

Eco-citizen Social Enterprise Governance by Emotional Management: The Case of Feuille d'Erable

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Abstract

This article explores the governance and performance evaluation approaches used by social entrepreneurs. The focus of this research is on organizations whose primary goal is the successful reintegration of long-term socially and economically excluded young individuals, namely those from Generation Y, back into society. We hereby present the specific governance of the social enterprise “Feuille d’Erable,” which was analyzed through a qualitative case study. The method of investigation used is based on the interpretation of the perceived social utility of Feuille d’Erable by its internal stakeholders. Our findings indicate that the use of a classical corporate governance model which integrates tacit “emotional” methods is well adapted to socially and economically fragile Generation Y workers. We suggest that the managerial performance of social enterprises catering to the needs of socially and economically excluded Generation Y individuals can be enhanced by the combination of formal and informal managerial tools.

Keywords: Socially and Environmentally Useful New Economic System, Governance, Generation Y, Emotional Management

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Introduction

The economic model of organizations engaging in socially responsible and sustainable economic activities is based upon the principle of social value and cohesion, as well as participatory and democratic activist management. Through their non-profit or limited profit status, and with the objective to overcome many of the shortcomings found in a free market economy, social entrepreneurs try to ensure that certain communal goals are achieved that the State cannot or will not address.

The evolution and differentiation of the various legal forms that social enterprises can take in France dates back to the early 1980s (adoption of the *Charte de l'économie sociale*).

Today there are 15 different legal forms of social enterprise possible in France, ranging from participatory cooperatives (where the General Manager cannot earn more than six times the salary that the cooperative's blue collar workers earn) to Not-for-profit organizations. An argument could be made that it doesn't make sense to divide these social enterprises by activity or management structure anymore. Rather, they should all be considered as a part of a solidary, socially and environmentally useful new economic system (SSEUNES).

The general goal of the SSEUNES is to propose new innovative economic processes that better employ various resources (both market and non-market, monetary and in-kind, public and private) in order to re-empower civil society. Social entrepreneurs combine various types of exchange between public and private markets, founded on reciprocal interchange between Governments (central, regional and local), companies and civil society (Draperi, 2010). The SSEUNES represents the new social dynamics empowered by society's will for civic auto-determination and an orientation towards future development. They fight against the social exclusion of its members (especially the young), and deny the capitalist logic of a globalized economy that is not socially profitable to everyone. The forms of such a fight are of course different according to local social issues and stages of economic development. It is therefore rather difficult to propose a replicable general SSEUNES model, as the best practices observed are dependent on variables that are both specific to a certain time and place. However, all SSEUNESs express their profound will to perform/work/produce added value differently from the purely for-profit companies as they reinvest/deploy a part or all of their profits into satisfying unsatisfied or only partially satisfied social needs. (Hamon, 2013).

Today, social entrepreneurs are now considered as being complementary to non-profits because they combine altruistic intentions with the production of goods and services, and meet the sustainable and supportive societal needs brought about by specific local concerns (Olsson et al, 2003). Moreover, the French draft law on social economy, adopted in November 2013, integrates the regional strategies of social enterprises into the regional schemes of economic development and innovation. Social innovation is now characterized by economic activities offering "products or services to meet non-social or poorly met needs" and / or "an innovative production process that already meets social needs."

In the first part of this article, we will examine the ways to evaluate the performance of socially responsible enterprises, especially cooperatives, from an analysis of the literature. Next, we present the case study of "Feuille d'Erable," a socially responsible enterprise that can be categorized as a cooperative, and that for more than thirty years has specialized in the

collection and recycling of waste from businesses, communities and government agencies, and present its governance model. Lastly, we discuss our findings and conclusions.

1 Issues and challenges in assessing the usefulness of the SSEUNES: What are the indicators for a meaningful assessment of the social utility of SSEUNES?

In what could be considered as a classical free market economy we observe the interaction between markets operating under free competition on one side (guided by the laws of “supply and demand”) and on the other side regulated markets that must obey specific environmental and social rules, collective agreements, etc. The concept of SSEUNES, in conjunction with social entrepreneurs, offers approaches and innovative business processes that utilize resources from various sources (market and non-market, non-monetary, public and private, etc.) in order to restore power to civil society. They combine different forms of exchange between free-market companies, the not-for-profit profit sector and governmental institutions (Draperi, 2010). The structures of the participants in SSEUNES are based on a dynamic new type of social action which relies on its own strengths and employs a form of active self-determination citizenship.

The participants “fight” against social exclusion and oppose the capitalist logic of globalization with strategies of “struggle” that are adapted to local areas and situations. Thus, it is difficult to talk about general models and best practices that can be easily replicated, but rather these tactics must be understood in their specific and individual contexts. Social entrepreneurs translate into concrete action a willingness to undertake a task or produce goods and services differently, with profits being allocated to a reserve fund or used for corporate sustainability, meeting social needs that are not being currently satisfied or which are being satisfied poorly (Hamon, 2013).

The complexity of assessing relevant social impact is linked to its broad scope and its sensitivity to changes in the applicable laws and evolving relationships between commercial enterprises, the state and the third sector, i.e. non-governmental and non-profit-making organizations or associations, including charities, voluntary and community groups, cooperatives, etc. (Oxford Dictionary). A pertinent question to ask would be, “What aspects of the actions carried out by social entrepreneurs should we consider as being crucial?” Is it their ability for “relevant substitution,” that is to say, their ability to provide effective and

sustainable remedies in place of the State and for-profit actors in the market economy? What effects should be taken into account; short, medium or long term?

Gadrey (2003) proposes the measurement of external utility through systemic impact assessments of the effects produced by an organization on its environment, i.e. the amount of "social" value added. However, without relevant self-assessment tools, and by allowing social entrepreneurs to self-evaluate their vision and mission, this approach would be limited. The emergence and development of the subject of social entrepreneurs (operating under SSEUNES) and the modernization of its governance is undoubtedly based on the ability to measure their social utility (internal) and communal (external) through the collective impact of their actions. Ferracci & Wasmer (2012) clarify and define impact indicators which can then be used to measure the gain or loss in well-being at an individual or public level. However, they do not propose the use of "subjective" indicators, preferring rather objective indicators.

The Institute for Innovation and Social Entrepreneurship at the ESSEC Business School base their work on assessing the social impact of social entrepreneurs in the Anglo-Saxon tradition through the production of quantified data. The SROI method [Social Return On Investment] makes it possible to, in effect, produce "objective" and "comparable" data that are needed in order to request financial assistance for development from international government or non-governmental agencies. Nevertheless, the social indicators developed are more or less useful, depending on the specific time and context of a particular social entrepreneur.

Another observed investigative approach used in France comes from the academic tradition of medical and life sciences (Cabanne, 2013). Followers of this method suggest the use of independent and rigorous scientific methodology. This presupposes, however, that it is possible to clearly define in advance what is socially useful and supportive, something that is unrealistic if there is no given social or political context.

Patton (2008) suggests that an assessment of social utility be based on the following four criteria: (i) construction of knowledge, (ii) value, (iii) public action (social programming), and (iv) use. This pragmatic approach of employing methods commonly used in the business strategy of commercial enterprises, we argue, would be best served by being coupled with an inductive method, i.e., one based on an analysis of the practices of individual social entrepreneurs interacting with external and internal stakeholders. Moreover, it is possible to consider that every social entrepreneur, for all intents and purposes, is unique and should be evaluated according to a set of appropriate performance indicators. It is in this spirit

that a case study was undertaken, under the auspices of the Research Center on Corporate Responsibility at the ESC Rennes School of Business, France.

2 Research Methodology and the case study of “Feuille d’Erable”

2.1 Research Methodology

This research uses qualitative research methods, the goal being to understand and make relevant assessments regarding *ad hoc* systems. It is based on the observation and interpretation as to the social utility provided by social entrepreneurs (Stake, 2005). After carrying out in-depth interviews and questionnaires with several socially responsible enterprises, the decision was made to do an in-depth study on a regional non-profit that has managed to develop its governance and its social utility in an exemplary manner, namely “Feuille d’Erable.” The decision to use case study was based on support in the literature with regards to its appropriateness towards doing empirical observations or exploratory research (Glaser and Strauss, 1967; Eisenhardt, 1989; Yin 2003).

2.2 Brief presentation of Feuille d’Erable

Feuille d’Erable celebrated its 30th anniversary in 2013. It was created thanks to the dedication of a handful of environmental activists who started out by recycling paper from a non-profit book store. In the beginning, the organization was a workers’ cooperative primarily comprised of people whose sole goal was environmental protection. The members started out by going “door to door” collecting paper waste, but it was soon realized that this would not be practical. In 1990, Feuille d’Erable started collecting waste and recyclables in Rennes on the basis of an agreement it had with local elected officials and the National Agency for Waste Recovery (ADEME, formerly ANRED). In 1993, Feuille d’Erable specialized even further, expanding into the collection and recycling of waste from companies and government agencies, as well as collecting household waste from 38 communities in the greater Rennes area. In 2009, Feuille d’Erable won a business tender for the collection of waste in the Rennes metropolitan area for a period of six years.

The social aspect of Feuille d’Erable’s recycling, in which efforts would be made to work towards reintegrating people who had been previously excluded from the community, took shape in the 1990s. Today, the reintegration of people through positive economic activity is a stated goal, the objective being to "socially and professionally integrate people in need, both young and old.”

Feuille d'Erable has also transformed its legal status, becoming a simplified joint stock company (SAS), while at the same time remaining the property of the original founding non-profit that created it. This change in status was done to ensure that the enterprise continues with its commitment to its ethical mission. With the arrival of its current president in 2007, also came the establishment of innovative and participatory management processes. Thanks to these measures, the company has grown and provides employment to sixteen full time employees and forty five part time ones. Its turnover has increased from € 700,000 in 2007 to € 1.7 million in 2017, and the rate of successful social reintegration of its part time employees is around 70%.

2.3 Collection and analysis of data

To complement the secondary data that was collected (in the form of copies of internal and external communication, reports from meetings, dashboard indicators, etc.) and in order to carry out triangulation (Stake, 2005), an analysis of the data collected was conducted individually by each researcher. The data and interpretations were then compared and used to develop the interview guides that were used to conduct a series of semi-structured interviews with the president of Feuille d'Erable, five full time employees, and ten part time employees who were trying to reintegrate back into society.

All interviews were recorded (with some even being filmed) and transcribed. Interpretations of primary and secondary data by the researchers were then compared with those received by interviewing people during their work (conducted *in situ*) in order to validate the research and draw lessons. Some quotes from the transcripts are provided below.

3 Lessons drawn from the case of Feuille d'Erable

The analysis of this case study demonstrates the need for adaptation of an evaluative approach regarding the study of social entrepreneurs. This brings into question the applicability of using "objective" and "normative" indicators in order to make an informed observation. It demonstrates that the usefulness and amount of "value added" of social entrepreneurs should be considered in the specific context of location, situation, politics and desired social outcomes. However, the governance model of this company can be considered as being exemplary, especially with regards to its ability to use emotional management on Generation Y employees trying to reinsert themselves back into society, and deserves to be highlighted as "best practice."

Since 2007, Feuille d'Erable has used participative management in its operations. Its current president includes all full time employees in the development of the company's future projects, a positive and reinforcing initiative for people experiencing social exclusion. The company has released financial figures which would be the envy of the "CAC 40" (the 40 largest companies in France), with profitability in the double-digits.

The entrepreneurial vision of Feuille d'Erable is human-centered, and takes into account the specific needs of each employee. The practice of emotional management is considered to be well adapted to the particular requirements of 80% of its employees, who are working under specific so-called "integration work contracts" and trying to become productive members of society. The above work contracts specify the agreed upon "rules of the game" in case of absenteeism, misconduct towards colleagues, clients and management or alcohol or drug consumption. It was stressed by the management that strict rules known to everyone and applied rigorously are the key to a well-functioning collective effort. The General Manager of Feuille d'Erable has learned throughout the years that it is actually the younger collaborators who appreciate it the most when the rules are applied to all with no exceptions. The greatest benefit appears to be with Generation Y employees who are "not unmanageable if the company can give them the honesty and recognition that they deserve." Today's youth "don't have the same value towards work that previous generations have had. They need to be recognized in ways that go beyond classic French managerial concepts of relationships, that is to say, beyond the confines of salary and work."

Projects implemented by Feuille d'Erable have become more and more ambitious, from both an environmental and social point of view. This is because they are normally carried out in geographically limited areas that focus on small routes involving jobs that can't be "offshored." Indeed, this Rennes company operates in a highly competitive industrial environment, mainly due to pressure from Asian recycling companies that are able to offer higher prices to collectors of waste paper. But the environmental footprint of paper recycled by Asian competitors is much higher than when it is recycled in a closed local loop. Thus, Feuille d'Erable is competing against these Asian for-profit paper producers not only to remain competitive pricewise, but also to establish a recycling system and routes that provide the lowest possible carbon footprint. For example, mixed color paper or newspapers and magazines are recycled at a plant near Rouen in Normandy, while white or blank paper is processed at another mill near Le Mans. 90% of the paper collected is consistently recycled. The young employees of Feuille d'Erable fully understand the challenges of the multi-faceted and competitive business environment they are involved in.

3.1 The Specific Management of Generation Y: Learning by getting involved both rationally and emotionally

The management style at Feuille d'Erable is certainly based on formal rules comprised of specific written procedures covering a whole host of items (established working hours, dealing with lateness and absences, hygiene, safety, discipline, etc.). But it is also based on emotional empathy, namely the ability of managers to perceive the subjective and individual experiences of employees. "Instead of deploying extrinsic motivation tools, management prefers methods of intrinsic motivation that encourage self-reliance," so that the employee is self-motivated. The managers of Feuille d'Erable believe that in their specific context as a social entrepreneur they should "begin by making employees happier before trying to make them better." It starts with their (re) learned autonomy, and the company helps them to use the natural potential that already exists in them. The next step is to encourage workers and support them with a vision that says every individual is naturally inclined to act positively, to explore his or her own environment, to create and to learn without the need for conditioning. And finally, to create the context in which people will motivate themselves.

At Feuille d'Erable, managers spend about 80% of their time managing and about 20% developing people and giving advice, especially to young Generation Y employees. This could be likened to the Anglo-Saxon concept of "management by walking around." The management strives as much as possible to get all employees, both permanent and temporary, to first understand both the immediate and long-term issues involved, and then decide collegially and collectively to make decisions and implement them. In other words, the management tries to follow the formula attributed to Benjamin Franklin: "Tell me and I forget, teach me and I may remember, involve me and I learn." Employees are encouraged to find solutions to problems themselves by making them more involved in the company's operations. The management applies a five-step approach, which is to say; it specifies the expected results, gives guidelines, identifies the resources needed, defines how results will be evaluated, and determines the consequences of failure or success. Then it applies the principle of positive stimulation, namely, giving recognition for effort and positive results first and not spending time criticizing what is wrong. This implies that managers know the "values" of their employees and also know what motivates them. Managers usually do not acquire this information from formal interviews, but rather in "off" moments around the proverbial coffee

machine. It is imperative to spend time putting into perspective both the objectives of the company and those of employees.

Management needs to be careful not to overload employees with challenges by giving people too many specific objectives. In general, the managers at Feuille d'Erable update 20% of the job content of each employee every year.

This type of governance based on a combination of formal and informal assessment tools, along with emotional management and empowering techniques, seems to bare fruit in terms of both the operational management of the company and its strategic development.

4 Conclusion

The results of this case study indicate that the standardized assessment tools used by some social entrepreneurs are not very effective. Most of the methods used by socially responsible French enterprises have been "preformatted" in an Anglo-Saxon context, and although translated into French, do not take into account the specific context of French social entrepreneurs. Quite often, these enterprises have limited financial and human resources, and face specific local, social, or political challenges. Excessive rigidity and use of formalized processes may even be completely counterproductive in socially responsible enterprises. They could, in fact, discourage employees from participating in initiatives which are trying to do away with "top-down" management and bring about a more democratic and participatory work environment.

This case study shows that a system of governance based on "emotional intelligence" rather than one that is purely "intellectual" better reflects social objectives, namely, a certain social utility that every social entrepreneur seeks to achieve. Observations from this case study provide evidence that not all governance in socially responsible enterprises requires a formal system of management and control. We suggest that a formalized system of management and governance can be enhanced by combining it with an informal complementary system. This will increase the performance of the organization and maintain (as well as sustain) the creative force of people operating in the third sector in a social and communal sense.

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