



**UNIVERSITA' DEGLI STUDI DI PADOVA**

**DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI  
"M.FANNO"**

**CORSO DI LAUREA MAGISTRALE IN  
BUSINESS ADMINISTRATION**

**TESI DI LAUREA**

**"SUSTAINABLE BUSINESS MODELS AND SUSTAINABLE  
PURCHASING: THE CASE OF B CORPS AND BENEFIT  
CORPORATIONS"**

**RELATORE:**

**CH.MA PROF. SSA DI MARIA ELEONORA**

**LAUREANDA: VALERIA FACCHIN**

**MATRICOLA N. 1190480**

**ANNO ACCADEMICO 2019 – 2020**



Il candidato dichiara che il presente lavoro è originale e non è già stato sottoposto, in tutto o in parte, per il conseguimento di un titolo accademico in altre Università italiane o straniere.

Il candidato dichiara altresì che tutti i materiali utilizzati durante la preparazione dell'elaborato sono stati indicati nel testo e nella sezione "Riferimenti bibliografici" e che le eventuali citazioni testuali sono individuabili attraverso l'esplicito richiamo alla pubblicazione originale.

*The candidate declares that the present work is original and has not already been submitted, totally or in part, for the purposes of attaining an academic degree in other Italian or foreign universities. The candidate also declares that all the materials used during the preparation of the thesis have been explicitly indicated in the text and in the section "Bibliographical references" and that any textual citations can be identified through an explicit reference to the original publication.*

Firma dello studente

*Valeria Facchin*



*To my parents,  
I hope you are proud of me.*



# Table of Contents

Introduction .....	1
Chapter 1: Sustainable Business Models .....	3
1.1 Sustainable Development .....	3
1.1.1 The Stakeholder Theory .....	4
1.1.2 The Triple Bottom Line .....	5
1.1.3 Corporate Social Responsibility .....	6
1.2 Corporate sustainability strategies .....	7
1.2.1 Planned or emergent strategy making for sustainability?.....	9
1.2.2 Framework for Strategic Sustainable Development (FSSD).....	10
1.2.3 Sustainability strategies and maturity levels .....	14
1.3 Business models for sustainability.....	16
1.3.1 Triple Layer Business Model Canvas (TLBMC) .....	18
1.3.2 Sustainable business models archetypes.....	21
1.3.3 Sustainability-driven hybrids.....	25
Chapter 2: Sustainable Supply Chain Management .....	31
2.1 Sustainable purchasing .....	31
2.1.1 The role of purchasing in the supply chain.....	31
2.1.2 The concept of sustainable purchasing .....	33
2.1.3 Drivers and barriers to sustainable sourcing.....	34
2.1.4 Sustainable purchasing profiles .....	37
2.2 Sustainable supplier selection.....	39
2.2.1 Traditional supplier selection criteria .....	40
2.2.2 Sustainability criteria for supplier selection .....	41
2.2.3 Sustainability labels and certifications .....	45
2.3 Sustainable supplier development .....	47
2.3.1 Why collaborate with suppliers? .....	48
2.3.2 Drivers and enablers of sustainable supplier development .....	49
2.3.3 Sustainable supplier development practices .....	51
Chapter 3: B Corps and “Società Benefit” .....	57
3.1 Certified B Corporation .....	57
3.1.1 B Corp Certification .....	59
3.1.2 Advantages of Certified B Corporations .....	63
3.2 The US Benefit Corporation.....	65

3.2.1 Advantages of becoming a Benefit Corporation .....	67
3.2.2 Differences between B Corp and Benefit Corporation.....	69
3.3 The Italian “Società Benefit” .....	70
3.3.1 Text of the law .....	71
3.3.2 Corporate purpose .....	72
3.3.3 Obligations of administrators .....	73
3.3.4 Annual Benefit Report.....	75
3.3.5 Differences between the US and the Italian model .....	77
3.4 Sustainable purchasing practices adopted by B Corps and Benefit Corporations.....	79
Chapter 4: Sustainable purchasing in Italian B Corps and Società Benefit.....	87
4.1 Research and methodology.....	87
4.2 Case studies .....	90
4.2.1 InVento Innovation Lab Impresa sociale Srl.....	90
4.2.2 Valli del Bitto Spa Società Benefit.....	92
4.2.3 Goldman & Partners Srl SB .....	93
4.2.4 Mondora Srl Sb.....	95
4.2.6 EXE.IT Srl SB .....	98
4.2.7 Habitech - Distretto Tecnologico Trentino S.c.a.r.l. ....	100
4.2.8 Zordan Srl Sb.....	102
4.3 Analysis of the interviews .....	104
4.3.1 Differences based on database’s scores.....	104
4.3.2 Differences based on the sectors .....	112
4.3.3 Initiatives and collaborations with non-profit organisations .....	115
Conclusions .....	119
Appendix .....	121
A) List of Italian Certified B Corporations .....	121
B) Full Interviews.....	124
1) InVento Innovation Lab Impresa sociale Srl.....	124
2) Valli del Bitto Spa Società Benefit .....	126
3) Goldman & Partners Srl SB .....	130
4) Mondora Srl Sb .....	134
5) Chiesi Farmaceutici Spa.....	138
6) EXE.IT Srl Sb .....	144
7) Habitech – Distretto Tecnologico Trentino S.c.a.r.l. ....	146
8) Zordan Srl Sb .....	150



Bibliography .....	155
Webography.....	161



# Introduction

Traditionally, maximising shareholder value has been companies' main goal and all organisational activities have been undertaken in order to reach this objective. However, this way of operating cannot survive in the long-term since today, a growing number of people, including business leaders, recognises the need to build a new economy in which the needs of all stakeholders are considered and in which organisations can make decisions that take into account the environment, the financial well-being of employees, or the health of the communities they operate in, even if these choices are not the most profitable ones (B Lab, 2020). Sustainability has gained importance in the last years and consumers themselves look now for sustainable products and are willing to pay more for them. Companies must therefore incorporate sustainability in their way of operating and create non only economic, but also environmental and social value.

Consequently, sustainable business models are an important concept to be analysed: they are business models which incorporate the sustainability challenge, by constantly addressing economic, environmental and social issues and that aim at reducing the environmental and social negative impacts of all the activities firms perform while doing business. One of them will be in particular the focus of this paper, i.e. purchasing. Indeed, sustainable purchasing may play a crucial role in reducing the environmental and social footprint of the organisational supply chain and we will investigate all the practices related to it.

The main goal of this work is to understand how the issue of sustainable purchasing is especially handled by two sustainability-driven hybrids, that are Certified B Corporations and Benefit Corporations. They both work to build an economy in which organisations compete to be best for the world, the people living in it, and the natural environment on which their quality of life depends and want therefore to use business as a force for good. We want to figure out how these enterprises create impact through purchasing and manage the impact of their supply chains.

The thesis is structured as follows.

In chapter one, sustainable development and its three pillars, that are economic, environmental and social sustainability, will be defined and some frameworks underlining the need of organizations to consider all these three types of sustainability in their operations will be analysed. Afterwards, corporate sustainability strategies will be addressed since it is fundamental for companies to incorporate sustainability non only at the operational level, but

also at the strategic one. Lastly, business models for sustainability will be investigated, presenting different sustainable business model archetypes which can be adopted by enterprises and focusing especially on sustainability-driven hybrids. They are organisations that conduct an entrepreneurial activity of social or common benefit for a general or community interest purpose.

In chapter two, the focus is sustainable purchasing. Its main drivers and barriers will be examined, followed by an explanation of how companies can use the two main processes of supplier selection and supplier development to create positive impact. We will try to understand how the selection process changes when sustainability is incorporated by considering also environmental and social requirements. In addition, the way in which supplier development changes and the practices companies use towards suppliers to make their supply chains more sustainable will be analysed too.

Chapter three focuses on the two sustainability-driven hybrids mentioned above, i.e. Certified B Corporations and Benefit Corporations. B Corps will be firstly analysed, together with the process to achieve the certification. Afterwards, the US version of the benefit corporation will be examined since this new type of company has been introduced for the first time in this country, in 2010. Lastly, the Italian model called Società Benefit will be investigated in all its features by looking to the text of the law. At the end of the chapter, some practices that these hybrids use to create impact through purchasing will be presented.

In chapter four, we will try to figure out how the concept of sustainable purchasing is handled by some Italian B Corps and Società Benefit and whether all the practices analysed in chapter two are adopted by them and to what extent. A qualitative analysis will be carried out through some structured interviews to understand if the issue of sustainable supply chain management is actually relevant for these companies. We will compare the answers of the firms also to comprehend if the adoption of the practices depends on the sector in which a firm operates or on other factors.

# Chapter 1: Sustainable Business Models

## 1.1 Sustainable Development

A development that “*meets the needs of the present without compromising the ability of future generations to meet their own needs*” is the definition of sustainable development laid out in the 1987 report from the UN World Commission on Environment and Development, known as the Brundtland Commission ((WCED), 1987). It is a core concept within global development agenda aiming at improving living standards without jeopardising the earth’s ecosystems or causing environmental challenges. It is fundamental to use resources in a responsible way to preserve them for future generations (Mensah & Ricart Casadevall, 2019).

Economic, social and environmental sustainability are the three pillars of sustainable development. Economic sustainability involves making decisions in an equitable and fiscally sound way, while considering the other aspects of sustainability. Social sustainability refers to concepts such as equality, stability, accessibility, empowerment, participation, cultural identity and peace. Lastly, environmental sustainability regards a sustainable and responsible use of natural capital, taking into consideration the limits and boundaries of the earth system (Mensah & Ricart Casadevall, 2019).

The relevance of sustainable development has increased in the last years also because of the continued population growth that leads to an increasing demand and use of natural resources. In order to promote prosperity while protecting the environment, the United Nations developed in 2015 the 2030 Agenda for Sustainable Development which includes the 17 Sustainable Development Goals (SDGs). They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and they also address both social issues such as gender equality, education, decent work, peace, and environmental issues, such as climate change and the preservation of life below water and on land (United Nations, 2020). The SDGs call for action by all countries to reach the goals by 2030 so everyone should start acting in a sustainable and responsible way.

Nowadays, consumers are increasingly aware of the importance of sustainability and consider this issue in making their choices. Indeed, they are more interested in sustainable products and are willing to spend more for products made by companies which take into consideration sustainability concerns. Hence, enterprises must contribute to the achievement of sustainable

development, focusing not only on the economic aspects of their actions, but also on the social and environmental impacts.

Some frameworks which underline the need of organizations to consider all the three types of sustainability in their operations are now going to be analysed.

### 1.1.1 The Stakeholder Theory

A “*stakeholder*” is any individual or group who can influence or be influenced by the achievement of a corporate objective. Hence, a stakeholder can influence the organization because it controls specific resources but can also be influenced by the use of specific resources in the organizational processes, even if it is not directly involved (Favotto, Bozzolan, & Parbonetti, 2012).

Traditionally, companies have adopted a shareholder approach, focusing their strategies and actions on maximizing value for shareholders. This value creation was considered the firm’s main goal and the contribution of other stakeholders was judged as instrumental to the achievement of the primary objective (Favotto, Bozzolan, & Parbonetti, 2012). This perspective is opposed to the stakeholder theory, which considers the business as a set of relationships among groups and individuals that have a stake in the activities that make up the business. It is management’s responsibility to monitor and govern these relationships in order to create as much value as possible for stakeholders and to manage the distribution of that value (Parmar, et al., 2010). Managers have responsibilities to each stakeholder and should run the business to his or her advantage. The stakeholder theory therefore places a broad set of relationships at the centre of the company and its strategy (Favotto, Bozzolan, & Parbonetti, 2012).

The development of the stakeholder theory has changed the way in which companies operate since they now focus not only on the economic aspects, especially by creating value for shareholders, but also on the environmental and social ones. Employees, local communities and the environment are included among the stakeholders and their interests and needs must be fulfilled by firms. The stakeholder category includes other several parties such as majority shareholders, minority shareholders, managers, suppliers, customers, institutions lending capital to the organizations, competitors and the States. In order to properly manage and prioritize all the relationships. companies must classify the stakeholders and understand which are more relevant and critical. All of them have their own interests and needs, which sometimes can conflict; in these situations, managers must find a way to re-think problems so that the

needs of several stakeholders are addressed. However, sometimes trade-offs have obviously to be made (Parmar, et al., 2010).

### 1.1.2 The Triple Bottom Line

The term “*Triple Bottom Line*” (TBL) was coined by John Elkington in 1994 to communicate the idea that a corporation should focus not only on the economic value it creates, but also on the environmental and social value it adds or destroys (Elkington, 2004). The TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial; they are also called the three Ps, i.e. people, planet and profit. The TBL captures the essence of sustainability by measuring the impact of a company’s activities on the world including both its profitability and shareholder value, and its social, human and environmental capital (Slaper & Hall, 2011). Elkington explained the three bottom lines and what is related to them in his book “*Cannibals with forks*” (1997).

The Economic Bottom Line is associated to the firm economic capital, which can take the form of physical capital (including machinery and plant), financial capital, human capital and intellectual capital. The company should assess whether its business operations are economically sustainable by understanding the competitiveness of its costs and the sustainability of its profit margins and of the demand for its products, and it should also figure out how to retain the human and intellectual capital inside the organization.

The Environmental Bottom Line is related to the natural capital, among which we can distinguish the critical natural capital that is fundamental for the maintenance of life and ecosystem integrity, and the renewable, replaceable and substitutable natural capital. The enterprise should understand the way in which natural capital is affected by its business activities and whether its pressures on natural capital are likely to be sustainable.

The Social Bottom Line is associated to the social capital which embraces wide measures of society’s health and wealth-creation potential. It is the ability of people to work together for common purposes in groups and organizations. The firm should assess the role of its business in sustaining human and social capital and understand what are the crucial forms of social capital influencing its ability to become a sustainable corporation (Elkington, 1997).

The progress of the corporation in embracing all three types of sustainability can be evaluated using a wide range of indicators associated with each bottom line. Hence, key tools in accounting for the Triple Bottom Line are sustainability accounting, auditing and reporting. Sustainability reporting in particular should consist of statements about the extent to which the

company is reducing (or increasing) the options available to future generations (Elkington, 1997).

### 1.1.3 Corporate Social Responsibility

Corporate Social Responsibility (CSR) can include a wide range of issues and depends on how each organization defines its responsibilities. Hence, it is difficult to agree on a single way to define this concept. The European Commission has defined CSR as “*the responsibility of enterprises for their impact on society*”, referring to the fact that the company should integrate social, environmental, ethical, consumer and human rights concerns into its business strategies and operations. It should therefore adopt voluntary policies, extending its responsibilities for economic, environmental and social aspects beyond those required by the law (European Commission, 2020). Two main approaches to CSR must be distinguished: responsive CSR and strategic CSR, which differ in how they consider the relationship between business and society.

Responsive Corporate Social Responsibility focuses on the tension between business and society, often leading to CSR and philanthropic activities disconnected from the firm’s strategy that do not make any meaningful social impact and do not increase company’s competitiveness (Porter & Kramer, 2006). This approach uses four main arguments to justify CSR: moral obligation, sustainability, license to operate and reputation. Firstly, CSR may derive from a moral obligation of organisations, which have a duty to act responsibly. Sustainability refers to the fact that acting in a socially responsible way contributes to the achievement of sustainability defined as “*meeting the needs of the present without compromising the ability of future generations to meet their own needs*”. The third argument is connected to the need of firms to receive a license to operate, that is an implicit or explicit approval by governments, stakeholders and society to do business. Lastly, reputation refers to the application of CSR in order to strengthen the organizational image and brands (Favotto, Bozzolan, & Parbonetti, 2012). All these arguments focus on the tension between business and society; responsive CSR can be therefore classified as a defensive and accommodating strategy. However, to increase company’s competitiveness, another approach must be taken, which focuses on the interrelatedness of business and society and puts CSR at the centre of a firm’s strategy and operations. This is strategic CSR.

Strategic CSR aims at developing more proactive strategies which look for ways to create shared value, that is a meaningful benefit both for society and business. This approach recognises that successful corporations need a healthy society, and at the same time, a healthy society needs successful companies (Porter & Kramer, 2006). There are three types of social



issues which a company should integrate in its business model. “Generic social issues” are only marginally influenced by business activities and are not related to company’s competitive advantage. “Value chain social impacts” are significantly affected by organizational daily operations and lastly, “social dimensions of competitive context” are the factors of the external environment which affect firm competitiveness. A company adopting a strategic CSR perspective must allocate social issues to these three categories and understand which ones have the greatest impact on both the society and the business. The organization should go beyond CSR best practices if it adopts such an approach, developing a unique position and strategy and differentiating itself from competitors (Favotto, Bozzolan, & Parbonetti, 2012).

## 1.2 Corporate sustainability strategies

As underlined in the previous paragraph, concerns about environmental and social issues and stakeholder and regulatory demands are continuously increasing, forcing companies to lower their impact on the environment and raise their contribution to society by incorporating corporate sustainability and formulating and implementing corporate sustainability strategies (Engert & Baumgartner, 2016).

In general, “*strategy*” has several definitions. Alfred D. Chandler defined it in his work “*Strategy and Structure*” (1962) as “*the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources for carrying out these goals*”. H. Mintzberg defined strategy in his book “*Tracking Strategy: Toward a General Theory*” (2007) as “*a pattern traceable within a flow of actions and decisions*”. He used the word “*pattern*” to indicate that a strategy does not derive only from deliberate choices and decisions, including therefore the concept of emergent strategy. Strategy is also called strategic management since it consists in the ability to manage people, relationships and resources (Johnson, Scholes, & Whittington, 2014).

When starting to consider sustainability, several companies integrate sustainability issues only at an operational level, without incorporating them at a strategic level, in the long-term corporate objectives. This behaviour is due to two main reasons: the very broad range of aspects related to sustainability which may make difficult to craft a clear strategy toward sustainable development, and the increasing uncertainty and complexity from integrating sustainability into the strategic decision-making processes (Engert, Rauter, & Baumgartner, 2016).

When the enterprise is able to integrate social and environmental dimensions into the strategic management process, we talk about corporate sustainability strategy, which highlights the

company strategic position with regard to sustainable development. Hence, it describes how sustainability problems are dealt in practice within an organization; the issues are integrated into the mid-term and long-term goals of the enterprise and a careful balance is achieved between the needs of internal and external stakeholders (Baumgartner & Rauter, 2017).

In the following tables, some of the economic, environmental and social issues which can be integrated by the firm in its strategy are presented. The economic aspects of corporate sustainability are important to be respected to remain competitive in the market; a good performance in these aspects will in fact allow the firm to have good financial and sustainability results (Baumgartner & Ebner, 2010). The environmental issues cover all the life cycle of the product, from sourcing of raw material to processing, distribution and disposal, while the social ones consider both internal social issues, mainly related to employees, and external ones (Baumgartner & Rauter, 2017).

Innovation and Technology Collaboration	Effort made in sustainability-related R&D to reduce the environmental impacts of new products and business activities. Use of BAT (Best Available Techniques) and integrated environmental technologies, concentrating on cleaner production and zero emission technologies.
Knowledge Management Processes	Good cooperation and active collaboration with various partners (e.g., suppliers, R&D institutions, universities). Working in shared programs and networks on the development of innovative products and technologies. Exchange of information and knowledge. Activities and approaches that keep knowledge related to sustainability in the organization. Methods to plan, develop, organize, maintain, transfer, apply and measure specific knowledge and improve the organizational knowledge base.
Purchase	Clear processes and roles are defined so that business activities are efficiently conducted, and every employee knows what the organization expects from him or her (also with respect to sustainability). Adaptations of process management to achieve sustainability necessitate the systematic implementation of corporate sustainability. Integration of sustainability into daily business life.
Sustainability Reporting	Consideration of issues related to sustainability in purchasing. Awareness and consideration of issues related to sustainability in the organization, as well as throughout the supply chain. Relationships with suppliers, with a focus also placed on sustainability. Inclusion of issues related to sustainability in company reports, either in individual sustainability reports or integrated in corporate reports.

*Table 1: Economic aspects of corporate sustainability*

*Source: (Baumgartner & Rauter, Strategic perspectives of corporate sustainability management to develop a sustainable organization, 2017)*

raw, auxiliary and working materials	<ul style="list-style-type: none"> <li>• renewable resources (materials, energy) including recycling flows</li> <li>• fossil-fuel based and non-renewable resources (materials, energy) including recycling flows</li> <li>• land use</li> <li>• biodiversity</li> </ul>
production and service creation	<ul style="list-style-type: none"> <li>• use of environmentally-friendly technologies (for example, cleaner production)</li> <li>• environmentally-oriented product and service design</li> <li>• efficient use of the production facilities and infrastructure</li> <li>• environmental impacts of transport</li> </ul>
products, co-products, waste and emissions	<ul style="list-style-type: none"> <li>• air, water and soil emissions</li> <li>• waste and hazardous waste</li> <li>• impacts on biodiversity</li> <li>• product-related environmental impacts determined by the product design (usage and disposal phase)</li> </ul>
upstream	<ul style="list-style-type: none"> <li>• environmental impacts of suppliers</li> </ul>
downstream	<ul style="list-style-type: none"> <li>• environmental impacts of product user behavior</li> </ul>

*Table 2: Environmental issues of business activities*

*Source: (Baumgartner & Rauter, Strategic perspectives of corporate sustainability management to develop a sustainable organization, 2017)*

Internal social issues	<ul style="list-style-type: none"> <li>• workplace health and safety, avoidance of workplace accidents</li> <li>• corporate governance</li> <li>• participation of employees in decision making</li> <li>• diversity and equality</li> <li>• employee orientation and employee development, attractiveness of the company to employees</li> <li>• respect for human rights in the company</li> <li>• protection of customer data</li> <li>• ethical behavior of the company (avoidance of corruption, cartelization)</li> </ul>
External social issues	<ul style="list-style-type: none"> <li>• company's contribution to societal development on a regional, national, or international level (e.g., job offers)</li> <li>• integration of external stakeholders, ensuring stakeholder legitimacy</li> <li>• respect for human rights in the company's sphere of influence (e.g., with respect to child labor, rights of indigenous people, a right to labor unions and collective agreements)</li> <li>• reporting on social aspects of the business activities</li> <li>• product descriptions and consumer information</li> </ul>

*Table 3: Social issues of business activities*

*Source: (Baumgartner & Rauter, Strategic perspectives of corporate sustainability management to develop a sustainable organization, 2017)*

To formulate and implement a corporate sustainability strategy and subsequently take actions to address the issues, managers must identify which ones are important to the company. A useful tool is the Framework for Strategic Sustainable Development (FSSD), which provides a logical process for integrating these principles into strategic planning (Baumgartner & Rauter, 2017). This framework will be subsequently analysed in detail, anticipated by an explanation of the distinction between planned and emergent strategy, which may be useful in strategy making for sustainability. Lastly, different corporate sustainability strategies will be presented, which differ on the basis of whether they have an internal focus (introverted or conservative) or an external one (extroverted and visionary) (Baumgartner & Ebner, 2010).

### 1.2.1 Planned or emergent strategy making for sustainability?

Planned or deliberate strategies are conceived from an analytical process for establishing long-term goals and action plans for a company; hence, they take form from a two-step process with strategy formulation followed by strategy implementation. Top managers have the responsibility to plan the strategies and implement them in a top-down manner (Neugebauer, Figge, & Hahn, 2016). According to Mintzberg, we have pure deliberate strategies with the presence of precise intentions of the organization, common to virtually all the actors, which have been realized exactly as intended. This happens in an environment that is predictable, benign or under company's control (Mintzberg & Waters, 1985).

On the other hand, emergent strategies originate from practice in a bottom up way at organizational levels where managers are directly in contact with new technological changes or new market trends (Neugebauer, Figge, & Hahn, 2016). A pure emergent strategy is characterised by consistency in action over time but without any intention about it. Pure deliberate and pure emergent strategies are the poles of a continuum along which strategies in the real-world fall (Mintzberg & Waters, 1985).

Considering now strategy making for sustainability, both planned and emergent strategies take form to solve the issues; the more appropriate approach depends on the features of the issue itself. Indeed, sustainability problems can be characterised by wickedness, salience or both.

In general, wicked problems are difficult to understand in full, with potential solutions which are not obvious and for which there is no right or wrong, but only good and bad. Moreover, wicked problems have a societal impact, so in identifying solutions, consequences on the society must also be considered. Sustainability shares three features of wicked problems: the complexity, the societal impact and the long-term nature. Wicked sustainability issues are usually solved with emergent strategy making, since they are too complex to be addressed with a planned approach (Neugebauer, Figge, & Hahn, 2016).

As far as salience is concerned, it is present when powerful stakeholders can influence the firm to address the issue, when problem resolution is desirable and in line with societal norms and values, and when the problem requires immediate attention and is critical to stakeholders. Hence, salience is related to the power, legitimacy and urgency of the issue to be addressed. Salient problems are usually addressed with planned strategies since the power of stakeholders and the urgency of the problem force companies to integrate them in the decision-making process and to act quickly. Indeed, deliberate strategies are faster to develop than the emergent ones (Neugebauer, Figge, & Hahn, 2016).

Wickedness and salience therefore lead to two opposite ways of approaching strategy making for sustainability, so some troubles can arise when dealing with issues that are both wicked and salient. Indeed, a wicked but non salient problem will be likely addressed with emergent strategies and a salient non wicked issue will be likely solved through planned strategies. Problems both wicked and salient will have their urgency and external pressures asking for a planned strategy and their complexity leading at the same time to the shaping of emergent strategies. In these cases, both ways of strategy making will be present. If the urgency is very high, probably the planned approach will prevail on the emergent one in order to act quickly, but it will be not enough to fully address the sustainability problem. Hence, space must also be left to the emergence of strategies at the lower levels of the organization which are closer to the issue itself (Neugebauer, Figge, & Hahn, 2016).

### 1.2.2 Framework for Strategic Sustainable Development (FSSD)

The Framework for Strategic Sustainable Development (FSSD) is a tool that helps organizations to assume a systematic perspective for strategic sustainability thinking. It

provides some principles that are the minimum requirements for a sustainable system and strategic guidelines for how an enterprise can contribute to sustainable development while strengthening at the same time its own competitiveness (França, Broman, Robèrt, Basile, & Trygg, 2017).

### *The sustainability principles*

The FSSD defines sustainability based on some principles which must be fulfilled to avoid a systemic degradation of ecological and social systems; they set the boundaries within which society can continue to function. Hence, they are also the boundaries conditions within which an organization has to define its strategy and plans if it wants to take into account sustainability (Broman & Robèrt, 2017). The principles are the following:

In a sustainable society, nature is not subject to systematically increasing:

- 1) concentrations of substances extracted from the Earth's crust, which means that limited extraction is required (e.g., fossil carbon and metals);
- 2) concentrations of substances produced by society, which involves avoiding that concentrations of societally produced molecules increase systematically in the atmosphere, the soil, oceans, or other parts of nature (e.g., NO<sub>x</sub>);
- 3) degradation by physical means, which means that nature must not be systematically deteriorated by mismanagement or other forms of physical manipulation (e.g., over-harvesting of forests and over-fishing);

and people are not subject to structural obstacles to:

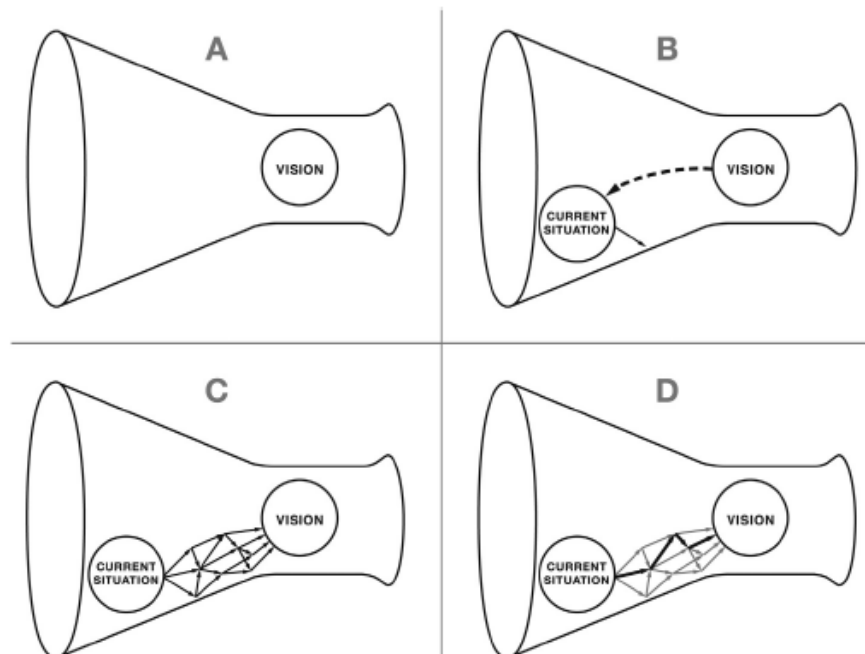
- 4) health, since people must not be subjected for instance to dangerous working conditions or insufficient rest from work;
- 5) influence, so the possibilities for people to participate in shaping the social systems they are part of must not be systematically hindered;
- 6) competence, which means that there must not be obstacles to people's education or insufficient possibilities for personal development;
- 7) impartiality, since people must not be discriminated or be victim of unfair selection to job positions;
- 8) meaning-making, since people must not be hindered from creating individual meaning and cocreating common meaning (e.g., by suppression of cultural expression).

These are the general sustainability principles that must not be violated. Companies must consider them when developing corporate sustainability strategies (Broman & Robèrt, 2017).

### *The funnel metaphor of the FSSD*

In addition to the sustainability principles, another main component of the FSSD is the funnel metaphor shown in figure 1. The funnel represents the decline of the capability of ecological and social systems to satisfy human needs and the increasing use of resources also due to the growing population. Human civilization is moving deeper and deeper into the funnel and the circumference that tightens more and more indicates that the situation is getting worse at the global level because of human unsustainable systematic actions (França, Broman, Robèrt, Basile, & Trygg, 2017). Hence, a change is needed in the way society operates, and when more sustainable modes of operating will be implemented, the systematic decline will stop, and this is shown in the figure where the funnel turns into a cylinder. At this point, the sustainability principles presented above will no longer be violated and if the society will be able to reach in the future higher prosperity and degrees of freedom, the situation may even improve for humanity, as shown by the increasing cross-section of the funnel to the right (Broman & Robèrt, 2017).

The funnel metaphor explains well how the ecological and social systems are today severely tested by human actions and clarifies the need to adopt new sustainable business models and to include sustainability issues in corporate strategies definition.



*Figure 1: The funnel metaphor and the ABCD-procedure of the FSSD  
Source: (Broman & Robèrt, 2017)*

### *The 5-level model of the FSSD*

The Framework for Strategic Sustainable Development consists in a model with five levels which help the company in crafting a vision guided by the basic sustainability principles, approaching the vision strategically and finally choosing appropriate actions to reach the vision, using tools and instruments as support. The levels are the following:

- The system level: the organization must understand the system in which it operates by clarifying the relationships and interdependencies with the ecological system but also with its suppliers, customers and all the other stakeholders.
- The success level: the company crafts a vision within the boundaries defined by the sustainability principles. The enterprise usually adds also the mission statement, core values which support the vision and shape the culture, and overall long-term goals.
- The strategic guidelines level: this level includes guidelines for how to approach strategically the vision crafted at the success level.
- The actions level: the organization has a strategy since it has prioritized, using the above guidelines, concrete actions to reach the sustainable vision. The strategic plan must be continuously revised and updated as conditions change over time.
- The tools level: this level includes all the tools and other instruments that the company uses in the decision-making process, in monitoring and disclosing its actions and efforts towards the vision. Some tools can be indicators, life cycle assessment and management systems (Broman & Robèrt, 2017) (França, Broman, Robèrt, Basile, & Trygg, 2017).

The success and strategic guidelines levels are the ones in which the ABCD procedure takes place, through which the company develops the vision, understands the different paths to reach that vision and finally prioritizes actions. The procedure is shown in figure 1.

In step A, the firm learns about the sustainability challenge and its opportunities and crafts a preliminary vision within the boundaries of sustainability principles. It also develops the mission, core values and long-term goals. In step B, the organization analyses its current situation with respect to the vision, trying to figure out how it is contributing to the violation of the basic principles and how it can in the future use its assets and resources to improve the situation and comply with the principles (Broman & Robèrt, 2017). In step C, ideas for possible actions to undertake in order to close the gap between the vision and the current situation are generated. At this step, a backcasting approach from sustainability principles is used, which means that actions are planned from a defined scenario in the future, that is the sustainable society as defined by the principles. Lastly, in step D, the company prioritizes actions and

solutions founded in step C, in order to develop a strategic plan to close the gap between the vision and the present situation (França, Broman, Robèrt, Basile, & Trygg, 2017).

To conclude, the FSSD can be a useful framework for an organization to develop a corporate sustainability strategy, since it helps first of all to understand the current performance of the company in terms of sustainability and then to develop an appropriate strategic plan to improve that performance and contribute to the achievement of a sustainable society in the future.

### 1.2.3 Sustainability strategies and maturity levels

After having described a framework that the company can use to develop a strategic plan in line with its current situation and the envisaged sustainability performance, an analysis of different sustainability strategies that it can adopt is going to be made. The classification also attributes to each strategy a maturity level that indicates how much the economic, environmental and social aspects presented above in tables 1, 2 and 3 are integrated into the firm and its strategy. Four main types of corporate sustainability strategies are identified: introverted and conservative, which have an internal focus and extroverted and visionary with an external one.

- Introverted strategy: action is mainly internally oriented; the organization does the minimum that is required to comply with the legislation and other external standards related to sustainability issues. It is a risk mitigation strategy in which the company acts because it is forced to do so, in order to avoid risks for itself (Baumgartner R. J., 2009).
- Extroverted strategy: the focus is on the external stakeholders and the receipt of a “license to operate and grow” that is an implicit approval by that stakeholders. However, we must distinguish between conventional and transformative extroverted strategies which differ in the level sustainability issues are integrated. The conventional one has as main goal communicating the company’s efforts towards sustainability in order to differentiate from competitors and increase the firm credibility, but the real progress and results achieved are minimal. ‘Green’ communication through environmental and sustainability reports often prevails on real actions to move toward sustainability (Baumgartner & Ebner, 2010). On the other hand, with the transformative extroverted strategy the organization tries to find new market opportunities in the light of sustainable development (Baumgartner R. J., 2009) and it is more committed to move beyond the simple communication, by really integrating environmental and social aspects in organizational activities.
- Conservative strategy: this strategy has an internal focus since it aims at improving firm’s processes in order to reduce costs and the environmental impacts of the products;



the focal point is eco-efficiency. The company works to reduce energy and material consumption, emissions and waste; social-related issues are less important (Baumgartner R. J., 2009).

- Visionary strategy: the company shows a high commitment towards sustainability issues, which are included in all business activities. It is able to gain competitive advantages and reach a unique position in the market with respect to competitors. There are two types of visionary strategy: the conventional one and the strategic one. The former is very related to the market impacts and advantages that derive from such a strategy, so the focus is outside in, while the latter adopts an inside-out approach since the aim is to achieve a unique competitive position in the market thanks to a continuous improvement of the sustainability performance inside the organization (Baumgartner & Ebner, 2010).

These strategies describe how the company can focus on corporate sustainability, from considering sustainability issues because of legislation, pressure of external stakeholders or market pressure to adopting a voluntarily behaviour for ethical reasons or because competitive advantages and economic benefits are expected to be achieved (Baumgartner & Rauter, 2017).

Different maturity levels, describing how much each sustainability aspect is integrated into business activities, can be defined and associated to the different strategies, as shown in figure 2. The levels range from 1 to 4. Level 1 indicates a poor maturity level of the sustainability aspect since the company is only complying with laws and regulations without a real commitment. Level 2 is similar to the first one because of the compliance aim, but the firm makes a step forward by starting to consider and reduce the environmental and social impacts of its operations. Level 3 represents a satisfying maturity of the sustainability aspect so the organization shows an effort toward sustainability often higher than industry average, while finally level 4 is associated to a sophisticated maturity level, which means that the firm shows a very high commitment toward sustainability (Baumgartner & Ebner, 2010).

Sustainability Aspect	Maturity Level 1: Poor	Maturity Level 2: Sufficient	Maturity Level 3: Satisfying	Maturity Level 4: Sophisticated
Innovation & Technology				Systemic visionary
Collaboration	Introverted			
Knowledge Management				
Processes				
Purchase				
Sustainability Reporting				
Resources inc. Recycling				
Emissions into the air				
Emissions into water		Conventional Extroverted		
Emissions into ground				
Waste & hazardous water			Conventional visionary	
Biodiversity				
Environmental issues of the product				
Ethical behaviour & Human Rights				
No controversial activities				
No corruption & cartel				
Corporate Governance				Transformative Extroverted
Motivation & Incentives		Conservative strategy		
Health & Safety				
Human capital development				
Corporate citizenship				

Figure 2: Sustainability strategies and maturity levels  
Source: (Baumgartner & Ebner, 2010)

The way in which a company can approach the formulation of a corporate sustainability strategy and the different types of strategies it can adopt have been investigated. Starting from the strategy is fundamental for an organization that wants to consider sustainability and contribute to the achievement of a sustainable society: it is important that environmental and social issues are fully understood and approached firstly in a strategic way, to be able to subsequently take appropriate actions. However, after strategy, it is fundamental also to make changes in the way the company operates, in how it creates, captures and delivers value; therefore, business models for sustainability are going to be the topic of the following paragraph.

### 1.3 Business models for sustainability

“A business model describes the rationale of how an organization creates, delivers, and captures value” (Osterwalder & Pigneur, 2010, p. 14); it is a key component of corporate sustainability and the challenge for the company is to design a business model such that it is able to capture economic value for itself while at the same time delivering social and environmental benefits (Bocken, Short, Rana, & Evans, 2014).

Before analysing sustainable business models (SBMs) and their characteristics, the general concept of business model must be understood. Osterwalder and Pigneur developed the Business Model Canvas, a tool for describing, visualizing, assessing, and changing business models, which identifies the nine building blocks of a business model:

- Customer segments: they are the different people or organizations a firm wants to reach and serve, by satisfying their needs; examples are mass market and niche market.
- Value proposition: it describes the bundle of products and services the company provides to the chosen customer segments in order to fulfil their needs.
- Channels: they represent the way in which the organization communicates and reaches the customer segments to deliver the value proposition. Channels can accomplish different functions such as increasing awareness about products and services and helping customers in evaluating the firm's value proposition.
- Customer relationships: this block describes which type of relationships the company builds with the customer segments; they range from personal to automate.
- Revenue streams: is related to how much money the enterprise is able to generate from the customer segments.
- Key resources: they are the key assets required to make the business model work; they include people, technology, products, brands, so they can be physical, financial, intellectual or human.
- Key activities: they are the most important activities performed by the firm to deliver the value proposition, reach markets, maintain the relationships with customers and generate revenues.
- Key partners: this block comprises the network of suppliers and partners with which the company collaborates in order to optimize the business model, reduce risks or acquire assets.
- Cost structure: it refers to all costs incurred by an organization to operate its business model (Osterwalder & Pigneur, 2010).

Business model innovation is critical for the overall organizational sustainability since current companies' business models often do not consider the sustainability challenge and all the related issues in a proper way. Indeed, this challenge is often not fully understood throughout the firm, the planning horizon is insufficient and sustainability issues are not fully integrated into the way the enterprise operates (França, Broman, Robèrt, Basile, & Trygg, 2017). Business model innovations for sustainability are defined as *“innovations that create significant positive and/or significantly reduced negative impacts for the environment and/or society, through*

*changes in the way the organisation and its value-network create, deliver value and capture value (i.e. create economic value) or change their value propositions”* (Bocken, Short, Rana, & Evans, 2014, p. 44).

There are three main strategies the firm can adopt in innovating its business model: defensive, accommodative and proactive. The defensive one involves only small adjustments to the business model in order to reduce risks, so changes are usually related to a need for compliance. By adopting an accommodative approach, some improvements are made to the business model with several modifications to main elements such as infrastructure elements; environmental and social objectives start to be considered inside the company. Lastly, the proactive strategy leads to the redesign of the current business model and the introduction of new products, services and product-service systems; sustainability issues are strongly and continuously addressed so this approach is the one with the highest impact (Bocken, Short, Rana, & Evans, 2014) (Schaltegger, Hansen, & Lüdeke-Freund, 2012).

A tool to coherently integrate economic, environmental and social issues into a company’s business model is now going to be examined, followed by an analysis of different sustainable business model archetypes.

### 1.3.1 Triple Layer Business Model Canvas (TLBMC)

The Triple Layer Business Model Canvas builds on the original business model canvas of Osterwalder and Pigneur, which is formed by the economic layer with the nine building blocks explained above. The TLBMC follows the triple bottom line approach, therefore considering environmental and social value creation as fundamental for a corporation, in addition to the economic one. It is a tool useful to visualize and understand the current organizational business model and the actual economic, environmental and social impacts of the business to subsequently explore the possible innovations to better address sustainability (Joyce & Paquin, 2016).

The TLBMC adds to the original economic canvas layer the environmental and the social ones; the former builds on a life cycle perspective of environmental impacts while the latter builds on the stakeholder theory, so the whole network of stakeholders is considered in evaluating social impacts. Horizontal coherence is present within each layer for exploring economic, environmental and social value creation but also vertical coherence, through the vertical integration of the three layers to better explore and understand the company overall value creation (Joyce & Paquin, 2016). In figure 3, the three layers are shown together with their

building blocks. The economic layer has previously been investigated in its components, so an analysis of the other two layers is now going to be made.

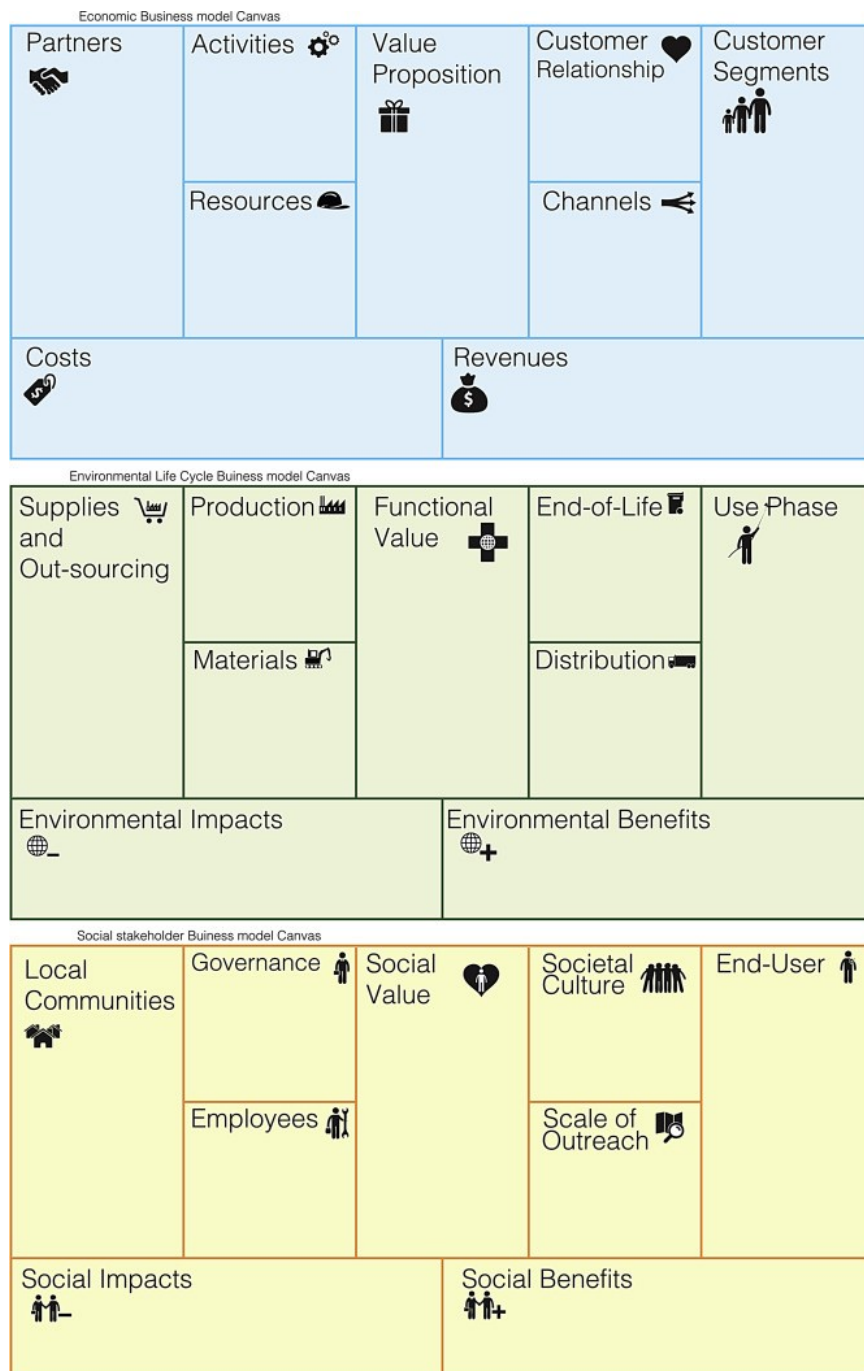


Figure 3: Triple Layer Business Model Canvas  
Source: (Joyce & Paquin, 2016)

The aim of the environmental canvas layer is to understand how the company generates more environmental benefits than environmental impacts; the nine building blocks are the following. Functional Value describes the main outputs of the organization's product or service in order to clarify what is under examination in this layer. The environmental impacts are evaluated both for materials and activities supplied by external parties and outsourced (Supplies and Out-

sourcing) and for key Materials employed and key activities (Production) performed by the firm to deliver the value proposition. The aim is to find out where the highest impacts are, in order to intervene. Packaging, delivery logistics and transportation of goods are then analysed (Distribution) and also the Use Phase, which includes product maintenance, repair and the materials and energy required by customers to use the product. Finally, the End-of-Life is considered since the organization must extend its responsibility for sustainability also after the clients decide to end product consumption, so issues such as remanufacturing, recycling, disassembly, incineration or disposal of the product are taken into consideration. The last two blocks aim at evaluating the company's ecological costs and ecological value. Environmental Impacts summarizes the organizational impacts using indicators of CO2 emissions, water consumption, resource usage and others. On the other hand, Environmental Benefits shows the ecological value the firm is able to create by both reducing negative impacts and creating positive ecological value through its actions (Joyce & Paquin, 2016).

The goal of the social canvas layer is instead analysing the actual social impacts of the company on the network of stakeholders such that the firm can innovate and redesign its business model to increase its social value creation potential (Joyce & Paquin, 2016). As for the others, this layer has nine building blocks. Social Value includes the value and benefits the enterprise wants to create for all its stakeholders and the society in general. The firm should analyse the value created for Employees, Local Communities which include also suppliers and End-Users, for whom value is created by addressing their needs and improving their quality of life. The Societal Culture block relates to the ability of the enterprise to positively influence the society, while the Scale of Outreach describes the depth and breadth of the relationships established with stakeholders over time. Finally, Social Impacts and Social Benefits include the costs for society from organizational activities (such as that related to health and safety, fair competition, working hours) and the aspects of the organization which create social value such as personal development or community engagement (Joyce & Paquin, 2016).

The TLBMC adopts an inside-out approach providing the organization a tool to visualize the current business model and explore possible innovations to move toward SBMs. It permits to evaluate the impacts of all the possible changes to the model across the three canvas layers. Hence, this instrument can be really useful for a company starting to innovate and change in order to improve its sustainability performance, allowing it to understand its current situation and figure out where to intervene.

In the following paragraphs, an outside-out approach is going to be adopted to propose several archetypes of SBMs which the firm can adopt or reinterpret for its business.

### 1.3.2 Sustainable business models archetypes

*“A business model for sustainability helps describing, analysing, managing, and communicating a company’s sustainable value proposition to its customers and all other stakeholders, how it creates and delivers this value, and how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries”* (Schaltegger, Hansen, & Lüdeke-Freund, 2016, p. 6). The value proposition must provide economic but also ecological and social value by offering the products and services, so sustainable business models capture all three types of value for a wide range of stakeholders. By adopting these models, companies are therefore able to achieve competitive advantages due to a superior customer value while at the same time contributing to a sustainable development of the firms themselves and the society (Bocken, Short, Rana, & Evans, 2014).

The development of a SBM for a start-up or the shifting to a SBM by a mature company already operating in the market start, as said in paragraph 1.2, from the strategy: firstly, the organization has to craft its mission, vision and core purpose in terms of not only economic aspects such as profitability and shareholders’ returns, but also in terms of environmental and social concerns (Stubbs & Cocklin, 2008). In addition, a stakeholder approach must be adopted by the company: the needs of all parties must be considered and nature itself must be regarded as one of them. Relationships with stakeholders should be approached with a long-term view, developing trust-based and mutually beneficial relations; the firm should also be willing to share resources and collaborate in order to generate sustainable outcomes and solutions (Evans, et al., 2017). Leadership is also important in the movement toward a sustainable business model: the CEO should act as a sustainability leader and make all the structural and cultural changes needed to implement sustainability throughout the organization. Finally, reporting is fundamental: a Triple Bottom Line perspective should be used by integrating social and environmental indicators in company performance measurement systems in order to communicate progress towards sustainability to internal and external stakeholders (Stubbs & Cocklin, 2008).

By changing its culture and making changes to the way in which it operates, the enterprise can achieve firm-level sustainability, but it can be sustainable only if the system in which it operates is sustainable too. Hence, a fundamental characteristic of a SBM is the readiness to collaborate, also with competitors when necessary, in order to build sustainable infrastructure at the system

level such as recycling facilities, sustainable transportation systems, renewable energy facilities, and ecological tax-reform systems (Stubbs & Cocklin, 2008).

In figure 4, the value chain of an organization is represented with an indication of the environmental and social impacts that each activity may have. It includes all the activities a company must perform while doing business and as shown in the figure, each of them potentially involves sustainability issues to be addressed by it.

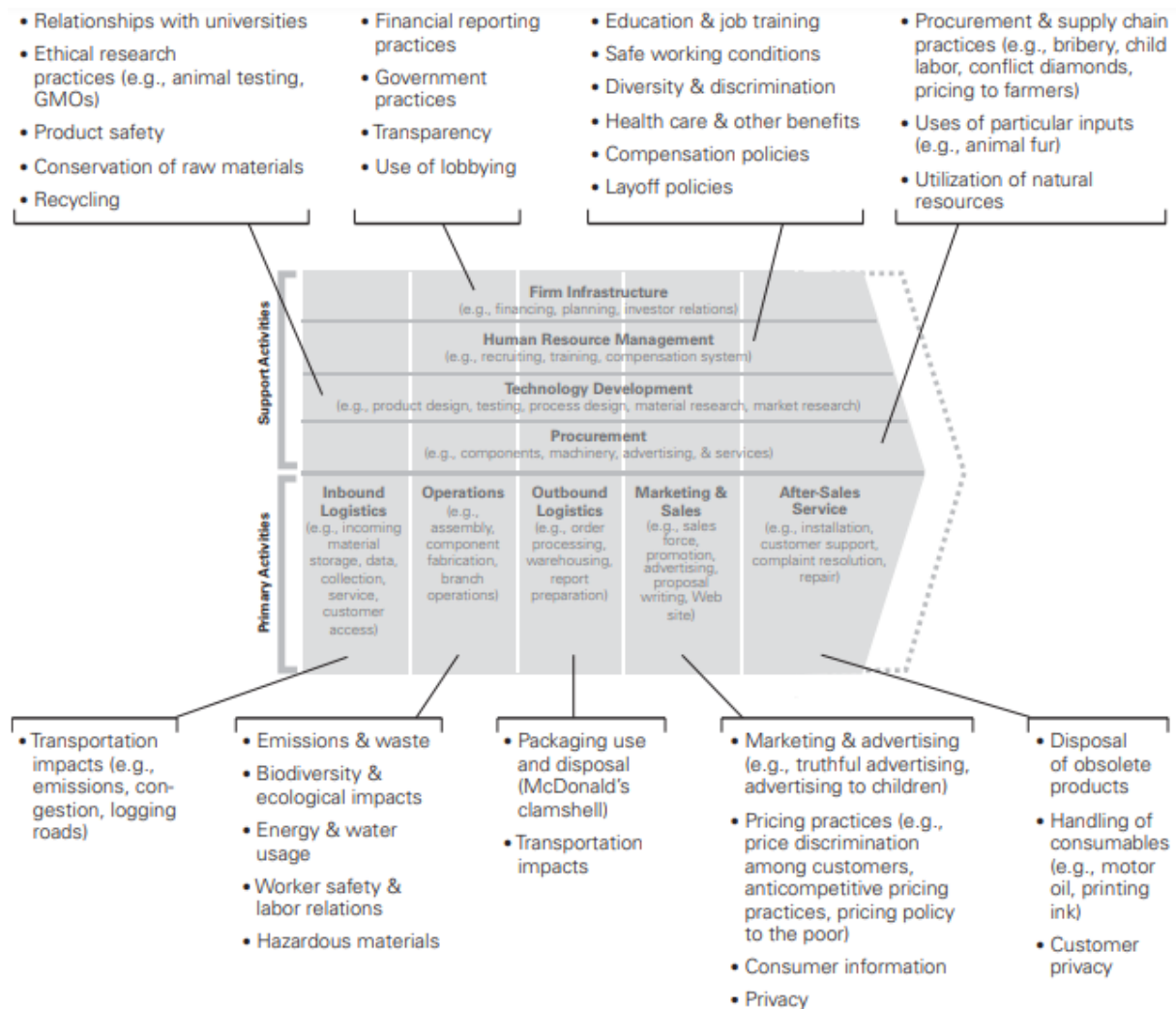


Figure 4: Social and environmental impacts of the value chain  
Source: (Porter & Kramer, 2006)

An organization which wants to become sustainable has therefore to intervene in multiple areas, changing internal structures and processes and modifying the actual way of operating. Among all the value chain activities, the support activity related to procurement will be the focus of chapter two, with the aim of understanding how an enterprise can develop and operate a sustainable supply chain.



In changing its business model to create environmental and social value, a company will try to understand where its biggest impacts lie and will act in different areas. There is a very large number of possible SBMs which can result, depending on whether the firm focuses more on energy and material efficiency, on ensuring health of stakeholders, on creating value from waste or other aspects. Each company will focus on different activities to improve its performance, depending on the type of organization, the business and other factors.

In the literature we can find an infinite number of possible SBMs; in this work, the classification of N.M.P. Bocken, S.W. Short, P. Rana and S. Evans will be reported. They identified by reviewing the literature and some practical cases eight main archetypes of SBMs shown in figure 5.

Groupings	Technological			Social			Organisational	
	Archetypes	Archetypes	Archetypes	Archetypes	Archetypes	Archetypes	Archetypes	Archetypes
	Maximise material and energy efficiency	Create value from waste	Substitute with renewables and natural processes	Deliver functionality rather than ownership	Adopt a stewardship role	Encourage sufficiency	Repurpose for society/environment	Develop scale up solutions
Examples	Low carbon manufacturing/solutions	Circular economy, closed loop	Move from non-renewable to renewable energy sources	Product-oriented PSS - maintenance, extended warranty	Biodiversity protection	Consumer Education (models); communication and awareness	Not for profit	Collaborative approaches (sourcing, production, lobbying)
	Lean manufacturing	Cradle-2-Cradle	Solar and wind-power based energy innovations	Use oriented PSS- Rental, lease, shared	Consumer care - promote consumer health and well-being	Demand management (including cap & trade)	Hybrid businesses, Social enterprise (for profit)	Incubators and Entrepreneur support models
	Additive manufacturing	Industrial symbiosis	Zero emissions initiative	Result-oriented PSS- Pay per use	Ethical trade (fair trade)	Slow fashion	Alternative ownership: cooperative, mutual, (farmers) collectives	Licensing, Franchising
	De-materialisation (of products/packaging)	Reuse, recycle, re-manufacture	Blue Economy	Private Finance Initiative (PFI)	Choice editing by retailers	Product longevity	Social and biodiversity regeneration initiatives ('net positive')	Open innovation (platforms)
	Increased functionality (to reduce total number of products required)	Take back management	Biomimicry	Design, Build, Finance, Operate (DBFO)	Radical transparency about environmental/societal impacts	Premium branding/ limited availability	Base of pyramid solutions	Crowd sourcing/funding
		Use excess capacity	The Natural Step	Chemical Management Services (CMS)	Resource stewardship	Frugal business	Localisation	"Patient / slow capital" collaborations
		Sharing assets (shared ownership and collaborative consumption)	Slow manufacturing			Responsible product distribution/promotion	Home based, flexible working	
		Extended producer responsibility	Green chemistry					

Figure 5: Sustainable Business Model archetypes  
Source: (Bocken, Short, Rana, & Evans, 2014)

The archetypes are grouped based on the main type of business model innovation: technological, social or organizational.

#### *SBMs with a focus on technological innovation*

They are mediators between technologies of production and consumption, i.e. between how the products/services are made, the products/services themselves and how they are used by

customers (Boons & Lüdeke-Freund, 2013). Three archetypes belong to this category. “Maximise material productivity and energy efficiency” type aims at redesigning products and processes in order to use fewer resources and produce less waste, emissions and pollution; value for the society and the environment is created through the minimization of environmental footprint. “Create value from waste” has the objective of reusing waste at the end of a product’s use phase as input for other production; the aim is therefore redesigning products and processes to create new value from waste. In this way, the company can reduce demand for resource primary extraction, emissions and waste to landfill. The last archetype of this category is “Substitute with renewables and natural processes” which involves exploiting the potential of renewable resources and reconfiguring internal processes by trying to replicate processes occurring in nature. Environmental value is created by reducing the organizational demand of non-renewable resources and reducing emissions and waste to landfill (Bocken, Short, Rana, & Evans, 2014).

#### *SBMs with a focus on social innovation*

They are related to social value creation and have the aim of creating or transforming markets towards sustainable development (Boons & Lüdeke-Freund, 2013). Three archetypes belong to this category. “Deliver functionality, rather than ownership” involves fulfilling customer needs through services, instead of obliging customers to buy a product (Bocken, Short, Rana, & Evans, 2014). This type is based on the concept of Product Service Systems (PSS), which are combinations of tangible products and intangible services that allow to reduce the use of resources and stimulate the firm to increase the durability of products and design for reparability. Life-cycle thinking and integration of supply chains have fundamental roles in PSS model (Evans, et al., 2017). “Adopting a stewardship model” focuses on ensuring stakeholders’ health; products and services are produced to engage with stakeholders and assure their well-being. The collaboration with suppliers is fundamental to generate environmental and social value (Bocken, Short, Rana, & Evans, 2014). Lastly, the “Encourage sufficiency” archetype has the objective of promoting a sustainable consumption; the focus is therefore on relationships with customers and on educating them at buying less, using product for a longer time and wasting less. In this way, production can be reduced as well as resources and energy usage (Bocken, Short, Rana, & Evans, 2014).

#### *SBMs with a focus on organizational innovation*

They are based on several changes at the organizational level, so business practices and ways in which companies operate are modified in order to integrate sustainability aspects (Boons & Lüdeke-Freund, 2013). The two archetypes based on organizational innovation are: “Re-

purpose the business for society/environment” and “Develop scale-up solutions”. The former focuses on delivering environmental and social benefits and developing close relationships and a close integration with stakeholders. Creating environmental and social value becomes the main organizational purpose while the maximization of value for shareholders is overshadowed. Hybrid businesses belong to this archetype and will be better investigated in the following paragraph. On the other hand, “Develop scale-up solution” model aims at scaling sustainability solutions in order to maximize environmental and social value creation. Franchising is for example a way that permits the replication of a SBM solution with localised adaptations (Bocken, Short, Rana, & Evans, 2014).

The archetypes proposed by N.M.P. Bocken, S.W. Short, P. Rana and S. Evans can be an important tool since they can be a starting point for enterprises approaching new business models for sustainability. Companies can take inspiration from these types, choosing one or a combination of them, and reinterpret and test them in their businesses (Bocken, Short, Rana, & Evans, 2014). Experimenting is required in order to discover new business models and understand which SBM is more suitable for a company. Trial and error are therefore an important aspect of business model innovation (Evans, et al., 2017).

### 1.3.3 Sustainability-driven hybrids

Sustainability-driven hybrids, called also social business hybrids or social enterprises, belong, as said above, to the “Re-purpose the business for society/environment” archetype since they are organizations with a social or environmental mission that perform commercial activities to address a social issue (Santos, Pache, & Birkholz, 2015).

There are several definitions in the literature of these hybrids; here, the one of Professor Antonio Fici is proposed: “*a social enterprise is a private legal entity which conducts an entrepreneurial activity of social or common benefit for a general or community interest purpose, and not to distribute profits to its members, founders, directors or employees*” (Fici, 2015, p. 13-14). Fici underlines how the willingness to deal with the social problem is the primary purpose of the social business hybrid and it is protected, in European laws on social enterprises, by limits on profit distribution. Laws can indeed provide a total or partial prohibition of direct and indirect distribution of profits such that they are used to address the sustainability issue and benefit the community, instead of allocating them to owners, managers or employees (Fici, 2015). It can be understood that the creation of environmental or social value is the primary reason for these organizations to exist so these hybrids can be also defined as enterprises which aim at

transforming the market structure through a simultaneous creation of economic, social and/or environmental value (Stubbs, 2017).

A distinctive characteristic of sustainability-driven hybrids is that they are located on the boundary between for-profit enterprises and non-profit organizations: they in fact have an environmental or social mission as the non-profit ones, but at the same time they run commercial operations in order to achieve that mission thus approaching for-profit companies (Haigh & Hoffman, 2012). Hence, they must pursue both financial sustainability and social goals, which are closely linked: generating financial resources is in fact instrumental to the achievement of the social objectives (Doherty, Haugh, & Lyon, 2014).

Three main goals which differentiate these hybrid organizations from traditional companies can be identified: considering positive environmental or social change as the firm objective, developing mutually beneficial relationships with stakeholders and increasingly interacting with the market, competitors and industry institutions (Haigh & Hoffman, 2012). As far as the first goal is concerned, it has been already said that social enterprises consider economic and sustainability objectives simultaneously; balancing them can be facilitated by long time horizons and positive leadership. These hybrids have usually a longer-term focus than other companies and a steady sustainable growth; they in fact do not strive to reach the maximum levels of growth because of the constraints imposed by their missions. They also try to maintain a high level of autonomy to be sure that the environmental or social issue remains the organizational priority. Leadership is also fundamental: leaders embody the values which drive the enterprise's mission and they must spread these values throughout the organization through their actions and behaviour (Haigh & Hoffman, 2012).

The second objective regards the close and trust-based relationships that social enterprises develop with all stakeholders. They for example employ local people, allow them to participate in the organization's decision-making process and educate them in specific sustainability practices; they therefore build a close relationship with the local community. Hybrids also develop strong relations with employees, customers and the nature. Indeed, a distinctive trait is also the consideration they have of nature: they do not only look at it as a provider of natural resources to be employed by the organization, but they consider it in its integrity, trying to fully understand it and also develop products and business models inspired by natural processes (Haigh & Hoffman, 2014).

Lastly, a peculiar feature of social enterprises is the way in which they approach competitors and industry institutions. If traditional firms seek to defend their products, processes and practices from competitors' imitation in order to maintain their competitive advantages, social

business hybrids want to spread their business models and way of operating so that other enterprises can contribute to the creation of environmental and social value. They show a high level of transparency, and share information which are normally considered as intellectual property by other companies in order to promote the adoption of their business models and change the rules of the game in the market (Haigh & Hoffman, 2014).

The analysis of hybrids' characteristics demonstrate that they really address social issues and differently from traditional companies that predominantly consider sustainability by trying to reduce the negative impacts, becoming less unsustainable, hybrids seek to create value and positive impacts therefore being more sustainable.

Sustainability-driven hybrids or social enterprises can adopt several legal forms, depending on the regulatory context; some of the most common forms available in different countries are going to be quickly analysed.

- *Low Profit Limited Liability Company (USA)*: also called L3C, it is a type of limited liability company for for-profit enterprises that have a social mission. The organization must make profit to survive but it has the social purpose in front of everything it does. This legal form is particularly important because it is a company in which foundations can invest. By law, foundations must direct 5% of their assets every year for charitable purposes to maintain their exemption from taxes. To accomplish this rule, they can invest in companies with a charitable or educational purpose and for which generating profits is not the main goal. L3Cs have these characteristics and so they are potential investments for foundations (Field, 2012).
- *Benefit Corporation (USA)*: it is a corporation which integrates sustainability in its value proposition: it commits not only to generate profit, but also to create public benefit and sustainable value. It has to constantly evaluate which are the organizational impacts on society and environment and report annually, through a report certified by a third party, these impacts to the stakeholders (B Lab, 2020). This legal tool will be explained more in detail in chapter three.
- *Social Purpose Corporation (USA)*: it is a legal tool provided by law in few US States including California and Washington. The requirements vary depending on the State but in general, it is a for-profit company which pursues one or more social purposes in addition to financial profit. According to Californian law, the social purpose must involve increasing positive impacts or reducing the negative ones toward corporation's

employees, suppliers, customers and creditors, or community and society or environment (Plerhoples, 2015).

- *Social Cooperative* (Italy): it was set up in 1991 with the aim of covering caring activities, such as the management of social-health care and educational services or initiative for protection of the environment, or training activities by introducing disadvantaged people to employment opportunities (Thomas, 2004). It is managed according to the principle “*one member, one vote*” and being a cooperative, it is opened to the joining of new members. Members own and manage the cooperative (Fici, 2015).
- *Società Benefit* (Italy): it is a firm which combines the goal of profit with the purpose of creating a positive impact for society and the environment and that operates in a transparent, responsible and sustainable way (B Lab, 2020). It has been introduced in Italy in 2016, inspired by US Benefit Corporation; it will be further examined in chapter three.
- *Community Interest Corporation (CIC)* (UK): it is a special type of limited company that has the goal of generating benefits for the community rather than for private shareholders. It involves a “*community interest statement*” in which the corporation explains what it is going to do and an “*asset lock*” that is a legal promise by the firm to use assets only for the social goals, limiting the distribution of profits to shareholders (Government of the United Kingdom, 2020).
- *Non-profit Limited Company (gGmbH)* (Germany): it is a variant of the traditional limited liability company (GmbH) which combines the advantages of a GmbH with the ones of a non-profit organization. The distinctive feature is the pursuing of a charitable purpose, which may include the protection of one of the following issues: education and science, environment, nature, animals and plants, art, culture and monuments, religion, healthcare, sports and youth and elderly care. The social purpose must be specified in the article of association and approved by the tax office. gGmbH are exempted from the payment of some taxes such as corporate and trade taxes (IamExpat Media, 2020).

These legal forms are only some examples of the forms that an enterprise can adopt to implement a sustainability-driven business model which combines a market logic with a social one. Governments are keeping working to include these legal forms in the legislation; in US for example, benefit corporations have been already introduced in 37 States and four are working on it. Hence, the need and willingness of companies to do more towards sustainability by innovating their business models is increasingly recognized by governments.

Some of these forms will be further explained in chapter three, while now, in chapter two, sustainable supply chain management, i.e. how companies extend sustainability in the relationships with suppliers, is going to be analysed. After a first explanation on how sustainability is dealt in the purchasing phase, the focus will be on sustainable supplier selection and sustainable supplier development practices.





# Chapter 2: Sustainable Supply Chain Management

*“A company is no more sustainable than its supply chain - that is, a company is no more sustainable than the suppliers that are selected and retained by the company”* (Krause, Vachon, & Klassen, 2009, p. 18). This implies that it is not sufficient for an organisation to incorporate sustainability into its strategies and operations; it must pay attention to the economic, environmental and social dimensions of the entire supply chain it belongs to, by trying to monitor and mitigate those dimensions (Bouchery, Corbett, Fransoo, & Tan, 2016). A firm does not exist in isolation and its sustainability performance is judged based on the overall impact of its whole supply chain (Grant, Wong, & Trautrim, 2017).

In this chapter, the focus will be sustainable purchasing as a mean to extend sustainability practices to the upstream part of the supply chain, that is the suppliers. An analysis of sustainable purchasing and its drivers and barriers will be followed by the explanation of sustainable supplier selection and development practices.

## 2.1 Sustainable purchasing

### 2.1.1 The role of purchasing in the supply chain

Purchasing can be defined as *“the management of the company’s external resources in such a way that the supply of all goods, services, capabilities and knowledge which are necessary for running, maintaining and managing the company’s primary and support activities is secured under the most favourable conditions”* (Van Weele, 2009, p. 3). Primary and support activities are depicted in the first chapter in figure 4; inputs bought by the purchasing function may include raw material and other items as well as assets like machinery and laboratory equipment. Hence, the purchases of this function may be needed by both primary functions such as operations, and support functions such as technology development and for this reason, purchasing is allocated among the support ones (Van Weele, 2009).

Purchasing has several synonyms such as sourcing or procurement. However, the latter is sometimes used with a different meaning: it reflects more a strategic perspective and covers all the activities of buying goods or services (including the purchasing function), while purchasing itself is used with a more operational meaning including only the activities of the buying process itself (Grant, Wong, & Trautrim, 2017). In this work, the two concepts will be used interchangeably.

We said before that when considering sustainability, a firm must consider the impact of the whole supply chain; purchasing is related to its upstream part.

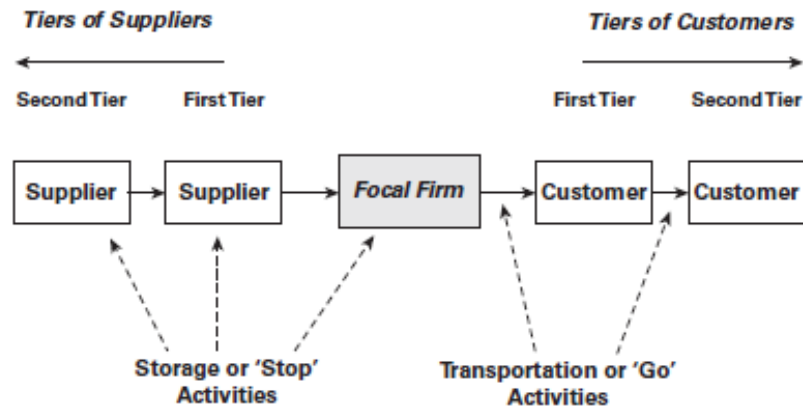


Figure 6: A company's simplified supply chain  
 Source: (Grant, Wong, & Trautrim, 2017)

Figure 6 shows a simplified version of an organisation’s supply chain. On the upstream portion, the enterprise deals with its direct suppliers (first-tier suppliers) and with the first-tier suppliers’ first-tier suppliers (second-tier suppliers). The same reasoning can be applied to the customers in the downstream part, distinguishing therefore between first-tier and second-tier customers. At each node of the chain, represented by a supplier, the focal firm or a customer, a “stop” activity can take place, in which goods are stored or processed; goods are then moved from one node to another through a “go” activity (Grant, Wong, & Trautrim, 2017). In this chapter, we will focus on how sustainability can be extended to the upstream part of the supply chain through purchasing practices.

There can be several approaches to purchasing which depend on the item that is going to be bought; they increase in complexity in proportion to the strategic importance of the item. An important contribution is the paper by Peter Kraljic “*Purchasing must become supply management*” (1983) in which he identified four main categories of items, each of which requires a distinctive purchasing strategy.

<b>Profit impact</b>	<i>High</i>	Leverage items	Strategic items
	<i>Low</i>	Noncritical items	Bottleneck items
		<i>Low</i>	<i>High</i>
<b>Supply risk</b>			

*Table 4: Kraljic's model  
Source: Adapted from (Kraljic, 1983)*

Supply items are classified based on their profit impact, related to the volume purchased, percentage of total purchase cost and impact on product quality, and their supply risk, which depends on availability, number of suppliers, substitution possibilities and others (Kraljic, 1983). Strategic items, usually few in numbers, require the most complex purchasing strategy since they need the highest number of analytical techniques such as market and risk analyses, price forecasting and others to support the purchasing decision. Bottleneck items also may require market analyses and decision models, while leverage items may ask for vendor analyses, price forecasting and decision models. Lastly, noncritical items involve the less complex purchasing approaches with simple market analyses and decisions (Kraljic, 1983). In the following paragraph, the way in which this model can apply when the company takes into consideration sustainability in the procurement strategy will be analysed.

To conclude, purchasing has therefore an important role in the management of the supply chain and since consumers increasingly hold firms responsible for the unsustainable behaviours in their supply chains, extending sustainability to them is fundamental. Sourcing decisions must be taken considering the three dimensions of sustainability and suppliers should be selected based on their sustainability performance and be helped to improve it.

### 2.1.2 The concept of sustainable purchasing

Building on some definitions and concepts explained above, sustainable purchasing can be defined as “*the consideration of environmental, social, ethical and economic issues in the management of the organization’s external resources in such a way that the supply of all goods, services, capabilities and knowledge that are necessary for running, maintaining and managing the organization’s primary and support activities provide value not only to the organization but also to society and the economy*” (Miemczyk, Johnsen, & Macquet, 2012, p. 489). Purchasing may play a crucial role in reducing the environmental and social footprint of the supply chain

through supplier selection, sourcing decisions and collaboration with suppliers (Grant, Wong, & Trautrim, 2017).

Looking again to Kraljic model, in case of sustainable purchasing, sustainability must become a priority and a key performance criterion for all four types of items. The purchasing strategy for strategic items will include collaborating and sharing knowledge with suppliers in order to improve product development, minimizing environmental and social impacts; sustainability will become, in the majority of cases, a priority also for suppliers (Krause, Vachon, & Klassen, 2009). Bottleneck items are more complex when considering sustainability because of the already dependent position of the buying firm on suppliers due to the high risk of supply; in these cases, the company may only try to promote industry-wide standards to make these items more sustainable. The performance for leverage items may be improved by sharing best practices with suppliers, especially regarding material reduction and use of recyclables, to reduce their environmental impacts and costs. Lastly, for noncritical items, sustainability criteria must be included particularly among the selection criteria: third-party certifications can be required by the buying organisation and if suppliers do not comply with the requirements, they can be easily changed. Sustainability becomes therefore a common criterion for all items; however, the supply risk can increase as suppliers who do not satisfy the criteria or do not accept to incorporate sustainability concerns in their operations are excluded from the range of potential suppliers (Grant, Wong, & Trautrim, 2017).

Sustainable purchasing requires therefore the buying firm to move from the traditional cost-based approach to the development of collaborative relationships with critical suppliers, exchanging knowledge and best practices such that both it and its suppliers can become more sustainable in the future, creating value for all the stakeholders (Bouchery, Corbett, Fransoo, & Tan, 2016).

### 2.1.3 Drivers and barriers to sustainable sourcing

There are several factors, internal and external to the buying organisation, that drive the implementation of sustainable sourcing, and, on the other hand, there are also some barriers which hamper its introduction. An examination of all these factors is now going to be made.

#### *Internal drivers:*

- Personal commitment of individuals: among them, founders, managers and employees are included. The support of founders and investors of the buying company is important since their ethical values are spread throughout the organisation, while the commitment of top

managers is fundamental for sustainability to be included in the overall firm strategy. The involvement of middle managers and employees is also needed to improve sustainability performance at the operational level, in the purchasing function (Walker, Di Sisto, & McBain, 2008).

- Desire to reduce costs: pollution reflects hidden costs throughout a product's life cycle so trying to prevent it by, for example, substituting some materials, can help the firm to reduce its costs. Hence, the focus on cost reduction through the minimization of waste and pollution, which often leads to a quality improvement, is a major driver for sustainable purchasing (Walker, Di Sisto, & McBain, 2008).

*External drivers:*

- Government regulation: it can be one of the initial impulses for considering the triple bottom line in sourcing strategy and trying to find new solutions and ways of doing to reduce environmental and social impacts. However, it is important to underline the fact that the mere compliance with regulation does not ensure an improvement of the environmental and social performance. A proactive and innovative approach needs to be undertaken by the buying company in order to move toward sustainable sourcing (Grant, Wong, & Trautrim, 2017).
- Customers: they require efforts towards sustainability to other members of the supply chain, especially to their suppliers, to support their own corporate sustainability strategies (Schneider & Wallenburg, 2012). However, the pressure for sustainability consideration often stems from final consumers. Indeed, large companies in direct contact with them are more exposed to pressure groups and media and are seen as drivers for sustainability improvements along the supply chain; they will therefore set more requirements to their suppliers (Grant, Wong, & Trautrim, 2017).
- Competitors: they can implement sustainable sourcing, setting sustainability industry standards and gaining competitive advantages. The buying company must react to competitors' behaviour in order to retain its customers by implementing sustainable purchasing as well and making improvements toward sustainability (Schneider & Wallenburg, 2012).
- Society: the increasing public awareness and the influence of NGOs can also be drivers for the implementation of sustainable procurement. NGOs are one of the major sources of information about the sustainability performance of an organisation and they have the power to publicly embarrass the company and shape public opinion. Hence, they exert strong pressure on firm's corporate management asking to implement more sustainable purchasing

practices, but they can also influence other actors such as regulatory authorities, customers, suppliers and competitors to adopt sustainability-driven regulation or strategies (Schneider & Wallenburg, 2012).

- Suppliers: they can be drivers of sustainable sourcing when they depend on their image and reputation and own very strong brands. In these cases, they will set sustainability requirements to their customers and they will supply only organisations implementing sustainable practices in order to protect their reputation and enhance their brand value (Schneider & Wallenburg, 2012).

After analysing the factors which drive the implementation of sustainable purchasing practices, the barriers are going to be considered. Starting from the external ones, it is important to say that some of the drivers can also act as barriers to sustainable procurement. The mere compliance with regulation for example may reduce innovation and push the buying company to simply follow the law instead of proactively finding new ways to achieve satisfying sustainability improvements. Suppliers can also hamper the introduction of sustainable sourcing: they may not be willing to share information and make the necessary changes to make the supply chain more sustainable (Grant, Wong, & Trautrim, 2017). Depending on the power of suppliers in the buyer-supplier relationships, the buying firm can try to involve key suppliers by integrating them in the design of sustainability standards along the supply chain (Bouchery, Corbett, Fransoo, & Tan, 2016). Another barrier may be the complex context in which the buying organisation operates. Companies increasingly source on a global scale, developing relationships with a lot of heterogeneous suppliers working in different institutional contexts. Hence, organisational sustainable purchasing practices may comply with one country's law but not with another's. Moreover, there are a lot of sustainability standards on a global scale that are not always compatible, so it may be difficult for a company to choose one standard instead of another and to establish sustainable practices which follow the laws of all the countries in which it is involved (Bouchery, Corbett, Fransoo, & Tan, 2016). The context changes also from industry to industry: some industry-specific barriers can in fact prevent the implementation of sustainable procurement. Barriers, drivers and practices vary across different sectors: market structures, governance and industry-specific regulations influence how proactive or reactive the enterprise is in considering sustainability concerns in purchasing and the speed at which sustainable procurement is implemented (Grant, Wong, & Trautrim, 2017).

Two last obstacles, internal to the organisation, must be mentioned. Cost concerns are one of the major barriers for considering sustainability in the purchasing process since companies are used to focus on cost reduction at the expense of sustainable practices. The second internal

obstacle is the lack of legitimacy: firms often do not really commit to change sourcing practices, but they only work on sustainability for “*greenwashing purposes*”, that means for advertisement goals. A possible solution to this problem is making employees and managers sympathetic to sustainability issues so that they can really commit to make improvements and implement sustainable procurement (Walker, Di Sisto, & McBain, 2008).

	Drivers	Barriers
Internal	Personal commitment of individuals	Cost concerns
	Desire to reduce costs	Lack of legitimacy
External	Government regulations	Mere compliance with regulations
	Customers, especially the pressure for sustainability from final consumers	Complex context in which the company operates
	Competitors which set sustainability industry standards	Industry-specific barriers
	Suppliers when they set sustainability requirements to their customers	Suppliers unwilling to share information and become more sustainable
	Society, including increasing public awareness and the influence of NGOs	

Table 5: Drivers and barriers to sustainable sourcing  
Source: Author's elaboration

After having examined the factors that facilitate or hamper the implementation of sustainable practices in procurement, several sustainable purchasing profiles are going to be investigated, which differ based on the emphasis placed on economic, environmental and social sustainability criteria during sourcing processes.

#### 2.1.4 Sustainable purchasing profiles

In this paragraph, different sustainable sourcing profiles which a company can adopt are analysed. They have been proposed by Lena Schneider and Carl Marcus Wallenburg in their article “*Implementing sustainable sourcing—Does purchasing need to change?*”, published on the Journal of Purchasing & Supply Management in 2012. They claim that sustainable purchasing is employed by the buying organisation only if all three dimensions of sustainability are considered in the process, beyond legal requirements. However, there can be different sustainable sourcing profiles, depending on the emphasis placed in each dimension; it may be, as shown in figure 7, weak, moderate or strong.

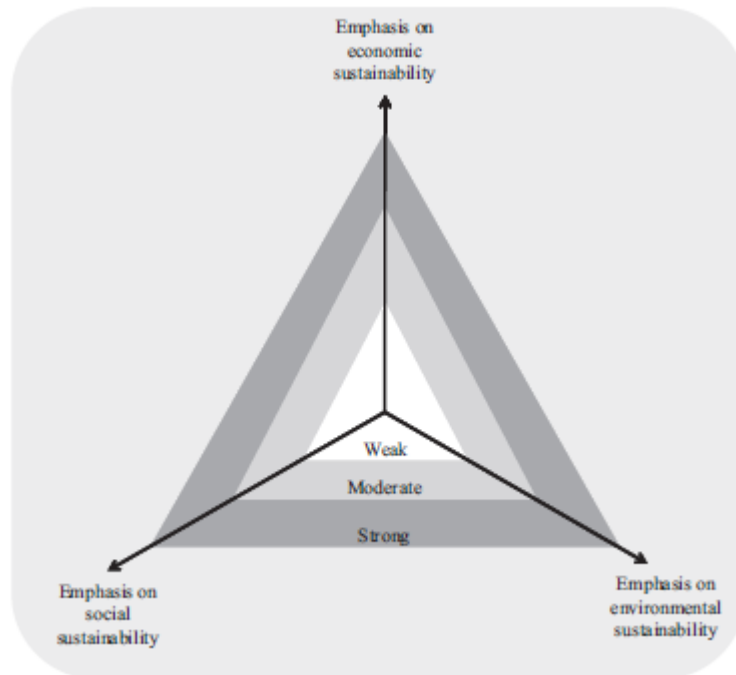


Figure 7: Degrees of emphasis on the three dimensions of sustainability  
 Source: (Schneider & Wallenburg, 2012)

Based on the level of emphasis, L. Schneider and C. M. Wallenburg identified eight different sustainable procurement archetypes, which are the following:

- Minimalist: the three dimensions of sustainability are all considered in purchasing with a weak level of emphasis. The buying company moves beyond legal requirements, but sourcing is not considered as strategically relevant for sustainability or the firm itself has a weak sustainability orientation, focusing only on few isolated activities.
- All-round perfectionist: it is the opposite to the minimalist profile, so a strong emphasis is placed on all three dimensions since the organisation wants to excel in sustainable procurement and sustainability in general.
- Economist: the focus is on the economic dimension, while weak emphasis is put on the social and environmental ones. This archetype seeks to balance short-term financial interests with the long-term competitiveness and financial health of suppliers.
- Environmentalist: a strong emphasis is placed on the environmental dimension since the buying firm focuses on evaluating the environmental performance of suppliers in terms of use of natural resources, emissions, pollution and waste. On the other hand, low standards of economic and social sustainability are present.
- Social activist: the focus is on the social dimension, ensuring good working conditions at the plants of suppliers and verifying that buying company's corporate values in terms of social sustainability are respected by the supply base. Weak emphasis is placed on the other two dimensions.



Finally, other three profiles exist, which put strong emphasis on two dimensions at the same time:

- Social economist: it focuses on the economic and social dimensions.
- Environmental economist: the buying enterprise focuses on the environmental and economic aspects of sourcing.
- Social environmentalist: the buying firm pays attention mainly to the environmental and social performance of its suppliers (Schneider & Wallenburg, 2012).

The buying company chooses the sourcing archetype that best adapts to its conditions, considering the type of organisation, pressures from stakeholders, the sector in which it operates and other factors. An enterprise may also pass through different profiles in its efforts to implement sustainable sourcing; the fundamental thing is that the company must move beyond legal requirements in all three dimensions of sustainability for purchasing to be considered sustainable.

A deep analysis of two critical activities of the purchasing function is going to be done in the remainder of the chapter: supplier selection and development will be examined in order to understand how these processes change when incorporating sustainability.

## 2.2 Sustainable supplier selection

Supplier selection is one of the key processes in supplier management with which a firm identifies, evaluates and selects its suppliers. Traditionally, firms have looked for suppliers which excel in price, quality, flexibility, delivery and service. However, it is difficult to find a supplier that shows an excellent performance in all these economic criteria, offering the item at a reasonable cost. Hence, trade-offs must be made by the organisation between them (Van der Rhee, Verma, & Plaschka, 2009).

When a company decides to consider sustainability in supply management, we talk about sustainable supplier selection, which can be defined as *“a process for companies, to identify and evaluate appropriate suppliers and their upstream supply chains with the aim to select those options, which perform the best along the upstream supply chain with regard to the three dimensions of sustainability”* (Zimmer, Fröhling, & Schultmann, 2016, p. 1413). Sustainable supplier selection goes beyond the traditional economic criteria by including also environmental requirements such as green image, recyclability and life cycle cost, and social ones such as healthcare and safety at the suppliers’ plants. The organisation must therefore make new trade-offs, between the economic and the environmental and social criteria, in order

to bring sustainability to the upstream part of its supply chain, and it must assign priorities accordingly (Reuter, Goebel, & Foerstl, 2012).

In this paragraph, first we are going to analyse the economic criteria on which companies have traditionally focused for selecting suppliers. Afterwards, environmental and social criteria that organisations introduce when incorporating sustainability in the selection process are investigated. Finally, some labels and certifications which can be required to the potential suppliers will be presented.

### 2.2.1 Traditional supplier selection criteria

The supplier selection process starts with the identification of the needs and specifications, followed by the formulation of criteria according to which potential suppliers are evaluated. A first rough evaluation is then made, followed by a detailed assessment that ends with the selection of the more qualified suppliers (Zimmer, Fröhling, & Schultmann, 2016). The process is critical for a company since choosing the wrong suppliers may have negative consequences such as increased costs, loss of many customers and damages to the organisational reputation. Hence, paying attention to the formulation of the criteria that are used to assess suppliers is fundamental. Traditionally, companies have focused on several economic criteria in the process of evaluating and selecting suppliers. Two macro groups of economic criteria are identified: strategic performance measures and organisational factors. Each category includes several factors which can be further divided in different subfactors that are set depending on the firm and decision-makers that are evaluating the suppliers (Sarkis & Talluri, 2002).

The major metrics among strategic performance measures are cost, quality, time, flexibility and innovativeness (Bai & Sarkis, 2010). Cost includes components such as the initial price for the item, supplier's compliance with sectorial price behaviour and cost reduction activities, while quality comprises consistent conformance to specifications, the ability to meet delivery deadlines, quality philosophy and the capacity to quickly respond to new requests. The factor time refers to the time required for the product development, the delivery of the item and the establishment of the partnership with the supplier, while flexibility regards the willingness of the supplier to solve conflicts, its ability to rapidly change the volume of production when required and the ability to start the production of new products on short notice (Choi & Hartley, 1996). Finally, innovativeness indicates the capability of the supplier to launch periodically new products and introduce new technologies; it helps the supplier in improving its competitive advantage (Chan, 2003).

On the other hand, organisational factors usually involve components which are difficult to quantify and that focus more on the capabilities and characteristics of the firm with which the buying company will establish a partnership. Today in fact organisations develop with their suppliers long-term relationships based on mutual trust, collaboration and mutual commitment to work together, sharing risks, information and a common vision for the future (Ellram, 1990). Hence, evaluating also the organisational features of suppliers is important to choose the right partners. Three main factors should be assessed: culture, technology and relationship. Culture includes components such as strategic fit, feeling of trust, management attitude and compatibility between the buying firm and the supplier, both at the top management level and among functions. This factor aims at evaluating how the potential partners fit together in terms of management style, future strategy and overall compatibility. Technology is considered to assess current and future technology directions and capabilities of the supplier; subfactors are for example technological compatibility, supplier's speed in development, design capability and assessment of current and future manufacturing facilities (Ellram, 1990). Lastly, relationship and its components such as long-term relationship, relationship closeness, communication openness and reputation for integrity are used to evaluate the history of relationships established by the supplier and its ability to develop long-term partnerships founded on trust and cooperation (Choi & Hartley, 1996).

The number of components for each factor is fixed by the decision makers and analysts and potential suppliers are then evaluated on each subfactor. The supplier that shows a better performance than the others in all the economic criteria will be selected. However, economic factors are not anymore enough in today's world when sustainability issues are more and more incorporated into supply management, so other criteria must be added to the process.

### 2.2.2 Sustainability criteria for supplier selection

Buying organisations want to evaluate the triple bottom line performance of each potential supplier, so they set requirements for each sustainability dimension, thereby focusing not only on the traditional economic criteria, but on environmental and social ones as well (Kara & Firat, 2016).

#### *Environmental criteria*

Environmental criteria are divided in two main categories, i.e. environmental practices and environmental performance: the former aims at evaluating the policies and procedures the supplier uses to monitor and improve its environmental performance, while the latter is related to supplier's resource consumption and pollution production (Bai & Sarkis, 2010).

The three main factors to be evaluated among environmental practices are pollution control, pollution prevention which is related to the adaptations to products and processes made by the supplier in order to prevent pollution production, and environmental management system. This last factor refers to a set of processes and procedures which permit a company to reduce its environmental impacts and improve its operational efficiency. It involves five main steps which can be used as subfactors in evaluating the supplier: establishment of environmental commitment and policy, identification of environmental aspects, planning of environmental objectives, assignment of environmental responsibility, checking and evaluation of environmental activities (Dou & Sarkis, 2010). Eco-design is also a factor often considered in supplier selection: it reflects the ability of the supplier to design the product such that its environmental impacts are reduced in all phases of the product-cycle, from sourcing of raw materials to distribution (Kara & Firat, 2016).

The environmental performance category instead comprises two factors, i.e. resource consumption and pollution production. The former has the objective to assess the use of resources by the supplier, so subfactors are consumption of energy, raw materials and water. Pollution production aims instead at evaluating supplier's environmental performance by looking at its production of polluting agents, toxic products and waste (Gauthier, 2005). Connected to waste, reuse and recycling are two other subfactors which are often taken into consideration to evaluate the ability of the supplier to reduce waste production by reusing and recycling both resources and materials and products themselves (Zimmer, Fröhling, & Schultmann, 2016).

#### *Social criteria*

To assess the social dimension of sustainability, companies usually distinguish between internal and external social criteria: the first type looks at the employment practices of the supplier and occupational health and safety at work, while the external metrics regard the relationships of the supplier with different categories of stakeholders (Bai & Sarkis, 2010).

Employment practices involve understanding the relationships established by the supplier with its employees and how they are treated in the organisation: the dialog with them, the presence of racial or sexual discrimination and of underage labour, the job opportunities for physically or mentally disabled people, the compensation schemes and the amount of time and resources spent for educating and training employees are evaluated. The second main factor among the internal criteria is health and safety at work: incidents and practices are assessed to understand

the occupational health and safety management system of the supplier and its compliance with norms and standards (Gauthier, 2005).

On the other hand, external social criteria aim at evaluating the relationships of the supplier with three main categories of stakeholders: local communities, contractual stakeholders and other stakeholders. The local community must be taken into consideration to evaluate the influence and contribution of the potential supplier to its economic and social development (Gauthier, 2005). The supplier may in fact influence health, housing, education, service and mobility infrastructure, and can contribute to the economic welfare and growth of the community, make donations and give its support to community projects. Another social criterion is contractual stakeholders influence: they are the clients, suppliers or distributors of the supplier and its influence on them is measured by looking at its procurement standard, partnership screens and standards and contribution to consumers education (Bai & Sarkis, 2010). Lastly, supplier's influence on other types of stakeholders must be considered, such as on the society in general or NGOs, assessing stakeholder empowerment and engagement for example. It is also useful to understand the transparency of the supplier in communicating and operating with these actors (Gauthier, 2005).

Sustainability criteria for supplier selection are therefore numerous and given their complexity and quantity, identifying which measures to employ and their weight on the evaluation of suppliers is a critical step for decision-makers in the sustainable selection process (Bai & Sarkis, 2010). Today, almost all companies add to the traditional economic metrics the environmental and social ones, even if it is important to underline that social criteria are employed less frequently than the other two categories. There are different reasons for this disparity: first, environmental issues have started to be considered in organisational activities well before the social ones so there is more literature and experience in considering and measuring environmental aspects. Moreover, incorporating social criteria may be more difficult due to the cultural and economic differences between countries and because the measurement and quantification of social concerns are a lot more difficult than that of environmental aspects (Zimmer, Fröhling, & Schultmann, 2016).

SUSTAINABILITY CRITERIA		
	Environmental criteria	
	Factors	Sub-factors
Environmental practices	Pollution control	End-of-pipe controls
	Pollution prevention	Process and product adaptations
	Environmental management system	Establishment of environmental commitment and policy., identification of green aspects, planning of environmental objectives, assignment of environmental responsibility, checking and evaluation of green activities
	Eco-design	Green product, design for environment (recycle, reuse, disposal)
Environmental performance	Resource consumption	Energy, raw materials and water consumption
	Pollution production	Polluting agents, toxic products and waste production
	Social criteria	
	Factors	Sub-factors
Internal social criteria	Employment practices	Racial and sexual discrimination, underage labour, compensation schemes and others
	Health and safety at work	Health and safety at work incidents and practices
External social criteria	Local communities influence	Health, housing, education, service and mobility infrastructure
	Contractual stakeholders influence	Procurement standard, partnership screens and standards and contribution to consumers education
	Other stakeholders influence	Stakeholder empowerment and engagement and transparency in communicating with them

Table 6: Sustainability criteria  
Source: Adapted from (Bai & Sarkis, 2010), (Kara & Firat, 2016), (Gauthier, 2005)

As said before, sustainable supplier selection is very complex because of the multitude of criteria involved, many of them conflicting and requiring trade-offs to be made. Multi criteria decision-making approaches are employed by companies in order to simplify the selection decision and balance the variety of criteria (Govindan, Rajendran, Sarkis, & Murugesan, 2015). There are several models that organisations use to decide which suppliers to select: qualitative models, mathematical programming models, mathematical analytical methods and artificial intelligence models. Buying firms may employ a single method or several ones by combining them together. Analytical hierarchy process (AHP), analytical network process (ANP) and data envelopment analysis (DEA) are three mathematical analytical methods commonly utilized by enterprises (Zimmer, Fröhling, & Schultmann, 2016). However, investigating in details these multi-criteria decision-making approaches is not an objective of this paper, so we will move now to the presentation of some sustainability labels and certifications that the buying firms may considered when evaluating the potential suppliers.

### 2.2.3 Sustainability labels and certifications

To evaluate and select its suppliers, a company can also take into consideration some certifications and labels awarded to the supplier and its products. Certifications awarded by independent organisations are often used since the processes of monitoring and auditing the supplier is responsibility of an external auditor, paid by the supplier itself and charged by the awarding organisation. These certifications show that the supplier is meeting certain set standards usually connected to a particular sustainability aspect of a product or a service. Holding these certifications is an important criterion in supplier selection, especially for suppliers producing non-critical and leverage items (Grant, Wong, & Trautrim, 2017). Some of the most common certifications recognised at the European level and worldwide are going to be presented.

#### *ISO 14001*

ISO 14001 is a standard produced by the International Organisation for Standardisation (ISO) applicable to all organisations worldwide that specifies requirements for an environmental management system. The standard focuses on formal procedures and policies that a company must establish when considering requirements by law and trying to reduce its environmental impacts; it helps the organisation to constantly improve its environmental management. The compliance with the requirements of ISO 14001 is checked by an accredited independent third party, so ISO does not perform any audits itself (Starkey, 1998). A company may prefer a supplier with ISO 14001 certification because it makes sure that structures and procedures are in place in supplier's organisation to continuously improve environmental performance, prevent pollution and comply with legislation. The buying firm can therefore rely on the already existing efforts toward this dimension of sustainability.

#### *ISO 45001*

If ISO 14001 pays attention to the environmental dimension of sustainability, ISO 45001 may be useful to evaluate the efforts of suppliers toward the social one. It is an international standard which regards the management of occupational health and safety and which therefore focuses on improving employee safety, reducing workplace risks and creating better and safer working conditions. The organisation must understand the needs and expectations of workers and other interested parties, set policies and objectives and establish processes with the aim of improving organisational health and safety (Darabont, Antonov, & Bejinariu, 2017). The compliance with the requirements is checked as for ISO 14001 by an independent third party, allowing the enterprise to become ISO 45001 certified.

### *Fair Trade*

Fair Trade Certified products are made following rigorous economic, environmental and social standards that are tailor-made for each industry. Five main categories of goods can be certified: coffee, produce & floral, seafood, apparel & home goods, and consumer packaged goods (Fair Trade USA, 2020). Coffee, cocoa, sugar, bananas and other agricultural commodities are the main products Fair Trade certified. The label assures that long-term contracts are established with farmers, that they are paid a fair price and that they also receive a premium which can only be employed for the social and economic development of their workers and communities (Grant, Wong, & Trautrim, 2017). The goal of Fair Trade is to support responsible organisations, empower farmers and protect the environment. The third-party that verifies the compliance with the standards is FLOCERT, the only auditing group that Fair Trade works with (Fair Trade USA, 2020).

### *Rainforest Alliance*

The Rainforest Alliance is an international NGO whose aim is to protect forests, improve the quality of life of farmers and forest communities and help them mitigate and adapt to the climate crisis. The little green frog, which is the symbol of the certification of this organisation, can appear on two main types of products: agricultural products such as coffee, cocoa and bananas, and forestry ones like paper (Rainforest Alliance, 2020). The standards according to which products receive the certification focus on all three dimensions of sustainability, so the buying firm may prefer a supplier whose product is Rainforest Alliance certified because it implies an existing effort and strategy toward all three sustainability pillars.

### *Marine Stewardship Council*

Marine Stewardship Council (MSC) is an international NGO for the sustainability of wild-captured fishing whose vision is protecting oceans and safeguarding seafood supplies for the future. Fisheries can be certified to the MSC Fisheries Standard when meeting three main principles that are sustainable fish stocks, minimising environmental impacts and effective fisheries management (MSC, 2020). Seafood products can apply the blue MSC label only if they can be traced back under the MSC Chain of Custody Standard to an MSC-certified fishery. To be certified, both fisheries and other companies in the supply chain must be audited by independent certifiers; they are not audited by the MSC (MSC, 2020).

### *Carbon Trust*

Carbon Trust is a UK company whose mission is to accelerate the delivery of a sustainable, low carbon economy by helping businesses, governments and organisations to reduce carbon



emissions and achieve greater resource efficiency. They developed several standards according to which a company can be certified: Carbon Trust Standards for Carbon, for Water, for Waste, for Zero Waste to Landfill and for Supply Chain. They respectively indicate the effort of an organisation in cutting its carbon footprint, in managing and reducing its water use, in reducing its waste production, in diverting all appropriate waste streams from landfill and finally in managing and reducing greenhouse gas emissions in its supply chain. Hence, Carbon Trust certifications deliver efficiencies and reduce costs, enhance the reputation of a company and help it to be perceived as environmentally responsible (Carbon Trust, 2020).

### *EU Ecolabel*

The EU Ecolabel is a trusted label of environmental excellence created in 1992 and recognised worldwide. It encourages companies to lower their CO<sub>2</sub> emissions and their production of waste and to develop durable, easy to repair and recyclable products. The label is obtained by products and services which meet high environmental standards throughout their life cycle, from the extraction of raw materials to disposal. Third parties control the compliance of the organisation with the requirements and criteria of the label, verifying the efficiency of the company's environmental actions (European Commission, 2020).

The possession of some of these certifications and standards can be used by the buying organisation as additional criterion for choosing one supplier rather than another since it shows the existing commitment of the supplier toward sustainability.

After investigating the selection process and how it varies when sustainability concerns are considered, we are now going to analyse another critical process that is supplier development.

## 2.3 Sustainable supplier development

Supplier development can be defined as “*any activity undertaken by a buying firm to improve either supplier performance, supplier capabilities, or both, and to meet the buying firm's short- and/or long-term supply needs*” (Krause, Scannell, & Calantone, 2000, p. 34). It has traditionally focused on economic goals, trying to improve the supplier's economic performance and its capabilities related to the criteria of quality, cost and delivery. However, since companies today consider all three pillars of sustainability, they adopt sustainable supplier development (SSD) practices, focusing not only on economic, but also on environmental and social goals (Busse, Schleper, Niu, & Wagner, 2016). The buying firm evaluates supplier performance also considering the other two sustainability dimensions and intervenes by training it on environmental and health and safety practices (Sancha, Longoni, & Giménez, 2015). There

are several supplier development practices which require different levels of investment and involvement by the buying company. They lead to the establishment of a long-term cooperative supplier relationship, enhancing company's competitive advantages (Zhang, Pawar, & Bhardwaj, 2017).

In this paragraph, first what characterises the collaborative relationships that are developed between the buying firm and its suppliers in a sustainable supply chain is analysed, followed by an explanation of the drivers and enablers of sustainable supplier development. Lastly, the SSD practices themselves will be investigated to understand what actions can be taken by the buying company to improve the sustainability performance and capabilities of its suppliers.

### 2.3.1 Why collaborate with suppliers?

A company usually may choose between two approaches to extend sustainability to its suppliers, i.e. assessment and collaboration. Assessment is related to any activity associated with evaluating the supplier, using for example questionnaires and company visits (Gimenez & Tachizawa, 2012). The buying firm performs an ongoing monitoring of supplier's environmental and social aspects, keeps track of its performance and gives it feedbacks (Yang & Zhang, 2017). The other approach is collaboration which involves "*working directly with suppliers providing them with training, support or other activities*" (Gimenez & Tachizawa, 2012, p. 533), thereby requiring a greater commitment from the buying organisation which must be willing to share its resources and capabilities with the supplier. It has been shown that assessment itself is not enough to improve the sustainability performance of a supplier; it can be a first step to evaluate it and understand where is necessary to act, but collaboration is also needed (Gimenez & Tachizawa, 2012). The latter is fundamental because it helps in reducing information asymmetries between the buying company and the supplier, increases mutual trust and allows to develop and maintain a long-term relationship. Sharing information, joint researching and working together for future projects are some of the collaboration-based activities that the two parties can undertake to achieve sustainable goals (Yang & Zhang, 2017); the different actions and practices will however be better discussed in 2.3.3.

The collaborative relationship between the buying firm and its supplier should have seven characteristics in order to be successful; they have been identified by Koulikoff-Souviron and Harrison in 2006. First, the two parties must have shared goals, clear both at strategic and operational levels; the goals of the two organisations have not to be the same, but they must be not incompatible. Planning together the goals can be a way for the two partners to simplify the definition of the collaborative activities to be undertaken. An effective information sharing is

also important between the two actors, so they must develop routines to ensure an honest and open communication. Moreover, the personal compatibility of the key people involved in the supply relationship is essential, since they should be able to understand each other and communicate effectively. Another important factor is the presence of coordination mechanisms that should be put in place to facilitate and control the collaboration between the two parties. The commitment of both firms' top management is key, not only at the beginning of the relationship, but it should be maintained throughout. However, it's also important to extend responsibilities to lower level managers to make the collaborative relationship visible at all company levels; they must therefore be given the power to make decisions. Lastly, the success of the supply relationship can also be favoured by similar values shared by the two organisations; in case of cultural differences, socialisation and close interaction can be a mean for managers to understand the partner's culture and overcome the differences (Koulikoff-Souvion & Harrison, 2006). These seven factors help the buying organisation and its supplier to develop a long-term collaborative relationship, creating a double win situation in which both parties benefit from the information and resource sharing and contribute to the improvement of supply chain's sustainability performance. Collaboration is therefore an important element in supplier development on which many of the SSD practices are based.

### 2.3.2 Drivers and enablers of sustainable supplier development

Sustainable supplier development practices have the objective of making suppliers more environmentally and socially responsible. There are some specific factors which push a buying company to adopt such practices which have been identified by Sancha, Longoni and Giménez in their article "*Sustainable supplier development practices: drivers and enablers in a global context*" (2015): pressure from government, pressures from social groups and pressure from competitors. They can vary from country to country and the way in which companies respond to them and act to improve the sustainability performance of their supply chains varies too.

Pressure from government is a driver because laws and regulations about environmental and social issues affect the sustainable activities undertaken by an organisation and its development practices in relation to suppliers. A policy may for example oblige a firm to source only from environmentally responsible suppliers or to adopt labour standards not only in its own organisation but also to impose them to its suppliers. The more laws and policies the government develops and implements related to these two sustainability pillars, the more SSD practices will be adopted by companies operating in that country.

The second type of pressure that can initiate the use of such kind of practices is the one from social groups such as the media, NGOs and trade unions. They make buying firms adopt environmentally and socially related practices because of their power of influencing consumer's behaviour and their big impact on public opinion. Hence, they push companies to improve the sustainability performance of their entire supply chains, including adopting SSD practices, to avoid scandals and damages to their reputation.

Finally, a driver of SSD is the pressure from competitors identified as environmental or social champions: they proactively take actions to improve their sustainability performance, so the other companies in the same industry imitate them in order to keep up with them. Hence, the higher the number of sustainable activities performed by these champions, the higher the adoption of sustainable supplier development practices in the industry.

These three types of pressures influence buying companies which adopt SSD as a reaction to them. However, each country experiences different levels of pressures from the government, social groups and competitors so there will be different levels of adoption of the practices too (Sancha, Longoni, & Giménez, 2015). Undertaking sustainable supplier development activities is complex since collaboration, information sharing, and coordination are required between the buying firm and its supplier. In their article, Sancha, Longoni and Giménez identified, besides the main drivers, also an enabler of SSD practices, that means a factor that facilitates the organisation in adopting them. Supplier integration, which may be defined as "*the extent to which a manufacturer collaborates with its suppliers to develop collaborative and synchronized strategies*" (Sancha, Longoni, & Giménez, 2015, p. 97), can facilitate the adoption and the implementation of SSD activities. The previous existence of a formal communication system between the firm and the supplier can for example facilitate the process when they have to start exchanging information about environmental and social issues. In the same way, past experiences of collaboration can make it easier to collaborate again and take decisions together regarding sustainability problems with the aim of improving supplier's performance. Hence, supplier integration refers to the fact that the two organisations are already used to work together and share information and resources, having structures for their collaboration already in place. Consequently, it will be easier for the buying firm to help its supplier to perform better in the environmental and social sustainability dimensions when deciding to adopt sustainable development practices (Sancha, Longoni, & Giménez, 2015).

After having analysed what drives companies to undertake such activities and what facilitates this process, we are now going to explore more in detail which are the SSD practices that enterprises can adopt.

### 2.3.3 Sustainable supplier development practices

Traditionally, supplier development practices have been categorised according to the level of involvement and commitment of the buying firm, distinguishing between externalised and internalised supplier development strategies. The former type uses the external market to push the supplier to improve its performance, while the latter implies a higher commitment by the buying company since it directly invests its resources into the supplier, making transaction-specific investments.

Three main practices belong to the former category: supplier assessment, supplier incentives and competitive pressure (Koulikoff-Souviron & Harrison, 2006) (Krause, Scannell, & Calantone, 2000). As already analysed in 2.3.1, supplier assessment involves evaluating supplier's performance and providing it with feedbacks and suggestions for improvements. The buying company informs it on how its performance is with respect to competitors, inducing it to work and make improvements to keep up with them. Supplier incentives have the same objective of inducing the supplier to enhance its performance by promising a larger volume of purchases or priority consideration for future business. Lastly, competitive pressure is used when the organisation buys the same item from several suppliers or when it can easily switch from one supplier to another. The firm asks for competitive bids from different suppliers and employs short-term contracts to be able to always purchase the item at the lower price. These three practices involve little commitment by the buying company since it relies on market mechanisms to improve supplier's performance.

On the other hand, an internalised supplier development strategy is direct involvement, in which the buying enterprise internalises the costs of enhancing supplier's results. Indeed, the company directly invests its own resources in activities such as training and educating the supplier's employees or temporarily transferring its own workforce to the supplier. By making these transaction-specific investments and being directly involved, the buying firm risks more with respect to the externalised strategies given that the costs incurred for supplier development cannot be recovered in the event of premature termination of the supply contract.

The first three practices influence therefore supplier's performance improvements only indirectly, while direct involvement allows the buying company to have a critical and direct

role in the significant improvements achieved by the supplying firm (Krause, Scannell, & Calantone, 2000). The four supplier development practices just analysed have usually been used as means to improve the performance of suppliers in traditional features such as quality, delivery, cost and technical and managerial capabilities. We will investigate now which are the practices employed by organisations when sustainable supplier development is considered, so when the aim is improving also environmental and social suppliers' performance.

#### *Environmental supplier development practices*

Environmental or green supplier development has been studied more in literature with respect to development practices related to the social performance and a useful contribution has been the one of C. Bai and J. Sarkis. In their article "*Green supplier development: analytical evaluation using rough set theory*" (2010), they identified three main categories of practices in green supplier development:

- green knowledge transfer and communication: it may include training the supplier on environmental issues, capabilities and costs, giving it advices on green technologies and eco-design product development, setting environmental improvement targets for the supplier, providing it with feedbacks about its environmental performance and joint problem solving on green concerns.
- investment and resource transfer: the buying firm invests and transfers its own resources, both human and financial, to the supplier so this category may include transferring employees with environmental knowledge to the supplier, financing its main environmental capital expenditures and rewarding it for the improvements achieved in its green performance.
- management and organisational practices: they may be activities such as requiring the ISO 14000 certification to the supplier, establishing with it long-term contracts in which environmental concerns and requirements are included, developing a formal process for supplier development and others (Bai & Sarkis, 2010).

The three categories may include a lot of different practices which are listed in table 7, 8 and 9.

<b>Green knowledge transfer and communication</b>	
Training supplier employees on environmental issues and cost controls	Supplier environmental evaluation and feedback
Train supplier in stakeholder expectations	Develop supplier environmental assessment programs
Train users in environmental capabilities	Providing feedback about supplier environmental evaluation
Giving green manufacturing related advice and awareness raising for suppliers	Strong formal supplier environmental evaluation
Giving green technological advice to suppliers	Setting environmental improvement targets for suppliers
Giving eco-design product development related advice to suppliers	Auditing suppliers
Conduct training and education programs for supplier personnel	Joint and team problem solving on environmental issues
Ongoing communication with supplier community via supplier environmental councils	Information sharing on environmental topics

Table 7: Green knowledge transfer and communication practices  
Source: Adapted from (Bai & Sarkis, 2010)

<b>Invest and resource transfer</b>	
Invest in improvement of transaction processes	Reduce supplier environmental costs
Solve supplier environmental technical problems	Finance supplier major capital environmental expenditures
Transfer supplier employees with environmental expertise to buying firm	Transfer employees with environmental expertise to suppliers
Investment in supplier capacity building	Supplier rewards and incentives for environmental performance

Table 8: Investment and resource transfer practices  
Source: Adapted from (Bai & Sarkis, 2010)

<b>Management and organisational practices</b>	
Requiring ISO 14000 certification for suppliers	Formal process for supplier development
Long-term contracts with environmental dimensions incorporated	Identification of high-performing critical suppliers for cost reduction and other improvement opportunities
Introduce across-functional supply chain team with environmental presence	Criteria established about when to enter into supplier development
Building top management commitment/support within buyer organisation for green supply practices	Formal process to identify supplier cost reduction targets
Building top management commitment/support for supplier organisation for green supply practices	The participation level of suppliers in the eco-design stage
Organisation management has formal long-term plans to improve supplier performance	The participation level of suppliers in the process of procurement and production

Table 9: Management and organisational practices  
Source: Adapted from (Bai & Sarkis, 2010)

Since a company has limited resources, it obviously will not adopt all the practices but will prioritize its investments: deciding which green supplier development activities to undertake and how many resources to commit to develop supplier's capabilities is therefore a critical decision (Bai & Sarkis, 2010). The resources and knowledge exchanged during the SSD process and the joint efforts of the buying and supplying firm help them to strengthen their collaborative relationship and build mutual trust, and help to improve not only the environmental performance of the supplier, but its competitive position and economic performance as well (Busse, Schleper, Niu, & Wagner, 2016).

#### *Social supplier development practices*

We refer to socially responsible supplier development when considering the practices companies adopt to improve the social performance of their suppliers. Practices are the same as for green SD since they include for example sharing information, knowledge and resources with the supplier, rewarding it and training its personnel, with the difference that now the aim is the improvement of its social performance instead of the environmental one. As previously said, socially responsible supplier development has been studied less in the literature than the green one, but we can still analyse some practices that have been identified.

The evaluation of supplier's social performance, through questionnaires and audits, is a first important activity which permits to understand if certain social standards are in place and how the supplier deals with social problems such as labour and human rights or diversity and safety in the workplace (Yawar & Seuring, 2018). Evaluation may be useful to pressure the supplier to start considering social concerns also in its own supply chain (Sancha, Gimenez, Sierra, & Kazeminia, 2015). In addition, evaluation may push the buying firm to ask the supplier to achieve a certification, resulting in an improved supplier performance. The certification validates the social practices it has adopted and shows that its operations are transparent, traceable and sustainable (Yawar & Seuring, 2018). Other social SD practices are visiting the supplier's plants, training its workforce in terms of social issues and working together with it to address them. By doing this, the working conditions at supplier's plants can be improved and the number of accidents reduced (Sancha, Gimenez, Sierra, & Kazeminia, 2015). Sharing knowledge about critical social issues, related practices and implementation guidelines is another important practice the buying company may adopt, in addition to providing feedbacks to the supplier after evaluating its social performance and rewarding it in case of substantial improvements. Hence, three steps are fundamental: first sharing information with the supplier, then developing an audit and feedback system and lastly directly intervening with practices



involving the investment and sharing of resources and joint efforts with the supplier (Lu, Lee, & Cheng, 2012).

It is also important to highlight the fact that socially responsible supplier development may be used to address bigger societal problems, alleviating for example poverty and empowering the supplier and its community, fostering community development. Indeed, the buying organisation can help to alleviate poverty by engaging marginal suppliers from emerging or poor countries and at the same time, by sourcing from these small-scale suppliers, it can contribute to improve their economic local conditions and address community development issues. By working with the buying firm and receiving technical and financial support, these suppliers can improve their social performance, helping their communities to get access to better education and health care and to improve their living standards. Not only the financial resources received from the buying company are fundamental, but also the technical support: it allows them to improve their production and processes, improving their economic performance. By enhancing it, they will have resources to be committed to societal issues at the community level. This fact implies that the buying organisation can adopt supplier development practices to improve at first the economic performance of suppliers, permitting them to improve afterwards also the social one (Yawar & Seuring, 2018).

After having investigated both environmental and social supplier development practices, it can be said that they can be incorporated in the three main categories of knowledge transfer and communication, invest and resource transfer and management and organisational practices in both cases. The main step for the buying firm to improve both the social and green performance of a supplier are: sharing its knowledge about social or environmental issues, putting in place an evaluation and feedback system to understand how is the current performance of the supplier in these two dimensions of sustainability and where to intervene, and afterwards taking direct actions into the supplying firm, committing its own resources and developing a collaborative relationship. The supplier's improved social and environmental performance can contribute to the competitive advantage of the whole supply chain, resulting in higher market shares and lower costs. Moreover, the adoption of environmentally and socially responsible suppliers may help the buying firm to improve its reputation, allowing it to attract responsible consumers which want to purchase sustainable goods; sales may therefore be boosted (Sancha, Gimenez, Sierra, & Kazemina, 2015).

Sustainable supplier development, together with sustainable supplier selection, are critical processes for companies that aim at improving their performance in all three dimensions of

sustainability and which want to move beyond that, extending sustainable practices also to other actors in their supply chains. We are going to analyse in the third chapter some types of companies that are born specifically to benefit not only themselves, but also the environment and the whole society. They are B Corporations and Benefit Corporation and we will focus particularly on Italian Società Benefit.

## Chapter 3: B Corps and “Società Benefit”

Sustainability-driven hybrids are, as said in chapter one, located on the boundary between for-profit enterprises and non-profit organisations since they prioritize social and environmental outcomes and try to align profit and societal impact. The three hybrids that we are going to define and investigate in this chapter have the goal of using business as a force for good; they want to be protagonists of a global change and regenerate society through their businesses (Nativa, 2020). They all work to build a B Economy, in which organisations compete to be the best for the world and the people living in it and for the natural environment on which people’s quality of life depends. To build that economy, enterprises which balance profit and purpose are needed; B Corporations (or B Corps), Benefit Corporations and Società Benefit are doing so. B Corp is a certification provided by the non-profit organisation B Lab to companies that meet rigorous standards of social and environmental performance, accountability and transparency (Honeyman & Jana, 2019). The US Benefit Corporation is a legal form that corporations can adopt in 37 States of the USA, while the Società Benefit is a qualification companies can achieve in Italy; high levels of transparency and accountability, the higher purpose of solving society’s most challenging problems and the willingness to consider the impact on all the stakeholders characterise both of them (Nativa, 2020).

In this chapter, first B Corporation is going to be analysed, focusing on how to obtain the certification and on the benefits for companies achieving it. After that, the US Benefit Corporation will be investigated, looking to its principal features and its main differences with the Certified B Corp. Lastly, we will analyse the Società Benefit, the status that firms can adopt in Italy, which has been the second country after the USA to introduce this type of company. Its main characteristics and differences with the American model will be explained.

### 3.1 Certified B Corporation

B Corporations form a community of leaders which want to use their profits and growth to address societal issues, by helping in reducing inequality and poverty, developing a healthier environment and stronger communities and creating jobs of high quality with dignity and purpose. They work for the bigger mission of having positive impacts for their employees, communities and the environment, so they compete with the vision of being “*not just best in the world but also best for the world*” (B Lab, 2020).

The B Certification that B Corps achieve has been created and is awarded by B Lab, a non-profit organisation founded in 2006 in the USA. It is different from the ones previously presented in 2.2.3 since it goes beyond product- or service-level certification by certifying the entire company and its practices, assuring that it is meeting the highest standards of verified social and environmental performance, public transparency and legal accountability. To date, the community is made up of over 3500 B Corps in 74 countries and 150 industries, and all of them shares common aspirations and values which are embedded in the B Corp Declaration of Interdependence. In this document, they underline that they envision a global economy in which business is a force for good; B Corps are part of this economy and work to benefit all the stakeholders. They also affirm that:

*“As B Corporations and leaders of this emerging economy, we believe:*

- *That we must be the change we seek in the world.*
- *That all business ought to be conducted as if people and place mattered.*
- *That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.*
- *To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.”* (B Lab, 2020).

The Declaration of Interdependence clearly shows the willingness to transform the global economy to benefit all people, communities and the planet as well as the sense of belonging to a single community that work together toward a common goal.

The Certification process and requirements are now going to be investigated. Afterwards, the benefits of becoming a B Corp and being part of this global community will be analysed.



*Figure 8: Certified B Corporation logo  
Source: (B Lab, 2020)*

### 3.1.1 B Corp Certification

The certification process involves three main steps: completing the B Impact Assessment (BIA), meeting the legal requirements and undergoing a final multi-step verification process.

The BIA is a free and confidential online tool which permits to evaluate the social and environmental performance of a company, assessing the impacts of both its daily operations and its business model, by focusing on measuring the positive impacts on its workers, community, customers and environment. The questions of the assessment vary depending on organisation's size, sector and geography with nearly 200 questions total. It can give a maximum total score of 200 and B Corp Certification requires a minimum verified total score of 80 across all impact areas (B Lab, 2020). BIA also compares the firm's score with that of thousands of businesses and gives to the organisation best practice guides and improvement reports to help it to improve its performance over time (Honeyman & Jana, 2019).

#### *Workers*

Some practices are recognised and rewarded by the B Impact Assessment in evaluating the relationships between the enterprise and its employees and how the firm is being good for its workers. Sharing company's ownership with the employees and sharing financial information such as profit and loss statements, balance sheets, and cash flow reports with them can be critical to drive impact, build trust and develop strong relationships with workers. Workplace flexibility by allowing the employees to choose between part-time, flex-time and telecommuting options is also evaluated since it has been shown to increase their satisfaction and reduce stress. Moreover, paying a living wage is important to ensure that workers can meet their basic needs such as housing, food and medical care; the firm should also provide health care to all of them. Training employees and providing them with professional development opportunities is another fundamental practice in order to increase their motivation at work. Lastly, conducting regular, anonymous satisfaction and engagement surveys is valuable in order to continuously improve the relationships with the employees (Honeyman & Jana, 2019). These practices are all evaluated in the BIA and two examples of the "workers" area's questions are shown below.

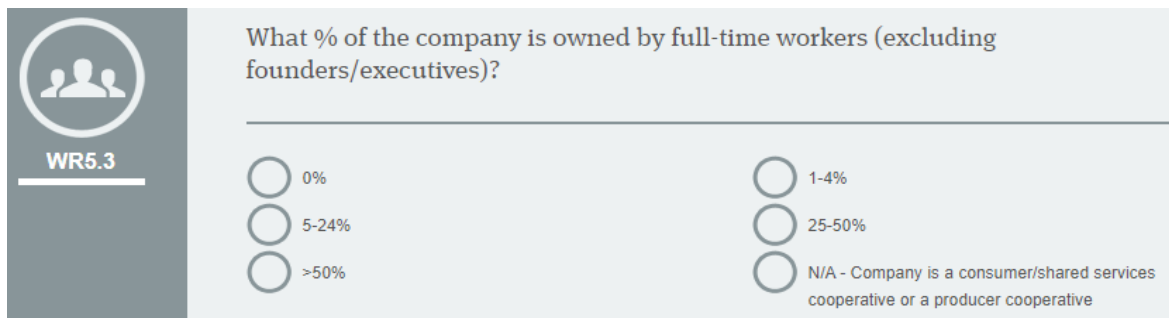


Figure 9: Example of BIA's question regarding the sharing of ownership with employees  
Source: (B Lab, 2020)

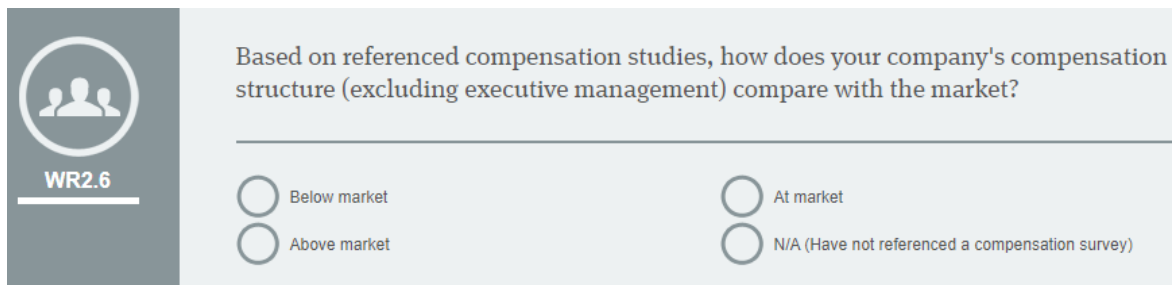


Figure 10: Example of BIA's question regarding the wages payed by the company  
Source: (B Lab, 2020)

### Community

Company's impact on external community stakeholders including suppliers and distributors as well as the local, national and global communities in which it operates is evaluated in the BIA. Organisational practices regarding diversity and job creation are assessed. As far as diversity is concerned, it is important to ensure an equal compensation for employees of different gender, race or ethnicity and include women, people of color, LGBTQ, disabled or low-income people among owners, managers and board members. Moreover, it is critical to train workers on diversity, equity and inclusion. On the other hand, job creation regards for example creating job opportunities for chronically underemployed people such as homeless people or individuals who were previously incarcerated. Another rewarded practice concerns firm's charitable giving programs: they should be formalised, and the company should join a third-party organisation which certifies charitable giving (Honeyman & Jana, 2019).

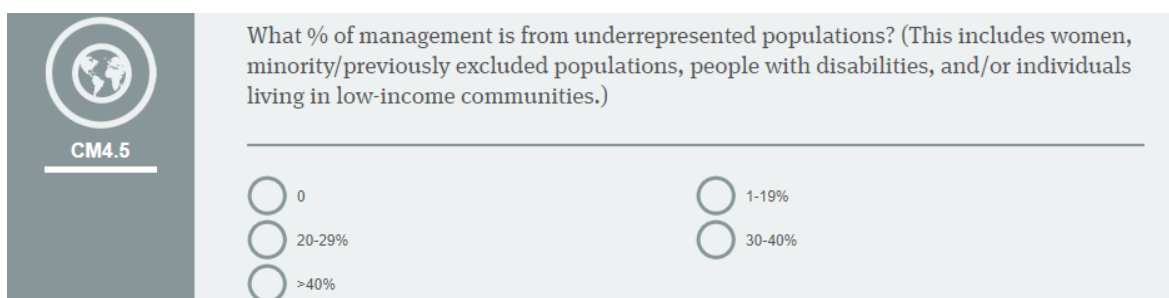
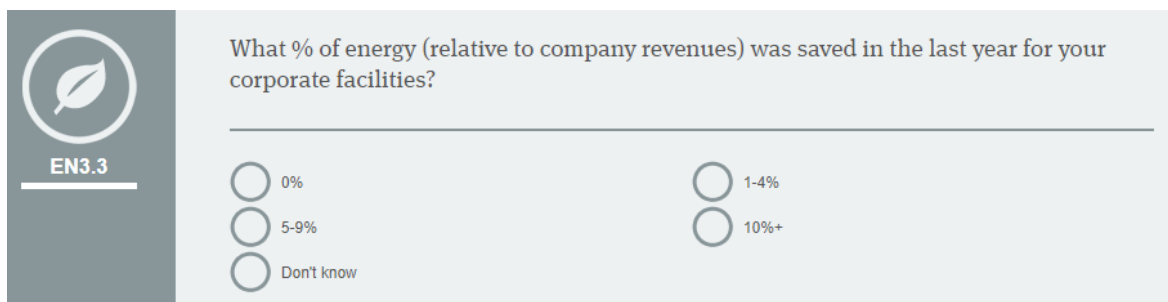


Figure 11: Example of BIA's question regarding diversity in management's composition  
Source: (B Lab, 2020)

## Environment

Protection of the environment and all related practices are evaluated in the B Impact Assessment. Improving the green performance, by reducing the organisational direct and indirect environmental impacts, can help the firm to increase its profits since it will be able to attract top talent, create more durable relationships with its suppliers and increase consumer trust. The practices which are rewarded by B Lab in the assessment are: monitoring and reducing the greenhouse gas emissions, using low-impact renewable energy, recycling and reusing end products and conducting a life cycle assessment of the product in order to understand its environmental impact from the acquisition of raw materials to product disposal. Moreover, the efforts to reduce the impacts of transportation, distribution and shipping are also rewarded as well as disposing in a responsible way the hazardous waste, which is dangerous or potentially harmful to people's health and the environment. It includes for instance batteries and electronic equipment (Honeyman & Jana, 2019).




EN3.3

What % of energy (relative to company revenues) was saved in the last year for your corporate facilities?

0%  1-4%  
 5-9%  10%+  
 Don't know

Figure 12: Example of BIA's question regarding energy saving  
Source: (B Lab, 2020)



EN4.8

Does your company monitor and record its universal waste production?

We do not currently monitor and record waste production  Our company monitors and records waste production (no reduction targets)  
 Our company monitors waste production and has specific reduction targets  Our company monitors waste production and has met specific reduction targets during the reporting period  
 N/A - Company does not have any universal waste production

Figure 13: Example of BIA's question regarding waste production  
Source: (B Lab, 2020)

## Governance

This part of the B Impact Assessment evaluates standards related to mission, stakeholder engagement, governance structure and controls, accountability and transparency. Developing an explicit written mission statement which integrates a commitment to social and/or environmental sustainability and training workers on that mission is rewarded, since it helps the company to stay purpose-driven and to engage employees. The social and environmental

values of the firm should be embedded in organisational governing documents: in this way, the mission will be institutionalised, protected for the long-term and maintained despite changes in ownership or management. The performance related to the mission should be shared with external stakeholders in an annual report such that the enterprise can build consumers and local community trust. Another important practice is asking to external stakeholders such as suppliers, customers and non-profit organisations to give feedback about company’s social and environmental performance: they can provide new ideas about how to further improve its results (Honeyman & Jana, 2019).

Figure 14: Example of BIA's question regarding company's mission  
Source: (B Lab, 2020)

Figure 15: Example of BIA's question regarding firm's efforts in developing industry standards  
Source: (B Lab, 2020)

### Customers

Lately, a section about customers has been added in the BIA since they are a core stakeholder category affected by businesses. Offering high quality products/services, providing an excellent customer service and establishing long-term relationships with customers are critical ways to create positive impact. BIA’s questions regard for instance warranties and feedback channels. Indeed, it is important to assess whether the product is covered by a written consumer warranty which protects consumers and whether publicly known mechanisms exist for consumers to file complaints and give feedbacks that the firm can later incorporate in product or service design. In addition, the company should also measure and reduce the negative impacts the product or service may create for the customers. Other practices concern data usage and privacy and the organisation should ensure that all customers are aware of any information that it collects, how it is used, and whether it is shared with other public or private entities (Honeyman & Jana,



2019). Two examples of the questions which have been recently added in the BIA are reported in figures 16 and 17.

<b>Feedback and Complaint Channels</b>	Are any of the following true regarding mechanisms for customers to provide feedback, ask questions, or file complaints?	<ul style="list-style-type: none"> <li>• Products and/or websites feature customer service contact information</li> <li>• Product / service reviews are made available in their entirety to public</li> <li>• Company responds to all direct inquiries or complaints within a month of receipt</li> <li>• Company offers live time support to customers</li> <li>• Other</li> <li>• None of the above</li> </ul>
--	--	--

Figure 16: Example of BIA's question regarding feedback channels  
Source: (B Lab, 2018)

<b>Product / Service Impact Assessment</b>	For what percent of your products has your company conducted a formal assessment of the positive and/or potential negative outcomes produced for your customers?	<ul style="list-style-type: none"> <li>• 0%</li> <li>• 1-9%</li> <li>• 10-24%</li> <li>• 25-49%</li> <li>• 50-74%</li> <li>• 75-99%</li> <li>• 100%</li> <li>• N/A</li> </ul>
--	--	---

Figure 17: Example of BIA's question regarding product/service impact assessment  
Source: (B Lab, 2018)

After the firm completes the B Impact Assessment, B Lab reviews the questions, verifies company's score to determine whether it has reached the minimum of 80 points and asks it to submit confidential documentation to validate its responses. If the minimum score has been reached, the last steps to finalize the certification are the signing of the B Corp Declaration of Interdependence, the signing of the B Corp Agreement and the payment of the annual certification fee, which varies by region and depends on the annual revenues of the organisation. The scores of the BIA, summarised by category in the B Impact Report, must be publicly shared, for transparency reasons, on the website bcorporation.net. B Corps must recertify every three years, completing again the BIA and achieving at least 80 of the 200 available points. Moreover, each year, 10 percent of recertifying Certified B Corporations are randomly selected for an in-depth site review by B Lab (B Lab, 2020).

### 3.1.2 Advantages of Certified B Corporations

Ryan Honeyman and Tiffany Jana in their *"The B Corp Handbook: How You Can Use Business as a Force for Good"* (2019) have identified several benefits Certified B Corporations obtain by certifying, which are confirmed also in the website bcorporation.net. They are the following:

- Being part of a global community of leaders: the strength of the B Corp community and the sense of belonging to something bigger than an individual business are important

advantages. The collaboration, diversity of experience, sharing of similar values and being part of a global community with a clear sense of purpose permit to develop a high level of trust between some of the most socially and environmentally responsible companies in the world.

- Attracting talent: today more and more individuals decide where to work based also on the positive impact the organisation creates and how the employees are treated in the company. Millennials in particular want to align their personal values with the corporate ones and work on something they are passionate about and that can satisfy both their economic needs and the need for a higher purpose. The B Corp Certification is a powerful mean to attract and engage this category of workers.
- Increasing credibility and building trust: *“people don’t buy what you do; they buy why you do it”* (Honeyman & Jana, 2019, p. 48). Consumers today do not look only at the product or service a company sells; they want to know that company, its history, its mission and why it does what it does. They want to feel close to the firm and share its values and purpose. The B Corp Certification can help to build trust and increase the credibility of the organisation, since it evaluates the whole company, highlighting its efforts toward the environment, how it treats its workers and how it contributes to the development of its community. In addition, the high level of transparency and accountability helps to build trust, since consumers can look at the B Impact Report to gain information about the social and environmental performance of the firm. Juliana Arango from Portafolio Verde, a Colombian B Corp, said that *“The most tangible benefit we have received from B Corp certification is an improvement in the perception of our company’s name”* (Honeyman & Jana, 2019, p. 49), confirming the increased trust and credibility of their organisation thanks to the certification.
- Improving performance and impact: according to the B Corps, one of the main advantages of the Certification is the B Impact Assessment, since it permits to measure company’s impact on workers, community, customers and environment, compare its score with competitors’ and constantly improve the performance over time (Honeyman & Jana, 2019). The BIA is therefore an important instrument to set goals for improvement, create positive impact, keep track of the performance and motivate the firm to improve over time (B Lab, 2020).
- Generating press and awareness: B Corp’s seal on a product, website and sales materials communicates that the company is a verified leader in creating positive impact and using business as a force for good. The B Corp movement has generated and keep generating a high level of media interest and has been the protagonist of several articles in newspapers

such as the *Economist*, the *New York Times*, and the *Wall Street Journal*. B Lab also contributes to generate awareness about Certified B Corporations by publishing annually the “*Best for the World*” list, indicating the companies which score in the top 10 percent of all B Corps worldwide for positive social and environmental impact, and the “*Best for the World: Changemakers*” list, recognising organisations that have significantly improved their performance year over year (Honeyman & Jana, 2019).

- Protecting mission for the long term: B Corps are legally required to consider all stakeholders when they make their own decisions; this legal change that companies make help them to protect their mission through capital raises and leadership changes (B Lab, 2020). By having a solid legal foundation for the long term and giving to firm’s social and environmental values the status of law, the B Corp is protected in case of succession planning since new investors and the new board would be obliged to consider the impact of their future decisions on both shareholders and the other stakeholders. The enterprise will be able to keep benefiting society and the environment for the long term (Honeyman & Jana, 2019).

B Corps are contributing to a global culture shift to redefine success in business and build a more inclusive and sustainable economy, but they are not alone; Benefit Corporations also are trying to solve social and environmental problems through business. B Lab, in addition to awarding the B Corp Certification, supports the adoption and improvement of Benefit Corporations’ statutes at state level and runs a website which gives information about them. In the following paragraph, we are going to analyse this organisational legal form.

### 3.2 The US Benefit Corporation

A Benefit Corporation (BC) is “*legally a for-profit, socially obligated, corporate form of business, with all the traditional corporate characteristics but with required social responsibilities*” (Hiller, 2013, p. 287). It is legally obliged to provide a public benefit beside maximising shareholders value and has additional specific obligations and purposes with respect to traditional corporations. The introduction of this legal form is important because it allows a company’s directors and managers to make decisions which benefit the society or the environment being legally protected, even if these decisions do not maximise the value for shareholders. Moreover, this legal tool protects mission in case of capital raises, leadership changes and after the corporation decides to go public. It has been developed to create a solid foundation for long term mission alignment and value creation (B Lab, 2020).

The first country to introduce this legal form has been the U.S., when the benefit corporation legislation has been passed in Maryland on 1<sup>st</sup> October 2010. To date, 37 U.S. states have passed this legislation and four other states are working on it. Each state has implemented its own version of the legislation, but in all of them, benefit corporations share three main distinguishing features, which are the higher standards of purpose, accountability and transparency.

- Purpose: the BC must pursue a general public benefit, defined as “*a material positive impact on society and the environment, taken as a whole, assessed taking into account the impacts of the benefit corporation as reported against a third-party standard*” (B Lab, 2017). The corporation may also pursue a specific public benefit: it can be mandatory, such as in Delaware, or optional; in both cases, when present, it must be included in company’s charter (Barnes, Woulfe, & Worsham, 2018). The specific public benefit may regard: the protection of the environment, the improvement of human health, the increase of capital flow to organisations which have the purpose of benefiting the society or the environment, the promotion of arts and sciences, the provision of beneficial products or services to low-income or underserved individuals or communities, the promotion of economic opportunities beyond the creation of jobs to individuals and communities and any other specific benefit to society or the environment (B Lab, 2017).
- Accountability: the benefit corporation must take into account its impact on society and the environment in order to create long-term value for all stakeholders (B Lab, 2020). In particular, when making decisions, the board of directors and all individual directors must consider the effects of their decisions and actions on: (i) shareholders, (ii) employees, subsidiaries and suppliers, (iii) customers, (iv) communities and societal factors, (v) local and global environment, (vi) short-term and long-term interests of the BC, (vii) the ability of the company to accomplish its general public benefit purpose and any specific public benefit purpose (Barnes, Woulfe, & Worsham, 2018).
- Transparency: the benefit corporation must report in order to show its performance with respect to its general and specific public benefit; in most states, it must publicly report annually and use a third-party standard (except for the state of Delaware). The standard must be a recognised, comprehensive, credible and transparent third-party standard. In addition, the third-party must be independent and not have any material ties with the benefit corporation or its subsidiaries (Hiller, 2013). The reporting requirements differ from state to state but in general, the BC shall prepare an Annual Benefit Report including: a description of the ways in which it has pursued the general and specific public benefit and the extent to which these have been created, any circumstances that have hindered their creation and the process and rationale for selecting the third-party standard used to prepare

the report. Moreover, the overall corporation's social and environmental performance should be assessed against the standard. The name, address and compensation of the benefit director must also be indicated in the report (B Lab, 2017). It is important to underline the fact that despite the company must use the third-party standard in producing its report, it needs not to be certified or audited by a third party. The Annual Benefit Report should be sent to all shareholders and made publicly available on firm's website. In the absence of a website, the BC must provide a physical copy of the document upon request (Barnes, Woulfe, & Worsham, 2018).

There is a fourth characteristic which distinguishes this type of corporation in some states: the figure of the Benefit Director. He/she must be independent from the benefit corporation in three ways: he/she may not be (or ever have been) a company's employee, he/she must not be a component of the family of any of the executive officers and lastly must not own five percent or more of the corporation's outstanding shares. The Benefit Director is responsible of preparing the part of the Annual Benefit Report that states whether the BC has comply with its general, and specific when applicable, public purpose and whether the directors have fulfilled their duty of considering the impact of their decisions and actions on all the stakeholders.

New organisations can incorporate as benefit corporations in any state where the legislation has been passed or existing ones can decide to become BC by amending their governing documents. To date, several types of businesses have become benefit corporations, including companies belonging to retail, manufacturing, tech, service, professional services, private education, and food and beverage production industries. They range from small one-person firms to large-scale international brands (B Lab, 2020).

### 3.2.1 Advantages of becoming a Benefit Corporation

Several stakeholders take advantage from a company becoming a benefit corporation. Some benefits are similar to the ones of the Certified B Corporation, while others are specific to the BC.

- **Reduced director liability:** the BC status gives directors a legal protection in their effort to balance financial and non-financial interests when taking decisions. Traditional for-profit companies must act with the purpose of maximising shareholders value, even when they engage in socially and environmentally responsible activities. Benefit corporations expand the obligations of boards, requiring them to consider environmental and social factors,

beyond shareholder interests. Directors are in this way legally protected when pursuing the organisational mission and considering company's impact on society and the environment.

- Expanded shareholders rights: the big change under the benefit corporation model is the value proposition, i.e. the idea that true long-term value is created by aligning all stakeholders' interests, including the ones of shareholders. In the BC, shareholders maintain all the protections and rights they have in the traditional corporate model, with additional rights deriving from this legal form. They give impact investors the assurance they need that they will be able to hold the company accountable to its mission in the future.
- Reputation for leadership: when becoming a BC, the company joins other highly respected organisations recognised for their positive impact on society and the environment. As said above for the B Corp, the new BC will become part of the growing community of enterprises which want to use business as a force for good, having the possibility of collaborating and sharing experiences with them.
- Attracting talent: just like for the B Corp, benefit corporation status assures that the company is creating positive impact for society and the environment, attracting workers, especially millennials, who consider the firm's purpose when looking for a job and deciding where to work.
- Increased access to private investment capital: benefit corporations have raised capital from many different types of investors in the private markets, since the increased legal protection, accountability and transparency around company's mission are attractive to them. Moreover, the due diligence performed by investors can be facilitated by the information they can find in the Annual Benefit Report, thereby accelerating the process.
- Increased attractiveness to retail investors and mission protection as a publicly traded company: benefit corporations are an investment opportunity also for the growing, conscious consumer segments that are already paying attention to sustainability, organic, fair trade, and short and transparent supply chain. In addition, this legal form is suitable also to companies which want to go public, since it has been designed to protect the mission in such a case.
- Demonstration effect: this kind of corporations, together with B Corps, show to all investors and entrepreneurs how the excellent companies of the future, with the best social and environmental performances, are made and act (B Lab, 2020).

Choosing the benefit corporation status has therefore several advantages for different types of stakeholders and permits the company to pursue a public benefit, attract talent and investment capital and become one of the recognised leader corporations in the world for their positive

impact on society and the environment, while at the same time keeping to protect shareholder rights. For all these reasons, after the benefit corporation legislation has passed in Maryland in 2010 and in other U.S. states in the following years, it has moved beyond the United States, starting to be adopted by other countries in the world. Italy has been the first one, when the Italian Parliament passed the benefit corporation legislation in December 2015, followed by Colombia in 2018 and British Columbia, a Canadian jurisdiction, on June 30, 2020. Other countries are still working on the legislation, so it will probably pass soon for example in Australia, Argentina, Chile, Peru and Canada (B Lab, 2020).

Before analysing more in details in paragraph 3.3 the Italian model of the benefit corporation, called “Società Benefit”, we are going to investigate the differences between the benefit corporation and the B Corp, which are often confused with each other.

### 3.2.2 Differences between B Corp and Benefit Corporation

A company can become a benefit corporation without being certified as a B Corp as well as a firm can obtain the B Corp certification without adopting the BC legal form. B Corps and benefit corporations are both leaders of the global movement of using business as a force for good and share many characteristics, but there are some important differences as well, so they must not be confused. First, it is important to remember that B Corp is a certification which companies may decide voluntarily to achieve to show their high standards of social and environmental performance, accountability and transparency, while the benefit corporation is a legal form companies can assume to incorporate social and environmental consciousness into their legal architectures. Moreover, another big difference regards the performance issue: while B Corps are obliged to complete the B Impact Assessment, having their social and environmental performance verified and certified by B Lab, benefit corporations must use a third-party evaluation standard for their reports, but they need not be certified or audited by a third party. Hence, the BIA is frequently used also by benefit corporations, but the certification by B lab is required only for B Corps. Self-reporting the performance, by assessing it against the standard, is sufficient for the BC. Other differences are reported in the table 10 below.

Issues	Certified B Corporations	Benefit Corporations
Accountability	Directors are required to consider impact on all stakeholders	Same
Transparency	Mandatory public report of overall social and environmental performance assessed against a third party standard	Same
Performance	Verified and certified by B Lab through the BIA. At least 80 of the 200 available points are required	Self-reported
Availability	Available for every business regardless of corporate structure, state and country of incorporation	Only in US states that have passed the BC legislation and in the other countries such as Italy where it has been later introduced
Permanent verification	The certification must be renewed every 3 years	The only verification over time relates the transparency requirements
Assistance and use of the 'Certified B Corp®' Brand	Access to a range of services and support from B Lab. B Corps can use the 'Certified B Corp' brand and logo on their products and communications	No formal support from B Lab. B Lab only developed the Model Legislation and works for its passage and use
Cost	Annual fees from \$500 to \$50,000, based on revenues	In US, State filing fees from \$70-\$200. In Italy the charges are those related to statutory changes

*Table 10: Differences between B Corps and Benefit Corporation  
Source: (B Lab, 2020)*

Benefit corporations are therefore different from B Corps, but they relate to them: indeed, the best way for corporations to meet the legal requirements of the B Corp certification is to use the benefit corporation legal structure, when available. In some states such as Delaware, adopting it is the only way to meet B Corp's legal requirements.

After having examined the US benefit corporation model and the differences with B Corps, we are moving now to the Italian version of this legal form, analysing in details its features.

### 3.3 The Italian “Società Benefit”

On 1<sup>st</sup> January 2016, Italy became the first European state and the second country in the world to introduce a new legal status for companies: the Società Benefit, inspired by the US Benefit Corporation. It is a company which aims at generating profits while at the same time creating a positive impact on society and the environment, operating in a responsible, transparent and sustainable manner (B Lab, 2020). It shares the three main features of the US benefit corporation that are purpose, accountability and transparency. The common benefit the enterprise wants to pursue must be identified within its corporate purpose, binding in this way the corporate mission over time, making it more stable and protecting it from any changes in ownership or management. Accountability is also stressed since the organisation is obliged to balance shareholders' interests with the ones of other stakeholders; this represents the heart of the discipline of the società benefit (Assonime, 2016). Lastly, transparency is required to the firm and just like for the US corporation, also the Italian one must prepare an Annual Benefit



Report concerning the pursuit of the common benefit in which it evaluates the positive impact it has been able to create during the year. The discipline of the società benefit is included in Law no. 208, article 1, paragraphs 376-384 of 25<sup>th</sup> December 2015, which came into force on 1<sup>st</sup> January 2016. We are now going to investigate the characteristics of the Italian benefit corporation as outlined in the law.

### 3.3.1 Text of the law

The political and legal project for the introduction of the benefit corporation in Italy has been promoted by Italian Certified B Corporations since 2014 and has been coordinated by Senator Mauro Del Barba, first signatory of the Bill on Società Benefit, filed in April 2015. The law was developed by an international team of jurists, entrepreneurs and other stakeholders, taking into account the discipline of the benefit corporation existing in the USA.

In paragraph 376, the società benefit are defined as *“corporations which, in carrying out their economic activities shall pursue, in addition to the aim of distributing profits, one or more aims of common benefit, and operate in a responsible, sustainable and transparent manner vis-à-vis individuals, communities, territories and the environment, cultural and social heritage, entities and associations as well as other stakeholders”* (B Lab, 2020).

The società benefit, just like the US benefit corporation, is therefore a company which tries to use business as a force for good. It pursues a common benefit in order to create a positive impact, by creating positive effects or reducing the negative ones, on the environment, the community or other individuals or group of individuals that are directly or indirectly affected by its activities. The companies that can become società benefit are all the *“entities subject to the provisions of Book V, Title V and VI, of the Civil Code”* (B Lab, 2020), which are partnerships including *“società semplice”* (S.s.), *“società in nome collettivo”* (S.n.c.), *“società in accomandita semplice”* (S.a.s.) and limited companies which comprehend *“società per azioni”* (S.p.A.), *“società in accomandita per azioni”* (S.a.p.a.) and *“società a responsabilità limitata”* (S.r.l.). Hence, the società benefit is not a new type of corporation, but only a new organisational structure which any type of company already envisaged by the Civil Code can adopt, configuring itself as a "SB" (Società Benefit) (Castellani, De Rossi, & Rampa, 2016).

In paragraph 377, the law provides what we already said above, that is *“The purposes under paragraph 376 above shall be specifically identified within the benefit corporation’s corporate purpose and shall be pursued through an administration finalised at balancing the interest of*

*the shareholders and the interest of those that may be impacted by the company's business activity"* (B Lab, 2020).

Paragraph 379 adds: *"The benefit corporation, without prejudice of the applicable provisions of the Italian Civil Code, shall identify, within its corporate purpose, the aims of common benefit that the benefit corporation intends to pursue. Companies other than benefit corporations which intend to pursue also aims of common benefit shall amend accordingly their by-laws or articles of association, in compliance with the relevant provisions applicable to the different kind of corporations according to the Civil Code. The amendments shall be filed, registered and published in compliance with the relevant provisions applicable according to article 2252, 2300 and 2436 of the Italian Civil Code. The benefit corporation which has included in its corporate purpose the aims of common benefit, can add, next to the company name, the words "Società Benefit" or "SB", and use such denomination in its issued securities, official documentation and communication to third parties"* (B Lab, 2020).

The paragraph reiterates the obligation to identify the aims of common benefit the company wants to pursue within the corporate purpose and adds that also other companies that want to pursue a common benefit without configuring as benefit corporations should do the same by amending their by-laws or articles of association. Moreover, when configuring as società benefit, the organisation can add the words "Società Benefit" or the abbreviation "SB" to its company name. This allows the enterprise to place itself on the market making known to third parties that it aims at creating positive impact for the environment and society, beyond making profits, with a clear, reliable and legally recognised information (Assonime, 2016).

Now we are going to deeply investigate the corporate purpose, the responsibilities of administrators and the reporting requirements which characterise the società benefit, keeping reporting the provisions of Law no. 208/2015.

### 3.3.2 Corporate purpose

The società benefit must indicate within its corporate purpose the aims of common benefit it wants to pursue. In this way, the company can attribute stability and certainty to a business project in which the maximization of value for shareholders is not the only goal; hence, it can expressly pursue two objectives: profit and common benefit (Assonime, 2016).

Common benefit is defined in paragraph 378 as *"the pursuit, while carrying out the benefit corporation's economic activities, of one or more positive effects, or the reduction of negative effects, for one or more of the categories listed under paragraph 376"* (B Lab, 2020).

The positive impact is created by the *società benefit* for individuals, communities, territories and the environment, cultural and social heritage, entities and associations or other stakeholders. The law also defines in paragraph 378 the expression “other stakeholders” as: *“the individuals or groups of individuals directly or indirectly involved in, or affected by, the activities of the benefit corporation, being, inter alios: workers, clients, suppliers, lenders, creditors, public administration and civil society”* (B Lab, 2020).

In deciding the aims of common benefit, the company must identify specific measurable objectives that must be measured at the end of the year in order to verify their degree of achievement (NIBR – Network Italiano Business Reporting, 2019). The identification of the common benefit is important also because it relates to the strategic vision the company intends to pursue over the long term and will impact the way it will be managed, since company’s activities must be conceived, designed and structured in such a way as to promote the achievement of these objectives. The reporting activities that the organisation must carry out will be impacted too (Camera di Commercio di Taranto, 2016).

Law no. 208/2015 has allowed the diffusion in the Italian legal system of companies willing to improve the natural and social environment in which they operate while carrying out their economic activities, by reducing or eliminating negative externalities or using practices, production processes and goods which permit to produce positive externalities. The *società benefit* is therefore not a philanthropic institution interested in solving all society’s problems: the positive impact it aims at creating is directly related to its economic activities. Indeed, it tries to identify the positive and negative effects generated by these activities and intervene in order to catch opportunities which can at the same time generate social and economic benefits. However, this does not exclude that the organisation may allocate part of its managerial and economic resources to the pursuit of the growth of general well-being (Assonime, 2016).

### 3.3.3 Obligations of administrators

The *società benefit* status adds new obligations for the administrators, in addition to those provided by the Italian Civil Code for the chosen company type. They regard the way the organisation must be managed, the appointment of the person or people in charge of pursuing the common benefit and the preparation of the Annual Benefit Report.

Paragraph 380: *“The benefit corporation is administered in a manner that considers the interest of the shareholders, the pursuit of the common benefit objectives, and the interests of those identified under paragraph 376 above, in accordance with the provisions of the by-laws. The*

*benefit corporation shall, without prejudice of the relevant applicable provisions of the Italian Civil Code, identify the individual or the individuals to be appointed with the role and tasks for pursuing the common benefit” (B Lab, 2020).*

Two main directors’ obligations are provided in this paragraph of the law. First, the need of balancing shareholder interests with the pursuit of the common benefit and interests of other stakeholders implies that managers can adopt strategic and operational choices that are not exclusively aimed at increasing shareholders’ profitability. These choices can also generate in the short term a negative impact on it, given that this occurs in compliance with the principle of balancing the various interests indicated in the statute. The administrators can therefore decide to give priority to one interest over another; the important thing is that they explain how they have balanced the different interests with their decisions and the reasons that led them to make that choices (Assonime, 2016).

The second obligation for administrators provided in paragraph 380 is appointing an individual, or more than one, as impact manager, with the task of pursuing the common benefit indicated within corporate’s purpose. The figure of the impact manager has the objective of strengthening the organizational structure of the società benefit, assigning to this person the duty of assisting the directors in the pursuit of the aims of common benefit, as well as that of supervising that company procedures are consistent and suitable to ensure the efficient achievement of organisational objectives. Some activities undertaken by the impact manager may be: assuring that all organisational functions contribute to the achievement of the common benefit, supporting the directors by providing information about the internal and external context in which the firm operates, and improving organisation’s transparency by publicising the positive impact it generates on its website and other channels (NIBR – Network Italiano Business Reporting, 2019). The role of the impact manager can be assigned by the administrators to already existing company functions, to one administrator or to an external individual (or individuals) with experience in the context of the common benefit the company pursues. Directors are considered liable if they do not comply with the obligations under paragraph 380, as provided by paragraph 381:

*“The breach of obligations under paragraph 380 above, may be deemed as a breach of the duties imposed by the applicable laws and the by-laws upon the directors of the company. In the event of breach of the obligations under paragraph 380 above, the relevant provisions of the Civil Code regarding directors’ liability shall apply” (B Lab, 2020).*

The third obligation related to the preparation of the Annual Benefit Report is analysed more in details below.

### 3.3.4 Annual Benefit Report

As said before, just like the US benefit corporation, also the Italian one meets high standards of transparency and prepares annually a benefit report, of which company's administrators are responsible.

Paragraph 382 states that: *“For the purposes of paragraphs 376 to 384, the benefit corporation shall produce an annual report concerning the pursuing of common benefit; such report shall be attached to the annual financial statements and shall include:*

- a) the description of the specific objectives, modalities and actions implemented by the directors in order to pursue the aims of common benefit and the possible mitigating circumstances which have prevented, or slowed up, the achievement of the above aims;*
- b) the evaluation of the generated impact, using a third-party standard having the requirements listed under Annex 4 and which includes the evaluation areas identified under Annex 5;*
- c) a specific section containing the description of the new objectives which the benefit corporation intends to pursue in the following fiscal year”.*

Paragraph 383 adds that: *“The annual report shall be published on the benefit corporation's website, if existing. For the protection of the beneficiaries of the annual report, some financial data can be omitted”* (B Lab, 2020).

The administrators must prepare at the end of each fiscal year a benefit report whose content is specified by law. In the report, they disclose which activities have been undertaken to pursue the aims of common benefit, how directors have balanced shareholder interests with the ones of the other stakeholders and why they have prioritised one interest over another in specific circumstances. Moreover, they must give information regarding the social and environmental performance achieved by the company and present the new objectives that they want to pursue in the following fiscal year (Assonime, 2016).

As far as the generated positive impact is concerned, managers must measure it using a third-party evaluation standard, defined in paragraph 378 as: *“procedures and criteria required in order to assess the impact generated by the benefit corporation with respect to common benefit”* (B Lab, 2020). The standard must have some characteristics specified in annex 4 of paragraph 378, which are the same required to benefit corporations in the US states. The third-party standard must be comprehensive, credible, transparent and independent since it must be

*“developed by an entity which is not controlled by, or affiliated to, the benefit corporation”*. To measure the impact, some “evaluation areas” must be considered by the società benefit, which are defined in paragraph 378 as *“sectors to be necessarily included in the assessment of the activities of common benefit”*. Annex 5 of paragraph 378 lists the four areas which must be evaluated:

*“1. Corporate governance, for evaluating the degree of transparency and liability of the corporation in pursuing of the aims of common benefit, with a particular focus on the corporate purpose, the degree of involvement of the stakeholders and the degree of transparency of the policies and practices adopted by the corporation;*

*2. Workers, for evaluating the relationships with employees and collaborators in terms of salaries and benefits, training and opportunities of personal growth, quality of the working environment, internal communication, flexibility and job security;*

*3. Other stakeholders, for evaluating the relationships of the corporation with its suppliers, the local environment and local communities in which it operates, the voluntary activities, the donations and the cultural and social activities, as well as any actions aimed at supporting the local development and the development of its own supply chain;*

*4. Environment, for evaluating the overall performance of the corporation, considering the life cycle of goods and services, in terms of exploitation of resources, energy, commodities, production, logistic and distribution processes, utilization and consumption and life end”* (B Lab, 2020).

According to the law, the società benefit must evaluate its social and environmental performance considering its positive and negative effects on all the relevant stakeholders. Looking to the areas it must consider, the B Impact Assessment immediately comes to mind because of the similarity with its categories of questions. Law no. 208/2015 has in fact adopted the architecture of the BIA as a reference for società benefit’s impact assessment (NIBR – Network Italiano Business Reporting, 2019), so the BIA is a standard which Italian benefit corporations can use. However, there are numerous standards, composite indicators and guidelines, developed at national and international level, which can be employed; the company will choose the one that best fits its needs, as long as it meets the requirements of annex 4.

Paragraph 383 obliges the benefit corporation to publish the benefit report prepared by the administrators on company’s website, when present. By making it publicly available, the organisation disseminates information to the market about the activities it carries out, offering to those interested in sustainable investments useful elements to evaluate the performance of

the company and on which to base their investment strategies. The report can be a useful instrument also for the Italian Competition Authority for the exercise of its sanctioning powers toward organisations that have used the expression “Società Benefit” in their name without actually pursuing a common benefit (Assonime, 2016).

Paragraph 384 indeed states that: “*The benefit corporation that does not pursue the aims of common benefit is subject to the provisions of Italian Legislative Decree 2 August 2007, No. 145, regarding misleading advertising and the provisions of the Italian Legislative Decree, 6 September 2005, No. 206 (the Italian Consumer Code)*” (B Lab, 2020).

The Italian Competition Authority has therefore the task of imposing administrative sanctions when the types of unlawful conduct envisaged by the legislative texts indicated above occur.

### 3.3.5 Differences between the US and the Italian model

Although Italy has been inspired by the US model to develop the società benefit law, it is not a copy of the American one, also because of the different legal, social and historical backgrounds the two countries have. We are going now to analyse the main differences between the US benefit corporation and the Italian one.

- In Italy, directors are not as hindered in considering interests different from the ones of shareholders as in the USA, indicating that shareholder primacy is not as pronounced relative to the US position. Hence, the first difference regards the reasons for which the new legislations have been developed. In the USA, the benefit corporation has been introduced to give administrators the flexibility to consider interests of other stakeholders beyond shareholders, while in Italy the aim has been helping companies which were already willing to pursue the dual goal of profit and common benefit. The società benefit has been an innovative and effective tool that has permitted to remove the social and environmental objectives from their marginal position, placing them at the centre of the corporate purpose (Valsan, 2017).
- A second difference regards the fact that the benefit corporation has been introduced in the USA as a new type of for-profit corporate entity, while in Italy it is a status, a qualification which can be attributed to any type of company mentioned in Book V, Title V and VI, of the Civil Code. Hence, it is not a new legal type of enterprise.
- The specification of the common benefit the corporation wants to pursue also differs: the US benefit corporation is only obliged to indicate the general public benefit it commits to pursue. Specifying in the articles of association a specific public benefit purpose is optional (except for Delaware, where it is mandatory). On the other hand, in Italy, the società benefit

is required to indicate the specific aims of common benefits it wants to achieve and also who will be in charge of them and how the responsible person will act in order to accomplish this task. The Italian law therefore obliges the companies to be more specific regarding the goals they want to achieve with respect to the US one (Costa Pires, 2017).

- Still concerning the common benefit, in Italy it is defined as “*one or more positive effects, or the reduction of negative effects*” and the same definition can be found in Delaware’s legislation. However, in the US model legislation, the general public benefit is defined as “*a material positive impact on society and the environment*”, stressing the creation by the corporation of a positive impact and not considering the reduction of the negative ones in the definition (Costa Pires, 2017).
- Directors’ responsibilities also differ in the two versions of the benefit corporation and are more onerous in the Italian one. The US model legislation frees administrators from personal liability for an act or a failure of an action related to the realisation of a general or specific public benefit. In Italy instead the law is stricter, and managers must proactively protect the interests of all stakeholders and balance them with the shareholder ones. The administrators must also identify the impact director responsible for the pursuit and realisation of the common benefits. Moreover, the rules about the preparation of the Annual Benefit Report are stricter in Italy since its content includes more details about what the company and its directors have done during the fiscal year to achieve the aims of common benefit. A contravention of any of these obligations would constitute a breach of the duties imposed on directors by law and articles of association, but would also make them personally liable under the Italian Consumer Code penalties provided for misleading commercial advertising (Valsan, 2017).

So far, we have investigated the types of enterprises which aim at using business as a force for good, from Certified B Corporations to benefit corporations in the USA and Italy. We are going to focus in the next paragraph on the sustainable purchasing practices these types of organisations adopt, since the aim of the fourth chapter will be understanding how some B Corps and benefit corporations make their supply chains more sustainable by handling the issue of sustainable procurement.



### 3.4 Sustainable purchasing practices adopted by B Corps and Benefit Corporations

There are some practices that are commonly employed by B Corps and benefit corporations to improve their sustainability performance in supply chains, which are going now to be presented.

All businesses have suppliers, which may comprise both providers of durable goods as well as service providers. Hence, every firm has the opportunity to create impact through its supply chain, by supporting for instance women-owned businesses or by creating a supplier questionnaire to understand the commitment to society and the environment (B Lab, 2020). B Lab's best practice guide "*Creating Impact Through Purchasing: Managing the Impact and Inclusion of Your Supply Chain*" (2017) presents the best practices in impactful purchasing adopted by the B community, but that can be generally employed by any kind of organisation. The practices help a company to ensure that workers human rights from around the world are protected, to provide business opportunities to purpose-driven businesses or businesses owned by traditionally underrepresented individuals, to reduce human health impacts or environmental degradation of products and materials and to contribute to the economy of local communities (B Lab, 2017).

First, it is useful to highlight the different options a firm has to collect information about suppliers' social and environmental performance, missions and others. The organisation can acquire the information through a self-conducted research, by looking to supplier's website or marketing documents if they are publicly available, or through surveys, by asking directly to the supplier in the opposite case. In addition, the company can do supplier visits to achieve more sensitive information about its social and environmental impacts since face-to-face meeting can be more efficient. Lastly, third party audits may be employed by asking for a third party to validate the information given by the supplier; this permits to have the highest level of validation but it is also the most expensive option (B Lab, 2017).

After collecting information about supplier's actual performance toward sustainability, the B Corp or the benefit corporation may adopt different practices to improve the performance of its supply chain, which are now going to be explained.

#### *Preferential purchasing policy*

The firm can develop a policy which includes sourcing preferences for businesses owned by women or other underrepresented people, local businesses, purpose-driven organisations or companies owning certifications for their social or environmental performance. A preferential

purchasing policy for suppliers owned by women, people of color, or individuals from other underrepresented populations allows for example the company to support job creation within its community and favour people who have been traditionally discriminated. The organisation should screen its current suppliers, submitting to them surveys or doing interviews to have more information about their ownership structure and understand if some of them have third-party certifications like women and/or minority ownership (Honeyman & Jana, 2019). A Local Purchasing Policy is instead “*a documented commitment to give preference to locally produced goods and services, purchased from a local and independent business, over those produced more distantly*” (B Lab, 2020, p. 1). The B Corp or benefit corporation may decide to source locally to invest in its local community, supporting it and contributing to the local economy and prosperity. In addition, its environmental impact is reduced since the company avoids long-distance shipping by making local purchases (B Lab, 2020). The last policy we analyse is the Environmental Purchasing Policy with which the organisation commits to buy goods and services that are manufactured, used and disposed of in an environmentally responsible way. The enterprise states that preference will be given to suppliers that own third-party environmental certifications in order to buy goods with a high recycled content, which can be recycled or reused or which have been manufactured with a low energy usage (Honeyman & Jana, 2019).

### *Code of Conduct*

Using a formal, written supplier code of conduct is a mean which firms of the B community use to hold their suppliers accountable for their social and environmental performance. It is “*a document outlining the rules and expectations for suppliers of a company, including topics like legal compliance, non-discrimination, and environmental management*” (B Lab, 2017, p. 17). The Code applies to the whole supply chain and helps all the suppliers to improve their sustainability practices and labor, health and safety and environmental conditions in the workplace. Several issues are addressed by the Code including child labor, forced labor, freedom of association, wages, hours of work and others (LIFT Economy, 2020). Supplier’s compliance with the Code can be verified in different ways depending on organisational available resources, supplier’s transparency and the probability that the supplier engages in unsustainable practices; a self-audit by the supplier, a visit by an internal team or a third-party audit can be used. Lastly, the company must also make clear what happens in case of non-compliance by the supplier: the time it has to remedy the problem, whether the violation will be made public and the conditions under which the enterprise will end the contract with the supplier must be specified (Honeyman & Jana, 2019).

### *Supporting improvement*

In addition to preferential purchasing policies and codes of conduct, the company can directly support the supplier in its improvement efforts, helping it to become compliant with firm's Code by providing technical support and other support to improve its overall impact. The organisation should train the supplier, give feedback and recommendations during company visits or audits, provide resources and share knowledge, and offer incentives such as larger purchase volumes or longer-term commitment in case of significant improvements of the social or environmental performance. The firm should also collaborate with other organisations such as non-profit ones which can help the supplier to improve its performance. Moreover, the company may look for the best sustainability practices adopted in its supply chain and stimulate the different actors to collaborate and share them with one another, increasing the possibilities of doing business for good (B Lab, 2017).

### *Transparency and reporting*

Once the Certified B Corporation or the benefit corporation has collected the information about its suppliers and their performance, it should make it transparent, by reporting about its supply chain. The company can choose between making the information of each individual supplier available or share information about the supply chain in aggregate, giving details about each supplier in an anonymous way. A practice employed by Patagonia, Californian B Corp and benefit corporation, is for instance sharing on its website links to information about the suppliers involved in manufacturing each of its products, including a description of the company, its size and location and gender mix. The enterprise should also specify how the information has been collected and how it is used to improve the sustainability performance of the whole supply chain. Lastly, success stories of suppliers which have significantly improved their impact should be shared to show the efforts and results jointly achieved by the supply chain (B Lab, 2017).

These are all sustainable purchasing practices B Corps and benefit corporations commonly adopt when dealing with their suppliers. Company's efforts to make its supply chain more sustainable are usually shared in case of benefit corporations in their Annual Benefit Reports. Looking for instance to the Benefit Report of 2019 of Fratelli Carli, Italian B Corp since 2014 and società benefit since 2019, it can be seen that the firm has dedicated a part of the report to the practices, codes of conduct and actions it has undertaken in relation to sustainable supply chain management. In addition, the company has exposed its supply chain goals for 2020 (Fratelli Carli Spa, 2020). The same can be found in other enterprises' benefit reports such as the one of Panino Giusto, Italian società benefit since 2019 and B Corp since January 2020

(Panino Giusto Spa, 2020) and the one of 2014 of Patagonia, available at benefitcorp.net. Hence, it can be understood that sustainable purchasing practices are an important part of the operations of both B Corps and benefit corporations.

These practices are also evaluated in the B Impact Assessment. In figures 18 and 19, BIA's scores of Panino Giusto regarding the impact in 2019 and of Patagonia for the fiscal year 2013 are reported. Among the main areas of evaluation, suppliers appear in the Community and the Environment ones.

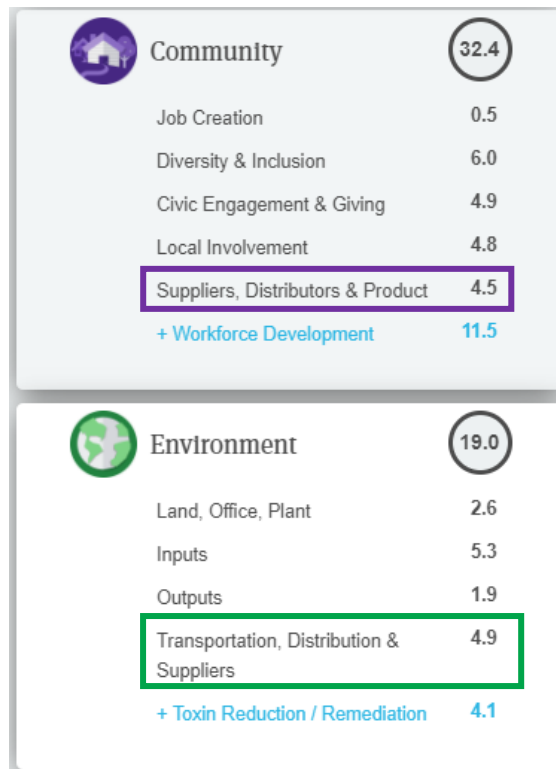


Figure 18: Impact Area Scores Panino Giusto 2019  
 Source: <https://bcorporation.net/directory/panino-giusto-sp-a>

## Patagonia B Impact Assessment Score

	Patagonia's Score	Maximum Score	Median Score
<b>Environment</b>	<b>47</b>	<b>105</b>	<b>9</b>
Environmental Products & Services	4	30	4
Environmental Practices	43	75	6
Land, Office, Plant	6	8	4
Energy, Water, Materials	11	14	2
Emissions, Water, Waste	2	5	1
Suppliers & Transportation	7	18	N/A
Wholesale/Retail Environmental	18	30	N/A
<b>Workers (Patagonia Employees)</b>	<b>25</b>	<b>40</b>	<b>22</b>
Compensation, Benefits & Training	17	27	15
Worker Ownership	2	7	2
Work Environment	6	6	4
<b>Community</b>	<b>20</b>	<b>45</b>	<b>32</b>
Community Products & Services	0	N/A	15
Community Practices	20	45	15
Suppliers & Distributors	9	11	4
Local	1	8	5
Diversity	3	8	2
Job Creation	1	8	2
Civic Engagement & Giving	6	10	4
<b>Governance</b>	<b>15</b>	<b>17</b>	<b>10</b>
Accountability	5	6	6
Transparency	3	4	3
Mission Lock	7*	7*	N/A
<b>Overall</b>	<b>107</b>	<b>200</b>	<b>80</b>

Figure 19: Patagonia's BIA score 2013

Source: [https://benefitcorp.net/sites/default/files/CA\\_Patagonia\\_report\\_2014.pdf](https://benefitcorp.net/sites/default/files/CA_Patagonia_report_2014.pdf)

By looking at the specific components regarding suppliers, we can understand how many points of the overall score are related to practices related to them (and to distributors, since they are incorporated in the same voice), both from a community and so more social point of view, and from an environmental one, especially regarding transportation. In figure 19, a more complete score is reported, which also indicates how Patagonia performed with respect to the maximum score available and the median score achieved by B Corps.

Supply chain management is therefore a critical component to evaluate the impact of Certified B Corps and of the benefit corporations which decide to adopt the B Impact Assessment as third-party standard. Some BIA's questions about suppliers, belonging to the Community and Environment impact areas, are reported below in figure 20 and 21.

**CM2.3 – What % of materials or products purchased from Significant Suppliers (on currency basis) have third-party social or environmental certification or approval? [Equally Weighted]**

- 0%
- 1-19%
- 20-39%
- 40-60%
- >60%

**CM3.3 – What % of your company's expenses (excluding labor) was spent with independent suppliers located within 200 miles (or 322km) of where the end product is used? [Equally Weighted]**

- 0%
- 1-19%
- 20-39%
- 40-60%
- >60%

**CM4.8 – What % of Significant Suppliers is majority owned by women or ethnic minorities? [Equally Weighted] For a significant supplier based outside of the US, only include suppliers that are owned by individuals, who are minorities within their own country.**

- 0%
- <10%
- 10-19%
- 20-30%
- >30%
- Don't Know

*Figure 20: BIA's question about suppliers in the Community impact area*

*Source: (B Lab)*

**EN5.6 – What % of Primary Significant Suppliers (on currency basis) have implemented initiatives to reduce waste production or divert waste from landfills/incineration? [Equally Weighted]**

- 0%
- 1-10%
- 10-25%
- 25-50%
- >50%
- N/A

**EN5.7 – What % of Primary Significant Suppliers (on currency basis) have implemented initiatives to decrease greenhouse gas, ozone depleting, toxic air, and/or toxic water emissions? [Equally Weighted]**

- 0%
- 1-24%
- 25-49%
- 50-74%
- 75% +
- N/A

**EN5.8 – What % of Primary Significant Suppliers (on currency basis) monitor relevant greenhouse gas, ozone depleting, toxic air and toxic water emissions? [Equally Weighted]**

- 0%
- 1-24%
- 25-49%
- 50-74%
- 75% +
- N/A

*Figure 21: BIA's question about suppliers in the Environment impact area*

*Source: (B Lab)*

After having analysed from a more theoretical and general point of view the practices related to sustainable supply chain management that B Corps and benefit corporations may adopt, we will see in the next chapter what some specific Italian companies belonging to these two categories actually do while running their businesses. Through some interviews, we will discover, directly from the firms themselves, which practices among the ones explained above they adopt and how their supplier selection and supplier development processes have changed after becoming a B Corp, a benefit corporation or both.





# Chapter 4: Sustainable purchasing in Italian B Corps and Società Benefit

## 4.1 Research and methodology

The aim of this work is to investigate how Italian Certified B Corporations and benefit corporations handle the issue of sustainable supply chain management. In the previous chapters, we have analysed the concept of sustainable purchasing and its two main components, i.e. sustainable supplier selection and sustainable supplier development (SSD). We have also explored B Corps and società benefit, having understood their main objectives and characteristics. In this chapter, the goal is to deepen what we have started to examine in paragraph 3.4, trying to understand which sustainable procurement practices are adopted by B Corps and benefit corporations through some case studies.

A qualitative analysis will be employed since it permits to collect opinions and points of view and to go deeper into the topic in question to gather information about people's motivations, thinking and attitudes. Hence, some organisations will be directly involved through interviews by telephone, Skype or Zoom, based on their availability. Depending on the degree of flexibility, interviews can be distinguished in structured, semi-structured and unstructured. As far as this research is concerned, a structured interview will be employed in order to be able to compare the answers given by the different companies.

The aim of the interviews will be to understand what sustainable supply chain management means for the companies and what activities they undertake related to it. In particular, we want to understand how their selection process has changed after the decision to incorporate sustainability in their operations by achieving the B Corp certification and becoming società benefit and how they have changed their supplier development practices too. Moreover, the interviews will focus also on non-profit organisations to figure out which is the role of such enterprises in the relationships with the firms interviewed.

Before starting with the case studies, it is important to explain the process which has been employed to choose the enterprises for the interviews. A database available on <https://data.world/> has been used, which is constantly updated by B Lab and which collects all the impact data of all Certified B Corps. The scores of the last B Impact Assessment completed by the organisations can be found in the database: not only the overall score and the ones of each major impact area (community, customers, environment, governance and workers) are

available, but also the scores of each impact topic of each area. For this research, only the Italian B Corps, some of which are also Società Benefit, have been considered; on the database, they are a total of 101. I focused only on the BIA's topics related to the impact of the organisation on its suppliers. The goal was to pick up these topics and find both the companies which have achieved the highest scores and the lowest ones in them, in order to subsequently interview some enterprises belonging to both the categories.

Analysing the database, the following topics of the BIA, related to the impact on suppliers, can be identified:

- **ia\_community\_it\_diversity\_inclusion:** this section is an opportunity for the organisation to highlight diversity in various areas such as workforce, Board of Directors, and suppliers.
- **ia\_community\_it\_local\_involvement:** the section explores ways for the business to further engage with the community through local ownership and suppliers.
- **ia\_community\_it\_producer\_cooperative:** it recognises supplier owned structures that empower suppliers by organizing production, decision making, and profit distribution.
- **ia\_community\_it\_suppliers\_distributors:** the section includes questions related to supplier monitoring and evaluation, certifications and tenure, labelling standards, and supplier code of conduct.
- **ia\_community\_it\_suppliers\_distributors\_product:** the questions address actions to upkeep standards of company's significant suppliers and products.
- **ia\_community\_it\_supply\_chain\_poverty\_alleviation:** this section recognises supply chain strategies that reduce poverty through trade terms, positive labor conditions, and support for underserved suppliers.
- **ia\_environment\_it\_transportation\_distribution\_suppliers:** the section is related to environmental conscious efforts of significant suppliers and distribution methods.

However, the scores of many of these impact topics were not available for all the 101 B Corps or for many of them. There are two possible reasons for that: the scores exist but have been not reported in the database or the B Corp has completed a new version of the BIA in which some new impact sections are present that may have substituted the old ones. In particular, by looking to each topic, these were the scores available:

- **ia\_community\_it\_producer\_cooperative** and **ia\_community\_it\_suppliers\_distributors:** 0 out of 101
- **ia\_community\_it\_supply\_chain\_poverty\_alleviation:** 9 out of 101
- **ia\_environment\_it\_transportation\_distribution\_suppliers:** 40 out of 101

- ia\_community\_it\_diversity\_inclusion, ia\_community\_it\_local\_involvement and ia\_community\_it\_suppliers\_distributors\_product: 73 out of 101 (B Lab, 2020).

Consequently, I decided to take into account for my analysis only the topics with more than 50 percent of the scores available in order to be able to compare a higher number of companies. The scores of “ia\_community\_it\_diversity\_inclusion”, “ia\_community\_it\_local\_involvement” and “ia\_community\_it\_suppliers\_distributors\_product” have been therefore considered. I summed the scores of the three topics and in Appendix A the total score of all the B Corps for which these scores were available can be found. I contacted some of the companies with the highest total scores and some of the organisations with the lowest ones and based on their availability, I have been able to interview the B Corps reported in table 11. In addition, I organised an interview with another company, Zordan Srl Sb, for which the scores were not available. The employee of Habitech – Distretto Tecnologico Trentino with whom I talked, Mrs. Pighi, suggested me to analyse also that organisation and gave to me the contact of one of its employees.

Company name	ia_community_it_diversity_inclusion	ia_community_it_local_involvement	ia_community_it_suppliers_distributors_product	Total score
InVento Innovation Lab impresa sociale srl	11,8	14	3,5	29,3
Valli del Bitto Spa Società Benefit	6,2	7,9	10,5	24,6
Goldmann & Partners Srl SB	7,9	10	6,5	24,4
mondora Srl Sb	5,8	11	5	21,8
Chiesi Farmaceutici Spa	2,9	2,2	4,5	9,6
EXE.IT Srl SB	0,4	6	2,5	8,9
Habitech Distretto Tecnologico Trentino S.c.a r.l.	1,3	5,2	1,8	8,3

*Table 11: B Corps interviewed with their scores in the three BIA's impact topics  
Source: Author's elaboration, based on (B Lab, 2020)*

I decided to ask for an interview to both companies with a high score resulting from the three BIA's impact topics considered and to firms with a low one to try to understand what causes such differences. Is the issue of sustainable supply chain management more relevant for the organisations that show a higher score? Do they put more effort in selecting the criteria for a sustainable supplier selection? Do they use more sustainable supplier development practices such as codes of conduct or purchasing preferential policies? Do they collaborate more with their suppliers in order to help them improving their environmental and social performance? Moreover, it would be also interesting to understand if the sector and industry in which a company operates affect the relevance of sustainable supply chain management and the efforts put into it. The interviews have been aimed at answering these questions and finding the differences in the behaviors of the two groups of companies identified.

The way in which the firms I interviewed behave with respect to sustainable supply chain management is the focus of the following paragraph and what has been said by the interviewees is reported. The full interviews can be found, with their permission, in appendix B. The people with whom I talked and the date of each interview are reported in Table 12.

Company	Interviewee	Date
InVento Innovation Lab Impresa sociale Srl	Claudio Avella	19/10/2020
Valli del Bitto Spa Società Benefit	Paolo Ciapparelli Carlo Mazzoleni	24/10/2020
Goldmann & Partners Srl SB	Alessandro Cremona	30/10/2020
Mondora Srl Sb	Lucia Longoni	26/10/2020
Zordan Srl Sb	Monica Panozzo	26/10/2020
Chiesi Farmaceutici Spa	Guido D'Agostino	29/10/2020
EXE.IT Srl SB	Leandro Rubbini	13/10//2020
Habitech - Distretto Tecnologico Trentino S.c.a.r.l.	Laura Pighi	19/10/2020

*Table 12: Date of the interviews and name of the interviewees  
Source: Author's elaboration*

## 4.2 Case studies

### 4.2.1 InVento Innovation Lab Impresa sociale Srl

InVento Innovation Lab is a company whose mission is sharing the principles of sustainability with the aim of inspiring everyone and stimulating the new generations to make a difference and build a better world. People from InVento train young people by offering courses to both elementary and middle school children and to high school students to whom they offer courses on sustainable entrepreneurship involving the creation of a start-up. They also provide seminars and workshops on B Corp and benefit corporations to university students, with the aim of disseminating innovative ways of doing business such that it is sustainable for the society and the environment. Moreover, the firm offers innovative consultancy and support to companies, start-ups and aspiring entrepreneurs who want to develop projects with a high environmental and social value, by transferring its knowledge and available technologies (InVento Innovation Lab, 2020). InVento is also part of the "B Corp Way" network, which includes actors that are certified to help organisations in the process of becoming B Corps.

InVento achieved the B Corp certification on 30<sup>th</sup> July 2017 after completing in the same year the B Impact Assessment. The company realised a total score of 109,9 and more specifically a score of 29,3 in the "ia\_community\_it\_diversity\_inclusion", "ia\_community\_it\_local

involvement” and “ia\_community\_it\_suppliers\_distributors\_product” impact topics we are considering in this qualitative analysis (B Lab, 2020).

Despite the company has shown a high total score, after the interview with Mr. Avella, I can infer that it is not related to organisation’s actions towards suppliers. The high scores on “ia\_community\_it\_diversity\_inclusion” and “ia\_community\_it\_local\_involvement” topics are probably linked to the inclusion of diversity in areas different from the supply chain and, at the same time, InVento probably engages with the local community by involving local actors such as schools but not suppliers in a relevant way. Indeed, what Mr. Avella said is that they have some suppliers which provide them with IT and consultancy services, but that they do not have “*a real supply chain*” since they do not produce goods. Moreover, he affirmed that they consider the companies that help them with these services more collaborators than suppliers.

If we consider the supplier selection process, the company seems to have an informal process for choosing its few suppliers, which has not been changed after achieving the B Corp certification. The suppliers themselves have not been substituted too. InVento is for instance part of two coworking, which both belongs to companies which were already considering sustainability, so there was no need to change these suppliers; the same applies to other collaborators. The non-profit organisation does not even ask for specific certifications to suppliers. The only case in which a certification is required regards the companies that finance the B Corp school project, which involves the interactions in schools between students and firms. These enterprises can be defined as suppliers as they give money to InVento to support the courses, even if Mr. Avella has defined them clients more than suppliers. In any case, they are required to be Certified B Corporations and when other organisations are selected to finance the project, most of the time they also are on the path to become B Corps.

On the other hand, regarding supplier development, InVento Innovation Lab does not seem to adopt specific practices to help the few suppliers it has to become more sustainable. It tries to spread the concept of sustainability and B Corp and benefit corporation models to its clients, by directly intervening to help them approaching the world of the B Community, but it does not do the same with its suppliers.

To conclude, the organisation does not undertake many actions towards suppliers to help them to become more sustainable, but this can be in part due to its business. Being educators and dealing mostly with training programs, they probably focus on creating positive impacts by transferring their knowledge of sustainability issues to other community actors than suppliers.

They also focus on the relationships with their workers, as the high score of 32,3 in the workers area demonstrates (the score can be found in the B Corp Directory area of [bcorporation.net](http://bcorporation.net) website).

#### 4.2.2 Valli del Bitto Spa Società Benefit

Valli del Bitto was founded in 2003 by eleven local entrepreneurs of the Bitto valley, in Sondrio province, to support the production of the heritage cheese of the valley, called “Storico Ribelle”. The company buys the cheese from its producers at an ethical price which covers the increased costs they have to incur to employ traditional methods of production. The firm aims at giving concrete solidarity and supporting the historic cheese in order to preserve a cultural patrimony of the territory made up of traditions inherited from past generations. The promotion of Storico Ribelle by Valli del Bitto Spa reflects also the need to rethink a model of agricultural development that is both fair and sustainable, and which favours biodiversity. Over the years, the founding members have been joined by others who have shared the values represented by the heritage cheese and today the organisation has more than one hundred shareholders (Valli del Bitto Spa, 2020).

Valli del Bitto Spa is both a società benefit and a B Corp, after having achieved the certification on 29th November 2016. The total score the company has realised that year was 82,4, of which 26,4 on the three community impact topics we are taking into account in this chapter (B Lab, 2020).

Mr. Paolo Ciapparelli set up Valli del Bitto Spa with the specific goal of saving the local producers of Storico Ribelle cheese and giving a future to this historical production. Thanks to the collaboration with Slow food, a non-profit organisation, the company has increased its visibility, also at the international level, demonstrating that, as Mr. Ciapparelli said, “*a small production, without large numbers, but with an important and credible support could have an international dimension*”. As far as suppliers are concerned, the main ones are of course the local suppliers of Storico Ribelle cheese, in addition to some suppliers of other goods but which represent only the five percent or even less of the purchasing expenditures. The producers of cheese are bound to animal nutrition and must respect company’s ban on the use of feed and ferments, respecting the traditional methods of production and contributing in this way to the preservation of Alpine biodiversity. They sign a declaration of intent with which they commit every year to comply with the specification and to work in a responsible way. The specification formally indicates the rules which the producers must follow in the production of the historic

cheese, from how many times per day to milk cows to how to produce the cheese in the strict sense.

Considering the supplier selection process, it seems that it has not changed after Valli del Bitto became a Certified B Corporation, mainly because the firm was already sourcing on a local basis and from suppliers who operate in a sustainable way, respecting the environment. Only the companies which work in a sustainable and conscious manner are in fact chosen. This applies to both producers of Storico Ribelle during summer and producers of other types of cheese in winter season and to the suppliers of the other goods which are bought for example to run the small tasting room and wine shop that the company owns.

As far as sustainable supplier development is concerned, an intense collaboration characterises the relationship between the company and Storico Ribelle local producers, which has started even before Valli del Bitto Spa was born, when Mr. Ciapparelli had set up the “*Consorzio Salvaguardia Bitto Storico*” with these producers. Collaboration has therefore always been present and the company meets every year with the producers to solve problems and exchange ideas. Hence, a formal process for SSD may not be present, but the firm is for sure willing to cooperate with the producers, exchanging its knowledge and suggestions to further increase sustainability.

To conclude, Valli del Bitto Spa contributes to the economy and the development of its local community since it sources only on a local basis and it gives a big support to some local producers that would probably cease to exist without its help. It pays to them an ethical price that covers the costs they must sustain by following the traditional method of production and it contributes to preserve a historical product, symbol of the valley in which the firm operates. Hence, despite Valli del Bitto Spa probably lacks formal procedures, also due to its small size, its high score on the three impact topics of the BIA seems to be justified by what Mr. Ciapparelli and Mr. Mazzoleni said during the interview.

#### 4.2.3 Goldman & Partners Srl SB

Goldman & Partners is a project management, sustainable design and consultancy services company, operating in all sectors interested in implementing sustainability practices in real estate assets and production processes. It provides support for the growth and development process in companies, offering structured analytical and design solutions. Through its work, the firm wants to convert the market to virtuous processes adopting sustainability as their value creation driver. It therefore commits to disseminate all the necessary information for the

understanding and application of these practices at all economic and social levels. According to Goldman & Partners, sustainability implies a profound cultural change of society, in which it takes part with a wide range of initiatives, also due to its Applied Sustainability Study Centre, that works in the study and use of the latest developments on the international market (Goldman & Partners, 2020).

Goldman & Partners completed the B Impact Assessment in 2016 and was certified as a B Corporation on 1<sup>st</sup> September 2017. It achieved in the BIA a total score of 126,2 and more specifically a score of 24,4 in the “ia\_community\_it\_diversity\_inclusion”, “ia\_community\_it\_local\_involvement” and “ia\_community\_it\_suppliers\_distributors\_product” impact topics (B Lab, 2020). It is also a società benefit since January 2020.

Being an architectural firm whose core business has become, in the recent years, consulting on sustainability especially to the real estate market, as said by the interviewee Mr. Cremona *“Goldman & Partners has few suppliers and the largest expenses are related to IT, therefore to computers and software”*. Despite this, choosing sustainable suppliers has always been in company’s DNA and it has also changed some supplying firms in the last years to adopt more sustainable ones. Hence, even if the enterprise needs few supplies to run the business, it pays attention to sustainability criteria when selecting new ones and it checks every year the existing ones to see how they are working and what they have done, to be sure to be always helped by the best possible technical and professional skills.

Considering the supplier selection process, the company tries to deeply understand what the companies do, how they work, whether they have achieved some certifications and whether they write sustainability reports. The firm uses a process in which it checks several aspects of the possible suppliers, also using the data provided by its BIM Balance Tracking protocol, which trace the LCA sheets of all materials and collect information about who produced that materials. This process is especially applied when Goldman & Partners is helping a client in selecting suppliers for its project, so the firm does all the process and at the end suggests some options to the customers. However, it is also applied for the suppliers of the firm itself when it needs new ones. Moreover, it adopts a policy of preferring local suppliers, when possible.

On the other hand, as far as sustainable supplier development is concerned, the organisation does not undertake specific activities related to it. Mr. Cremona said that they share knowledge on sustainability or train suppliers only when they are asked for doing it, but it is not a common practice.



To conclude, Goldman & Partners pays therefore attention to environmental and social criteria both when selecting its suppliers and when advising the customer in its selection process, but it does not do much to help suppliers to improve their sustainability performance. This can be due to the size of the company and to the low number of supplying firms it needs, so it is maybe not convenient for it to invest time and resources in these development activities.

#### 4.2.4 Mondora Srl Sb

Mondora is a software and advisory company founded in 2002. It is specialised in custom cloud solutions for all kinds of businesses and strongly focused on innovation and emerging technologies. The aim of the organisation is to create benefit for all stakeholders by designing and building solutions that maximise positive impact: this is why it measures the positive impact produced and the negative one that could be generated for each software requirement it builds. Moreover, together with customers and suppliers, it supports humans and nature with projects that benefit the community and land. Some of these projects are for example “Cycle2Work”, an app which rewards employees who cycle to work instead of driving, or “Hire a farmer”, the project with which the firm hires, for every twenty employees, a farmer to work the land and grow organic products. A company’s peculiarity is its flat organisational structure: the firm in fact experiments with various forms of self-management and does not adopt hierarchies among colleagues (Mondora Srl Sb, 2018).

Mondora became a Certified B Corporation in 2015 and has been recertified on 20<sup>th</sup> September 2018, after completing the B Impact Assessment in the same year. In this last BIA, it achieved a total score of 122,8 and more specifically a score of 21,8 in the “ia\_community\_it\_diversity\_inclusion”, “ia\_community\_it\_local\_involvement” and “ia\_community\_it\_suppliers\_distributors\_product” impact topics. Mondora is also a società benefit (B Lab, 2020).

The characteristic which distinguishes company’s relationships with its suppliers is the establishment of interdependence agreements with which the parties commit themselves to a project or initiative in support of something or someone that is outside the outstanding parts. This initiative can benefit for instance the environment or the community, depending on what the supplier is more inclined to. These agreements are means for Mondora to create positive impact in collaboration with its suppliers, thereby using purchasing to generate also environmental or social value. A fundamental aspect of these letters of interdependence is the measurement of the impact: as Mrs. Longoni said “*there is also a greater awareness and help in understanding how to measure this type of commitment, since numbers are what matters*”.

Regarding the supplier selection process of the firm, according to Mrs. Longoni, it is quite informal, without using a list of specific indicators and selection criteria. Being a software development company, suppliers are mostly providers of consultancy services, so the enterprise does not purchase a lot of other goods. However, it always tries to select companies that are in line with its own way of thinking and operating. For instance, if it needs a new supplier in a specific sector, Mondora starts by looking to the list of other Italian B Corps to see if one of them can satisfy its needs. The B Corp certification is therefore an added value when looking for a new supplying firm. The selection process and in general the suppliers have not changed after the company has become a B Corp.

As far as supplier development is concerned, Mondora cooperates and shares its knowledge on environmental and social issues through the interdependence agreements, which are the main means it employs to engage suppliers in creating positive impact for the community or the environment. Thanks to the them, there is a written commitment to a common goal and for this reason, the company establishes them not only with suppliers but also with the employees.

To conclude, there are no formal practices to select suppliers or for their development, except for the interdependence agreements, so managing the supply chain is probably not one of the main means for the company to create impact. This can also be due to the main business of the firm and the related limited use of suppliers. If we look at the scores Mondora has achieved on the three impact topics we are considering, we see that the highest one is related to local involvement. This may be not mainly related to the use of local suppliers, but to firm's support for instance of the local agriculture, shown by the project of hiring a farmer every twenty hired engineers. This project allows Mondora to help also some local businesses to which it commits for example the transformation of the cereals into other products.

#### 4.2.5 Chiesi Farmaceutici Spa

Chiesi Farmaceutici Spa was founded in Parma in 1935 and is today an international group, strongly oriented towards the research, development, production and marketing of innovative products for four therapeutic areas that are respiratory and primary care, neonatology, rare diseases and special care. The company aims at being recognised as a research-focused international Group, able to develop and commercialise innovative pharmaceutical solutions to improve the quality of human life. Its goal is to combine commitment to results with integrity, operating in a socially and environmentally responsible manner. The firm has three production sites located in Parma (Italy), Blois (France) and Santana de Parnaiba (Brazil) (Chiesi Farmaceutici Spa, 2020).

Chiesi Farmaceutici is the largest global pharmaceutical group to be awarded B Corp Certification. The organisation achieved it on 23<sup>rd</sup> May 2019, after completing the B Impact Assessment the same year, obtaining a total score of 87,5. More specifically, it achieved a score of 9,6 on the three impact topics we are considering in this analysis (B Lab, 2020). Chiesi Group also became a società benefit in 2018, specifying within its corporate purpose four specific purposes aimed at its patients, workers, suppliers, the community and the environment, as well as a purpose of common benefit (Chiesi Farmaceutici Spa, 2020).

Chiesi Farmaceutici has worldwide fifteen thousand suppliers for an annual total expenditure of approximately 1.1 billion euros. Before becoming a B Corp, some actions had to be undertaken to improve the sustainability of the supply chain, so the company started by substituting some suppliers with more sustainable ones, modifying its vendor qualification process and above all creating a code of conduct together with some strategic suppliers, called Code of Interdependence. By 2025, the goal of the procurement department is to increase the sustainability level of the supplier panel by at least 20%. Working with sustainable supplying organisation will be fundamental for Chiesi Group also to reach the goal of carbon neutrality by 2035.

Considering the supplier selection process, it has been improved in the last years to move towards sustainability. The interviewee Mr. D'Agostino said in fact that the firm enhanced the environmental and social selection criteria and that: *“in the tenders, we have started to include an important percentage of sustainability, something we did not do before”*. The company has also modified its purchasing procedure by defining that buyers must favour local companies, firms managed or owned by women or by ethnic, religious or racial minorities. During supplier qualification process, some mandatory questions about sustainability issues, inspired by the BIA, are asked to the suppliers: the firm collects these answers and in the future plans to carry out improvement actions in the areas in which supplying companies show the worst results. Moreover, a project called *“Category Plan”*, which evaluates partnering selection and tendering, will be launched at the end of 2020: it will indicate for each type of supplier how much its sustainability must be weighted. The fact that the Group requires the possession of certifications to suppliers must also be emphasized. In particular, their possession is categorical for the organisations which supply production materials, while the others are only asked for certifications in a not mandatory open question during the qualification process. Mr. D'Agostino also affirmed that *“if I see that there is a Certified B Corp in our local territory, I try to get it in or to understand if it can join our supplier panel, even at the expense of the cost”*.

Hence, the B Corp certification is especially relevant for the company and firms owning it are preferred over the others.

As far as supplier development is concerned, a main practice employed by Chiesi Farmaceutici is the use of a short, challenging and straight to the point Supplier Code of Conduct, which supplying firms must sign during the qualification process. The Group proceeded by SDG to develop it and it includes requirements about product safety, fair working conditions and wages for employees, diversity and inclusion, the responsible and efficient use of resources, air emissions, ethics and many other issues. In addition to the Code of Interdependence, the company has also increased the collaboration with its suppliers after achieving the B Corp certification. In particular, it has invested a lot of time in sharing its experience and sustainability path with many suppliers which have become interested in undertaking a similar one. Chiesi has also directly asked to some suppliers such as the box supplier, its drug case manufacturers or the label company to become B Corps and some already did it while others are now working on it. However, Mr. D'Agostino said that *“having been certified only last year, we are still at the beginning”* so the firm does not currently adopt other practices to help suppliers to improve their environmental and social performance. It is not intervening for now in a more direct manner, but this will be the future direction of the organisation and the collaboration with suppliers will increase more and more.

To conclude, we can say that Chiesi Farmaceutici is still at the beginning with respect to sustainable supply chain management since it has become a B Corp only in 2019, but it has already put in place some practices regarding both sustainable supplier selection and development, to which it will add other ones in the future. What is certain is that the company has objectives for the future regarding these issues so it will surely do more, especially as regards SSD practices. We must also consider that Chiesi is an international group with thousands of employees and suppliers, being the biggest company interviewed for our analysis; greater efforts and a greater coordination are therefore needed to further improve in a significant way suppliers' performance and further create positive impact through sustainable supply chain management.

#### 4.2.6 EXE.IT Srl SB

Exe.it Srl Sb is an Information Technology company, born in 1988, which provides several wide-ranging and specialized services, in addition to the traditional marketing of hardware and software. Its main idea has been the creation in 2015 of the Data Center 00 GATE, the first zero-emission data center in Southern Europe, based on respect for the environment, without

sacrificing power, flexibility and safety. Another important point is that Exe.it is Green Cloud Certified and this certification gives to the firm the possibility of issuing true certificates to customers which move part or all of their information technology in the true green Data Center, certifying in this way their environmental attention (Exe.it Srl Sb, 2019).

The company became both a B Corp and a società benefit in 2016 and completed another B Impact Assessment in 2018 to be subsequently recertified on 25<sup>th</sup> February 2019. In the BIA, Exe.it achieved a total score of 81,4 and more specifically a score of 8,9 on the three community impact topics we are considering in this analysis (B Lab, 2020).

As far as suppliers are concerned, during the interview with Leandro Rubbini, Chief Commercial Officer (CCO), it emerged that EXE.IT needs few suppliers for running its business and that most of them are big companies which are monopolising the market. Hence, after obtaining the B Corp Certification, they did not change them since as Mr. Rubbini said *“it is a bit difficult to replace companies such as Microsoft”*. As a result, the firm seems to consider sustainability criteria in the selection process for suppliers that are not essential to the business, such as the cleaning company or the electricity supplier. It in fact adopts now a cleaning firm which is sustainable, and it claimed that its electricity supplier had a certification ensuring that the electricity was from renewable sources, also certified. The CCO in fact affirmed that *“when we have to evaluate new suppliers for some reasons or for some new projects, we try to select sustainable suppliers or in any case, suppliers in line with the way we place ourselves on the market”*, indicating that when the organisation is not forced to source from the few companies available in the market, it tries to select sustainable suppliers. Another example has been reported during the interview regarding the choice of establishing a partnership with the firm Lenovo for the creation of the new data center: the decision was not guided only by sustainability concerns, but the fact that its machines at the hardware level were sustainable has been another point in favour of this company when selecting the partner.

As far as SSD is concerned, EXE.IT shows small efforts toward it: indeed, the interviewee affirmed that in the last years the collaboration with the suppliers has not increased in order to help them improving their sustainability performance. This can be due to the same reasons for which the company did not change most of its suppliers, that is because there are few enterprises operating in the market from which it needs to source and that are critical for its business, and they often are bigger than the firm itself.

To conclude, sustainability seems to influence only in part company's supplier choices and is mostly taken into account for suppliers not critical for the business. The low scores achieved by EXE.IT in the three sections of the BIA that I considered seem therefore to be explained by what Mr. Rubbini said during the interview. Probably, the nature of the business does not permit the firm to create big positive impacts on suppliers, as said before for Mondora Srl Sb. Hence, the company focuses more on other areas such as the environmental one, as the first Southern Europe zero-emission data center it built demonstrates.

#### 4.2.7 Habitech - Distretto Tecnologico Trentino S.c.a.r.l.

Habitech – Distretto Tecnologico Trentino S.c.a.r.l. is a not-for-profit organisation and the leading national centre for green building, renewable energy and innovation. It supports the development of business networks and supply chains, creating innovative marketing infrastructure through the development of sustainable projects. Its mission is transforming the building and energy market moving towards sustainability as a strategic lever for innovation and development. The organisation offers highly targeted and specialized consulting services for the construction, renovation and management of real estate assets. Moreover, it has introduced in Italy the LEED certification system, one of the most widely used green building rating system in the world (Habitech S.c.a.r.l., 2020).

Habitech obtained the B Corp Certification in 2014 and was recertified on 18<sup>th</sup> January 2017, after completing again the BIA in 2016. In this last assessment, it realised a total score of 85,4 and a score of 8,3 in the three community impact topics we are taking into consideration (B Lab, 2020).

Sustainability is part of company's core business and it is a concept which, according to the interviewee Laura Pighi, must be integrated, together with the quality issue, in the supply chain and in the related choices, in order to be able to have sustainability and quality simultaneously. Aiming at having a responsible supply chain by integrating sustainability concerns in supplier selection decisions has always been in Habitech's DNA, so the B Corp Certification has allowed the firm to put on paper what it was already doing and to further enhance it. The organisation buys from its suppliers mostly intellectual services which have always been sourced on a local basis; more than fifty percent of the suppliers in fact are part of a local supply chain. After the B Corp procedure was concluded, this practice has been formalised and structured, and the same has happened for the environmental and social selection criteria that were being used. These indicators have also been increased by the company, but what Mrs. Pighi wanted to emphasise several times during the interview is that these indicators are not threshold criteria. A supplier

which is not selected because it does not satisfy the criteria would in fact not be incentivised to enhance its performance. Moreover, according to her, “*setting threshold requirements can be especially counterproductive when sourcing on a local basis*”. What Habitech does is therefore having a list of indicators and asking the potential suppliers to indicate if they respect that requirements, if they are adopting formal or informal practices and to indicate which they are, if they use formal or informal indicators to measure their performance, also considering sustainability, and if they have in place policies connected for example to welfare or the environment. Hence, what is relevant is that the enterprise does not create entry barriers: it looks at what the potential supplier has in place, without automatically excluding an actor if it does not satisfy all the criteria. This mechanism can push the supplier to improve its performance and to introduce policies or indicators that are in the list provided by Habitech but that were not already adopted in its organisation. For the same reason, it does not require the supplier to have achieved specific certifications: if it is adopting less expensive policies than ISO’s ones for instance but valuable in the same way, it permits the supplier to report and valorise them. The will of the organisation to make its supply chain more sustainable is also explicated in its “*Socially and environmentally sustainable procurement policy*” which is a specific operational tool that formally defines its purchasing procedure.

As far as sustainable supplier development is concerned, Habitech puts much less effort into it with respect to the selection process. Indeed, as confirmed by Mrs. Pighi, its action toward suppliers “*is manifested mainly in the procurement procedure, which is a specific operational tool, but which at the same time is designed as a mechanism that can facilitate an incremental improvement*”. Hence, the organisation tries to drive market transformation and push suppliers to improve their sustainability performance through the way in which it selects them, by avoiding threshold criteria and incentivising them to introduce in their own companies new indicators and practices that were not previously employed.

To conclude, we can say that the low score of Habitech – Distretto Tecnologico Trentino in the three BIA’s sections we are considering can probably be explained by the fact that it does not put much efforts to intervene directly to transfer its knowledge and practices related to sustainability issues to suppliers. However, I think it is important to underline its effort in involving local suppliers, contributing to the development of the local community, which is also demonstrated by the fact that “*ia\_community\_it\_local\_involvement*” section is the one with the highest score for Habitech. Moreover, its sustainable selection process in which environmental and social criteria are considered without being threshold requirements is surely interesting. Indeed, permitting the companies to supply the organisation even if they do not

comply with all the requirements of Habitech's list, but at the same time incentivising them to improve to drive market transformations can represent another perspective from which to look at sustainable supply chain management issue. This way of behaving can be especially effective when sourcing on a local basis, to favour local organisations without excluding them a priori, while at the same time showing them ways to improve through the adoption of new policies, practices or indicators.

#### 4.2.8 Zordan Srl Sb

Zordan was founded in 1965 as a technical carpentry and has grown over the years to become one of the main players in the production of furniture for single-brand stores of well-known brands in the luxury sector. Currently the company operates in the market through two main brands: mono-brand shopfitting, which deals with furnishing high-end retail stores, and tailor-made interiors, the division dedicated to special furnishing solutions, aimed in particular at the end customer. Thanks to the acquisition of the Woodways company in Michigan, Zordan also has a strategic production site in North America. The enterprise has made tension for quality, sartorial knowledge, production efficiency and deep attention to human relations the assets of its constant success. It operates through a motivated team and a network of artisans who share the same organisational passion, attention to detail and the goal of creating a positive impact on the environment and the local community (Zordan Srl Sb, 2020).

Zordan was certified for the first time as a B Corp on 20<sup>th</sup> October 2016 and has been recertified on 11<sup>th</sup> March 2020. In the B Impact Assessment it completed in 2019, it achieved a total score of 106,5 of which 17,5 points in the community area (B Lab, 2020). However, the scores on the "ia\_community\_it\_diversity\_inclusion", "ia\_community\_it\_local\_involvement" and "ia\_community\_it\_suppliers\_distributors\_product" topics are not available, since it has completed a new version of the BIA. We can still have a look at the scores it has achieved in some new community impact topics, some of which are similar to the ones we are considering for the analysis. They are reported on bcorporation.net website and are the following: 2,7 on "diversity, equity and inclusion", 5,2 on "economic impact", 3,2 on "civic engagement and giving" and 6,3 on "supply chain management". Zordan has also been one of the first Italian companies to become società benefit in 2016.

According to the interviewee Mrs. Panozzo, supply chain management has always been one of Zordan's main strengths since part of its production is outsourced and the company has always tried to support the local economy by selecting suppliers from its province or at most the same region, when possible. Hence, it has mostly worked with local artisans, being in this way



sustainable from an environmental point of view, as transport is limited, and from a social one, as it supports the community by giving work to those around it.

Considering the supplier selection process, the company has always taken into account environmental and social criteria in its *“Purchasing policy with environmental and social requirements”*, even before becoming a B Corporation, so they have not changed much after obtaining the certification. Zordan expects its subcontractors which carry out the production to consider sustainability in the production processes and in the practices connected to human resources, but it does not require them to have some specific certifications. This is due to the fact that most of them are local small artisans, so it will be very difficult for them to be certified. However, Zordan can ask for product certifications to some suppliers of raw materials: chemical products for example must comply with the REACH regulation and wood must be FSC and PEFC certified. The company itself buys the wood and other raw materials needed to manufacture the furniture and then send them to the subcontractors for the production.

As far as SSD is concerned, the collaboration with supplier is more an indirect one than a direct one in the field. A practice which the firm adopts to make its supply chain more sustainable is the use of a Code of Conduct that suppliers must follow when working with Zordan. By accepting the code, the supplier commits to respect the values and principles outlined in the document, to apply these principles and to try to constantly improve their sustainability performance. The code includes several guidelines regarding the environment as the ones connected to waste disposal or to the emissions into the air, regarding transparency, the workers, including requirements about health and safety, non-discrimination, paying fair wages and others, regarding the local community, since suppliers should operate respecting it and trying to support it, and others. Regarding a possible direct involvement by Zordan for supplier development, the firm can sometimes transfer its employees to subcontractors' sites but it is more for sharing knowledge and information about the furniture that must be made than for reasons connected to sustainability. The enterprise does not intervene directly to help suppliers to improve their environmental and social performance. In addition to require the suppliers to comply with the guidelines of the Code of Conduct, what Zordan does is trying to share what it does and the reasons for what it does to try to bring suppliers closer to the world of sustainability and of B Corps. Mrs. Panozzo said in fact that: *“we try to share what we do and how we reach it through newsletters, communications and social networks or by directly inviting suppliers to some events that are organized or conferences in which we participate”*. The firm tries to communicate its culture and if a supplier shows that it is interested in the sustainability world and in becoming a B Corp for example, as it has recently happened with

one of them, Zordan is willing to help it, giving the necessary contacts and information to join the B community.

To conclude, as far as sustainable supply chain management is concerned, it seems that the company puts efforts both on sustainable supplier selection, by considering sustainability criteria to select the supplying organisation and trying to adopt local businesses when possible, and sustainable supplier development, by intervening indirectly through the Code of Conduct and by sharing with them its knowledge and actions. It does not act directly by transferring its own employees or investing its own resources, but it mostly tries to raise awareness about sustainability.

### 4.3 Analysis of the interviews

In this paragraph, after having analysed the eight case studies by referring to what said by the interviewees, we will summarise what the interviewed Italian B Corps (the majority of which are also società benefit) do with regard to sustainable supply chain management. We will try to understand what explains the differences in the scores between the firms that obtained high scores in the sum of the three BIA's impact topics we are considering and the companies which realised low ones, by investigating their behaviours and actions. After that, since the eight B Corps belongs to different sectors and industries, we will also try to understand if these variables influence the way in which a company handles the sustainable purchasing issue. To conclude, another objective of this analysis is to examine what the relationships of the B Corps with non-profit organisations are. One of the questions which has been in fact asked to each company has been whether they sometimes use this kind of companies for supplying purposes and for other reasons, such as collaborating with them for sustainability campaigns or other events.

#### 4.3.1 Differences based on database's scores

The interviewed Italian B Corps can be divided in two groups: InVento Innovation Lab impresa sociale srl, Valli del Bitto Spa Società Benefit, Goldmann & Partners Srl SB and Mondora Srl Sb rank among the ten companies with the highest total scores obtained by adding the three impact topics "ia\_community\_it\_diversity\_inclusion", "ia\_community\_it\_local\_involvement" and "ia\_community\_it\_suppliers\_distributors product". On the other hand, Chiesi Farmaceutici Spa, Exe.it Srl SB and Habitech – Distretto Tecnologico Trentino S.c.a.r.l. rank among the five companies with the lowest total scores (see appendix A). Zordan Srl Sb completed a new version of the B Impact Assessment so the points obtained in these three specific topics are not available. However, looking to the scores on the other impact topics reported in 4.2.8, we can

guess that its total score would be medium-low, so it would position above Chiesi Farmaceutici, Exe.it and Habitech but below the other four. Now, by considering what each interviewee said, we will try to understand what justifies these differences in the scores and especially whether they are actually reflected by different actions and practices undertaken with regard to sustainable supply chain management. We will separately analyse the two main processes of sustainable supplier selection and sustainable supplier development.

### *Sustainable supplier selection*

As previously explained in chapter two, sustainable supplier selection is the process through which companies evaluate several suppliers and select the one which performs the best along the upstream supply chain with regard to the three dimensions of sustainability. The process involves considering both environmental and social criteria in addition to the economic ones; product and process certifications, awarded by independent organisations, can also be required to suppliers. We are now going to analyse the selection processes of the interviewed B Corps, underling the differences between them.

We start by considering Valli del Bitto Spa, one of the top-ranking companies. Being a small firm, born to protect a local production, it selects local suppliers which are known by direct knowledge. Supplier's sustainability is considered during the process and Mr. Mazzoleni said: *"We cannot even afford to buy goods of which we do not know the origin since we want to maintain our credibility. Hence, it is in our own interest to buy from sustainable suppliers"*. There is not however a formal process for selecting the supplying firms since people in Valli del Bitto Spa know which are the organisations in their local territory which work in a sustainable and responsible way, so they are mainly selected because of direct knowledge. Considering now InVento Innovation Lab, Mondora and Exe.it, we can say that they are similar since they all have few suppliers and a similar selection process. They pay attention to suppliers' sustainability when they have to choose a new collaborator, but their processes are, as for Valli del Bitto, informal, since from the interviews it seems that they do not have a specific list of indicators and a structured process for the selection.

On the other hand, Goldman & Partners has a more structured process with respect to the previous companies. Mr. Cremona explained that: *"we try to understand what suppliers do and if they have certifications, we ask them to send to us the LCA sheets of their products.... we try to understand if it respects the ten principles of the UN Global Compact. Moreover, we look at the financial statements of these companies to see if anyone writes sustainability reports to understand the importance that they give to sustainability issues.... we talk to them to*

*understand their willingness to be proactive and provide us with all the information we need to ask*". There is therefore a list of aspects that the company checks when choosing a new supplier; moreover, it uses in the process also the data traced by its BIM Balance Tracking protocol related to all materials that are employed in the projects and the firms which produce them.

An enterprise which has a real formal process for the selection of suppliers is Zordan Srl Sb. It has a specific "*Purchasing policy with environmental and social requirements*" that specifies some indicators and criteria, which have not been changed much after the company achieved the B Corp certification. For instance, suppliers which own some certifications such as B Corp, ISO 9001, PEFC or LEED are preferred over others and for some purchases, some of them are explicitly required to the supplier. The policy also establishes that independent suppliers, women or companies owned by minorities should be preferred, at the same quality and price. The firm also tries to select local suppliers; indeed, most of its subcontractors are small artisan businesses from its province and region. Considering now Chiesi Farmaceutici, which ranks among the companies with the lowest scores, it surely needs a formal process for the selection of suppliers because of its size: it in fact purchases goods and services from circa fifteen thousand suppliers. What Chiesi has done to obtain the B Corp certification and after achieving it has been to increase the social and environmental selection criteria, since sustainability was not before considered in a relevant way in the process. Moreover, it has started to ask questions about sustainability issues to suppliers during the qualification process and it will also launch the project "Category Plan" at the end 2020. Mr. D'Agostino explained that "*The importance of sustainability when choosing a partner will be dictated by this project and no one can derogate*": it in fact will attribute a percentage which indicates the relevance of sustainability to each of the most important categories of suppliers. He added that "*some categories where sustainability is particularly relevant are those of active substances, chemistry and secondary packaging*". Another organisation, i.e. Habitech, which has a low total score in the impact topics, has a formal policy, the "*Socially and environmentally sustainable procurement policy*" which specifies a list of criteria, which have been formalised and enhanced after the firm has become a Certified B Corporation. The distinguishing feature of its selection process is that, as explained in 4.2.7, Habitech does not set the requirements as threshold criteria to not create entry barriers. The interviewee Laura Pighi affirmed that "*a threshold system would not generate any transformation in the market and would not push the supplier excluded from the supply chain to improve*". Hence, the firm uses the list to understand which criteria are currently satisfied by the supplier and which practices it adopts, but it leaves to it the possibility to improve in the future by adding new practices related to sustainability, without being excluded

a priori. This process is applied mainly towards local companies since more than fifty percent of Habitech's suppliers are local.

Regarding more specifically the use of product and process third-party certifications as requirements to suppliers, they seem to be required by a minority of the B Corps. Zordan established in its purchasing policy to ask for them. Considering Chiesi, it is categorical for its suppliers of production materials to have some specific certifications, while for suppliers belonging to indirect procurement (services) it is not mandatory, but they are asked to say if they have achieved any. The B Corp certification is especially relevant for the company and suppliers owning it are preferred over others. Mr. D'Agostino added that *"We also require the supplier to attach the certification in pdf since our qualification system alerts both us and the supplier itself when the certification is expiring, thus asking to update it again"*. Goldmann & Partners tries to understand whether suppliers own some certifications both when it searches suppliers for itself and when doing it for its customers. In addition, Exe.it has required a certification to its electricity supplier, but it is not a common practice for the firm. Habitech deliberately chooses not to require them to avoid creating entry barriers, doing the same reasoning as for the other selection criteria. Neither Mondora nor Valli del Bitto nor InVento Innovation Lab require certifications. Mrs. Longi from Mondora only affirmed that *"If we are looking for new suppliers in a certain type of sector, we can first look at the list of B Corps and understand if there is a firm that can be useful to us"*.

To summarise, the companies split in those which have an informal sustainable selection process and those which have a formal one, with an explicit list of criteria. The differences in the scores do not seem however to be explained by the relevance given to this process since the companies that have a formal and clear process are Zordan (that would have a medium-low score) and Chiesi Farmaceutici and Habitech, which rank among the firms with the lowest total scores. The other five organisations seem to consider sustainability when choosing suppliers but with an informal process. This may be due to the size of these B Corps, to their main businesses and to the industries in which they operate or to the decision of sourcing locally which can lead to the selection of enterprises which are known by direct knowledge, especially when the local area is very small. The decision of using an informal process is therefore linked to the fact that it is probably not convenient for these companies to spend resources to set up a formal one, but it does not mean that they are not careful in the selection of the supplying firms. Indeed, they all look at the sustainability of the organisations when choosing a new supplier and almost all of them affirmed to prefer, if possible, local enterprises.

### *Sustainable supplier development*

Sustainable supplier development (SSD) is the other main process of sustainable purchasing which has been deeply investigated in chapter two. It aims at improving supplier's performance and capabilities with respect to the three dimensions of sustainability and it can include several practices that require different levels of investment and involvement by the buying company. It is based on the collaboration with the supplier, which becomes fundamental when sustainability is incorporated, and its practices can be grouped, as previously said, in three main categories: knowledge transfer and communication, invest and resource transfer and management and organisational practices. We are now going to summarise what practices the eight B Corps adopt for the development of suppliers in order to understand whether the top-ranking companies actually put more effort into this process and adopt a higher number of practices.

We start from the enterprises that achieved the highest total scores on the three impact topics. The founder of Valli del Bitto Spa, Paolo Ciapparelli, said: *“we have always collaborated with the producers, since they have seen in us those who have always defended their production method. There is an intense collaboration with them and we meet every year to address any problems and exchange ideas”*. The relevance of the collaboration in the relationships with cheese producers, which are the main suppliers of the company, can be inferred from his words together with the willingness of exchanging ideas with them. This annual meeting can be included among “knowledge transfer and communication” practices of supplier development. In addition, there is a specification which producers must comply with and that includes sustainability practices for the production of the cheese, permitting them to operate in an environmentally responsible way. Following it is however not an obligation for the producers since, as Mr. Mazzoleni said, *“they believe in it and want to carry on this historical production method”*. The specification can be allocated among SSD “management and organisational practices”. Mrs. Longoni from Mondora said: *“We aim at raising awareness among the people who work with us, including both suppliers and employees, more than improving their performance...we try to cooperate and share our knowledge on environmental and social issues through the interdependence agreements and initiatives that are developed in collaboration with suppliers”*. As these words indicate, the only practice the firm uses to exchange ideas and knowledge with suppliers is the interdependence agreement (that belongs to “management and organisational practices”). InVento Innovation Lab does not undertake SSD activities; Mr. Avella in fact affirmed: *“We do not adopt particular practices to make the supply chain more sustainable, as we do not have a real supply chain”* and he added: *“we*

*intervene directly when dealing with customers to help them becoming more sustainable and approaching the B Corp or Benefit Corporation model, but we do not intervene directly with suppliers*". Neither Goldman & Partners uses SSD practices; Mr. Cremona in fact affirmed: *"we do not have this large number of suppliers to justify the use of these practices"*. He also added that the company shares its sustainability knowledge or train suppliers only if explicitly asked by them.

Considering Zordan, the collaboration with suppliers is mostly indirect; the interviewee Mrs. Panozzo said: *"We try to involve suppliers by informing them about the objectives we have achieved or that we want to achieve in the future; if they want to follow and help us, we are happy to teach them what we know and provide them with the necessary material"*. The company therefore tries to share its knowledge and bring suppliers closer to the sustainability world through different types of communications and invitations to conferences and events; these practices belong to the "knowledge transfer and communication" category. There is however another powerful mean which can be allocated among the "management and organisational practices" that Zordan adopts, which is the supplier Code of Conduct, already analysed in 4.2.8. It contributes to encourage suppliers to constantly improve their sustainability performance.

Looking now to the companies with the lowest scores, two of them, i.e. Habitech and Exe.it, do not put much effort into sustainable supplier development. During the interview, at the question about practices related to SSD, including direct interventions, training of suppliers' employees and sharing of knowledge, the following have been their answers. Mr. Rubbini from Exe.it answered that *"there are no big activities that relate to suppliers"*, while *"we try to help them to improve through our selection process and the non-adoption of threshold criteria, by creating visible and specific content set up within a process that allows for adhesion and incremental improvement by suppliers"* is what Mrs. Pighi from Habitech said. She also added that real actions to raise awareness on sustainability are aimed at the organisation's members rather than suppliers. These two companies do not seem therefore to employ any practice of any of the SSD category. On the other hand, Chiesi Farmaceutici has instead increased the collaboration with suppliers after becoming a B Corp and, as already said in 4.2.5, the company has especially invested time to tell about its sustainability path to the ones interested in taking the same path. An important and formal SSD practice it employs is the use of the Code of Conduct, which contains in each chapter both mandatory requirements to suppliers and improvement actions and which the company wants to review every two years. Mr. D'Agostino said that, according to some consultants of the B Corp Nativa, Chiesi's code *"is one of the most*

*advanced and challenging codes of conduct in the world since it also includes the theme of carbon neutrality*". He also affirmed, connected to supplier development, that in terms of investing time to train suppliers something has been done, but *"as for investing financially to help a partner to improve, we have not yet done so, just as we have never sent anyone to suppliers' sites to increase their level of sustainability...but it will certainly be done in the future"*. The firm has therefore for now adopted practices of both "knowledge transfer and communication" and "management and organisational practices" categories, but not of the "invest and resource transfer" one.

After having analysed what the eight enterprises do with regard to SSD, we can say also in this case that the differences in the scores on the impact topics are not reflect by the efforts which companies put into sustainable supplier development practices. Indeed, two of the top-ranking companies do not adopt practices belonging to the three categories of "knowledge transfer and communication", "invest and resource transfer", and "management and organisational practices", while Chiesi, which is one of the firms with the lowest scores, shows more effort and has more practices in place. Anyway, no company invests and transfers its own resources, both financial and human, to help suppliers to improve their environmental and social performance. The efforts are currently more related to an exchange of knowledge with suppliers and in some cases to the development of some documents which oblige the suppliers to behave in a responsible way, such as Codes of Conduct or others.

The practices of the B Corps related to both sustainable supplier selection and sustainable supplier development are summarised in the following table 13.



B Corp	Sustainable supplier selection	Sustainable supplier development
InVento Innovation Lab Impresa sociale Srl	Attention to sustainability (informal process)	No practices employed
Valli del Bitto Spa Società Benefit	<ul style="list-style-type: none"> <li>• Sustainable suppliers chosen by direct knowledge (informal process)</li> <li>• Local suppliers are preferred</li> </ul>	<ul style="list-style-type: none"> <li>• Specification which specifies the production method suppliers must employ</li> <li>• Intense collaboration and exchange of ideas</li> </ul>
Goldmann & Partners Srl SB	<ul style="list-style-type: none"> <li>• Structured process with a list of sustainability aspects to verify about suppliers, including possession of certifications</li> <li>• Local suppliers are preferred</li> </ul>	No practices employed
Mondora Srl Sb	Attention to sustainability (informal process)	<ul style="list-style-type: none"> <li>• Interdependence agreements</li> </ul>
Zordan Srl Sb	<ul style="list-style-type: none"> <li>• Purchasing policy which identifies sustainability selection criteria (formal process)</li> <li>• Certifications are required to some suppliers</li> <li>• Local suppliers are preferred</li> <li>• Independent suppliers, women or firms owned by minorities are preferred, at the same quality and price</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing of knowledge through different types of communications and invitations to events</li> <li>• Supplier Code of Conduct</li> </ul>
Chiesi Farmaceutici Spa	<ul style="list-style-type: none"> <li>• Specific list of environmental and social criteria (formal process)</li> <li>• “Category Plan” at the end of 2020</li> <li>• Certifications are required, especially to suppliers of production materials</li> <li>• Local companies and firms managed or owned by women or by ethnic, religious or racial minorities are preferred when possible</li> </ul>	<ul style="list-style-type: none"> <li>• Sharing of knowledge about company’s sustainability path and related issues</li> <li>• Supplier Code of Conduct</li> </ul>
EXE.IT Srl SB	Attention to sustainability (informal process)	No practices employed
Habitech - Distretto Tecnologico Trentino S.c.a.r.l.	<ul style="list-style-type: none"> <li>• Purchasing policy which identifies specific sustainability criteria but which are not threshold criteria (formal process)</li> <li>• Local suppliers are preferred</li> </ul>	No practices employed

Table 13: Practices related to sustainable purchasing of the interviewed B Corps

Source: Author’s elaboration

To conclude, we saw that the total scores achieved by the eight B Corps by summing up the points in “ia\_community\_it\_diversity\_inclusion”, “ia\_community\_it\_local\_involvement” and “ia\_community\_it\_suppliers\_distributors\_product” impact topics are not reflected in the activities and practices adopted by the companies with regard to the two main processes of sustainable purchasing.

This surely depends on the fact that the three topics are not strictly related exclusively to suppliers: local involvement can refer also to the inclusion of local people in firm’s ownership as well as diversity inclusion can be related for instance to workers. Consequently, the scores

can come in a significant way from organisational activities aimed at stakeholders different from suppliers. This could be the case of InVento Innovation Lab whose high total score was mainly due to the points obtained in the topics related to diversity inclusion and local involvement. From our analysis, we can say that these high scores are probably related to company's actions aimed at stakeholders other than suppliers, such as the students to which it offers the courses or its employees. The same applies to Goldman & Partners and Mondora: the former has a structured process for supplier selection but does not adopt SSD practices, while the latter does not put much effort in the selection phase but tries to share its knowledge with the suppliers through the interdependence agreements. From what has been said during the interviews, their high total scores are therefore probably mainly related to the creation of positive impact to stakeholders different from suppliers.

Another reason for which the scores are not reflected by the actions undertaken by the companies and by the practices they adopt is that, in my opinion, the scores may not depict in a proper way the actual behaviours of the B Corps with respect to sustainable supply chain management. They in fact depict their situations in the years in which they completed the BIA. This can apply to Chiesi Farmaceutici which completed the assessment at the beginning of 2019 and has already improved a lot in the following year and a half by having finally defined in particular its Supplier Code of Conduct in September 2019. Hence, the total score of Chiesi in the three impact topics may have today already increased.

#### 4.3.2 Differences based on the sectors

In the previous section, we have tried to understand whether the differences in the total scores in the three BIA's impact topics were reflected by the different practices and actions related to sustainable purchasing undertaken by the B Corps. We are going now to consider the differences in companies' approaches to sustainable supply chain management to figure out if the sectors in which firms operate have an influence on them. Organisations' sectors and industries are reported in the following table 14

Company	Sector	Industry
InVento Innovation Lab Impresa sociale Srl	Services with Minor Environmental Footprint	Education & Training Services
Valli del Bitto Spa Società Benefit	Wholesale/Retail	Food & Beverage
Goldmann & Partners Srl SB	Services with Minor Environmental Footprint	Architecture/Design/Planning
Mondora Srl Sb	Services with Minor Environmental Footprint	IT Software & Services/ Web Design
Zordan Srl Sb	Manufacturing	Industrial Manufacturing
Chiesi Farmaceutici Spa	Manufacturing	Pharmaceuticals & Supplies
EXE.IT Srl SB	Services with Minor Environmental Footprint	IT Software & Services/ Web Design
Habitech - Distretto Tecnologico Trentino S.c.a.r.l.	Services with Significant Environmental Footprint	Real Estate Development

*Table 14: Sectors and industries of the interviewed B Corps  
Source: Author's elaboration, based on (B Lab, 2020)*

Four B Corps belong to the services with minor environmental footprint sector and two of them work in the IT industry. Two other companies operate in the manufacturing sector but in different industries, and the last two belong respectively to the wholesale/retail and to the services with significant environmental footprint sectors.

Starting by considering InVento Innovation Lab, Goldmann & Partners, Mondora and Exe.it which operate in the sector of services with minor environmental footprint, we can identify some similarities. Most of them seem to opt for an informal selection process, which consider sustainability issues without employing a list of specific indicators and criteria, and all of them reported that they do not spend time to help suppliers to improve their environmental and social performances, so they do not have SSD practices in place. Goldmann & Partners is the only one that shows to have a more structured process for supplier selection since the interviewee Mr. Cremona listed a series of actions and aspects which the firm checks about potential suppliers. On the other hand, the only company among these four which tries to share knowledge about sustainability issues and encourages suppliers to start an initiative that support the environment or the community is Mondora, through the interdependence agreements. Considering therefore what has been said during the interviews, supply chain management does not seem one of the main means for these organisations to create positive impact. This is probably due to the sector and industries in which they operate since they all affirmed that they need few suppliers to run their businesses, so they probably focus more on other stakeholders to create impact.

Moving to Habitech, which still operates in the services sector but with significant environmental footprint, it put more effort into sustainable supplier selection process but as the previous four firms, it does not adopt SSD practices. Habitech aims at transforming the building

and energy markets in the direction of sustainability, so considering environmental and social issues is implicit in the main objective of the company itself. For this reason, it considers them in the relationships with the suppliers, especially during the selection process; it has also reinforced the sustainability criteria after becoming a B Corp. However, more could be done by the organisation regarding SSD practices which are not currently adopted. To conclude, we can still say that it is investing more time and effort into sustainable purchasing than the B Corps previously analysed. It does so especially through its purchasing operating procedure which pushes suppliers to improve by adding new practices and indicators in their organisations. The main business of the company and the industry in which operates together with the fact that it directly influences the sustainability in the building and energy markets through its services probably have pushed Habitech to invest more time in handling sustainable purchasing by developing a formal process for supplier selection.

As far as the B Corps operating in the manufacturing sector are concerned, they have more sustainable supply chain management practices in place with respect to the other ones. Surely, being manufacturing companies, Zordan and Chiesi Farmaceutici need a higher number of suppliers, which should be carefully selected since the purchased goods have an influence on the overall sustainability of companies' final products. Mr. D'Agostino in fact said that the company undertook some actions, such as requiring their carton suppliers to use only FSC-certified paper in order to "*ask the suppliers, which may be sustainable as a company, to make sustainable also the products they supply to us*". The two companies adopt a formal sustainable supplier selection process which includes an explicit list of indicators and criteria, together with specific certifications which are required when necessary. They also use practices to improve the sustainability performance of the supplying firms, such as Codes of Conduct, showing in this way greater efforts than all the other B Corps with regard to SSD. This fact can be also due to the bigger size of these two companies with respect to the others; Chiesi especially is much bigger in terms of numbers than all the other interviewed B Corps. Anyway, the sector in which these companies operate seems to influence the attention they pay to the sustainability of suppliers and push them to create a big positive impact through sustainable purchasing.

Lastly, an enterprise belonging to the wholesale/retail sector must be analysed, which is Valli del Bitto. Since the main business is selling what other organisations produce (cheese in particular), company's sustainability is strictly related to the sustainability of the products it sells. Hence, the firm pays attention to the way in which cheese producers operate, asking them to comply with certain rules to ensure a responsible and environmentally friendly behaviour. In addition, Valli del Bitto chooses sustainable suppliers also for the other goods it needs to

purchase. All suppliers are selected by direct knowledge, so with an informal process: people working in the organisation in fact directly know which are the firms in the area which work in a conscious and responsible way. Regarding supplier development, an intense collaboration and sharing of knowledge characterise the relationships with cheese producers, which are company's main suppliers. Hence, Valli del Bitto tries to create impact through sustainable purchasing, even if, probably because of its size, it does not adopt formal practices but only informal ones, both for the selection and development of suppliers. The sector in which operates seems to influence the behaviour of the company since, in order to be sustainable, it has to make sure that the products it purchases are sustainable too. However, we must remember that Valli del Bitto, as said by Mr. Ciapparelli, is an anomalous company, born to save a historic local production. Hence, helping producers and preserving their sustainable way of producing cheese is the very reason why the firm was founded.

To conclude, the sector and industry in which a B Corp operates can influence the number of suppliers it needs to run its business and therefore also the activities it undertakes related to sustainable purchasing. The companies with a higher number of supplying firms and whose overall sustainability is more influenced by the sustainability of suppliers and of their products seem to consider more relevant the sustainable supply chain management issue and to strive more to create impact through choices related to it.

#### 4.3.3 Initiatives and collaborations with non-profit organisations

As said above, one objective of the interviews was also to understand what relationships the B Corps have with not-for-profit organisations. The aim is to figure out whether they collaborate with them to further create positive impact, by joining them in sustainability campaigns or other projects, and whether sometimes they work with this kind of organisations for supplying reasons.

What has emerged talking with the interviewees is that non-profit organisations are not usually employed as suppliers by the B Corps. Indeed, among the eight companies which have been analysed, only three of them, i.e. Mondora, Zordan and Chiesi Farmaceutici, have affirmed to have adopted in the past or to currently adopt some non-profit organisations as suppliers, in particular referring to social cooperatives. Mondora employs a local social cooperative to transform some of the products cultivated by its farmers into other goods; Mrs. Longoni said in fact that: *“when we can, we also rely on cooperatives, but obviously we are not able to do this for all products and transformations”*. Mr. Panozzo from Zordan said: *“we used a cooperative as a supplier for a project for Save the Children”* and she added that the firm employs a

cooperative for the cleaning service; however, it is not a common practice for the company. Lastly, Mr. D'Agostino from Chiesi Group, explained that: *"We look at what is present in the territory and if we can favour social cooperatives we try to do so...we adopt some of them as our suppliers of the ancillary services that we offer to the employees in our "People Care" program"*. Hence, generally, few B Corps collaborate with this kind of organisations for supplying reasons, but they work with them for other projects or initiatives; some examples are now going to be provided.

InVento Innovation Lab collaborates with an NGO, by providing it with training services, and with ASviS, the Italian Alliance for Sustainable Development. Zordan has for example joined in the past a campaign of Save the Children for the "Punto Luce Venezia Marghera" during which it contributed to raise awareness, made donations and undertook other actions. In addition, there is currently the willingness of starting to support a not-for-profit entity every month. Mrs. Panozzo said that *"There is currently an initiative underway that requires each employee to make one or two euros available (which are the money they would normally spend every day for coffee if it wasn't paid for by the company) and to collect this money to donate it for some initiative of non-profit organizations"*. These words show that the firm is currently working to undertake new actions to support this type of organisations. Chiesi Farmaceutici has developed many partnerships with non-profit and third sector organizations which *"are functional to pursue the goal of contributing to the development of its local community"*. The third sector is for Chiesi a key partner with which it constantly dialogues to collect needs and support or activate projects that can have an effective impact. One of the them, called *"corporate volunteer project"*, involves also the employees since *"company makes working hours available to allow Chiesi people to bring concrete help to voluntary and non-profit associations of the reference communities"*. Another company which is working to do more for non-profit organisations is Habitech, which has implemented in 2020 the *"Policy on volunteering"* which, as Mr.Pighi explained, is *"a specific policy for the promotion of volunteering activities on issues related to environmental and social responsibility"*. The organisations to collaborate with have not yet been defined. Moreover, Habitech have recently established with other enterprises, including a social cooperative, the *"Distretto Family Audit Città della Quercia"*, which brings together different experiences of *"family-work reconciliation"* implemented for the well-being of employees and which aims at networking and sharing the respective *"best practices"*. Considering Exe.it, Goldman & Partners, Valli del Bitto and Mondora, it emerged that they do not collaborate in a relevant way with non-profit organisations by joining their campaigns or starting new projects and initiatives with them.

Goldmann & Partners reported that it has only collaborated with the Fondazione Umberto Veronesi for a research on indoor pollution, which has led to the publication in 2019 of a book to which both organisations contributed. The founder of Valli del Bitto, Mr. Ciapparelli, affirmed for example that *“We collaborate especially with Slow Food, which is a not-for-profit organisation, but we could do much more”*.

In addition to reporting some collaborations with non-profit organisations, what some of the firms insisted on is the importance of the network and the consequent collaboration that is created among B Corps. Indeed, Mrs. Panozzo from Zordan explained that *“collaboration with B Corps is strongly recommended from the moment a company becomes a B Corp, with the signing of the declaration of interdependence”*; the firm has therefore activated collaborations with various Certified B Corporations. In 2019, it has started to cooperate with Treedom, by buying a forest of three hundred trees to be gifted to employees and stakeholders, allowing the firm to neutralise the CO2 emissions of that year. Another collaboration is the one with Goodwings, a Danish B Corp: Zordan has utilised its platform to book hotel rooms for its business trips since it is able to offset the CO2 emissions generate by people’s stays and journeys through carbon credits or other actions. Mrs. Pighi from Habitech confirmed the importance of the network by saying: *“it should be emphasized that the B Corp Certification permits to create a community between the different B Corps and that it is also important because it creates transformations”*. InVento Innovation Lab for instance collaborates with several B Corps that finance its courses in the classrooms for the B Corp School project, which involves the interaction between students and these companies. Mrs. Longoni from Mondora said that *“we may be involved in projects carried out by several società benefit which come together in favour of a common initiative, rather than collaborating with non-profit organizations”*. Mr. Cremona from Goldmann & Partners explained that the firm has developed a couple of good relationships with foreign B Corps, mainly a French one and a Danish one, but not yet with Italian ones. Lastly, Mr. D’Agostino from Chiesi confirmed that a network is for sure created among B Corps and reported an example *“we bought water bottles from Dopper from Netherlands, which is a B Corp, and they made us a discount. Indeed, they have included in their policy a 25% discount for all their customers which are Certified B Corps”*. However, he also added that it would expect B Lab to do more to bring the different B Corps together and regarding especially procurement, he said that *“it could make it easier to find the B Corps that provide a certain product or service. To date, in fact, if I'm looking for B Corps that produce a certain thing, the research is left to us and to our scouting”*.

In conclusion, B Corps collaborate with non-profit organisations to create positive impact more than for supplying reasons. These entities are born to further a social cause and provide public benefit so starting projects together with them or joining their existing campaigns is a way for some B Corps to generate impact. They may be a mean for Certified B Corporations to contribute to the development of their communities and the satisfaction of their needs, and to accomplish the organisational goal of doing good. Employees may be also involved to bring help to this kind of organisations. However, only half of the interviewed B Corps reported projects related to non-profit organisations, so for now, I would say that cooperating with them is not a mean generally employed by B Corps to create positive impact. Its generation may also be facilitated, according to some of the interviewed firms, by the cooperation and the network which is created among Certified B Corporations and Benefit Corporations. These companies share the same way of thinking about the world and the same willingness of doing good so cooperating with one another can help them to accomplish their goals.



## Conclusions

The founder of Valli del Bitto Spa Mr. Paolo Ciapparelli said, speaking about the B Corp certification, that “*this certification goes in the direction that I believe will be the future, that is the need do business but in an ethical way*”. Hence, the relevance of sustainability is today recognised not only by customers, which increasingly look for sustainable products, but also by business leaders, which identify the need to build a new economy in which companies change the way in which they behave and start to consider the needs of all stakeholders in their operations.

Sustainable supply chain management is a mean for organisations to accomplish this goal, by trying to make their supply chains more sustainable and create positive impact through purchasing choices. As said in chapter two, companies in fact do not exist in isolation and their sustainability performance is judged based on the overall performance of their supply chains. Consumers themselves increasingly hold firms responsible for the unsustainable behaviours in their supply chains, so taking procurement decisions which consider all three dimensions of sustainability is fundamental. Suppliers should be selected based on their economic, environmental and social performance and should then be helped to improve.

The main goal of this thesis was to understand to what extent Certified B Corporations and Benefit Corporations, which are born to use business as a force for good by balancing profit and purpose, employ sustainable purchasing practices to make their supply chains sustainable and create positive impact.

From the interviews that have been done, it emerged that Italian B Corps (some of which also società benefit) generally take into account sustainability in their supply chain management choices. In the selection processes, all of them try to select sustainable suppliers and most of them explicitly reported to prefer local companies when possible. As far sustainable supplier development is concerned, four of the eight interviewed organisations do not put in place any practice related to it, while the others undertake activities to mainly share their knowledge about environmental and social issues with suppliers. Some of them also adopt more formal practices for supplier development such as Codes of Conduct.

In my opinion, most of the B Corps do not actually consider sustainable supply chain management as one of the main means to generate impact and they can do much more toward suppliers. For instance, the small companies that do not need a lot of suppliers to run their

businesses and that actually adopt an informal selection process, may try to develop a more formal one, developing a list of specific selection environmental and social criteria. Since they usually source from local enterprises, they can be inspired by Habitech's selection process which does not adopt a threshold system. In this way, they can have specific criteria according to which they evaluate the potential supplying firms, while at the same time not excluding suppliers a priori and pushing them to improve, by employing practices or indicators reported in the list. Moreover, these companies can also try to start adopting some SSD practices: since they probably do not have resources to develop for example codes of conduct or similar, they can invest more time in sharing their knowledge about sustainability issues to try to bring suppliers closer to the idea of using business as a force for good, encouraging them to improve their performance. Considering now the biggest firms which already adopt practices related to SSD, a further step they can take is starting to invest their own resources, both financial and human, to intervene more directly for the improvement of suppliers' sustainability performance, starting from the more strategic ones.

The qualitative analysis done in chapter four has of course limits since a very low number of B Corps have been interviewed and only Italian ones have been considered. Consequently, other research and analyses are required to further investigate how B Corps and Benefit Corporations handle sustainable supply chain management. In chapter four, a qualitative analysis has been made, involving a small sample of organisations, in order to understand the behaviours, activities and practices which could justify the scores obtained by the companies in the three BIA's impact topics considered. In the future, other qualitative analyses should be done, involving for example B Corps and Benefit Corporations which are similar in sizes and businesses to the ones chosen in this work, but that come from other countries. This can help to understand whether their behaviours towards sustainable purchasing is the same or different from that of Italian companies. Moreover, it may also be useful to make quantitative analyses, by submitting questionnaires based on multiple and numerical answers (from 0 to 10) to a large number of companies in order to measure their behaviours related to sustainable supply chain management and compare a high number of B Corps. The qualitative analysis made in chapter four has therefore helped to identify and explain which is the issue, i.e. the relationship between B Corps and Benefit Corporations and sustainable purchasing, but it should be later analysed in a more massive way through a quantitative analysis.

Since sustainable purchasing in companies which aim at using business as a force for good has not been yet deeply investigated, this work can be a first step, but many other analyses must be made.

# Appendix

## A) List of Italian Certified B Corporations

In the following table, the list of Italian currently Certified B Corporations can be found, together with the specification of the scores achieved on the three impact topics of the BIA, when available, considered for the qualitative analysis of chapter 4. They are: ia\_community\_it\_diversity\_inclusion, ia\_community\_it\_local\_involvement and ia\_community\_it\_suppliers\_distributors\_product.

<b>B Corp name</b>	<b>ia_community_it_diversity_inclusion</b>	<b>ia_community_it_local_involvement</b>	<b>ia_community_it_suppliers_distributors_product</b>	<b>Total score</b>
Edizioni Green Planner	9	18	5,2	32,2
InVento Innovation Lab Impresa sociale srl	11,8	14	3,5	29,3
Elidira Srl SB	2,7	15	8,3	26
Valli del Bitto Spa Società Benefit	6,2	7,9	10,5	24,6
Goldmann & Partners Srl SB	7,9	10	6,5	24,4
Bottega Filosofica	5,7	14	3,5	23,2
Little Genius International SpA SB	5,2	12	5,5	22,7
International Napoli Network	6,5	12,4	3,5	22,4
Mondora srl sb	5,8	11	5	21,8
Maganetti Spedizioni Spa	4,2	8	9,4	21,6
Cle. Pr. In. S.r.l.	3,7	6,4	10,3	20,4
Focus Lab Srl SB	2,8	14	3,5	20,3
Intexo Società Benefit S.r.l.	2,7	10	7,5	20,2
NATIVA Srl SB	4,2	10,9	4,5	19,6
CEF Publishing S.p.A.	3,5	9,3	6,5	19,3
Way2Global Srl SB	6,9	9	3	18,9
Facile Aiuto Srl	3,5	10,8	4,5	18,8
Local To You S.r.l.	2,5	9	6,7	18,2
Metalli Lindberg srl	2,2	14	2	18,2
Insieme Società Cooperativa Benefit	2,1	14	2	18,1
greenApes srl Benefit Corporation	4,6	12,4	1	18
Spazio Noprofit s.r.l. Società Benefit	6,4	11,6	0	18
SCADIF spa	3,1	8	6,7	17,8
Boboto S.r.l. Società Benefit	6,4	10	1,3	17,7
Eurocompany Srl SB	6,8	4,6	6,2	17,6
Litografia reverberi S.n.c.	1,1	9	7	17,1
Green Media Lab Srl SB	3,8	8	5	16,8
Maker s.r.l.	2,5	9	5,2	16,7
Sorriso e Salute Srls	4,5	3,7	8,5	16,7
De Micheli Lanciani Motta - Psicologi del Lavoro Associati	2,4	12	2,2	16,6
Arbos Srl	3,9	8,2	4,1	16,2
Diasen Srl	2,5	5,2	8,5	16,2
Pasticceria Filippi Srl Società Benefit	2,4	8	5,8	16,2
Tek s.r.l.	1,8	3,8	10,5	16,1
E. di C. S.p.A. società benefit	5	6	4,8	15,8
Dermophysiologique Srl SB	2,7	6,4	6,7	15,8
Assimoco S.p.A.	3,6	9	3	15,6
ARS s.r.l.	0,6	9,3	5,5	15,4

Palm Spa	3,3	4	8	15,3
Panino Giusto SpA Società Benefit	6	4,8	4,5	15,3
Emmerre Srl Società Benefit	3	8,3	4	15,3
Impact Hub srl (Impact Hub Milano)	7,5	3,1	4,5	15,1
Teanatura srl societa 'benefit	2,7	6,1	6	14,8
Farmacia Antonio Colutta	4,1	5,2	5,1	14,4
Artattack Group S.r.l.	5,2	7	2	14,2
Lampa S.r.l. S.B.	0,8	7	6,2	14
NWG S.p.A. SB	1,3	6	6,5	13,8
WAMI Srl SB	2,7	5	5,7	13,4
Sales Srl	2,3	3,3	7,6	13,2
Antica Erboristeria SpA SB	2	4,5	6,7	13,2
LAM Consulting SB	5	6,2	2	13,2
Raiffeisen Servizi Assicurativi s.r.l.	0,6	10,5	2	13,1
Service Vending Srl Società Benefit	1,4	6,6	4,9	12,9
OMAL S.p.A	1	3,2	8,4	12,6
D'orica Srl Società Benefit	1,3	6,7	4,2	12,2
Wekiwi Srl	2,2	5,5	4,5	12,2
Tirelli & Partners Srl Società Benefit	5,1	5,5	1,5	12,1
Santa Francesca Cabrini srl - Società Benefit	7,2	4,7	0	11,9
Alessi S.p.a.Società Benefit	2,2	5,2	4,5	11,9
Evolvere S.p.A. Società Benefit	1,6	5,9	4	11,5
Slow Food Promozione S.r.l. S.B.	2,3	5,5	3	10,8
ETT SpA	1,3	5	4,2	10,5
NWG Energia Società Benefit	0,9	6,4	3,2	10,5
LORF S.B. SRL	7,2	3	0	10,2
Novamont S.p.A.	1,8	3,6	4,7	10,1
Treedom s.r.l.	2,6	3	4,5	10,1
C.V.L.T coop.agr Zanolari	0,4	4,5	5	9,9
Yoroom (First Floor srl)	0,2	9	0,5	9,7
Chiesi Farmaceutici Spa	2,9	2,2	4,5	9,6
EXE.IT Srl SB	0,4	6	2,5	8,9
Abafoods Srl	1,4	1,1	5,8	8,3
Habitech - Distretto Tecnologico Trentino S.c.a r.l.	1,3	5,2	1,8	8,3
Aboca Group	0,3	0,3	0,4	1
Danone Specialized Nutrition (Mellin SpA and Nutricia Italia SpA)	-	-	-	-
Danone SpA	-	-	-	-
Cielo e Terra S.p.A.	-	-	-	-
Design 24 Srl SB	-	-	-	-
Garc Spa	-	-	-	-
Esperta S.r.l. SB	-	-	-	-
Ambienta Sgr S.p.A.	-	-	-	-
Scatolificio Giampietri Srl	-	-	-	-
LUZ S.r.l. Società Benefit	-	-	-	-
Onde Alte Srl-SB	-	-	-	-
BioClean Pulizie Ecosostenibili Srl Società Benefit	-	-	-	-
GoodPoint Srl Società Benefit	-	-	-	-
Kudu Srl Società Benefit	-	-	-	-
Generativa Srl Società Benefit	-	-	-	-
Icma Srl	-	-	-	-
Zordan S.r.l. Sb	-	-	-	-
People Management Lab Srl Società Benefit	-	-	-	-
Cavalieri & Amoretti Srl	-	-	-	-
Organizzare Italia Srl Società Benefit	-	-	-	-
Fratelli Carli Spa Società Benefit	-	-	-	-

Save The Duck S.p.A.	-	-	-	-
Paradisi Srl	-	-	-	-
Perlage srl	-	-	-	-
N&B Srl Società Benefit	-	-	-	-
D-Orbit SpA	-	-	-	-
Damiano S.p.A.	-	-	-	-
Davines S.p.A.	-	-	-	-
Successori REDA S.p.A.	-	-	-	-

## B) Full Interviews

### 1) InVento Innovation Lab Impresa sociale Srl

Interviewee: Claudio Avella - Project management and Education

#### **1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

We are a social enterprise and we deal with training and education. We work mainly with elementary, middle and high schools and with universities, but we also train and provide consultancy services on environmental sustainability issues to companies. Since 2016, we have been working on the topic of entrepreneurship: we help especially high school students in the creation of start-ups based on the B Corp and the Benefit Corporation models. The length of the projects usually vary from 3-4 days, in the case of intensive courses, to the whole year for courses in which students start from an analysis of their territory with its criticalities and needs up to the realization of the product or service and so of the start-up to be launched on the market. Some of these projects, especially the B Corp School one, are characterised by the interaction between students and firms; the latter finance the project and enter the classroom through some of its employees who make their skills, knowledge and experience available to help students in developing their start-ups. As far as elementary and middle school students is concerned, projects do not involve the realization of start-ups, but they are equally based on the design and implementation of solutions to problems such as the issues of waste or food education, including in particular food waste. On the other hand, when we work with companies, the aim is engaging employees on the issues on which B Corps and Benefit Corporations are based. Moreover, we are now part of the "B Corp Way" network which includes actors that are certified to help organisations in the process of becoming a B Corp. As far as suppliers are concerned, we work with several collaborators which mainly provide us with IT services and that help us in the development of our learning platform. In addition, there are some people who provide us with consultancy services. However, we do not have suppliers of raw materials since we do not produce goods, so we do not have a real supply chain.

#### **2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

No, there has been not the need to change suppliers after achieving the B Corp certification since we have more collaborators than actual suppliers. Considering real suppliers, we are for example part of two coworking: one belongs to a design and consultancy company that deals

with sustainability, and the other, "Le Village" in Milan, belongs to an actor that deals with networking between companies and start-ups with a view to innovation and sustainability. As a result, we did not really need to change these types of supply services.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

As said before, we do not have real suppliers of goods, so there has been not the need of making this type of changes to the selection process.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

No, we usually do not, but the companies that finance our courses are for example almost all B Corps. B Corp School is a project in which organisations belonging to the B Corp network finance the courses in the classrooms, so there is this type of selection that we make. However, we are flexible as we also have other types of firms that sometimes finance our programs, but even these enterprises either are on the path to become B Corp or have already adopted some types of criteria. Nevertheless, we can say that the B Corp certification is the discriminating factor in this case, but these financing companies can be considered more customers than suppliers.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

This fits a bit into what our business model is, as our idea is to promote what the B Corp model is. We decide to work with the companies we collaborate with (mostly our clients) either because they are B Corps or because they are approaching the world of B Corp and Benefit Corporation or because we help them to introduce these issues within their structure, involving employees or management. However, also in this case, this reasoning applies more to customers than suppliers.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

We do not adopt particular practices to make the supply chain more sustainable, as we do not have a real supply chain.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

No, we intervene directly when dealing with customers to help them becoming more sustainable and approaching the B Corp or Benefit Corporation model, but we do not intervene directly with suppliers.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

We work for example with an NGO which is our client and to which we provide training services. We also collaborate with ASviS, the Italian Alliance for Sustainable Development. Furthermore, being a non-profit organisation ourselves, we participate in regional and foundation calls, often together with other non-profit entities or public ones such as municipalities and schools. Speaking of public entities such as schools, what we do is bringing these sustainability models such as the B Corp one within the school, either through training courses or through projects such as the elimination of plastic in the school environment. The aim is therefore to encourage children to intervene directly by changing school processes and practices.

## 2) Valli del Bitto Spa Società Benefit

Interviewee: Paolo Ciapparelli - Founder and Carlo Mazzoleni

**1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

**Mr. Ciapparelli:** First of all, I would say that we are an anomalous company. I am the founder of this project which was intended to safeguard the historical production of “Storico Ribelle” cheese. It would not be our task, but these productions are not always safeguarded, especially if they do not involve big numbers; when there is not a relevant economic entity, sometimes history and the future possibilities related to it are in fact not given the right importance. We are therefore a firm that had to become a company in order to save this production; indeed, the



producers would not have followed us if we had not purchased the product. We established the company to protect them and to take care of doing an ethical trade. We deal with a historical production that is documented since the fifteenth century. It even seems to date back to two thousand years ago after that some Swiss researchers have analysed our perimeter stone walls, which have become a symbol of our territory. To conclude, I repeat that we created this company exclusively to try to give a future to Storico Ribelle's production.

**2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

**Mr. Ciapparelli:** We are an anomalous case also with regard to the B Corp certification. Unfortunately, I think that the company was born with a wrong name, i.e. "*Valli del Bitto Trading Spa*" and the word "*trading*" was not in line with our goals. You can do business when you have the numbers to do it, but we knew since the beginning that we didn't have the numbers since this cheese production had a maximum limit, a ceiling. Hence, the B Corp certification has been a means for us to remove "*trading*" from our name. Anyway, we have been among the first ones to become B Corp, also thanks to the suggestion of one of our supporters, the B Corp Mondora Srl Sb, which has been among the first too.

Slow Food has always been our main sponsor and supporter and we have been able to acquire all our customers thanks to the great image that Slow Food has given to our company. The great intuition that has made our success has been understanding that a historic, but still local, production could have international visibility with the support of Slow Food. And this was the reason that never made me give up: I understood that a small production, without large numbers, but with an important and credible support could have an international dimension. After that Valli del Bitto, the Storico Ribelle and our history were known thanks to Slow Food, the B Corp certification has been a further way to improve our image. Indeed, this certification goes in the direction that I believe will be the future, that is the need to do business but in an ethical way. Consequently, a small production like ours could be an example for many other small firms and productions. Indeed, today the image is very important, but it must be a true and ethical image, and it becomes a great added value for future generations. Thanks to our international image, we are now a great opportunity for the others, since such an important name linked to food also attracts tourism and is therefore a resource for all territories.

As far as the producers are concerned, ours are bound to animal nutrition and they have not changed after we have achieved the B Corp certification. We defended this production both because it was historical and because it was the best defence for the Alpine pasture, so our ban

on the use of feed and ferments was intended to preserve Alpine biodiversity. The producers who provide us with the cheese remained therefore the same after becoming a B Corp and they respect this constraint. It is difficult for new producers to start to operate, especially if there is no political support for their work. At the beginning, we started by defending the Alpine pasture, therefore focusing on the summer months, while today we have started to consider also the winter production. Animal nutrition is for us at the basis of everything since we know that one of the biggest problems for pollution is intensive farming. We therefore launched this strong message on mountain pastures and now we have also moved to winter production by obtaining a new Slow Food Presidium that celebrates the return to feeding with hay during winter. Hence, we are trying to expand to become even more sustainable. Even for the winter production, we rely on producers who adopt sustainable practices; for the most part they are producers of Storico Ribelle in summer and of other products in winter.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

**Mr. Mazzoleni:** No, we have not changed the criteria we use for our selection process because we have always tried to source from producers and companies which adopt sustainable practices. We have also a small tasting room with a small wine shop: the suppliers linked to these are the only ones we have besides cheese producers and they cover perhaps 5% (or even less) of purchasing expenditures. We know by direct knowledge the suppliers who work, for example, the vineyard, the mountain pastures or the cornfields in a sustainable and conscious way, given the small size of our province. By purchasing so little besides cheese, direct knowledge ensures that we know which suppliers of these other goods work in a biological way, respecting the environment. We cannot even afford to buy goods of which we do not know the origin since we want to maintain our credibility. Hence, it is in our own interest to buy from sustainable suppliers when we need goods different from the cheese for our work.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

**Mr. Ciapparelli:** No, we do not.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

**Mr. Ciapparelli:** We have always collaborated with the cheese producers. We have also some other suppliers who sell the Storico Ribelle to underline that they are going in our direction and to suggest extremely natural and exclusive products to the consumer. The supplier who sells the Storico Ribelle also tells what there is behind this historic product. These suppliers have therefore understood our philosophy, which today is growing rapidly also due to the attention paid by consumers to the environment, and with the Storico Ribelle, they have found something that is not just words, but also facts. A synchrony is therefore created between the producer, our company which acts as the glue and the suppliers to inform the consumer about what is the meaning of this environmental defence.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

**Mr. Mazzoleni:** We buy only from local suppliers: the producers of Storico Ribelle cheese are of course local, but as said before, we also buy other goods from local suppliers that we know by direct knowledge. Moreover, all local producers of the cheese must adhere to a specification and they all sign a declaration of intent. The specification is the method of production of the Storico Ribelle, which in our case is fundamental, being the description of the production method that was also used in the past. It specifies, for example, how many times it is necessary to milk (twice daily), the animal feed which must only include spontaneous pasture grass and indications regarding the actual production process of the cheese, with the prohibition of the use of ferments. The producer is therefore forced to follow this method, being able to improve both the quality of the cheese and the way it uses the pasture. The use of a specification like ours also has an environmental value unlike other ones. In addition, keep in mind that every product that has a brand, a denomination such as Slow Food, DOC or DOP has a specification that must be respected. Some specifications are more permissive, others more stringent; ours is particularly stringent. The producer also signs every year a declaration of intent stating that it will comply with the specification and work in a responsible way. Obviously, in our case, the producers sign this declaration and follow the specification not because they are forced to do so, but because they believe in it and want to carry on this historical production method.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for**

**example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

**Mr. Ciapparelli:** Our company became a commercial one, but it was born after I had set up the "*Consorzio Salvaguardia Bitto Storico*" with Storico Ribelle producers. Hence, we have always collaborated with them since they have seen in us those who have always defended their production method. There is an intense collaboration with them and we meet every year to address any problem and exchange ideas. Above all, this collaboration is also a way for us to understand if we have a future and if there are new producers. Without this intense collaboration, it would be difficult to go on. To date, we only lack institutional support. It is important that everyone understands that this way of working is useful for the environment but also for those who want to make large numbers. We therefore represent the attempt to keep the historical and environmental aspect at the centre of a future project. In my opinion, cheese cannot alone save in the future the mountain agriculture, but it will be saved if it will manage to attract tourism. We already realised, thanks to our international dimension, how much cheese alone can be a driving force in doing that. It is therefore necessary to connect the institutional aspect and to be able to offer tourists a complete package.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

**Mr. Ciapparelli:** We could collaborate much more with this type of organizations. We collaborate especially with Slow Food, which is a not-for-profit organisation, but we could do much more if this production were accepted at the institutional level. We should be able to do much more also because it is only by collaborating with non-profit organizations and similar ones that we can be useful. For now, we have put our ethical part into practice and we have done our part, but certainly much more could be done.

**3) Goldmann & Partners Srl SB**

Interviewee: Alessandro Cremona - President

**1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

We are a Srl and from January 2020 also a società benefit. We started the procedure to become B Corp toward the end of 2015 and we certified in 2017. We worked on it also by doing several telephone interviews and videocalls with the B Lab in Amsterdam (which manages the

European area), specially to make it clear what it was our business. As the BIA's questions require clear-cut answers (like yes / no) and since it is not always easy to give these answers, the process took some time.

Our company was founded in 2008 by Isabella Goldmann, graduated in architecture in Rome and who has always paid attention both to materials and natural construction methods and to the well-being of people. The organisation was born as a bioclimatic and sustainable architecture firm and it worked at the beginning mainly with some private individuals and institutions, including pension funds, especially here in Milan. Afterwards, due to our desire and need to always find something new and measurable, we tried to understand how to measure sustainability and what we were doing. We have therefore developed our GEEA®- Green Energy and Efficiency Audit protocol which measures sustainability from eight points of view: environmental, territorial, social, anthropic, technological, energy, management and economic. We are still an architecture firm but in recent years our core business has become consulting on sustainability, especially in the real estate market. As for the design activity, today BIM - Building Information Modeling methodology is mostly used since it uses software that allows you to work in the Cloud. It makes the process much faster and economically efficient because you can have an immediate measure of what the costs may be. Being everything on Cloud, in fact, you can have at any time a precise mapping of the materials you are using, of how many you are using, etc. Furthermore, we have developed with another research center a methodology called Balance Tracking with which we trace the LCA sheets of the materials to understand which is the right combination of materials to be used for the project so that it allows to have the smaller and easier to manage and maintain environmental footprint, while still respecting the budget of the client. Hence, our goal is to ensure maximum quality, including both environmental concerns and people's well-being, respecting the available budget. We are therefore consultants who make sure that the design is done respecting certain guidelines and that buildings are designed in a flexible, modular and easy to modify way. The building can be seen as a bank of materials because when it is decommissioned, changed or re-modulated, materials can be recycled, reused or resold for other purposes. We therefore try to promote a change of attitude and culture in the real estate market. Obviously, in addition to ensuring that a building is designed and built in a certain way and obtaining certifications such as LEED, it is also necessary to ensure that the right suppliers and the right orders are chosen at the right price. Hence, the effort for a green procurement is essential in order not to undermine the efforts put earlier into the design phase.

**2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

The B Corp path helped us to understand if we were actually on the path we thought we were, but choosing sustainable suppliers has always been in our DNA. We have this internal research center that develops protocols and improves them from year to year, but we haven't changed direction from how we did things before; we just improved what we were already doing. For instance, we have tried to improve by looking at the BIA's questions, considering what the certification itself asked for.

Anyway yes, we have changed a few suppliers in recent years. Even downstream, as far as customers are concerned, we sometimes do not accept some jobs if we understand that the client does not have the true will to do something valuable and sustainable. We have in fact built a corporate image that we want to preserve.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

Since we work mainly as consultants, what we do is certainly helping the client when it comes to writing the tender notices by adding some clauses in order to choose the best companies; for construction, for example, construction firms must be chosen. We also look to organisations' certifications, litigations, previous jobs etc.

On the other hand, our firm Goldman & Partners has few suppliers and the largest expenses are related to IT, therefore to computers and software. When we have to do certifications such as LEED or WELL, we have some partners which have been helping us for fifteen years. We check them annually to see how they work, what they have done, what new position papers they have written etc in order to be sure that we are helped by the best possible technical and professional skills. Regarding the supplier selection process, we try to understand what suppliers do and if they have certifications, we ask them to send to us the LCA sheets of their products and then we select the supplier. The BIM Balance Tracking protocol that we use allows us to see where a certain material comes from, how long it took to arrive and how much its production and transport costed. We look for information on who produced that material and we try for instance to understand if it respects the ten principles of the UN Global Compact. Moreover, we look at the financial statements of these companies to see if anyone writes

sustainability reports to understand the importance that they give to sustainability issues. We use this process and we consider these criteria when choosing our suppliers, but 80% of all of this is done to help our customers in choosing suppliers for their projects, when they ask for it. At the end of the process, we report to them what we think about the different options available and the client takes the final decision.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

When we accept a job, we typically look at whether the construction companies are certified, what litigations they have open and the works they have done; in addition, if possible, we talk to them to understand their willingness to be proactive and provide us with all the information we need to have (for example the LCA sheets of the materials). We have a historical group of suppliers who are freelancers with whom we have been working for fifteen years but we always check what they do since, as regards certain types of customers, they work exclusively with us.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

Our suppliers know that we are both a società benefit and a B Corp, and some of them are interested in this while some are not that much. What matters to us is that they answer our questions and that they comply with what we ask; if they do, we keep working with them otherwise not.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

Yes, we always try to select local suppliers in the place where the building is built and then we also look at how they manage purchases (if they buy certified products (such as FSC paper)) or how they behave for example towards the use of plastic. This policy of preferring local suppliers also applies to our suppliers in the strict sense.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

Honestly, if they ask us to do it, we do, but we do not have this large number of suppliers to justify the use of these practices.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

Typically we collaborate and work together with a lot of research centers. Moreover, we speak at various conferences to which we are invited in order to increase awareness regarding sustainability issues. We also collaborated with the non-profit “Fondazione Umberto Veronesi” and we published in 2019 a book on indoor pollution, that is, how wrong architecture can bring chronic diseases to people, both in offices and homes. Not paying attention to how an environment where you live and work is designed and above all to how it is finished can lead to possible diseases. This book is divided into three chapters: an architectural and plant engineering part written by us, a medical part obviously written by doctors and a legal part. This research shows that it is important to have the right space planning, to use the right materials and to have the right acoustics in order to allow people to work and feel good. We have also developed a couple of good relationships with foreign B Corps, mainly a French and a Danish one. We have not yet developed particular relationships with the Italian ones. I believe that collaboration with other B Corps can arise if there is a genuine commitment to work together on something that you are complementary to.

**4) Mondora Srl Sb**

Interviewee: Lucia Longoni - Administration

**1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

Mondora’s main business is software development for third parties, but being a società benefit, we care, by statute, to create well-being and a positive impact, starting from the land where we were born and raised, which is Valtellina. We support the local agriculture of Valtellina with different types of initiatives.

Regarding suppliers, what we try to do both at the level of software and of the goods we purchase is to create interdependence agreements where the parties commit to a project or initiative in support of someone or something that is outside the two outstanding parts. For example, in an agreement we made with a bank, the idea was to develop an application that would allow people to view their bank transactions, like a sort of ATM. The reason we committed to this project was to sensitize every person who used this app to avoid printing what they had viewed and save it only in pdf in order to save the trees. Each time, in the app, you



can see how many trees have been saved so far and therefore how much paper has been saved too. Hence, we try to create interdependence agreements both when it comes to software development and the purchase of goods. Moreover, considering for example the purchase of the computers that each of us uses, in the past we had opted for the rental solution. However, in the last few months, we decided to buy computers, which have for our developers a useful life of three years. In this way, when the developers replace the computers, we give continuity of life to the products through the idea of donating them to schools or associations for which they are still valid products, in excellent conditions.

**2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

Becoming a B Corp has meant for us simply making public something we already were. We achieved the B Corp certification and then we helped Senator Del Barba to promote the law on benefit corporations in Italy because, by nature, we have always supported projects beyond our corporate business. Hence, we have not replaced suppliers after having achieved the certification since we had already been careful to choose suppliers who were in line with our way of seeing and thinking. Becoming a B Corp has helped us for example to focus on the areas where we can still improve. We were therefore already working with suppliers who are close to our way of thinking and with social cooperatives, if necessary. For instance, in order to support local agriculture, we have established that for every twenty software engineers hired, the company hires a farmer. We have now three farmers and these three people cultivate the surrounding countryside with biodynamic method, producing vegetables and cereals, from which flour, pasta, oil, wine and other products are obtained. Farmers are hired by Mondora and the land is in use by the company. Weekly, these people send a box of products to the other colleagues who are scattered throughout the country. We do not have all the machinery needed to process farmers' products, so for example we employ a social cooperative which operates here in Valtellina to transform the vegetables into sauces. Hence, when we can, we also rely on cooperatives, but obviously we are not able to do this for all products and transformations.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

Being part of the B Corp community allows us to know which other companies are certified. If we are looking for new suppliers in a certain type of sector, we can therefore first look at the list of B Corps and understand if there is a firm that can be useful to us. More generally, as far as our selection process is concerned, I would say it is an informal process. Apart from the purchase of the initial computers that are part of our equipment or the lump sum purchases of furniture, our suppliers are mostly consultants who provide us with their services and with them the interdependence agreements are made.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

No, we do not.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

We aim at raising awareness among the people who work with us, including both suppliers and employees, more than improving their performance. Both suppliers and employees have this sort of letter of interdependence that can affect different sectors, from the environmental one to the social one, depending on which sector a person or company is more inclined to. Thanks to these agreements, there is a written commitment by both Mondora and the employee or the supplier to commit to a common goal. There is also a greater awareness and help in understanding how to measure this type of commitment, since numbers are what matters. Considering the previous example of the app developed with the bank, if I can define the number of trees that have been not cut down, this number is important to demonstrate and have an idea of what we are doing with that app. The measurement of the impact is therefore a fundamental aspect of each letter of interdependence and agreement established with the collaborator.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

Being a software development company, we do not even have physical offices and everyone works from home or wherever he / she wants. Purchases, beyond supplies from any external consultants, are therefore really limited and for them we proceed as mentioned above. When we had a physical office, we had chosen an electricity supplier which was a B Corp and which certified the use of energy exclusively from renewable sources, but now we no longer have an office. We are about seventy people: twenty more or less are in Valtellina, while the others are

scattered throughout the national territory. Before Covid-19 pandemic, we had an operational headquarter here in Valtellina which, however, was used mostly by the local employees. During the lockdown, we reviewed all our positions and we started to think about how we can all be equal and how to include even the most distant people in a corporate life that is as equal as possible for everyone. We have therefore decided to avoid opening the office again and to employ the budget that was intended for the rental of the office in another way. It is divided between each component of the company so that employees can use that budget to meet their colleagues in other situations. Each of us can in fact work from home since we have all the necessary equipment and when there is the need to meet one or more colleagues to socialize, discuss and exchange ideas or work together, the budget can be used to have lunch together, rent a room in which to work, etc.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

As already said before, we try to cooperate and share our knowledge on environmental and social issues through the interdependence agreements and initiatives that are developed in collaboration with suppliers.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

In our case, having mostly consultancy providers, it is difficult to involve non-profit organizations. We may be involved in projects carried out by several società benefit which come together in favour of a common initiative, rather than collaborating with not-for-profit organizations. Surely among B Corps, but also beyond them, there is the creation of a network between companies and people who have the same philosophy of thought. There are many movements like the B Corp one with which we came into contact and with which we are dealing with. What drives all these networks and movements is for sure a common vision of what the world can be.

## 5) Chiesi Farmaceutici Spa

Interviewee: Guido D'Agostino – Head of Global Procurement

### **1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

Chiesi Farmaceutici is an Italian multinational pharmaceutical company owned by the Chiesi family. Some numbers: 2 billion euros turnover in 2019 with an important EBITDA, 29 branches in the world, in addition to the headquarter in Parma, three production sites, one in Parma, one in France and one in Brazil, around six thousand employees. Over the last fifteen years, it has grown enormously and quickly, almost always with double digit growth, mainly due to the internationalization of the group. We have successful products and important drugs, especially in the respiratory field (anti-asthma), and by opening many branches abroad in the last fifteen years, we have exported the products directly, immediately consolidating businesses and turnover. Three years ago, Chiesi decided to undertake, according to the will of the family, an important sustainability path, which is certainly cutting-edge for a pharmaceutical company. Maria Paola Chiesi, shareholder and director of CSR, launched this benefit corporation and B Corp project. At the beginning of 2018, it was decided to create a strategic plan for sustainability since we were not able to reach the minimum score of 80 in the BIA, stopping around 70 points. All organisational departments made therefore a five-year plan to implement or increase certain activities with a view to sustainability. After the launch of this improvement plan, the heads of all functions set goals for the entire organization and in twelve months we have been able to obtain the B Corp certification, at the multinational group level. We have been the first pharmaceutical firm in the world to qualify as a B Corp, speaking at worldwide group level. Regarding procurement, the BIA included some questions about primary suppliers in which it referred to aspects that we were not asking to our suppliers at the time. In the twelve months before becoming B Corp, we therefore started to modify our vendor qualification processes and above all we created a code of conduct, together with our strategic suppliers. This code has allowed us to obtain important points in the BIA. In 2022, we should recertify by completing a new version of the BIA, the sixth one, which is extremely more challenging than the previous one. Considering the procurement area, it contains very detailed questions about the suppliers of our suppliers, a substrate that for now we are not yet interviewing but we intend to do this in the next years. Worldwide, we have fifteen thousand suppliers and an annual total expenditure of approximately 1.1 billion euros. However, the BIA focuses on 80% of the group's spending, which for us involves about 1,500 suppliers so we focus on these ones, qualifying only the most strategic ones and those of highest spending. As for the suppliers of production materials (about

300), we qualify them all. Furthermore, by 2025, my main goal is to raise, at group level, the sustainability level of our supplier panel, that has been mapped in 2018, by at least 20%: those who increase their level of sustainability will continue to work with us, those who do not, will instead be replaced. We have also declared carbon neutrality by 2035 and the emissions generated by suppliers and their products or services must be considered too. Hence, adopting sustainable suppliers is essential to reach carbon neutrality and from now on, we have to force them to move towards sustainability.

**2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

Yes, we have changed some suppliers and we will keep doing it, coherently with our sustainability path. For example, we changed an important supplier of pallets because we found a local B Corp in Mantua which produces them, so we immediately contacted it. We also asked our box suppliers to become B Corps and they did it. We did the same with our drug case manufacturers as we only want FSC-certified paper so they are also moving in that direction. Moreover, a label company in Milan is also certifying itself as a B Corp after we have asked it to do it. As far as social cooperatives are concerned, we adopt some of them as our suppliers of the ancillary services that we offer to employees in our "People Care" program. For example, we have replaced an industrial dyehouse with a cooperative that offers the same service, even if it costs more; same thing for tailoring and other ancillary services for which we employ social cooperatives. We therefore look at what is present in the territory and if we can favour this type of organisations we try to do so.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

Yes, we have enhanced these criteria. In the tenders, we have started to include an important percentage of sustainability, something we did not do before. In our supplier qualification process, we have copied what is required in the BIA. Hence, when we qualify the most important suppliers, we ask specific questions that the suppliers are obliged to answer, otherwise they cannot qualify with our company. At the moment, we only collect the answers but we plan to carry out improvement actions where the result is low. Another important project is our Category Plan, which evaluates partnering selection and tendering and which will be

launched at the end of the year. The categories including the most important suppliers of the group (about twenty categories), from goods to services, must be managed following the Category Plan. If you want to introduce in the firm a new partner or if you are running a tender, you need to consider a list of percentages to which you attach importance and relevance. For instance, if you are in the engineering and asset machinery category, the percentage of sustainability is 30%. The importance of sustainability when choosing a partner will therefore be dictated by this project and no one can derogate. If the percentage of sustainability is 30% and the supplier is not sustainable, it loses this 30% which will mean being out of the tender. Some categories where sustainability is particularly relevant are those of active substances, chemistry and secondary packaging (boxes, labels, cases, sheets and plastics which are not in contact with the drug).

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

Yes, we require certifications. It is important to distinguish between two types of procurement, i.e. direct and indirect. The direct one concerns the purchases of the production materials used to make the drugs, while the indirect one regards all the other purchases. Direct procurement is therefore classified as a good, a material, while the indirect one as a service. We have an open question in supplier qualification process, that is not mandatory, in which we request certifications, such as ISO, OSHA, in the safety, environmental and social fields. This is also required within our Code of Interdependence, which calls for the respect and observance of certain qualitative and HSE issues; the code must be accepted by suppliers during the qualification process. The suppliers that qualify are currently all those above 50,000 euros of business per year as regards indirect procurement and all suppliers as regards the direct one. We ask for certifications, including asking if the companies are Certified B Corporations. If they are, they must immediately give us the ranking, since the B Corp certification is for us the mother of impact measures. We also require to attach the certification in pdf since our qualification system alerts both us and the supplier itself when the certification is expiring, thus asking to update it again. As for suppliers of production materials, they are required to have achieved some certifications in order to supply a pharmaceutical company, while for those who provide us with services, the possession of certifications is not so categorical. Anyway, we always ask for them in the open question during the qualification process.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

The answer is yes, but having been certified only last year, we are still at the beginning and we unfortunately had to stop a bit due to the Covid-19 pandemic. We announced that we had been certified in June 2019 and from June to September I have been invited by many suppliers to tell them what we had done and help them take the same path. In September 2019, we also organized a vendor day here in Parma where Chiesi's entire management committee, Maria Paola Chiesi and our CEO were present. We involved in this event 75 major global partners (such as IBM and Accenture) but also the executive levels of our industrial suppliers which produce packaging for many pharmaceutical companies. This has been a very important event for us since that day we definitively defined our Supplier Code of Conduct. After the vendor day, at least twenty of those 75 partners started asking us for information about our path. I went to some of them personally, with some interviews have been organised during executive committees and others I spoke remotely. In Italy in particular, I went several times to Milan, Parma and Bologna to present our path as many companies were interested in undertaking it. Above all, we collaborated a lot locally. We have many connections here in our province and there are companies that have been supplying us with important materials for our production for fifty years. Many of them started the B Corp procedure because they saw that a large chunk of their turnover was going in that direction and so they felt the need to follow it too. Covid-19 has interrupted this face-to-face collaboration but we are trying to carry it out remotely. Hence, the answer is yes, collaboration has increased and will increase more and more in the future.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

We modified our purchasing procedure by defining that buyers must favour local companies, firms managed or owned by women or by ethnic, religious or racial minorities. Obviously, if I need a product which can be found only in England for example, I am obliged to buy it there. For a few months, for instance, we have been forcing our carton suppliers to use only FSC-certified paper; it is a cost for us since we will pay 120,000 euros more per year, but in terms of impact, as regards the cartons, we are switching to 100% FSC paper. Afterwards, this will also extend to the package insert and the label. These are actions through which we ask the supplier, which may already be sustainable as a company, to make sustainable also the products they supply to us. In collaboration with our logistics, we are also contracting methane carriers. We adopt some transporters based in Milan, certified as B Corp, which only has methane

vehicles (Maganetti Spedizioni). However, we also have other transporters who use traditional vehicles, so it is likely that we will change them or that we will force them to provide us with methane vehicles. Furthermore, in Parma, we own different buildings so we must carry out transports between one building and another; we use for them methane vehicles of our property. Another practice we use is, as previously mentioned, the Supplier Code of Conduct, which has been in 2019 and 2020 and will be in 2021 the mother project of my department. The consultants who helped us to create the code and who also organized the vendor day in 2019, who belong to the B Corp Nativa, say that ours is one of the most advanced and challenging codes of conduct in the world since it also includes the theme of carbon neutrality. The structure is based on some international frameworks such as ILO, B Corp, PSCI (Pharmaceutical Supply Chain Initiative) and SDGs and each chapter has both mandatory requirements and improvement actions. We proceed by SDGs and we obtained a short, challenging and straight to the point code, which also addresses the issue of zero impact. The intention is to review this code every two year in order to raise the bar and continuously improve. When considering the 13th SDG, we ask for at least the measurement and progressive reduction of the impact as mandatory requirement, while carbon neutrality is optional. We will come to a point in the future where we will be forced to ask our suppliers for carbon neutrality in order to be able to get it too.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

I cannot say today that we are at this point and that we adopt all these practices, but we would like to get there in the future. Certainly in terms of investing time to train suppliers, something has been done. However, we want in the future to train in a more structured and planned way those which ask us for help but we want also to be the first to offer our support and help. We also have a research center, that does purchases but which does not report to me, that is doing a lot with CMO service providers. As for investing financial resources to help a partner to improve, we have not yet done so, just as we have never sent anyone to suppliers' sites to increase their level of sustainability. This has not yet been done, considering also that we have been certified as B Corp only last year, but it will certainly be done in the future. I am also appointing a Head of Sustainable Procurement, who will have to improve the qualification process with a view to sustainability and go to suppliers to make them grow. I see that large multinationals have their own procurement departments structured in a sustainability key; we still do not have it, but we will get there in the future.



**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

As said before, when possible, we employ social cooperatives as suppliers for ancillary services. Moreover, the Christmas gifts for our employees in Parma are commissioned to local non-profit organisations, so they also become suppliers as well as being partners. In addition, if an employee receives a gift from a supplier, partner or customer, we donate this gift to a local non-profit. Chiesi has developed many partnerships with non-profit and third sector organizations, often in a network with other private actors and the public sector. These collaborations are functional to pursue the goal of contributing to the development of its local community, which is a goal that the firm has for all the areas where the Group is present. We have our own HQ in Parma and for this reason we pay particular attention to the development of the Parma area and its province, collaborating with local authorities and organizations on cultural, social and environmental projects. In this case, the third sector is a key partner and actor with which Chiesi constantly dialogues to collect needs and support / activate projects that can have an effective impact. Furthermore, the third sector takes part in specific projects that see the active involvement of our employees, such as the corporate volunteer project, thanks to which the company makes working hours available to allow Chiesi people to bring concrete help to voluntary and non-profit associations of the reference communities. Moreover, Maria Paola Chiesi organized an event in Parma called "Regeneration 2030" which has been attended by the institutional part of Parma, some cardinals and representatives of the Church, the owner of Illycaffè Spa, the B Corp Davines and therefore all the social partners including those not-for-profit. It was supposed to be a major European event but due to the Covid-19 pandemic it has been done remotely.

A network among the B Corps is also for sure created. For instance, we bought water bottles from Doppo from Netherlands, which is a B Corp, and they made us a discount. Indeed, they have included in their policy a 25% discount for all their customers which are Certified B Corps. Moreover, having put in our procedure the preference for B Corps, we have changed a box factory, the company that supplies us with pallets and we are running tenders in which we know that by challenging our current suppliers we will bring in other B Corps. However, as a purchasing manager, I must also say that all of this is expensive, since sustainability often has a cost, which is split 50-50 between the customer and the supplier. To date, sustainability is still a cost for us and we can bear it because the ownership of the company wants to go in this direction. I measure every month how many B Corps we have among our supplier panel and if

I see that there is a Certified B Corp in our local territory, I try to get it in or to understand if it can join our panel, even at the expense of cost. I would however expect B Lab to do more to bring the different B Corps together, in addition to making the list of all B Corps available on the site. For instance, it could make it easier to find the B Corps that provide a certain product or service. To date, in fact, if I'm looking for B Corps that produce a certain thing, the research is left to us and to our scouting.

## 6) EXE.IT Srl Sb

Interviewee: Leandro Rubbini - Chief Commercial Officer

### **1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

We are an IT company founded in 1988. We have a proprietary data center, which is a more or less large space like Aruba, to mention one usually known. Despite we are much smaller than Aruba, the job we do is basically the same: providing Internet and Cloud services. According to official sources, data centers are one of the major concerns of the European Community as far as CO2 emissions are concerned. Hence, when we thought about building a new headquarter and a new data center in 2014, we decided to make it in a sustainable way, with zero emissions. After a series of technical and bureaucratic processes, we built it and we are now the first officially certified zero-emission data center in Southern Europe. There are other zero-emission data centers but in Scandinavia, since cooling is quite simple in cold places (and cooling is in fact data center's main problem). To conclude, we deal basically with IT services and Internet services specifically.

### **2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

We have few suppliers because we sell very few goods, and the suppliers we have are almost all monopolising (for example, Microsoft is a bit difficult to replace with other companies). Hence, we did not replace the few suppliers we need for running our business after having achieved the certification. However, we replaced for instance the cleaning firm, which is now a sustainable company, and our electricity supplier. Indeed, we have claimed that our only supplier had certifications that ensure that the little electricity we need is from renewable sources that are also certified. In this case, they are certified by the TÜV, which is a guarantee of certification. We do not need much electricity because we have a photovoltaic system.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

Since it has not been possible to replace most of our suppliers, the selection process has not changed. Of course, if we have to evaluate new suppliers for some reasons or for some new projects, we try to select sustainable suppliers or in any case, suppliers in line with the way we place ourselves on the market. For example, we also have distributors as suppliers from which we buy the little hardware we need or that we sell, but even in this case there are three or four distributors in Italy and Europe and therefore we must stick to those. However, there is a brand with which we established a partnership for the development of the new data center which is Lenovo that has machines at the hardware level that are sustainable. They in fact use technologies which permit to have quite low CO2 emissions and energy consumption. Lenovo's choice was not expressly dictated by this, since from a technological point of view it was what we needed, but its attention to sustainability still helped in the choice. Hence, to conclude, we consider sustainability in supplier selection when we can, but for what we do, it is not very easy to do since we must necessarily adapt and source from the monopolising suppliers available.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

As said before, we required only to our electricity supplier a certification which guarantees that the electricity is from renewable sources, which must also be certified.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

No, the collaboration with suppliers has not increased, except with the cleaning company since it has also become our customer; hence, there is an exchange of services with it, but not in a significant way.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

We had already achieved, before becoming a B Corp, the zero-emission certification when we built our new headquarter. In addition, we use fairly common practices, such as separate collection: we try as much as possible to recycle all the materials we use or provide when we

have to supply it. For instance, we try to refurbish computers and notebooks and put them back on the market (but they are a quite low number). In addition to the use of the data center, a practice we adopt that is perhaps not so common is water recirculation with the reuse of rainwater, which is quite important for us.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

I repeat what I said before: there are no big activities that relate to suppliers.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

We have not started real projects. We have participated to several events, both organized by us and to which we have been invited by Legambiente for example or by the Emilia-Romagna region to explain our project and what we have done. However, for now, there are not real projects carried out in the B Corp or sustainability area only. We participate in events but there are no campaigns or particular things just for our business.

7) Habitech – Distretto Tecnologico Trentino S.c.a.r.l.

Interviewee: Laura Pighi - Program Officer Greenmap

**1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

Habitech – Distretto Tecnologico Trentino was born as a district that deals with energy and the environment, so our business is related to the implementation of sustainability in the market with the aim of transforming it. The supply chain theme is fundamental for a market transformation, since sustainability implies, by definition, considering the chain and having a vision of the market and production chain in order to consider the impacts that certain actions generate. The sustainability theme is particularly linked to supply chain issue as it is a synonym of quality system: one way to have simultaneously sustainability and quality is to integrate these issues into the supply chain. Sustainability is therefore a way to make quality in the future and in the present projected into the future and making quality involves considering the supply chain

system. In addition, creating supply chain connections can be a way to create new business models.

**2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

The B Corp Certification has allowed us to give shape to practices that were already being adopted, even if in an unstructured way. We had the opportunity to look at ourselves and transform something that we were already doing into something structured, raising awareness of our ability to create positive impact. Hence, the certification has allowed us to build policies that put on paper what our goals are. Indeed, it is important that what is already in the DNA of a company is structured and put on paper during these transformation processes.

More than fifty percent of our suppliers are part of a local supply chain. Becoming B Corp has helped us to transform these choices from a de-structured and de facto action to a structured and measured one, in order to be able to give us incremental objectives. We have therefore built policies that increasingly make explicit indicators that belong to our own being B Corp within the indicators employed to select suppliers.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

After becoming a B Corp, the environmental and social selection criteria have been formalized and also increased. We buy mostly intellectual services from our suppliers, in addition to some small supplies of goods, so our supply chain is often of services rather than products. The selection of these service supplies on a local basis, involving companies of a size congruent with the local context and with the type of supply, has always been in the organisation's DNA. For some years, the selection policy focused on few substantial elements and suppliers were only asked to provide information about their own policies. Now that we believe the market is ready, we have increased the list of indicators and the market actor is asked to indicate whether they have adopted formal or informal policies, formal or informal indicators and if they have specific welfare policies or connected to the environment or others. If the supplier selects some indicators or elements, it must then provide the tools that are in progress. Habitech's goal is therefore not to create entry barriers through a "threshold" system but to push toward a market transformation. Hence, building precise indicators but at the same time favouring a voluntary

indication mechanism of the indicators covered by the supplier, asking to attach the related policies, can push the supplier to improve its performance and to later introduce policies or indicators that are not adopted at the moment. A threshold system would not generate any transformation and would not push the supplier excluded from the supply chain to improve. In 2020, we have enhanced the specifications on responsible supply chain management, implementing a series of indicators; at the same time, we favour a transformation where there is none.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

Let me give you an example: our printer supplier is now a company participating in a global CO2 impact reduction program. As mentioned before, however, we do not work with barriers to entry: we ask if there are formal or informal environmental management policies in place and we ask what they are when it is possible. This allows the supplier which employs less expensive policies than ISO 14001 certification for example to report and valorise them. Despite we do not adopt a system with barriers to entry, we obviously use evaluation criteria: if, with the same services, one actor has three actions in progress and the other has zero, we will of course prefer the former. However, setting threshold requirements can be counterproductive, especially when sourcing on a local basis. We can probably do what I just explained because sustainability is part of our core business, so we do not need to work with threshold indicators. We are in fact able to read and manage various indicators and the various policies that are attached to us by the suppliers, without the need to resort to external labels.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

We try to help them to improve through our selection process and the non-adoption of threshold criteria, by creating visible and specific content set up within a process that allows for adhesion and incremental improvement by suppliers.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

We have a specific purchasing policy for a sustainable supply chain called “*Socially and environmentally sustainable procurement*”. The theme of responsible supply chain can be found on the one hand in our code of ethics as an objective and on the other hand in our policy, which formally defines the purchasing operating procedure.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

Our action towards suppliers is manifested mainly in our procurement procedure, which is a specific operational tool, but which at the same time is designed as a mechanism that can facilitate an incremental improvement.

A real action to raise awareness on sustainability is instead aimed at our members, rather than suppliers. Since being the Distretto Tecnologico Trentino is our particularity, we have a vast social structure and we try to spread this type of sustainability culture not only through the membership of the social structure, but also by sharing ideas and disseminating the principles of sustainability. The dissemination of this culture to suppliers takes place through the process explained above, which favours adhesion and avoids working by threshold.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

We have a strong link with the territory and the themes of the relationships with the community and environmental protection can be found within our code of ethics. We are also aware that our activities affect the quality of life of the territory itself, so we are committed to invest in innovation and improve the quality level we generate. Hence, we have implemented in 2020 the “*Policy on volunteering*”, a specific policy for the promotion of volunteering activities on issues related to environmental and social responsibility. During the year we have not yet identified which organisations to collaborate with, but we have made explicit our will to support volunteering issues. Moreover, for some years we have also been a company with Family Audit certification and we are now creating a district called “*Distretto Family Audit Città della Quercia*”, formed by Habitech, the Autonomous Province of Trento, Trentino Sviluppo SpA, CTE SpA, Suanfarma Italia SpA and Punto D'approdo Società cooperativa sociale. The district will integrate large, medium and small-sized entities and the social cooperative Punto D'Approdo.

To conclude, it should be emphasized that the B Corp Certification permits to create a community between the different B Corps and that it is also important because it creates transformations. Indeed, we believe that rating tools perform well when they are able to drive transformations. The B Corp mechanism has permitted us to valorise and make visible some

practices which were already in place and at the same time has allowed us to have an important evidence regarding the supply chain, given that one of our customers , Zordan Srl Sb, is also a B Corp.

## 8) Zordan Srl Sb

Interviewee Monica Panozzo - OHS and Quality Manager, Communication

### **1) What is your business about? And what does “sustainable supply chain management” mean for your company?**

Zordan was born in 1965 as a technical carpentry and over the years it has managed, especially through the trade fair sector, to make itself known by well-known luxury brands. We have been producing furniture for their retail stores for some years and since 2015, after the acquisition of another carpentry from San Vito di Leguzzano, (therefore from our territory), we have also entered the world of HORECA, working for restaurants, bars, hotels, cafes, and in general the world of tailor-made furniture.

As far as the supply chain is concerned, the management of suppliers has always been one of Zordan's strengths, even before becoming a B Corp, because part of our production is outsourced. Moreover, it has always been important for us to support the local territory, so our suppliers operate within our province or region. Some of them are chosen outside of our area when there are no local alternatives. In some cases for example we have to select other suppliers besides the usual local ones because of particular needs of the customer. Indeed, one of our dilemmas is always that we consider sustainability and try to operate in a less impactful way, but still we must comply with customer's request. If he wants a specific product, material or finishing, we must satisfy him. We have always tried to manage the supply chain in the territory by working with artisan companies, since our area and region is mostly made up of small and medium-sized enterprises. This allows us to be sustainable both from an environmental point of view, as transport is limited, and from a social one, as we support the community by giving work to those around us.

### **2) Pre- and post-B Corp status: did you change your suppliers in favour of companies which operate in a more sustainable manner? Did you add for instance social cooperatives or similar organisations among your suppliers?**

The only time we used a cooperative as a supplier was for a project for Save the Children, which has been introduced to us by a client. Since it had to be a practically zero-cost job, we involved a cooperative to produce some furniture for a school. Furthermore, we rely on a cooperative in Valdagno for the cleaning service. These are the most important cases in which we have



involved cooperatives. On the other hand, considering suppliers in general, we have not replaced them after obtaining the B Corp certification, since suppliers have been selected with certain criteria even before. Some suppliers decided not to collaborate anymore with us for other reasons, often linked more to economic sustainability rather than environmental one. Moreover, we usually supply the raw materials to the supplier: we buy FSC and PEFC certified wood or particular paints which must be used and then we send them to the supplier. Hence, we expect it to consider sustainability in the production process or in practices connected to human resources rather than in the materials it employs.

**3) How did you change your supplier selection process after having achieved the B Corp Certification? Did you change the selection criteria you use to evaluate the different suppliers? Do you weigh more environmental criteria such as the ones related to resource consumption or pollution production, and social criteria such as the ones related to employment practices and occupational health and safety at work?**

During the selection process, if a company proposes itself but we already know that it works in a way that is not good and not in line with our way of operating, it is excluded a priori. Our suppliers must comply with a code of conduct which establishes some criteria and guidelines that they must follow: they regard waste disposal, emissions into the atmosphere and other practices related to human resources, therefore linked to how employees are treated both from a contractual point of view and health and safety one. This has become mandatory for us both because of the B Corp certification and because we have recently adopted the Organisation, Management and Control model established by Italian Legislative Decree No. 231. The latter provides that the supply chain must be involved in the various criteria the company respects. Considering the selection criteria that are part of our *“Purchasing policy with environmental and social requirements”*, they have not changed after Zordan became a B Corp, since we were taking into account environmental and social aspects even before.

**4) Do you require specific certifications to suppliers? Examples: ISO 14001 and ISO 45001 certifications, Fair Trade certification, etc.**

Considering the subcontractors who carry out the production, we do not require any certification at the moment, also because we mainly rely on small artisan businesses for which it is difficult to be certified. However, we require certifications to some suppliers of raw materials or semi-finished products for some types of products: in this case, we ask for product certifications and not process ones. Chemical products, for example, must comply with the REACH regulation and wood must be FSC and PEFC certified, according to chain of custody. Some certifications are also required to send material abroad: electrical material, for instance, must have certain

certifications depending on the country and usage. Hence, we require more product certifications than process ones.

**5) After having achieved the B Corp Certification, has the collaboration with your suppliers increased in order to help them improving their environmental and social performance?**

Let's say that it is not a direct collaboration, on the field. In any case, one of the principles which B Corps must follow is spreading the B Corp culture and therefore also sustainability principles. We try to involve suppliers by informing them about the objectives we have achieved or that we want to achieve in the future; if they want to follow and help us, we are happy to teach them what we know and provide them with the necessary material. For example, we are trying now to achieve a product Carbon Footprint certification and we have had to map our suppliers. One of them asked us for information about who is following us for this certification process and who has helped us for the B Corp one, because it is beginning to be interested in them too. We have therefore given to it contacts, numbers of consultants and various useful information. Hence, we do not go to suppliers' sites to see what they do and tell them what to do, but we try to collaborate indirectly.

**6) What practices does your company use to make the supply chain more sustainable? Does it use for example preferential purchasing policies or Codes of Conduct?**

We have a purchasing policy that our buyers follow, so they must check certain criteria. There is also a code of conduct that is countersigned by suppliers in the contractual phase or in the order and offer one.

**7) Regarding supplier development, do you also intervene directly by sharing your knowledge about social and environmental issues with suppliers? Do you train them, for example by temporarily transferring your workers to their facilities to help them improving their sustainability performance?**

Sometimes we transfer our workers to suppliers' sites but only to teach them how the requested furniture must be made or to learn something from them, so it is more an exchange of knowledge than a practice regarding sustainability. We try to share what we do and how we reach it through newsletters, communications and social networks or by directly inviting suppliers to some events that are organized or conferences in which we participate. For example, during the lockdown due to Covid-19, we organized a quite informal event every Friday evening, also regarding sustainability issues, and we invited suppliers and all stakeholders in general to these events.

**8) Did you start other collaborations or projects with non-profit organizations for purposes other than supply, such as sustainability campaigns and particular events? Are there any such organizations that you have employed as suppliers for particular occasions and then adopted as permanent suppliers?**

It is difficult for us to rely on non-profit organizations as suppliers of products or work. On the other hand, for reasons other than supply, we have activated several collaborations with other B Corps, which are, by definition, organizations that have both profit and non-profit within them. We participate to the campaigns and events organized by B Corporation or B Corporation Italia; the last one has been the "Unlock the Change" campaign in which we contributed by communicating and publicising it. Moreover, we have started a collaboration with Treedom, which is a B Corp too: last year for example we bought a forest of three hundred trees that we gave to employees and stakeholders as a gift for the beginning of the year, so everyone was able to plant his own tree. This allowed us to neutralize the CO2 emissions of that year. We have also started to collaborate with Goodwings, a Danish B Corp, for a year and a half. This company has a platform similar to booking.com and when a person books a hotel room through it, Goodwings calculates how much CO2 is emitted. It is then able to offset the CO2 the person emits for its stay and journey through carbon credits or other actions. This is very useful for us, because we have joined the Net Zero 2030, so in ten years we must eliminate our emissions. Unfortunately, this year we have greatly reduced our travels because of Covid-19 pandemic. Collaboration with B Corps is by the way strongly recommended from the moment a company becomes a B Corp, with the signing of the declaration of interdependence.

Another campaign we joined has been the one of Save the Children for the Punto Luce in Marghera (VE): our involvement included both raising awareness both of Zordan's workers and the other stakeholders, which have been also in this case invited to an event, and making donations and other actions. This initiative made us think of starting to support an organisation every month. There is currently an initiative underway that requires each employee to make one or two euros available (which are the money they would normally spend every day for coffee if it wasn't paid for by the company) and to collect this money to donate to some initiative of not-for-profit organizations.



# Bibliography

- (WCED), W. C. (1987). *Our Common Future*. Oxford University Press.
- Assonime. (2016). *Circolare 19/2016 - La disciplina delle società benefit*. Circolare.
- Bai, C., & Sarkis, J. (2010). Green supplier development: analytical evaluation using rough set theory. *Journal of Cleaner Production*, 18(12), pp. 1200-1210.
- Bai, C., & Sarkis, J. (2010). Integrating sustainability into supplier selection with grey system and rough set methodologies. *International Journal of Production Economics*, 124(1), pp. 252-264.
- Baumgartner, R. J. (2009). Organizational Culture and Leadership: Preconditions for the Development of a Sustainable Corporation. *Sustainable Development*, 17, pp. 102-113.
- Baumgartner, R. j., & Ebner, D. (2010). Corporate Sustainability Strategies: Sustainability Profiles and Maturity Levels. *Sustainable Development*, 18, pp. 76-89.
- Baumgartner, R. J., & Rauter, R. (2017, January 01). Strategic perspectives of corporate sustainability management to develop a sustainable organization. *Journal of Cleaner Production*, 140, pp. 81-92.
- Bocken, N., Short, S., Rana, P., & Evans, S. (2014). A literature and practice review to develop sustainable business model archetypes. *Journal of Cleaner Production*, 65, pp. 42-56.
- Boons, F., & Lüdeke-Freund, F. (2013). Business models for sustainable innovation: state-of-the-art and steps towards a research agenda. *Journal of Cleaner Production*, 45, pp. 9-19.
- Bouchery, Y., Corbett, C. J., Fransoo, J. C., & Tan, T. (. (2016). *Sustainable Supply Chains. A Research-Based Textbook on Operations and Strategy* (Vol. 4). Springer.
- Broman, G. I., & Robèrt, K.-H. (2017). A framework for strategic sustainable development. *Journal of Cleaner Production*, 140, pp. 17-31.
- Busse, C., Schleper, M. C., Niu, M., & Wagner, S. M. (2016). Supplier development for sustainability: contextual barriers in global supply chains. *International Journal of Physical Distribution and Logistics Management*, 46(5), pp. 442-468.
- Camera di Commercio di Taranto. (2016). *Società Benefit: breve guida alla costituzione e alla gestione*.
- Castellani, G., De Rossi, D., & Rampa, A. (2016). *LE SOCIETÀ BENEFIT: La nuova prospettiva di una Corporate Social Responsibility con Commitment*. Fondazione Nazionale dei Commercialisti, Rome.

- Chan, F. T. (2003). Performance measurement in a supply chain. *The International Journal of Advanced Manufacturing Technology*, 21(7), pp. 534-548.
- Choi, T. Y., & Hartley, J. L. (1996). An exploration of supplier selection practices across the supply chain. *Journal of Operations Management*, 14(4), pp. 333-343.
- Costa Pires, A. (2017). *The fourth sector and the benefit companies: a comparative analysis between the American and the Italian models*.
- Darabont, D. C., Antonov, A. E., & Bejinariu, C. (2017). Key elements on implementing an occupational health and safety management system using ISO 45001 standard. *MATEC Web of Conferences*, 121.
- Doherty, B., Haugh, H., & Lyon, F. (2014). Social Enterprises as Hybrid Organizations: A Review and Research Agenda. *International Journal of Management Reviews*, 16(4), pp. 417-436.
- Dou, Y., & Sarkis, J. (2010). A joint location and outsourcing sustainability analysis for a strategic offshoring decision. *International Journal of Production Research*, 48(2), pp. 567-592.
- Elkington, J. (1997). *Cannibals with forks*. Oxford: Capstone Publishing Limited.
- Elkington, J. (2004). Enter the Triple Bottom Line. In J. Richardson, & A. Henriques, *The triple bottom line, does it all add up?* London: Earthscan Publications Ltd.
- Ellram, L. M. (1990). The Supplier Selection Decision in Strategic Partnerships. *Journal of Purchasing and Materials Management*, 26(4), pp. 8-14.
- Engert, S., & Baumgartner, R. J. (2016, February 01). Corporate sustainability strategy—bridging the gap between formulation and implementation. *Journal of Cleaner Production*, 113, pp. 822-834.
- Engert, S., Rauter, R., & Baumgartner, R. J. (2016, January 20). Exploring the integration of corporate sustainability into strategic management: a literature review. *Journal of Cleaner Production*, 112, pp. 2833-2850.
- Evans, S., Vladimirova, D., Holgado, M., Van Fossen, K., Yang, M., Silva, E. A., & Barlow, C. Y. (2017). Business Model Innovation for Sustainability: Towards a Unified Perspective for Creation of Sustainable Business Models. *Business Strategy and the Environment*, 26(5), pp. 597-608.
- Favotto, F., Bozzolan, S., & Parbonetti, A. (2012). *Economia aziendale* (III ed.). Milano: McGraw-Hill.
- Fici, A. (2015). Recognition and Legal Forms of Social Enterprise in Europe: A Critical Analysis from a Comparative Law Perspective. *Euricse Working Papers*, 82 | 15.

- França, C. L., Broman, G., Robèrt, K.-H., Basile, G., & Trygg, L. (2017). An approach to business model innovation and design for strategic sustainable development. *Journal of Cleaner Production*, 140, pp. 155-166.
- Gauthier, C. (2005). Measuring Corporate Social and Environmental Performance: The Extended Life-Cycle Assessment. *Journal of Business Ethics*, 59, pp. 199-206.
- Gimenez, C., & Tachizawa, E. M. (2012). Extending sustainability to suppliers: a systematic literature review. *Supply Chain Management: An International Journal*, 17(5), pp. 531-543.
- Govindan, K., Rajendran, S., Sarkis, J., & Murugesan, P. (2015). Multi criteria decision making approaches for green supplier evaluation and selection: a literature review. *Journal of Cleaner Production*, 98, pp. 66-83.
- Grant, D. B., Wong, C. Y., & Trautrim, A. (2017). *Sustainable logistics and supply chain management: principles and practices for sustainable operations and management* (II ed.). Kogan Page Publishers.
- Haigh, N., & Hoffman, A. J. (2012). Hybrid organizations: The next chapter in sustainable business. *Organizational Dynamics*, 41(2), pp. 126-134.
- Haigh, N., & Hoffman, A. J. (2014). The New Heretics: Hybrid Organizations and the Challenges They Present to Corporate Sustainability. *Organization & Environment*, 27(3), pp. 223-241.
- Hiller, J. S. (2013, December). The Benefit Corporation and Corporate Social Responsibility. *Journal of Business Ethics*, 118(2), pp. 287-301.
- Honeyman, R., & Jana, T. (2019). *The B Corp Handbook: How You Can Use Business as a Force for Good*. Berrett-Koehler Publishers.
- Johnson, G., Scholes, K., & Whittington, R. (2014). *Strategia Aziendale*. (A. Paci, Ed.) Pearson.
- Joyce, A., & Paquin, R. L. (2016). The triple layered business model canvas: A tool to design more sustainable business models. *Journal of Cleaner Production*, 135, pp. 1474-1486.
- Kara, M. E., & Firat, S. U. (2016). Sustainable supplier evaluation and selection criteria. In R. Tsvetkova, & e. al., *Social and Economic Perspectives on Sustainability* (pp. 159-166). IJOPEC Publications.
- Koulikoff-Souviron, M., & Harrison, A. (2006). Buyer–supplier relationships in inter- and intra-organisational supply contexts: the unobtrusive yet pervasive human resource picture. *International Journal of Logistics: Research and Applications*, 9(1), pp. 75-94.
- Kraljic, P. (1983). Purchasing must become supply management. *Harvard Business Review*, 61(5), pp. 109-117.

- Krause, D. R., Scannell, T. V., & Calantone, R. J. (2000). A structural analysis of the effectiveness of buying firms' strategies to improve supplier performance. *Decision science*, 31(1), pp. 33-55.
- Krause, D. R., Vachon, S., & Klassen, R. D. (2009). Special topic forum on sustainable supply chain management: introduction and reflections on the role of purchasing management. *Journal of Supply Chain Management*, 45(4), pp. 18-25.
- Lu, R. X., Lee, P. K., & Cheng, T. (2012). Socially responsible supplier development: Construct development and measurement validation. *International Journal of Production Economics*, 140(1), pp. 160-167.
- Mensah, J., & Ricart Casadevall, S. (2019, September 08). Sustainable development: Meaning, history, principles, pillars, and implications for human action. *Cogent Social Sciences*, 5.
- Miemczyk, J., Johnsen, T. E., & Macquet, M. (2012). Sustainable purchasing and supply management: a structured literature review of definitions and measures at the dyad, chain and network levels. *Supply Chain Management: An International Journal*, 17(5), pp. 478-496.
- Mintzberg, H., & Waters, J. A. (1985). Of Strategies, Deliberate and Emergent. *Strategic Management Journal*, 6(3), pp. 257-272.
- Neugebauer, F., Figge, F., & Hahn, T. (2016). Planned or Emergent Strategy Making? Exploring the Formation of Corporate Sustainability Strategies. *Business Strategy and the Environment*, 25, pp. 323-336.
- NIBR – Network Italiano Business Reporting. (2019). *Linee Guida sul Reporting delle Società Benefit*.
- Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation*. Hoboken, New Jersey: John Wiley & Sons, Inc.
- Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., de Colle, S., & Purnell, L. (2010, June). Stakeholder Theory: The State of the Art. *The Academy of Management Annals*.
- Plerhoples, A. E. (2015). Social Enterprise As Commitment: A Roadmap. *Washington University Journal of Law & Policy*, 48.
- Porter, M. E., & Kramer, M. R. (2006, December). Strategy and society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), pp. 78-92.
- Reuter, C., Goebel, P., & Foerstl, K. (2012). The impact of stakeholder orientation on sustainability and cost prevalence in supplier selection decisions. *Journal of Purchasing & Supply Management*, 18(4), pp. 270-281.



- Sancha, C., Gimenez, C., Sierra, V., & Kazemina, A. (2015). Does implementing social supplier development practices pay off? *Supply Chain Management: An International Journal*, 20(4), pp. 389-403.
- Sancha, C., Longoni, A., & Giménez, C. (2015). Sustainable supplier development practices: Drivers and enablers in a global context. *Journal of Purchasing & Supply Management*, 21(2), pp. 95-102.
- Santos, F., Pache, A.-C., & Birkholz, C. (2015, May). Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises. *California Management Review*, 57(3), pp. 36-58.
- Sarkis, J., & Talluri, S. (2002). A Model for Strategic Supplier Selection. *Journal of Supply Chain Management*, 38(1), pp. 18-28.
- Schaltegger, S., Hansen, E. G., & Lüdeke-Freund, F. (2012, July). Business Cases for Sustainability: The Role of Business Model Innovation for Corporate Sustainability. *International Journal of Innovation and Sustainable Development*, 6(2), pp. 95-119.
- Schaltegger, S., Hansen, E. G., & Lüdeke-Freund, F. (2016). Business Models for Sustainability: Origins, Present Research, and Future Avenues. *Organization & Environment*, 29(1), pp. 3-10.
- Schneider, L., & Wallenburg, C. M. (2012). Implementing sustainable sourcing - Does purchasing need to change? *Journal of Purchasing & Supply Management*, 18(4), pp. 243-257.
- Slaper, T. F., & Hall, T. J. (2011). The Triple Bottom Line: What Is It and How Does It Work? *Indiana Business Review*, 86(01).
- Starkey, R. (1998). Standardization of environmental management systems: ISO 14001, ISO 14004 and EMAS. In R. Welford, *Corporate Environmental Management 1: Systems and Strategies* (II ed., pp. 61-89). London: Earthscan Publications Ltd.
- Stubbs, W. (2017). Sustainable Entrepreneurship and B Corps. *Business Strategy and the Environment*, 26, pp. 331-344.
- Stubbs, W., & Cocklin, C. (2008, June). Conceptualizing a "Sustainability Business Model". *Organization & Environment*, 21(2), pp. 103-127.
- Thomas, A. (2004, September). The Rise of Social Cooperatives in Italy. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 15(3), pp. 243-263.
- Van der Rhee, B., Verma, R., & Plaschka, G. (2009). Understanding trade-offs in the supplier selection process: The role of flexibility, delivery, and value-added services/support. *International Journal of Production Economics*, 120(1), pp. 30-41.

- Van Weele, A. J. (2009). *Purchasing and supply chain management: Analysis, strategy, planning and practice*. Cengage Learning EMEA.
- Walker, H., Di Sisto, L., & McBain, D. (2008). Drivers and barriers to environmental supply chain management practices: Lessons from the public and private sectors. *Journal of Purchasing & Supply Management*, 14(1), pp. 69-85.
- Yang, F., & Zhang, X. (2017). The impact of sustainable supplier management practices on buyer-supplier performance. *Review of International Business and Strategy*, 27(1), pp. 112-132.
- Yawar, S. A., & Seuring, S. (2018). The role of supplier development in managing social and societal issues in supply chains. *Journal of Cleaner Production*, 182, pp. 227-237.
- Zhang, M., Pawar, K. S., & Bhardwaj, S. (2017). Improving supply chain social responsibility through supplier development. *Production Planning & Control*, 28(6-8), pp. 500-511.
- Zimmer, K., Fröhling, M., & Schultmann, F. (2016). Sustainable supplier management – a review of models supporting sustainable supplier selection, monitoring and development. *International Journal of Production Research*, 54(5), pp. 1412-1442.

# Webography

- B Lab. (2017). *Creating Impact Through Purchasing: Managing the Impact and Inclusion of Your Supply Chain*. Retrieved September 18, 2020, from [https://nsaa.org/webdocs/sustainability/sustainableslopes2020/Impact\\_through\\_purchasing\\_2017.pdf](https://nsaa.org/webdocs/sustainability/sustainableslopes2020/Impact_through_purchasing_2017.pdf)
- B Lab. (2017, April 17). *Model Benefit Corporation Legislation*. Retrieved September 25, 2020, from Benefit Corporation Website: [https://benefitcorp.net/sites/default/files/Model%20benefit%20corp%20legislation%20\\_4\\_17\\_17.pdf](https://benefitcorp.net/sites/default/files/Model%20benefit%20corp%20legislation%20_4_17_17.pdf)
- B Lab. (2018). *Overview of Proposed Changes in Version 6 of the BIA*. Retrieved September 19, 2020, from <https://bcorporation.net/news/version-6-b-impact-assessment-available-public-comment>
- B Lab. (2020). Retrieved July 08, 2020, from Benefit Corporation Website: <https://benefitcorp.net/>
- B Lab. (2020). Retrieved July 08, 2020, from B Corporation Website: <https://bcorporation.net/>
- B Lab. (2020). Retrieved September 16, 2020, from B Impact Assessment WebSite: <https://bimpactassessment.net/>
- B Lab. (2020). Retrieved July 08, 2020, from Società Benefit Website: <https://www.societabenefit.net/>
- B Lab. (2020). *B Resource Guide: Local Purchasing Policy*. Retrieved September 18, 2020, from [https://bimpactassessment.net/sites/all/themes/bcorp\\_impact/pdfs/B%20Resource%20-%20Local%20Purchasing%20Policy%20\(1\).pdf](https://bimpactassessment.net/sites/all/themes/bcorp_impact/pdfs/B%20Resource%20-%20Local%20Purchasing%20Policy%20(1).pdf)
- B Lab. (2020, September 10). *Dataset B Corp Impact Data*. Retrieved October 08, 2020, from <https://data.world/blab/b-corp-impact-data>
- B Lab. (2020). *Testo di Legge*. Retrieved July 08, 2020, from Società Benefit Website: <https://www.societabenefit.net/testo-di-legge/>
- B Lab. (n.d.). *B Resource Guide: Conducting a Supplier Survey*. Retrieved September, 18.2020, from [https://bimpactassessment.net/sites/all/themes/bcorp\\_impact/pdfs/B%20Resources%200-%20Conducting%20a%20Supplier%20Survey.pdf](https://bimpactassessment.net/sites/all/themes/bcorp_impact/pdfs/B%20Resources%200-%20Conducting%20a%20Supplier%20Survey.pdf)

- Barnes, A., Woulfe, J., & Worsham, M. (2018). *A Legislative Guide to Benefit Corporations: Create Jobs, Drive Social Impact, and Promote the Economic Health of Your State*. Retrieved from [https://www.patagonia.com/on/demandware.static/-/Library-Sites-PatagoniaShared/default/dwa1f599e3/PDF-US/Legislative-Guide-B-Corps\\_Final.pdf](https://www.patagonia.com/on/demandware.static/-/Library-Sites-PatagoniaShared/default/dwa1f599e3/PDF-US/Legislative-Guide-B-Corps_Final.pdf)
- Carbon Trust. (2020). *The Carbon Trust Standard*. Retrieved August 31, 2020, from Website Carbon Trust: <https://www.carbontrust.com/what-we-do/assurance-and-certification/the-carbon-trust-standard>
- Chiesi Farmaceutici Spa. (2020). Retrieved October 08, 2020, from Chiesi Farmaceutici Website: <https://www.chiesi.com/>
- European Commission. (2020). *Corporate Social Responsibility & Responsible Business Conduct*. Retrieved June 24, 2020, from European Commission Website: [https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility\\_en](https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en)
- European Commission. (2020). *EU Ecolabel*. Retrieved September 01, 2020, from Website European Commission: <https://ec.europa.eu/environment/ecolabel/#:~:text=Established%20in%201992%20and%20recognised,to%20production%2C%20distribution%20and%20disposal.>
- Exe.it Srl Sb. (2019). *Company Profile 2019*. Retrieved October 13, 2020, from [https://exe.it/wp-content/uploads/2019/10/EXE.IT\\_CompanyProfile2019\\_6.4\\_Completa\\_Gruppo.pdf](https://exe.it/wp-content/uploads/2019/10/EXE.IT_CompanyProfile2019_6.4_Completa_Gruppo.pdf)
- Fair Trade USA. (2020). Retrieved September 01, 2020, from Fair Trade USA Website: <https://www.fairtradecertified.org/>
- Field, A. (2012, May 04). *IRS Rule Could Help the Fledgling L3C Corporate Form*. Retrieved July 08, 2020, from Forbes Website: <https://www.forbes.com/sites/annefield/2012/05/04/irs-rules-could-help-the-fledgling-l3c/#64f344ee2970>
- Fratelli Carli Spa. (2020). *Relazione di Impatto 2019*. Retrieved from <https://www.oliocarli.it/-/media/global2019/generiche/progressoresponsabile/benefit-corporation/relazione-impatto-2019.ashx>
- Goldmann & Partners. (2020). Retrieved October 08, 2020, from Goldmann & Partners Website: <http://www.goldmann.it/en/>
- Government of the United Kingdom. (2020). *Setting up a social enterprise*. Retrieved July 08, 2020, from Government of the United Kingdom Website: <https://www.gov.uk/set-up-a-social-enterprise>
- Habitech S.c.a.r.l. (2020). Retrieved October 11, 2020, from Habitech Website: <https://www.habitech.it/>

- IamExpat Media. (2020). *Non-profit limited company (gemeinnützige GmbH - gGmbH)*. Retrieved July 08, 2020, from IamExpat Website: <https://www.iamexpat.de/career/business-structures-germany/non-profit-limited-company-ggmbh>
- InVento Innovation Lab. (2020). Retrieved October 08, 2020, from InVento Innovation Lab Website: <https://inventolab.com/>
- LIFT Economy. (2020). *Supplier Code of Conduct*. Retrieved September 19, 2020, from <https://www.lifteconomy.com/resources>
- Mondora Srl Sb. (2018). Retrieved October 18, 2020, from Mondora website: <https://mondora.com/>
- MSC. (2020). *The MSC Chain of Custody Standard*. Retrieved August 31, 2020, from Website MSC: <https://www.msc.org/standards-and-certification/chain-of-custody-standard>
- MSC. (2020). *The MSC Fisheries Standard*. Retrieved August 31, 2020, from Website MSC: <https://www.msc.org/standards-and-certification/fisheries-standard#>
- Nativa. (2020). *The B book: Il grande libro delle B Corp italiane*. Retrieved September 14, 2020, from [https://nativallab.com/cms/wp-content/uploads/2020/08/The\\_B\\_Book\\_202008.pdf](https://nativallab.com/cms/wp-content/uploads/2020/08/The_B_Book_202008.pdf)
- Panino Giusto Spa. (2020). *Relazione di Impatto 2019*. Retrieved from [https://www.paninogiusto.it/uploads/EXE\\_RELAZIONE\\_IMPATTO.pdf](https://www.paninogiusto.it/uploads/EXE_RELAZIONE_IMPATTO.pdf)
- Rainforest Alliance. (2020, July 09). *What Does Rainforest Alliance Certified Mean?* Retrieved August 31, 2020, from Website Rainforest Alliance: <https://www.rainforest-alliance.org/faqs/what-does-rainforest-alliance-certified-mean>
- United Nations. (2020). *Sustainable Development Goals*. Retrieved June 12, 2020, from Sustainable Development Goals: knowledge platform: <https://sustainabledevelopment.un.org/>
- Valli del Bitto Spa. (2020). Retrieved October 08, 2020, from Valli del Bitto Spa Website: <https://www.formaggiobitto.com/it/>
- Valsan, R. (2017, March 31). *The Legacy of B Lab: Italy's Società Benefit*. Retrieved September 30, 2020, from The ECCLblog: <https://www.ecclblog.law.ed.ac.uk/2017/03/31/the-legacy-of-b-lab-italys-societa-benefit/>
- Zordan Srl Sb. (2020). Retrieved October 19, 2020, from Zordan Website: <https://www.zordan1965.com/it/>