perspective of stakeholder theory (Steurer et al., 2005).

Stakeholder value creation issues to how value is generated in cooperative relationships. Researchers studied innovation in multi-stakeholder settings (Rühli et al. 2017), value creation in issue-based stakeholder networks (Schneider and Sachs 2015), collaboration among non-profit stakeholders (Butterfield et al. 2004), interdependencies of public and private interests (Mahoney et al. 2009), cross-sector partnerships (Dentoni et al. 2016; Koschmann et al. 2012), and value creation in public-private ventures (York et al. 2013).
Moreover, scholars addressed to the ethical complexity in a multi-stakeholder background (Reinecke and Ansari 2015a); multi-stakeholder learning dialogues (Payne and Calton 2004); value creation at the intersection of markets and developments (Reinecke and Ansari 2015b); cooperation between Countries, NGOs, and multinationals (Ansari et al. 2013); and multi-stakeholder partnerships in addressing climate change and sustainable development (Pinkse and Kolk 2012).

This growing interest towards the relationships enterprise-stakeholder confirms the relevance of the global environment for designing a new enterprise model focused on humans needs.

2.2. Stakeholder map, enablers and challenges

Stakeholder Mapping is a fundamental key-process to clarify and categorise the multiple stakeholders groups, the level of power they possess, the capability for supporting organisation aims, the engagement policies to involve them. Stakeholder mapping is a collaborative process of analysis. It allows to understand who are the stakeholders for the organisations and which interests they represent.

The term “stakeholder” includes the several players that have permanent relationships with organisation.

This concept has evolved during the last 20 years, and it is used in a much wider perspective and also outside the immediate business context.

A diffuse way to analyse the different kinds of stakeholders is to assess the groups of people who have classifiable relationships with the organisation. Friedman (2006) try to distinguish the several groups of stakeholder:

- Customers
- Employees
- Local communities
- Suppliers and distributors
- Shareholders

In addition other groups and individuals are considered to be stakeholders in the literature of Friedman (2006):

- The media
- The public in general
Business partners.

Managers are treated differently in the literature. Some regard them as stakeholders others embody them in the organisation’s actions and responsibilities.

An ambitious project like the introduction of a HCBM deals with a large set of stakeholders already in the project phase. As described in Pillar 1, multiple stakeholders play an essential role in the transfer of the principles of the HCBM to the Human-Centred Enterprise:

The different stakeholder groups involved in a project of this magnitude can be already recognised by looking at the figure above. A comprehensive set of actors on many different levels are cooperating to create the momentum necessary to provide the principles of the HCBM for the business sector in order to generate the Human-Centred Enterprise. Obviously, each of the players has its stakeholders which makes the picture so complex.
The Penta Helix Model\(^1\) can help take a look at the different groups of actors, the level of their engagement, and the enablers to create the intended effects in the cooperation\(^2\):

**Penta Helix model**

The main stakeholder groups in the HSBM consist of:

**On Macro Level:** International Organisations (e.g. UN, OECD, World Bank), Supra Governmental Organisations (e.g. EU), National Governments

**On Meso Level:** Industry and Interest Group Organisations (e.g. ILO), Territorial and Local communities and government institution, civil society associations and foundations

**On Micro Level:** Enterprises and Social Enterprises, Shareholders, Citizens, Suppliers and distributors, Private partners, Assurance and Finance Sector.

---


Academia and NGOs operate with a focus on all three levels. For the cooperation of the stakeholders of the HCE, it is most relevant to collaborate on all three levels in order to approach the challenges of the establishment of the HCE cooperatively. The strategy includes:

- First, seek proactive engagement by stakeholders to understand how to create economic and non-economic value to them (sensing);
- Second (variation), involve stakeholders in the redefinition of the purpose of the cooperation, centred on stakeholder value creation, as well as the ideation of change initiatives;
- Third (selection), develop a roadmap for transformational change based on the initiatives generated with stakeholders followed by the identification of experiments to adapt the core elements of the cooperation model;
- Four (retention), learn from the results of experiments and identify the change initiatives to scale up;
- Fifth (diffusion), share the insights from the organisational experimentation and adaptation processes initiatives with the members of the ecosystem of stakeholders and originate and nurture systemic level co-evolution.

The feedback loops between the different stakeholder groups are most relevant to enable an adaption of the model wherever necessary based on experiences in the field.

2.3. From Stakeholder Theory to Human Centred Enterprises

In an increasingly competitive ecosystem business theory is experiencing the growing pressure between the escalation of corporate social responsibility needs and the profitability related to company survival.

Within a new economic system based on knowledge rather than capital, this struggle can be overcome by considering stakeholders as a key part of industrial value chain, able to create economic and social value through a collaborative business process. In this framework, the mission of business can be transformed by integrating stakeholders into an expanded productive environment. According to Freeman the core challenge of strategic management is to create a well-balanced equilibrium among the diverse players of business process that contribute to the running of the enterprise.
With Freeman, the “stakeholder model” becomes a diffuse and approved scheme of the contemporary business organisation.

The boundaries of enterprise enlarge to include not only inter- and intra-organisational processes, but also the multiple relationships with internal and external stakeholders.

This opened and collaborative enterprise as the nodal element within a network of interrelated stakeholders that create, sustain, and enhance its value-creating capacity. Thus, long-term survival and success of a firm is determined by its ability to establish and maintain relationships within its entire network of stakeholders.

The mission of business can be transformed by integrating stakeholders into an expanded productive environment.

As Leana and Rousseau have observed, it is relationships rather than transactions that are the ultimate sources of organisational wealth.

The relationship with the several classes of stakeholder determines a strong changing in business process: whereas the main focus of classical value chain is the internal industrial process, the sustainable value chain extends the line of sight to include input suppliers and service providers and their contribution to the creation of value. The business evolves toward open environments characterised by a numbered of new actors that all together cooperate to the long period survival of enterprise: the competition between enterprises becomes cooptetition among partners. The Penta Helix model of economic and social development explains this new ecosystem in which players come together from various sectors of society to share common goals using specialised skills and resources to address a range of societal challenges.

This model moves for social innovation developing a new innovation and sustainable culture focused creative synergies and closed collaboration among several players involved in the global value chain.

The academies foster and enable the dissemination and implementation of innovation and entrepreneurship. A government plays a significant role in the promotion and support of an innovation system through public investments in research and development and knowledge infrastructures, public innovation policy, and support for innovation network and public-private partnerships. Industries support the academe through research funding and product development and commercialisation. In return, academe enriches industries with new technology and research. NGOs and civil society engage in social and economic development through active participation in regional development programs.
The convergence of each component of the Penta helix framework into a common ground of goals, values, behaviours, and outcomes is a progressive process, where each player develops a new purpose in the interaction with the other components of the ecosystem.

3. The Transition to the Human-Centred Enterprise (HCE) Model

For a long time, the business sector was mostly looked at in a purely financial capacity in the context of global sustainability developments. This role has changed substantially, and businesses are now increasingly perceived as game changers in the enhancement of the quality of the 2030 agenda - to be pursued by public, private and civil sectors contributing with their resources, competencies, relationships, and ideas. The HCBM represents an important next step: now the actual business practices and the way how businesses sector organises itself are at the core of the attention to improve the “rules of the game” in a lasting way. Of course, these activities are embedded in a complex system with relevant stakeholders on different levels who have to collaborate in a concerted interactive way so that the goal of a Human-centred Enterprise can be realised.

For example, including stakeholders in internal processes and governance systems will go a long way towards realising the establishment of HCE, since the change and innovation processes related to new business models will be enabled and enhanced by stakeholder support. These types of change efforts are likely to create supportive internal and external operating environments, where cooperation and partnerships are based on the quality of the relationships and capabilities of stakeholders. In this chapter, a closer look is taken on how the principles of the HCE integrates with the contexts of the other pillar of the overall project.

3.1 Human Implications

A Human-Centred Business Model has the requirement to not only keep human beings out of harm’s way that could befall them through business activities but also to focus on the generation of value for the humans it wants to take care of. No doubt protection needs to come first. Although there is clear evidence that sustainable forms of business practice are not lagging behind traditional shareholder value fixated business styles in terms of performance – as a matter of
fact, it is shown that companies focusing on social, environmental, economic sustainable business practices even outperform other firms\(^3\) - it is unfortunately still necessary to address minimal human rights in business activities.

By including into the HCBM the principles of the Declaration of Human Rights, as well as multiple normative and regulatory instruments by United Nation Organisations (e.g. by UNGC, UNEP, DESA, etc), OECD, ISO, the International Labour Organisation, the World Bank, the European Union and other national and international institutions, the protection of the work force is well addressed in a broad spectrum. The UNGC Principles\(^4\) for instance highlight the elimination of all forms of forced and compulsory labour, the abolition of child labour, and the discrimination in respect of employment and occupation. Another example is the MNE Declaration of the ILO\(^5\) calling for equality, inclusion and responsible practices at the workplace. Most national governments have included such principles in their labour laws as well.

However, as examples in recent years (from environmental disasters like poisoned rivers to social failure like still prevailing child labour in certain supply chains) show, there is still an issue of compliance and execution of regulations in the business world. This is why the introduction of a HCBM is essential, because it pulls in companies as the guardians of their business practices. This is a necessary step that can bring change for the protection of humans in business since only the corporations themselves can provide effective micro-solutions in day-to-day business life. Like the context of the SDGs in which the UN (SDG Division of DESA) challenged business to innovate for the benefit of the implementation of the goals\(^6\), the momentum has to come from within.

While the protection principles for internal human stakeholders get substantial attention, the development human value for these stakeholders beyond protection, that allows for the realisation of the highest human potential in work but also in terms of well-being, education and self-

---


\(^4\) https://www.unglobalcompact.org/what-is-gc/mission/principles


\(^6\) SDG Compass (https://www.unglobalcompact.org/docs/issues_doc/development/SDGCompass.pdf)
actualisation in a flourishing ecosystem and a healthy environment, were not so well pronounced so far. This is why they represent an important part of the HCBM and also include external human business stakeholders. These principles circle around:

- Training, lifelong learning and skills development
- Leisure and paid leave
- Positive community impact principles
- Equality and inclusion
- Customer protection
- Ethical and moral principles
- Corruption principles
- as well as the Environmental HCBM sustainability principles.

For human internal and external stakeholders, it will be essential to move from the Do-No-Harm (although this is already a major step) to a Do-Good approach of social responsibility\(^7\) and the principles of the HCBM can play an important role here.

Attention on the development of value for the internal stakeholders is particularly important since employees own the human capital and social capital (capabilities and relationships) of the firm. It is their own decision how much of this capital they want to invest in the firm’s success depends on:

- Rewards and purely extrinsic incentives
- Recognitions, reputational gains, well-being
- Intrinsic motives: aligned value systems and cultural traits, personal development goals.

In the transitions process, employees hold the keys to success in transformational change processes. Stakeholder-oriented behaviour will have to be embedded in the organisational culture (norms/routines). This will only work, if all motivational mechanisms are aligned in the same direction. The diffusion of stakeholder-orientated mindsets requires very specific and typically non-conventional forms of education, since they need to stimulate and facilitate the evolution

of cultural norm and value systems. Such capacity/capability building programs will have to be based on the HCBM principles and support the internalisation of these principles. Working on individual mindsets is crucial since the changes needed in the transition to the HCE have to be executed by individuals in organisations. Important factors of such development programs are:

- Innovation of the business model (according to HCBM principles);
- Reflection on experiences and the insights that can be gained from it;
- Relationship development with stakeholders and with that a change of perspectives on the own position;
- Development of change processes;
- Innovation of products and processes in accordance with the HCBM.

The individual changes in mindsets will have to be reflected in a corporate culture that supports the HCBM principles. The cultural change represents a parallel development to the adaption of individual mindsets. Only if both change processes work hand-in-hand lasting change towards sustainability and impact can be expected. Changed mindsets in an otherwise unchanged organisational culture will lead to frustration and limit the willing for cooperation. The same is, of course, true in the other direction: attempts to change the culture towards sustainability without adaption of individual mindsets are bound to fail.

The successful integration of sustainable mindsets of the stakeholders involved will change the collective vision on the purpose of the HCE and will positively impact the quality of life for actors in the enterprises, the quality of the environment connected to its activities, and the well-being of the society around it.

3.2. Social, environmental and integrity implications

In order to arrive at the intended positive effects form the introduction of the HCBM, it is essential to find the right ways to achieve an integration with the following aspects:

- The integration of social, environmental and integrity principles in actions.
- The integration of activities involving internal and external stakeholders.

The past has seen excellent ideas on how to tackle specific sustainability challenges often resulting in excellent sustainability initiatives. However, in many cases, companies treated social, ecological and economic sustainability targets as separate from each other. Companies who
excel in one of the three are not necessarily supportive enough of the other two. It is for instance not good enough to develop excellently sustainable products and then to use bribery to enter a new market or to evade paying taxes to support the communities the company acts in. Interestingly enough the same is true for particular sets of principles developed by international organisations which support some but not other important principles. While the UNGC principles\(^8\), for instance, support several important social sustainability principles in the labour context, positive community impacts are not among the highlighted goals. For a comprehensive HCBM, however, this aspect is of significant importance.

This indicates the need for an integration of different sets of sustainability principles as a prerequisite of the HCBM on the one hand, but it also calls for the development of guidelines and pathways highlighting how to potentially integrate certain principles. It will for instance be essential to combine *Ethical and Moral Principles* which can be found in basically all sets of sustainability principles, with the definition of *Healthy and Safe Work Environment Principles* to avoid the all too common practice of changing the production safety standards within the same multi-national company in different countries, always looking for the lowest possible standard, instead of keep up a company standard that strives to achieve the best possible way to produce no matter in what national legal and cultural context. Similar examples can be provided concerning environmental and social principles, where high investment costs for *Environmental Compliance* is used to reduce the offer of *Training and Lifelong Learning and Skill Development* opportunities. Trade-offs of that kind have to be avoided for instance by providing additional training to the workforce to enable the employees to actively contribute to the minimalisation of toxic waste and with that to reduce the costs for proper disposal of hazardous waste.

Another vital integration task concerns a company’s internal and external stakeholders.

Different principles focus on different stakeholder groups:

**PRINCIPLES ORIENTED TOWARDS INTERNAL STAKEHOLDERS**
- Adequate wages and dignified family living
- Healthy and safe work environment, leisure and paid leave
- Employee collective rights
- Environmental responsible business principles

---

\(^8\) [https://www.unglobalcompact.org/what-is-gc/mission/principles](https://www.unglobalcompact.org/what-is-gc/mission/principles)
Minimisation of waste and emissions into air and water
Environmental precautionary principle.

PRINCIPLES ORIENTED TOWARDS EXTERNAL STAKEHOLDERS

- Customer protection
- Positive community impact
- Environmental compliance principles
- Environmental liability
- Corruption and bribery
- No tax evasion and money laundering
- Anticompetitive behaviour.

It will be important to pair the actions towards external and internal stakeholders in a way that mutual benefit can be generated. Ultimately, an HCE needs to focus on sustainability-driven transformational change activities that create value for multiple stakeholders and that can be assessed towards multi-dimensional performance metrics (economic, social, and ecological impacts).

3.3. Governance implications

The governance of HCE is of utmost importance since the implementation of a HCBM requires solid structures enabling and reflecting the ambitions of the organisation. The first aspect in this context concerns the legal aspects of governance. Not all (national and international) legal frameworks support HCEs adequately designed to carry out business by balancing economic performance and the social as well as environmental goals of the organisation. The ways how companies can organise their governance in order not to violate exiting law differ from country to country. Sometimes a solution requires a certain amount of flexibility and creativity to achieve this goal. An excellent example of this is the B-Corp Certification System\(^9\) in the USA.

---

Beyond the legal requirements, it is, of course, most important how the governance of a company reflects its purpose, its stakeholder relations, and its economic and social/environmental strategy. An HCE will need to define what value means for its different internal and external stakeholders and how it is going to address the issue of value creation for these stakeholders. Ultimately, this means to define the purpose of the organisation\textsuperscript{10}. For an HCE this would usually involve the following:

- The definition of value creation for a broader set of stakeholders, rather than only one or a few.
- A broader definition of purpose, beyond only economic value, and inclusive of common goods like:
  - Quality of the natural environment
  - Equal access to growth opportunities for community members
  - Well-being, trust, care diffused among internal and external stakeholders.

This way the company will also arrive at a set of values and norms which represent the building blocks of the organisational culture of the HCE. The establishment of the relationship with the stakeholders in terms of rules and norms defining the rights and responsibilities of each stakeholder group will determine the way these groups can engage themselves and invest in the flourishing of the firm by means of different forms of material and immaterial capital (financial, human, social, environmental, cultural). The HCE will have to make strategic decisions to set the modes and scope of engagement with the stakeholders. The roles of different stakeholders will vary greatly and can reach from simple providers of information to participation in the governance of the company.

In the process of the transition towards an HCE increased stakeholder involvement would usually involve giving a voice to a broader set of stakeholder categories in top-level decisions. This could be organised by installing:

- Independent directors or special committees
- Structured representation of stakeholder interests within the organisation
- Direct stakeholders in the board of directors.

The involvement of stakeholders in the activities of the HCE would bear material or immaterial returns for the respective stakeholder group. An essential factor in the transition to increased involvement of stakeholders.

stakeholder engagement would, of course, be the establishment of action systems dedicated to functional, support, transactional or relational processes. Whether or not this transformational change can be successful and being fully embraced in all parts of the organisation also depends on the organisational capabilities\textsuperscript{11} to innovate, build/renew relationships, adapt processes, and learn from experience. A lack of these capabilities will result in a shallow compliance mode rather than in an HCE that is ruled by the HCBM.

In dealing with issues like sustainability, Public Private Partnerships (PPPs) and Multi-Stakeholder Partnerships play an increasingly important role. Originally PPPs were introduced in the context of large infrastructure projects; nowadays however this form of governance cooperation plays an increasingly important role in addressing global challenges. UNEP, for instance, engaged the business sector\textsuperscript{12} before Rio+20 in direct cooperation with companies and industry groups on regulations to stimulate sustainable behaviours, and in indirect cooperation with intermediary organisations trying to catalyse, support and steer towards sustainable targets. The Global Partnership for Sustainable Development is a more recent example in the context of the 2030 agenda.\textsuperscript{13} The significant advantage is the inclusion of a larger number of stakeholders to achieve challenging goals in complex systems; this however leads to the general problem of the performance evaluation of PPPs. Examples where PPPs produced extensive time and cost overruns in projects are manifold. Evaluation tools may sometimes have to be developed alongside the establishment of a specific PPP to support a better understanding of their performance. Attempts to evaluate the early stages of PPPs (i.e., initiation, planning, and procurement) were already developed and empirically tested.\textsuperscript{14} This way PPPs may also have their place in the context of the introduction of the HSBM.

### 3.4. Financial Implications

\textsuperscript{12} Kenneth W. Abbott, Engaging the public and the private in global sustainability governance, International Affairs, Volume 88, Issue 3, May 2012, Pages 543–564
\textsuperscript{13} http://www.internationaldisabilityalliance.org/content/global-partnership-sustainable-development
Long-term growth and sustainable development cannot be promoted without sustainable finance able to encourage the shift of capital flows towards sustainable investments fostering low-impact industries, and preserving the future generations’ needs.

In this changing arena, characterised by turbo and dynamic economies more focused on humans needs and collaborative and sustainable approaches, financial system plays a pivotal role to drive economic growth towards values of sustainability.

Therefore sustainable finance plays a key role to support the shift from traditional economies based on high-impact and high-carbon industries to open and sustainable ecosystem more oriented to durable growth and citizens interests. Sustainable finance empowers Environmental, Social and Governance (ESG) factors in the decision-making process of investments such as climate change mitigation, inequality eradication, reducing greenhouse gas emissions, energy efficiency, and social inclusion. ESG founds on benchmarks able to capture sustainability goals, and it contributes to long-term competitiveness and durable growth.

This green-revolution requires to promote sustainable industries, designed paying particular attention to low environmental impact processes based on resources preservation, re-use, recycle, and renewable energies.

To provide needful funding for Sustainable Responsible and Impact investing (SRI), each actor of financial value chain should be involved in this sustainable transformation, from institutional and professional Investors to financial intermediaries, accounting companies, rating agencies and in general, business.

Ergo, the financial system should be focused on sustainability, to ensure the stability of the global economy, and to transform society and the world’s economy to green basis.

To promote this new paradigm, international institutions have implemented an adequate legal framework for re-addressing financial investment towards a more sustainable economy.

Already in 2006, the United Nations (UN) launched the Principles for Responsible Investment (PRI) that works to include a voluntary set of environmental, social and governance (ESG) issues into investment practice. Since then, the number of signatories has grown from 100 to more than 1,800 institutions around the world with more of 87,1 Trillions of AUM (Asset Under Management) invested in ESG goals during 2018.

Currently, a large number of investors are including ESG strategies, in their portfolios: in 2018 the 21% of the whole pension funds and insurance companies developed impact-investing strategies.
Moreover, the UN 2030 Agenda for Sustainable Development and the Paris Agreement on climate change later, define the principles to guide the transition towards a sustainable, inclusive and resilient society and prosperous eco-system.

The 17 Sustainable Development Goals (SDGs) of UN 2030 Agenda will determine the next decades' growth to ensure the prosperity of future generations and economies. In order to re-orienting financial system towards more sustainable investments, the UN has defined the following four key steps to foster financing for SDGs:

- **Provide leadership by definition of guiding principles, and coordinating international policy coherence**
- **Mobilise investments by increasing financial resources towards investment in SDGs**
- **Channel investment by supporting investment into SDG sectors**
- **Maximise investment impact by increasing sustainable development benefits**.

The 2015 Paris Agreement, signed by 195 countries represents the first universal understanding of climate change that limits global warming below 2°C. This deal confirms the key role of finance to achieve environmental and societal policy goals.

On the same direction, in 2018 the European Commission adopted the Action Plan on Sustainable Finance centred on Transforming Europe’s economy into a greener and circular economy by:

- **Re-orient capital flows towards sustainable investments**
- **Manage financial risks coming from wrong use of environmental and natural resources**,
- **Encourage transparency in financial activities**
- **Promote the creation of a low-carbon, climate resilient and circular economy**.

Despite this set of political and legislative initiatives, the current levels of investments are not sufficient to support this shift. To achieve these primary goals, governments should provide incentive institutional and professional investors to increase ESG investment, with particular attention on social infrastructures, green bonds, and green business. In particular, as stated by OECD, sustainable infrastructure investment represents a key factor in this transition, considering that infrastructure contributes to about 60% of greenhouse gas emissions.

This transition is a historical process that will take decades and involve every aspect of the economy, including the finance sector. The transition will be a core element of this socio-economic and financial transformation.

Thus, to change the financial system, there is need of an integrated and holistic approach to sustainable development that involves financial and political institutions intending to sustain
world evolution towards a dynamic equilibrium, aligned with the planet’s ecological processes of development. Governments to encourage sustainable investment and planet durable growth should integrate policies and actions to stimulate sustainable finance with an equal set of rules and behaviours that produce an impact on businesses and the real economy.

3.5. Supply Chain implications

Procurement will be a central business function of each HCE. Among the reasons for great importance for the sustainability performance of a company’s supply or value chain are the facts that:

- The social and environmental impact generated by the supply chain in many cases outweighs the one by the company’s operations.
- Supply chains often expand across country borders and hence involve different value systems and legal frameworks.
- Risk management in the supply chains is often much more difficult than in a company’s other operations, particularly when sub-suppliers are taken into account.
- Supply chains often reflect a difference in power structures causing dependencies on either side and with that affecting the way transactions and business practices can be controlled.
- Increased demands by customers for sustainable products and services.

---


It can also be found that the minimum environmental and social standards for global as well as local suppliers in multinational supply chains have increased substantially\textsuperscript{20}. However, there are conflicts of several stakeholder groups involved in the regulatory and organisational levels. Studies in the automotive industry point out, that intensified international collaboration – for instance in the context of environmental and safety aspects can help to ease conflicts in the sustainable supply chain management.\textsuperscript{21} For a HCBM this means that a collaboration by stakeholders on the macro-level are very important. This is true for national regulations and standards but also for industry specific supply chains.

For an HCE sustainable supply chain management carries a lot of weight. Sustainable Supply Chain Management is defined as: “The strategic, transparent integration and achievement of an organisation’s environmental, social and economic goals in the systematic co-ordination of key inter-organisational business processes for improving the long-term economic performance of the individual company and its chains”\textsuperscript{22}.

The tools used by the procuring companies to assure sustainability standards in the supply chain mostly include:

- Code of conduct
- Codes of ethics
- Relationship management tools
- Panel guidelines, and
- Procurement guidelines.

Most relevant in order to establish a sustainable supply chain based on the HCBM are particularly the code of ethics – including the ethical HCBM principles, the code of conduct – including an expected set sustainability behaviours, and a procurement or panel contract – including legally binding obligations based on the HCBM principles which may also include the


relationships to sub-suppliers. In a seller’s market, the power lies in the hands of the selling party. In these cases, sustainability principles are harder to establish in the supply chain. The tool of choice in such situations is relationship management to establish a common understanding of sustainability standards.

The particular case of sustainable public procurement procedures and standards highlights the challenges for the HCBM in the context of supply chains very clearly: in this context, the specific challenge is that sustainability standards can differ significantly from country to country. Reducing the standards for the HCBM on the smallest common denominator is counterproductive. It will need an informed exercise to achieve HCBM standards for sustainable supply chain standards, that can realistically be applied and that do not ask for too little.

4. Analysis and Design of HCE Ecosystem

4.1. Analysis of Innovation and Sustainability Ecosystem.

The term "innovation and sustainability ecosystem" is a synthesis of two different and complementary characteristics of ecosystems which are progressively converging into a unique and integrated framework. On the one hand, the term "innovation ecosystem" refers to a dynamic, interactive network that breeds innovation and can be shaped in local hubs, global networks, or technology platforms. Its roots are linked to industry and business clusters, in the conceptual evolution of open innovation framework, and in the Triple Helix\(^{23}\) approach to different geographical innovation systems. The ecosystem approach emphasises the position and roles of local and public actors in developing innovation activity. The transformation of an ecosystem is characterised by a continual realignment of synergistic relationships of people, knowledge, and resources for both incremental and transformational value co-creation. Through relationships, value co-creation networks evolve from mutually beneficial relationships between people, companies, and investment organisations\(^{24}\).

---


According to literature and practice, an innovative and entrepreneurial ecosystem consists of elements that can be grouped into six domains: (1) a conducive culture (e.g. tolerance of risk and mistakes, positive social status of entrepreneur), (2) facilitating policies and leadership (e.g. regulatory framework incentives, existence of public research institutes), (3) availability of dedicated finance (e.g. business angels, venture capital, micro-loans, crowdfunding, crowdsourcing, equity funding), (4) relevant human capital (e.g. skilled and unskilled labour, serial entrepreneurs, entrepreneurship training, coaching and mentoring programs), (5) venture-friendly markets for products (e.g. early adopters for prototypes, reference customers) and (6) a comprehensive set of institutional and infrastructural supports (e.g. legal and accounting advisers, telecommunications and transportation infrastructure, entrepreneurship promoting associations).

The complementary perspective of sustainable ecosystems conveys new economic, environmental, and social dimensions. The emergence of wicked problems bears related complex issues where the solution requires extensive cooperation and many actors, but when managed successfully, the solutions provide a means to tap into a significant, long-term innovation potential. Similarly, the business models are changing together with innovation. What is vital for the solutions is the systemic nature of wicked problems. The global economy is now widely integrated and focused on discovering new models of ideas and opportunities due to globalisation and digitalisation to face and solve these wicked problems.

The definition of sustainable ecosystems involves different concepts: Societal Needs, Environmental Sustainability, Preservation of Biodiversity, Reuse and Recycle, Constraints of Nonrenewable Resources and Waste Generation, Regenerative Capacity.

Sustainable development is a normative concept which involves trade-offs among social, ecological and economic objectives, and is required to sustain the integrity of the overall system. This is usefully formalised in terms of a social welfare function which is based on an aggregate of individual preferences and, as a prerequisite of intergenerational equity and overall system integrity, on a set of sustainability constraints. A ‘sustainability-based social and ecological value function’ is proposed to integrate these issues, and to go beyond traditional conceptions of sustainability that are either based on a value principle of maintaining some aggregate of capital (‘weak sustainability’), or stationary-state criteria of maintaining social, ecological and economic assets constant over time (‘strong sustainability’). Research identifies several defines

---

social sustainability to be, “a positive condition within communities, and a process within communities that can achieve that condition.”. This definition is supplemented with a list of corresponding principles, including equity of access to critical services, equity between generations, a system of relations valuing disparate cultures, political participation of citizens, particularly at a local level, a sense of community ownership, a system for transmitting awareness of social sustainability from one, mechanisms for a community to fulfil its own needs where possible, political advocacy to meet needs that cannot be met by community action. Yet, the original concept of sustainability has continuously evolved from a defensive perspective to the Regenerative Economy model, a more ambitious framework where the universal patterns and principles the cosmos uses to build stable, healthy, and sustainable systems throughout the real world can be used as a model for economic-system design.

The transition to the Regenerative Economy model can be accelerated through deep integration with the innovation ecosystem, leveraging capabilities, expertise, relations, resources. Circular Economy, sharing economy, renewable energy, smart grids, smart cities smart mobility are some of the most relevant elements to boost this convergence.

To identify a tight connection between the innovation and the regenerative ecosystem, research has developed consolidated conceptual frameworks. As mentioned previously the Penta Helix model of economic and social development promotes a culture of innovation and creative synergies between Academia, Government, Industries, Civic Society and Social Enterprises Enterprises. Penta Helix ecosystem requires enabling factors to produce a continuously learning environment: trust and respect between actors, strong collaboration on joint programs and co-creation capabilities in flexible and adaptable processes can result in shared knowledge insights, the attraction of financial resources and leverage legitimation and support from each player. The convergence of each component of the Penta helix framework into a common ground of goals, values, behaviours, and outcomes, is a progressive process, where each player develops a new purpose in the interaction with the other components of the ecosystem.

This new form of hybrid venture melds the social purpose traditionally associated with non-profit organisations with the economic purpose and market-based methods traditionally associated with for-profit firms. The tight coupling of mission, method, and operationalisation allows

---

28 http://capitalinstitute.org
for the multi-stakeholder promise of the business model to be fulfilled. This profound transition to HCE logic can be adopted by each player of the ecosystem with different trajectories according to the degree of maturity of the organisation. The transition to HCE logic is interacting with other trends, first of all the globalisation of technologies. The exponential trends of technology developments are based on global accessibility, reduced adoption cost and interweaved technologies. The hybrid technologies framework is basically the use of different interrelated technologies in any phase of any process, where the process of collecting data through Internet Of Things, gathering unprecedented amount of information through big data, protecting data with cybersecurity and blockchain, identifying untapped patterns through AI, and designing new solutions from robotics to synthetic biology and presents evidence-based opportunities to create value for the new economy of the future. Players able to integrate technologies - most of all big data and AI - in their processes can consistently upgrade their role in the HC value chains. Alongside this trend, a constant progression of open data platforms is providing broader access to technologies and information. More broadly speaking, the access and the use of data are the assets driving this global shift of geopolitical power at a governmental level. This paradigm, not yet completely accepted by all industrial ecosystems, opens the way to a more coherent vision of the global productive future that is identified in the transition from the "pro-patent economy of the 20th century" (autonomous technological development compared to the real demand of goods and services) to the new "pro-innovation economy of the 21st century", that is, no longer technology at the center, but innovation - understood as improvement of human conditions - as the final objective of the creative and generative process of a chosen development and suggested by the end consumer himself (design thinking).

The capacity of each organisation to absorb external inputs - in terms of technology, business models, ideas - just as it does with internal inputs designs a consolidated framework of interaction with other players. The collaboration between stakeholders in the HC ecosystem becomes a relationship platform to shape new partnerships for a predefined common goal. The forms of the collaboration can vary: large enterprises collaborate with tech and social start-ups, research centres, incubators, NPOs; large companies create JV between themselves and investors to

---


identify new business models. Public administrations are increasingly using this approach to tackle growing societal issues and face budget gaps. Organizations are progressively transforming themselves into "platform firms" able to connect with other stakeholders in liquid forms of partnership according to the goal they want to achieve. This partnership with a modular and variable geometry requires new managerial capabilities in the collaboration in the core nodes. The strength of each player is directly linked to the engagement of other relevant stakeholders in shared value creation programs. The combination of "platform organisations" create complex interweaved networks of relations, ideas, capabilities, technologies, access to global markets and competitive advantages.

The network effect\(^{32}\) on demand-side - described as network externality or demand-side of economies of scale - is reinforced by the specular network effect on the supply side of solution providers with innovative capabilities. The network effect creates global hubs, attracting resources, players, and users without viral consequences. New hubs can benefit from the learning curve but have to be designed and developed from scratch every time. New networks are emerging in mature as well as in developing markets, following the above-mentioned patterns.

In the current literature, these significant trends have been recently synthesised as Society 5.0\(^{33}\) defined as "human-centred society that balances economic advancement with the resolution of social problems by a system that was highly integrated cyberspace and physical space." Society 5.0 has been initially described as the fifth industrial revolution, following the forth - Industry 4.0 - , and serves so far as a development model for Japan. The real challenge will be the ability to progressively realise this Society 5.0: first of all, industries and scientific research will really make a difference embracing the opportunity for change and implementing it in an "open" and "inclusive" approach; however, the role of governments is even more fundamental, as a guarantors of opportunities in support of industrial development and protection of the work of their citizens. Nevertheless, the approach is rapidly spreading in different contexts thanks to the holistic and inclusive framework. The integration of the Society 5.0 - focused on the process of innovative technologies towards social problems - with the framework of Flourishing Society\(^{34}\) is providing a new synthesis for HC ecosystems. The concept of Flourishing Society refers to


democratic governments promoting the development of a flourishing society, where citizens are happy, healthy, capable and engaged – in other words with high levels of well-being. The evolution of the mission of democratic governments sets a new level of ambition for their role: the capacity to understand and anticipate citizens' needs, to engage them, to co-create and deliver new solutions in partnership with other actors, will require a profound transition toward a new HC Ecosystem.

4.2. Players of the Human-Centred Ecosystems

The combined effects of these previous trends of convergence toward hybrid enterprise logic, hybrid technology framework, open innovation/platform organisations and network effect are redefining purpose, capabilities, strategy, organisation, assets, value chains and relations with stakeholders towards the new HC Ecosystem. Concerning the Penta Helix model the oversimplified trajectory for each player can be traced in the following components:

1. Knowledge:
1.1. Academia and Research Centres: upstream in knowledge-based value chain, the creation of new insights has been traditionally concentrated in core centres that are evolving their role with deep interaction with subjects focused on the distribution of knowledge, such as incubators and accelerators, or to downstream with a stronger engagement with the private sector. The academy takes on a new role in the era of open knowledge and questions itself about the new way of doing open science.
1.2. Incubators and Accelerators: the efficient distribution of knowledge that Incubators and accelerators provide in their support to new social enterprises is a crucial indicator of value creation in their activity. Specialisation on global challenges and intertwined sectors is emerging as a significant trend in enhancing their performance and contribution to real impact. This evolution is reinforcing the bridge role between new enterprises and the private sector in emerging challenges. While specialisation of these clusters on environmental related expertise is consolidated, specialisation on social challenges - education, inclusion, gender or migration issues - is still lagging.

2. Social Enterprises:
2.1. Social Startups: social enterprises able to solve local needs improve their financial sustainability and managerial capabilities to scale their impact on a large number of geographies. The interaction with the private sector is beneficial to improve business modelling, capabilities and market reach. The opportunity to integrate technology and most of all impact data can be highly beneficial to their development. Another relevant perspective leveraged by innovative technologies and new business models comes from the evolution of new shapes of legal entities such as: Cooperative Platforms, Popular Cooperative Shareholder and Benefit Corporation.

2.2. Spin-off with social impact: most promising spin-offs are merging robust technology-based contents with human-centred principles in core mission and behaviour. The integration of technology and social challenge represents higher potential to scale impact, more opportunities to attract financial resources and to connect with the private sector.

3. Public sector:

3.1. Public Administration: the public sector is progressively integrating HCE logic in the policy-making, designing legislation framework. This process is ongoing at variable speed among administrators - local, regional, or international - about the degree of participatory approach with the other players of the ecosystem. Emerging cases of open platforms\(^{35}\) to innovate public administration and to collect ideas and contributions from the community and crowd are speeding up the efficiency of the most dynamic administrations. ICTs have transformative potential, by channeling political information, and by creating new low-cost forms of participation. New opportunities are introduced by the open government and multi-channel democratic participation platforms.

3.2. Public Companies: for their nature, public companies have the role of leading the transition to HCE logic fully integrating stakeholder strategy and promoting extensive and in-depth interaction with stakeholders and local communities, facilitated by the role of the public shareholder. Also, in this case, the technology has brought important innovations launched in private sectors easily transferable to public sectors: several services appeared on the market combining integrated solutions in financial, energy, digital, health, and education with affordable models (es. Pay as you go, freemium, etc) to local underserved communities.

4. Private Sector:

4.1. Companies: private companies, including SME as well as large corporations, evolve their identity and strategy from a complementary CSR approach to a progressively integrated stakeholder strategy in their activities toward a full HCE logic. This shift toward hybrid model interests a growing number of corporations with different size in many geographies. This transition can be highly beneficial to increase interaction with social startups and to their growth. In these years we have witnessed an exponential influence of the concept of "reputation", and at the same time, the power of individual opinions has increased. In the business world, a path is being taken towards the development of new opportunities: index, assessment platforms, and impact brand.

4.2. Finance sector: financial player - asset managers, banks, as well as venture capitalists and business angels - can, on one hand, adopt an integrated stakeholder strategy inside their organisation and redesign their investment strategy into a fully ESG focused portfolios. This process of resource allocation from traditional business models to HCE adopters can not only enable but most of all accelerate the transition of the whole ecosystem towards HC logic. New subjects are emerging to support the crowdfunding of new enterprises, ESG and impact reporting to reduce asymmetric information and facilitate data transparency.

5. Civil Society

5.1. Communities: local communities may benefit from the interaction with other players already acting with a hybrid approach to co-design solutions on their needs. Even in this case, new subjects are blossoming such as open technology platforms to collect community needs to be matched with solution providers on different issues successfully deployed in other regions. Again, this can be highly beneficial to HCE and to social enterprises with scalable or replicable models. A growing movement of people is exploring opportunities for Digital Social Innovation (DSI), developing bottom-up solutions leveraging on participation, collaboration, decentralisation, openness, and multi-disciplinary approach.

5.2. NGOs: two options are emerging in this cluster: on one hand NGOs delivering services to communities can evolve into hybrid enterprises with sustainable business models, on the other hand, Foundations can transition their approach into the different degree of impact finance players.

---

5.2. Individuals: individuals may evolve their role from a consumer perspective into responsible and active citizenship in knowledge development, behavioural attitudes, consumption habits. New technologies and new business models provide unique opportunities to reach and customise for each affordable solutions for most of the existing challenges, to measure the real impact on core needs for each beneficiary. While social enterprises can leverage the technological opportunity to expand their capacity to expand their market reach, HCE can identify untapped or underserved segments and market needs. Open data ecosystems are expected to bring many advantages, such as stimulating citizen participation and innovation.

This short synthesis of the evolution of the role of players of the HC ecosystem is further developed in the following paragraphs of this chapter.

4.3. Innovative Social Scales-ups business Models

Social innovation and social entrepreneurship receive rapidly growing attention today, due to the inability of current structures and policies to meet the most pressing social problems facing the world. Globalisation and digitalisation are creating huge improvements in economic and social developments on the one hand, while at the same time producing emerging problems at a speed that traditional welfare cannot spot and solve, challenging the resilience of the architecture of modern societies. As a consequence growing attention has been given to the role that scaling social impact can have on social change.

While innovation ecosystems have developed consolidated frameworks on spreading and scaling technology-driven startups to the global level, generally labeled "unicorns", research and practitioners are struggling to identify key enablers to nurture a similar pattern for social startups. The lack of critical mass of successful cases, data and evidence-based insights shows the early stage of these developments. This is a significant concern about the collective expectations toward social enterprises as solution providers for these unsolved societal issues.

The first issue to be addressed is economic sustainability as a precondition to attract financial resources needed to scale. This shift of purpose from the original set up is often seen as a barrier.

---

stopping the founders from transforming the identity of the enterprise. One of the emerging options is a new form of entrepreneurial organisation which joins the social purpose traditionally associated with the non-profit sector, and the economic rationality and market-based approaches traditionally associated with for-profit firms.

Small, emerging literature relates to the hybrid form of social business which exists where “an emerging social innovation is also seen as a viable business opportunity and turned into a for-profit commercial business creating, in the process, new market space while also simultaneously attaining a social objective”. These organisations have been variously referred to as hybrids, social purpose business ventures, for-benefit companies, social businesses, for-profit social ventures, and low-profit organisations.

Indeed, the idea of merging social and economic value creation — within the same organisational structure — goes beyond trade-offs or balancing acts. Rather, this merging involves fundamentally innovative and entrepreneurial approaches which can explicitly create both social and economic value in ways that are mutually reinforcing.

The capacity of social enterprises to switch from the original success in addressing localised needs in small scale to a coherent expansion of their impact requires an understanding of what the social impact might be and a coherent growth strategies. One of the condition to expand potential impact is the hybrid model previously described, as well as the awareness that, when considering scaling though partnerships, relationships and dissemination of ideas, there is a loss of control by the original innovator. This is a common situation blocking the growth of many promising social enterprises.

More in general, the analysis of the key factors and main challenges leverages the experience gained in the entrepreneurial ecosystems and adapts to the social logic: a sustainable team and the social entrepreneur, replication, ability to meet social demands, a long-term sustainable financial model, partners and alliance building, adaptability, timing, and communication. The outcomes contribute with a broader understanding of what the key factors and main challenges are of scaling up in social entrepreneurship, which can add essential knowledge for other social entrepreneurs and people involved in this area.

As previously stated, the key components of scalability find their roots in the literature of technology startups and exponential organisations are merging these principles into the social environment to shape a common ground of research and experimentation.

---

38 S.Ismail (2014). Exponential Organizations. Diversion Books
Research refers to the following enabling drivers:\(^{39}\):

Commitment of the Individuals Driving the Scaling Process: the real willingness of founders to commit to scaling impact to a larger scale and to engage into a complete redesign of the first endeavour is a precondition of a successful new venture and the enabling factor of the other drivers.

Management Competence: this competence refers to the fact that the growth strategy demands a different set of capabilities connected to higher complexity compared to the initial local framework and managerial skills to absorb digital requirements. Founders may be required to step back or on to attract talented managers and leave the lead to professionals with different expertise to design and deploy growth strategy.

Uniqueness of the solution: the challenge of any solution with an expansion strategy is to prove its uniqueness or at least a sustainable competitive advantage. Most of the solutions provided by social startups rely on the capacity to solve local needs through deep local understanding and relations with stakeholders. Often this sustainable advantage can be strengthened leveraging existing technology at affordable costs.

Entire or Partial Replicability of the Operational Model: when there is a sustainable competitive advantage has been built, a new phase of development can start. In this phase, there is a trade-off between scalability strategy exploited with a direct control of the social enterprise in new geographies and a replicability strategy with looser forms of control through a license agreement, training and consultancy up to fully open models. While the first model with direct control may reduce speed and potential impact, the second one with loose/no control may maximise speed access and potential impact.

Ability to Meet Social Demands: the ability to meet demands requires a different approach when the social enterprise wish to expand its reach on larger communities. More in general, each community has particular demands that require customised user experiences and flexible stakeholder engagement to localise the original solutions to each community. These capabilities require on the one hand an extensive use of technology and local partners with a common mindset. Flexible framework can be designed to maximise adaptability to local needs.

Ability to Obtain Necessary Resources: the trade-off between scalability and replicability relates to attractiveness not only talented managers but most of all financial resources. The trade-off also implies alternative sources of capital. While scalability models may attract impact investors

---

willing to obtain a return, even balanced with impact outcomes, replicability models tend to rely on philanthropic sources.

Potential Effectiveness of Scaling Social Impact with Others: the paradigm of platform organisation can be adopted in the context of social enterprises leveraging the resources of other strategic partners expert in complementary domains such as technology, human resources, community engagement, user experience, communication.

The scale of social impact, accomplished by a social enterprise, or to what degree the enterprise has been able to scale wide (help more people), and deep (improve outcomes more dramatically by putting more effort on staffing, communication, and alliance building), is affected by how efficient the enterprise has been at developing some combination of the seven drivers.

### 4.4. HCE Value Chain Design

Stakeholder pressures, sharing economy and environmental, social and ethical instances coming from international institutions and customers communities, are changing organisational processes and business dynamics, generating a new paradigm-shift that alters the overall industry structure with an impressive impact on global value chain.

In this new dynamic, unstable and turbo ecosystem, organisations search for new paradigmatic forms and business models able to sustain the external changes through the development of new and enhanced capabilities that evolve towards a new condition of relative system stability and order (Gereffi, 2001, Sansonetti et al., 2012).

The value focuses on collaboration, supply chain resilience, shared resources allocation, and shared risk and benefits. Moreover, the sustainable competitive advantage comes from the capability to build open and durable relationships among the multiple stakeholders involved in the value chain.

As a result, the arena changes and involves each business, that more and more depends on the capability to form multi-level relationships among the different actors involved in the value chain.

The patterns of this competition change, transforming the structures of industries, and embodying this disruptive transformation in the global value chain’s design.
The value chain becomes the result of a shared vision through aligned strategies, structures and processes, based on trust, open communication, commitment to continuous improvement, and the intrinsic product value for consumers (Bonney et al., 2007).

The core activities of enterprises shift from high-volume to high-value production, and competition increasingly depends on the interaction among technological, institutional, and organisational factors.

The new nature of this open and collaborative process entails a shift towards the development of a new business ecosystem focused on internal and external relationships between stakeholder and enterprise.

The enterprise becomes the core of this new business ecosystem, able to give and receive outputs from the whole global environment.

Hence, all the stages of the global value chain are redesigned in a new open and collaborative value chain, stakeholders-oriented.

The stakeholders, especially Governments, civil society and consumers, press to reduce the negative environmental and social impacts of industrial production asking for new corporate strategies oriented to sustainability.

To fully exploit mutual benefits along this more sustainable value chain, enterprises build a common strategy among main partners and stakeholder, and its execution across essential functions (Gattorna, 2006; Fearne et al., 2008).

Thus, the global value chain becomes the result of a ‘shared value creation’ (Porter and Kramer, 2011) coming from a mutually beneficial of the relationship stakeholder-enterprise.

This new relationship stakeholder-enterprise transforms inter- and intra-organisational processes and business dynamics, generating a new paradigm-shift that alters the overall industry structure, moving towards a new open, sustainable and pervasive value chain.

We named this innovative HCE VALUE CHAIN stakeholder-oriented, as the set of activities through which a product or service is created to respond to human needs, and to deliver sustainable products – goods and services that provide environmental, social and economic benefits - to beneficiaries, as the end-users of this complex sustainable process.
This new HCE VALUE CHAIN represents the basic tool for understanding the influence of internal and external actors of enterprise (following chart).

5. Conclusions

The purpose of the HCBM Project is to build a holistic approach to sustainability conceived around the notion of business ecosystems focused on human-needs, and therefore capable of generating sustainable and inclusive economic growth. The HCBM principles for public and private companies and are well aligned with the goals of the SDGs, the 2030 UN Agenda, and the Paris Agreement. An important aspect in the introduction of an HCBM and with that the introduction of Human-Centered Enterprises (HCE) is alignment and management of the stakeholder systems companies operate in. As the discussion above showed, these systems are complex, very divers, operate on different levels and like all social systems cannot be controlled easily.

In order to arrive create a system to support companies on their way to the HCE the Penta Helix Model can be used. The actors in this support system will be academia, civil society, international and national organisations, industry organisations, companies and social enterprises. This is necessary, since we have to overcome the notion that the HCE will be able to address all issues with its stakeholders alone. The system approach points out that all actors in the ecosystem around the HCE will have to interact and cooperate meaningfully, focussing on the same
goals for the global society and environment. Hence, the relationships of all stakeholders with each other have to be addressed, evaluated, aligned, and translated into actions for all members of the ecosystem. That way these members will be able to strategically interact with each other to provide inputs in terms of engagements, knowledge inputs, investments, etc. at the most relevant places of the ecosystem the HCE operates in, in the most effective way.

The value focuses on collaboration, supply chain resilience, shared resources allocation, and shared risk and benefits. The new nature of this open and collaborative process entails a shift towards the development of a new business ecosystem focused on internal and external relationships between stakeholder and enterprise.

The enterprise become the core of this new business ecosystem, able to give and receive outputs from the whole global environment. All the stages of the global value chain are redesigned in a new open and collaborative value chain, stakeholders-oriented.

This means that not only the companies have to learn who to engage with their internal and external stakeholders in the best way, this is true for all players in the different ecosystems on different level (macro, meso, micro), in different locations and cultures. This learning process naturally does not start from zero, but can build on the existing (working) relationships within connected ecosystems. Many different solutions on different levels will be developed in this intense cooperation process of the Penta Helix Model. Before they are tested it will be very hard to predict which one may be the most effective one, therefore experimentation will play a most important role: trying out different promising solution models in different contexts in order to be able to evaluate, learn, improve and communicate steps towards the establishment of the HCE. Since this will not be possible on one level only one of the biggest challenges will be to overcome the crusty, traditional ways of (mis-) communication with the academic, societal, corporate and legal context and to address the question how the envisioned change can happen in the corporate world, but most importantly in the entire ecosystem.

HCBM designs a new HCE VALUE CHAIN stakeholder-oriented, that becomes the result of a shared value creation, coming from a mutually beneficial of the relationship stakeholder-enterprise.

6. References


Ismail, S. (2014). *Exponential Organizations: Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it)*. Diversion Books.


7. Acknowledgment

The authors are thankful to the colleagues Livio Scalvini and Vincenzo Vastola who provided expertise that greatly assisted the research.