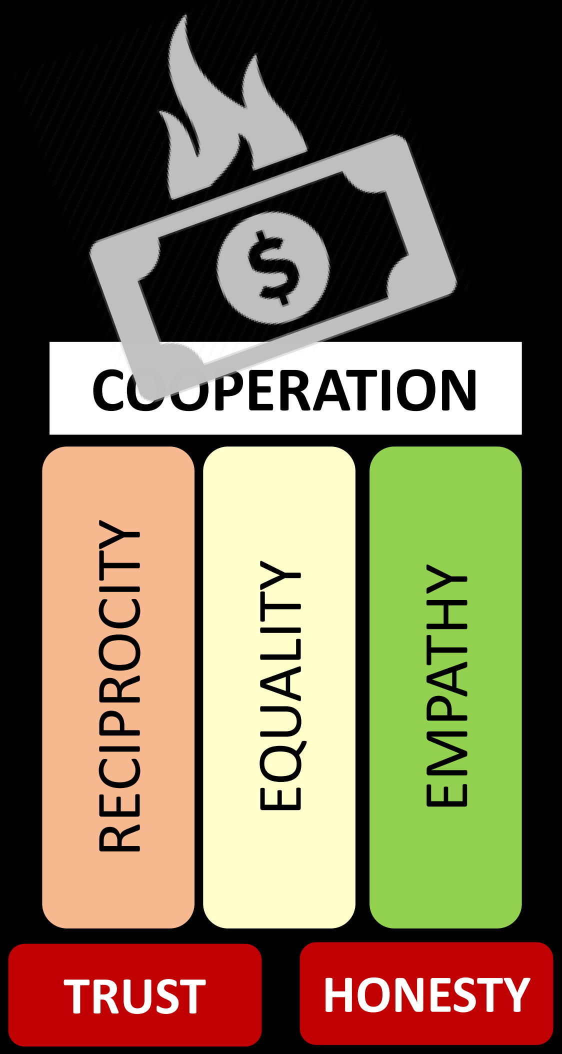
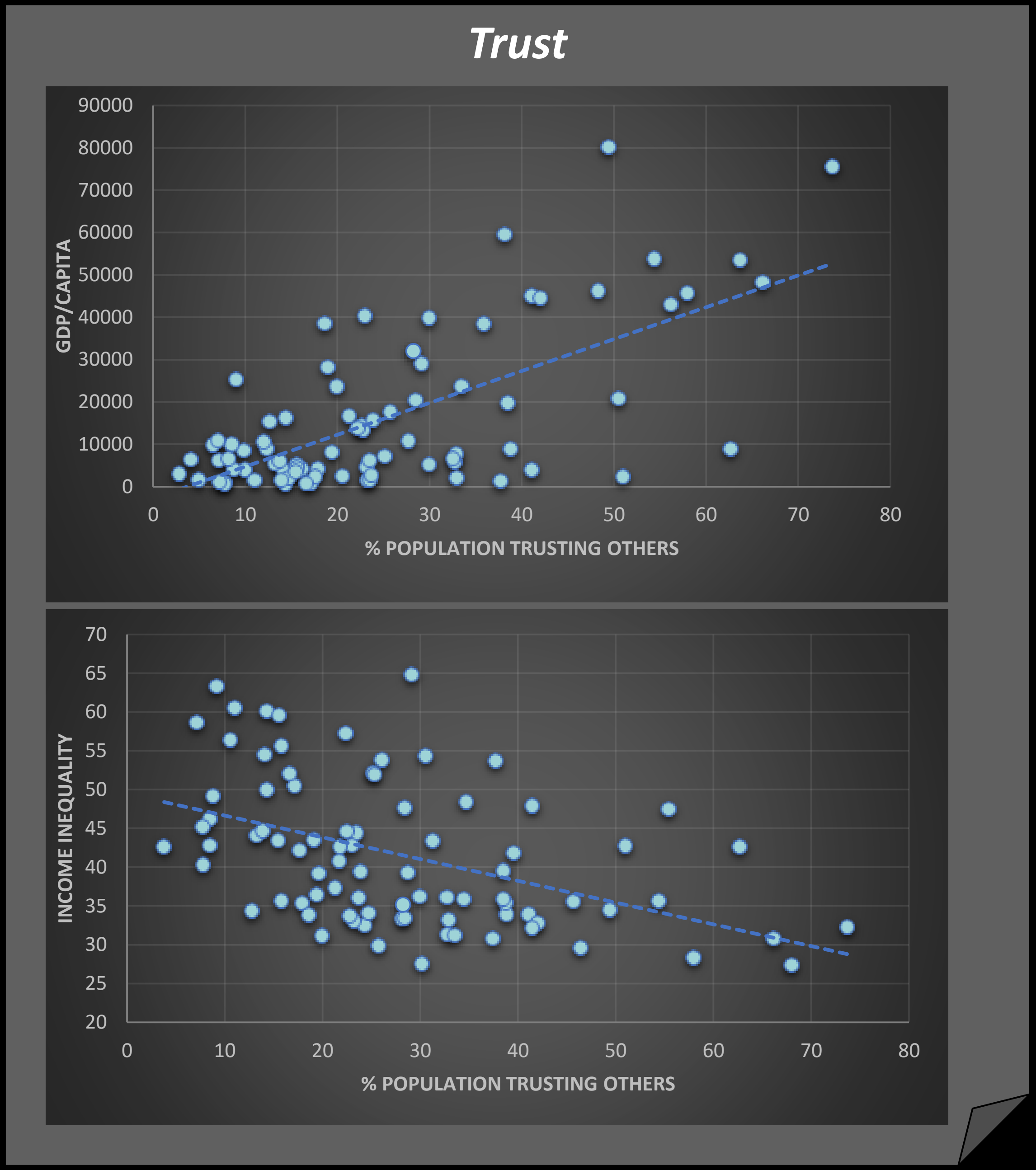
COOPERATION, SOCIAL FIRMS, FINANCE: CAN THEY COEXIST?

Misconception 1: cooperation + money doesn't work





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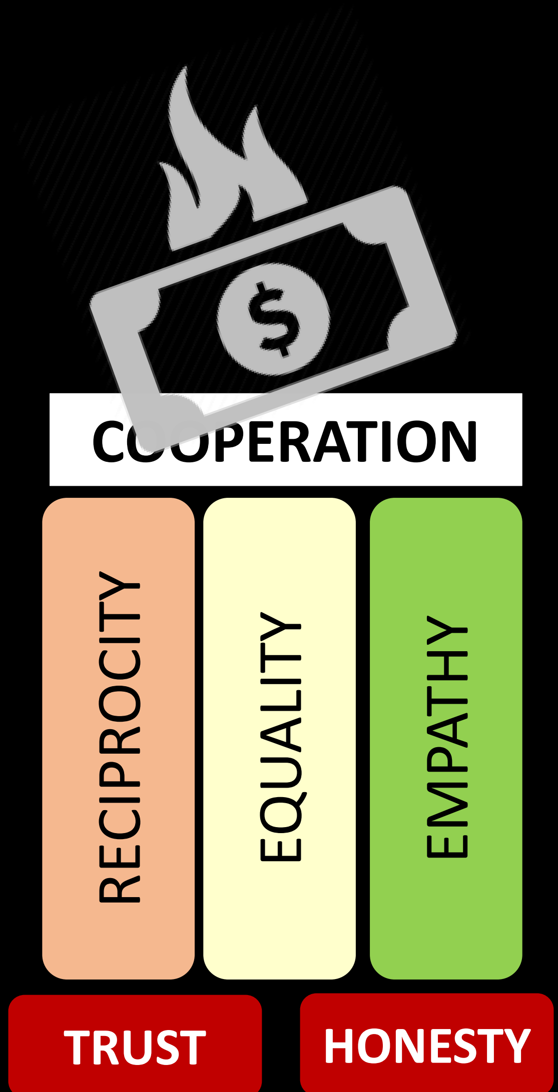
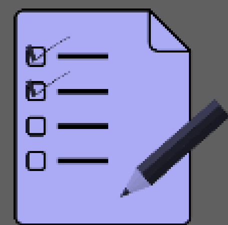


Honesty

An experiment on dishonesty:



- avg. 20% done but 30% «cashed»
- many small cheaters
- if one cheater is revealed, more cheating from others
- **unless s/he is not «one of us»**

An experiment on mutual cooperation:

- 10 people get 10€ each
- One can pool or keep it
- Pooled money triples and is shared equally
- Everybody pools: payoff 30
- What can go wrong?
- **If one does not pool, gets 37 while others get 27**

Misconception 2: cooperation + money is just new fashion

Lloyd's
1686


NEGOTIATIE

EENDRAGT MAAKT MAGT

CONDITIEN

Mutual funds
1774

Credit unions
1852/1864

Microfinance
1983

UN - PRI
2006

EU - FSG
2018

Gift economy
9000+ BC?

Credit
3500 BC

Money
600 BC

Misconception 3: cooperation is necessarily good

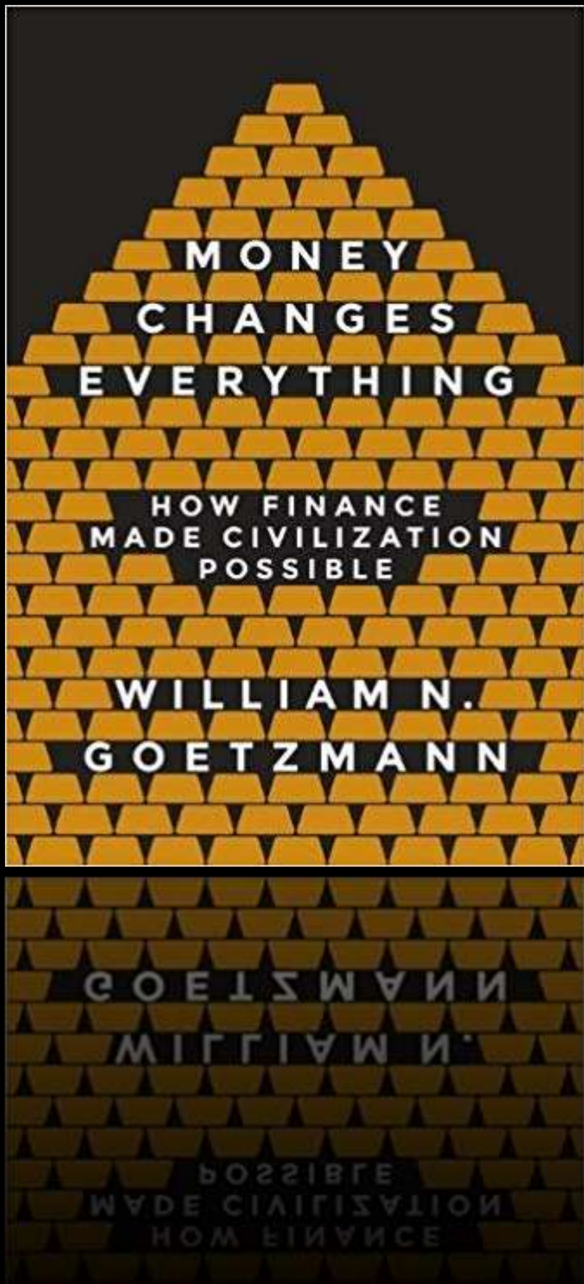
Some <u>anecdotes</u>:

- 1 **mutual fund** (4.5 trn USD of AUM): 18% in weapon industry
- South-African **microcredit** failures: consumption or unsustainable
- Few **microinsurance** projects succeeded in over a decade in EM
- Washington **Mutual**: largest 2008 US bank failure

Some <u>research</u>:

- Charitable/public funding «crowds out» contributions between social firms / non-profits
- Social firms concentrate on too few and unstable funding sources
- Lack of adaptation of social enterprises to investors' demands
- Financial innovation might help (guarantees, debt/equity hybrids, crowdfunding, social impact bonds, …)
- Growing general engagement in ESG/CSR, social impact / development finance

So, what?



Challenge #1

Help solving the «measuring impact» issue.

Challenge #2

Increase the demand for social impact by being successful

Challenge #3

Improve business models and strategies considering investors

Thank you for your attention!