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THE ECONOMICS OF
VALUES, IDEALS AND
ORGANIZATIONS

Luigino Bruni

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The Economics of Values, Ideals and Organizations

Values-based organizations are institutions, communities and non-governmental organizations (NGOs) which are inspired by a mission or a vocation – for these groups it is their ideals which are most important to them and economics does not have a way to incorporate that into its analysis. This book provides a short introduction to the economics of values-based organizations.

The book opens with an analysis of some phenomena common to all organizations: the management of vulnerabilities in relationships and the role of incentives, especially in relation to loyalty. Turning to values-based organizations more specifically, the book explores the motivations of their members, how they retain their most motivated people, what happens when the ideals of the organization are perceived to have deteriorated, and the decisions made by those in charge, who focus on efficiency, oblivious to values and identities. The second part of the book explores the narrative dimensions of values-based organizations. “Narrative capital” is a precious resource in many of these organizations, particularly through periods of crisis and change. But problems can also be caused if the second and later generations after the foundations continue to use the original narrative without enough innovation. Finally, the book discusses the gaps – the surpluses and misalignments – between people, their ideals and the organizations and how these can be managed. The book is written for academics, students and others interested in the role of values and ideals in organizations – economists, sociologists, business scholars, theologians and philosophers.

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The Economics of Values, Ideals and Organizations

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*This book is dedicated to Chiara Lubich, who taught me
what ideals and charisms are.*



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Contents

	Introduction	1
1	Organizations	6
2	Narrative capitals	46
3	Surpluses and misalignments	72
	Conclusion	98
	<i>Bibliography</i>	101



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Introduction

When a truly original genius makes its appearance in the world, people make haste to get rid of it. To achieve this goal, they have two methods. The first is elimination. In the event of failure, they adopt the second method (which is much more radical and hideous): exaltation, putting it on a pedestal and transforming it into a “god”.

(Lu Xun, *An Introduction to the Sayings of Confucius*: 2016, Adelphi, Milan)

To understand the culture and nature of our capitalism, we need to look at what is going on inside *organizations*, where we spend most of our lifetime. It is necessary to look at all kinds of organizations, including those driven by non-material or non-monetary incentives, that are much more frequent and relevant than we usually think. Economics knows non-profit organisations, but analyzes with the same tools used for all kind of firms and organizations. We need a specific reflection on institutions driven by “ideal” forces, that are not understood if seen throughout the eyes of mainstream economics.

This small book is dedicated to the so-called VBOs, i.e. *values-based organizations* (or values-driven organizations or charismatic organizations), namely organizations, institutions and communities inspired by ideals, a mission or “vocation” related in various ways to the intrinsic motivations of those who promote it. From Freud onwards, we know the ambivalent nature of the ideal. The ideal is the main pushing and driving force of history, but often the ideal becomes also the main source of guilt and frustration of individual and community, if the gap between the real and the ideal is interpreted as failure and sin. This radical ambivalence of ideals is one of the main hermeneutic keys of this volume.

In the sociology of religion there is also another word that I will use often in this book: *Charism*, that in the Bible and in Christianity expresses

2 Introduction

a spiritual *gift* received by a given person that often generates a *charismatic* organization, community or movement (Bruni and Sena, 2012; Bruni and Smerilli, 2009, 2015).

The ideal motivation, mission, vocation or charism inspiring VBOs takes various forms. It can be embodied in the kind of activity they perform (charity, care, philanthropy...), in the motivations at the origin of their foundation, in their different way of doing business, i.e. management, governance, leadership inspired by values other than mainstream organizations. These characteristics are often co-present and intertwined in a VBO, even though to different degrees and in different combinations – it is hard to imagine, in practice, an ideal motivation of the founders that does not generate a consistent governance and organization culture. For this charge of ideality, VBOs are more subject than other organizations to some typical relational and motivational dynamics that will be described in this book.

At the same time, the analysis used in this book does not apply *just* to VBOs, because characteristics of charismatic leadership and the dynamics that we will explore can be found also in family businesses, or even ordinary for-profit companies in which the founder or the leader plays an essential role. Similar dynamics can also occur in political parties, academic communities and scientific schools. The field of application of this discourse is therefore at once narrow (charismatic/ideal membership and leadership) and wide (many forms of organizations). The intuition at the core of the book, in particular in Chapter 1, is that VBOs depend chiefly on the presence of *conformist* members for their success, who comply perfectly with the objectives and strategies of the founder/leader. At the same time, for their middle-long run survival and growth, such organizations depend chiefly on *non-conformist* creative members, with the capacity for innovation. The interplay between conformist and non-conformist members in VBOs is one of the pillars of this chapter. In particular, a special emphasis will be placed on a special form of “resource curse”, which often affects organizations with a strong and talented founder or leadership (Antoci, Bruni, Rossi and Smerilli, 2020). This curse may arise because the leader, in order to maximize the organization’s efficiency in the initial phases of the development of the institution, tends naturally to select and reward (in many ways) *conformist* members and, consequently, discourages non-conformist ones, because at the moment of the foundation he/she does not like the freedom and autonomy of creative and non-conformist members in the organization. Such a human resources policy works in the first period and allows for the huge growth of the organization but becomes a poverty trap in the post-foundation period, during which creative members would have been essential in the development and continuation of the

organization, and they are no longer there because they are discouraged and disincentivized in the first stages. This form of “leadership curse” becomes more probable and severe, the stronger and more charismatic the founder is. In fact, the crucial moment in a VBO arrives when the charismatic founder leaves. When the leader is active in the organization, he/she is the most important source of innovation: In this case, the best results in the organization can be achieved when the members of the organization do not question the leader, but instead follow his/her inspiration and instructions. We’ll see that in the long run this kind of behaviour results in a lack of creativity and innovation. In particular, these dynamics occur when charismatic leadership transform organizational culture into a sort of “cult”. The following pages arise from the explicit intention to offer tools for analyzing the typical organizational phenomena of the movements, both for those communities that have already been hit by illnesses and neuroses for some time, and above all, for those who are in the early stage of success and development. Because the big crises begin when everything speaks of success and development, if leaders are not endowed with wisdom to change when nobody wants to. For such phenomena we’ll use the metaphor of “auto-immune disease”.

Charisms continue in history the function of biblical *prophets*. Due to their vocation, the prophets are often found in a vital and necessary tension with the institutions and hierarchy. Without prophets, the promised land remains just a utopia, institutions become structures to dominate and exploit the weakest, the world no longer knows how to listen to the voice that speaks and the spirit that blows. Similarly, it happens for charisms, which are an essential dimension for raising the spiritual and moral quality of the world, and for looking upwards. When charisms are lacking in communities, organizations and people, or are silenced and marginalized, the beauty, lightness, spiritual strength of life in common fades away, and we begin to settle for sad and small goals.

Charisms extend to the world the horizon of all, even of those who do not believe in charisms or consider them harmless for people left at the infant stage of existence. In other words, without prophets, life on Earth would become very sad and perhaps impossible. And the poor would never be loved and respected, at most settled in refugee camps or in special facilities.

Charisms have never been a purely religious affair (Bruni and Sena, 2012). They are much more. Their job is to make the Earth more beautiful, not just religions and churches. Yesterday and today their water is that of public fountains, not only that of holy water and baptismal fonts. But today, much more than yesterday, many charismas live outside the visible boundaries of churches and religions, yet they continue to carry out their essential