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Department of Economics and Management

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**BENEFIT CORPORATION AND
ORGANIZATIONAL DEVELOPMENT
THE ITALIAN CASE**

Supervisor Prof. Paolo Gubitta
Co-Supervisor Ing. Alfredo Zordan

Candidate Chiara Tamburini
ID Number 1127747

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*To my crazy family,
that has always supported me
encouraging me to reach my dreams*

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INTRODUCTION & SUMMARY

THE REASON OF MY DISSERTATION – The purpose of this dissertation is to study the Benefit Corporation as a new emerging possibility for companies and analyse its implication from an organizational point of view. The Benefit Corporation evolution is an emerging phenomenon representing an extraordinary upturning in entrepreneurial behaviours and that may represent the future of doing business.

«I've been a businessman for almost sixty years. It's as difficult for me to say those words as it is for someone to admit being an alcoholic or a lawyer. I've never respected the profession. [...] My company, Patagonia, Inc., is an experiment. It exists to put into action those recommendations that all the doomsday books on the health of our home planet say we must do immediately to avoid the certain destruction of nature and collapse of our civilization» (Chouinard, 2016, p.1).

These words are the symbol of the Benefit Corporation movement, they depict the feelings and the values that have pushed the revolution and are the starting points of this work. Exploiting these concepts, strong connections of Benefit Corporations with the nature of *Hybrid Organization* came to light, driving the development of specific reasonings that have been deepened going through the analysis of Benefit Corporation and the managerial and organizational implications.

FIRST CHAPTER - FROM *HYBRID ORGANIZATION* TO BENEFIT CORPORATION – In this chapter, the main goal is to provide a clear description of what a *Hybrid Organization* is, which are its main characteristics and first of all the related challenges. The distinctive feature of a Hybrid organization is the pursue of a double mission, simultaneously the

economic result and the social and environmental wealth. From a theoretical perspective, due to the nature of the missions declared, this particular organizational form is positioned between the non-profit and the for-profit hemispheres. The focus of the present study is on the for-profit side and going through the analysis of this emerging phenomenon, we have developed a model able to explain the evolution that nowadays the nature of the firm has begun to experience, with the gradual appearing of what has been called the new Fourth Sector.

SECOND CHAPTER – BASIC ORGANIZATIONAL CHALLENGES FOR BENEFIT CORPORATION – After providing an overview about the innovative nature of the Hybrid Organizations, the dissertation continues proposing a valid solution to the challenges coming from hybridity already argued in the previous section: the Benefit Corporation. The chapter gives a complete description of the Benefit Corporation, analyzing it from an organizational, managerial and a strategic point of view. All the different areas of interests discussed and the assumptions developed throughout the analysis have been enriched with some direct and concrete testimonies of real Italian Benefit Corporations that we had the pleasure to interview.

THIRD CHAPTER – BECOMING BENEFIT CORPORATION: PROCESSES, METRICS AND RESULTS – This chapter opens with an explorative study having the main goal of perceiving the widespread entrepreneurs' sentiment about the topic and understanding the cultural adjacency to or remoteness from the typical Benefit Corporation's values and beliefs. Then, the attention is put on the figure of the so-called Certified B Corps, apparently equal to the Benefit Corporation but actually different, and the measurement system generally adopted to assess the practices and processes implemented by the companies. In this context, additional reasonings about the relationship of the Benefit Corporations with the environment is discussed, because of the new promoting role that the firm is enjoying thanks to its increasing awareness of the planet and the human health. Aiming at offering a complete overview about the implications, also references to the emerging topic of the Circular Economy are provided.

FOURTH CHAPTER – BENEFIT CORPORATION: A NEW RENAISSANCE FOR FAMILY FIRMS? – The final session argues about some features coming from the analysis of Benefit Cor-

porations that recall the nature and the distinctive characteristics of family firms. We noticed that both of them are driven by logics and visions not strictly related to a univocal rationality in terms of profit and financial index, but also to something more complex and subjective, as feelings, wishes and personal aspirations are. As well as Benefit Corporations, also family businesses are influenced by the entrepreneurs' personality and values that are spread internally among the employees and externally, to the market and all the collaborators. Going through this chapter, all the similarities between family firms and Benefit Corporations are explained, with a particular emphasis on socioemotional wealth theory.

FROM *HYBRID ORGANIZATION* TO *BENEFIT CORPORATION*

1.1 Introduction

On December 1, 2016, more than forty Italian companies arranged to meet in Milan: the aim was to share their *idea of doing business* and discuss their experiences. The name of the event was *The Founding B Corps*, the participating companies were those who had actively contributed to the development of the Italian B Corps movement (Arduini, 2016). Even before, starting in January 2016, the approved bill of December 28th, 2015, n. 208 (subsections 376-383) has entered into force in Italy. It refers to a new form of corporation, the so-called *Società Benefit*, which has put Italy in a leadership position: it has been the first country in Europe and the second worldwide, to launch the innovative legal status that, for the first time, lets entrepreneurs be formally committed on reaching *multiple good* purposes.

Moreover, going back for about six years, in Maryland for the very first time people were talking about a new concept of corporation coming from an emerging entrepreneurs' mindset that has been able to change the way of thinking the organization. On October 1st, 2010, the first *Benefit Corporation* legislation took effect in the USA. That day has represented the turning point for the development all over the world of Benefit Corporation and BCorps.

The steps here recalled demonstrate the natural tendency of the firm that progressively assumes a new imaginary, but what's behind that? The present chapter aims at answering this question, starting with a wider framework explaining what is now defined as a *hybrid organization* and then addressing the theme of the *for-benefit corporation*. In detail, the chapter is organized as follows: the first paragraph gives an overview of what a *hybrid*

organization is, which are the objectives pursued and which types of challenges it should face.

Subsequently, the second part aims at analyzing hybridity more deeply: it provides a description about the economic and social context in which they have grown up and the different logics driving the activities and the strategic decision-making process. The paragraph ends with a focus on what is considered the most prominent hybrid form, the *social enterprise*, which precisely stands in between the non-profit and for-profit poles.

Then, to guarantee and achieve a complete understanding of the main features distinguishing this emerging phenomenon, the paper continues through a comparison of traditional versus *hybrid organizations*, stressing the three most impressive key distinctive factors.

Since the present dissertation aims at studying hybridity from a for-profit point of view, the chapter concludes arousing the interest in that direction. Hence, starting by explaining the gradual appearance of what has been defined as *Fourth Sector*, then it proceeds to point out what *Benefit Corporations* are and how to position them within the hybridity framework.

1.2 What Hybrid Organization stands for

Battilana, Lee, Walker and Dorsey (2012) in their article published in *Stanford Social Innovation Review*, argued about the constant increase in the number of *hybrid organizations*: in 2011, almost 50 percent of the firms that combine donations and business revenues took the shape of hybrid form, against the 37 percent in 2006.

Trying to give an easy definition of what a hybrid company is, it is possible to affirm that it represents an organization that blends at the same time two apparently conflicting objectives, profit-seeking and social value creation (Eldar, 2017).

Hybrids are those organizations that, generating revenues and attracting capital, build their business models and implement the activities having in mind the will of having a positive impact on society and environment, or at least of not generating negative consequences on them (Haigh, Walker, Bacq and Kickul, 2015).

The central problem in such a context is to let simultaneously coexist activities that create profit, that represents the value achieved to satisfy the owners, with those that bring the *impact*, interpreted as the value for the society and the environment (Santos, Pache and Birkholz, 2015).

Battilana *et al.* (2012) aim at exploring the challenges that such an organization could deal with, trying to find possible solutions and advice for managing successfully these peculiar hybrid businesses.

The main idea is that mixing social and economic mission can be a demanding task at the beginning since it creates unfamiliar relationships within the traditional value chain which are not supported by a designated ecosystem yet. *Hybrid organizations* have to look for a balance between the two followed goals, they should be smart enough to maintain an equilibrium able to avoid what in literature is defined *mission drift* (Battilana *et al.*, 2012). The article recalls an example to better explain the emerging phenomenon: the case of the *Hot Bread Kitchen*, a bakery in New York City.

Why is it considered a *hybrid organization*? Everything started in 2000, from the vision of giving the opportunity to people, above all women, learning a craft that would help them to improve their living conditions, in terms of wage and self-esteem. Employees are mostly low-income immigrant women who cook bread, also according to their countries of origin, learning and improving capabilities that could be used to reach higher-level positions in the food industry. *Hot bread Kitchen* includes also HBK Incubates, through which it offers people the opportunity to become successful entrepreneurs lessening risks connected to the start-up phase and giving them resources in term of training, equipment, network, easier access to the distribution channels and useful marketing events.

On their website (hotbreadkitchen.org), within the section «who we are», the first sentence is written as follows:

«Hot Bread Kitchen envisions a food system that equitably compensates talent and sustains a diverse workforce while celebrating culinary tradition and innovation».

The social mission is evident and to reach it they pursue economic revenues to support and manage operations. The mission drift doesn't exist in this way, profit-seeking and social objective are both harmoniously part of the same incorporated business strategy (Battilana *et al.*, 2012).

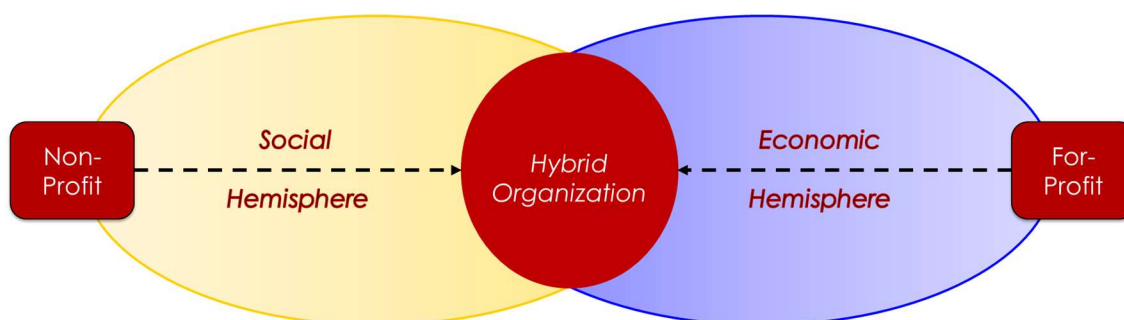
This type of companies is based on two different logics (Pache and Santos, 2011):

- they incorporate elements of social and welfare logic, and,
- they also apply the commercial logic.

Traditionally, pursuing social goals is a typical characteristic of the non-profit organization, whereas being focused on efficiency, effectiveness and economic results is the distinctive element of the market-driven logic, in other words, the for-profit organization (Stubbs, 2017).

Many researchers have located the emerging category of hybrids in a central position between the common non-profit and the for-profit organizations (Venturi and Zandonai, 2016). They represent a bridge dissolving the existing boundaries between the social and the economic hemispheres, creating important opportunities for both of them. With reference to these constraints, becoming more flexible institutions, non-profit organizations could have the chance to distribute earnings also for private welfare, whereas the commercial corporations could reach some grants or other forms of support (Haigh, Dowin Kennedy and Walker, 2015).

Figure 1 Hybrid Organization: combining social and economic hemisphere



Source: our elaboration based on Haigh *et al.*, 2015

Furthermore, as a consequence of the double bottom line and the opposing logics typifying hybrids, *organizational challenges* could easily arise (Battilana and Dorado, 2010). Concerning company's assets, traditional theories state the strategic importance of complementarity in order to achieve a competitive advantage, since the results coming from a company able to manage a combination of *complementary assets* is higher than the sum of the results that could be obtained individually from each of them (Hockerts, 2015). Talking about hybrids, it seems that they work with what Hockerts (2015, p.85) defined *antagonistic assets*, i.e. those assets that for-profit firms do not use because they represent

«resource combinations that a priori make the commercialization or marketing of a product or service more difficult»

The *antagonistic* concept is used by the author referring to its natural meaning in science: scientists call antagonistic those compound that alone generates more effect than when associated with others. *Hybrid organizations* voluntarily and consciously use *antagonistic assets*, hence they mix resources that for their nature do not easily complement each other. The author describes six different types of *antagonistic assets*:

- Employing people with some problems or incompatible skills. An enlightening example is an organization that chooses to select and recruit a person affected by autism. Obviously, due to the problems connected to the developmental disability, for the organization such an employee requires a greater managerial effort, concerning its relationships with the external and the internal environment. Usually, the organization acting like this, hiring voluntary people without the needed skills, are driven by philanthropic reasons and not by the market forces.
- Employing people aspiring to failure rather than to a successful life. It refers to those intractable young people who have grown up in context with high and constant unemployment and criminality.
- Using materials or other physical resources considered unsuitable with the technology normally adopted in the market where the organization operates and competes. A typical example concerns agriculture and the choice to not use some chemical agents along the production process.
- The problem of quality perception is a common challenge for *Hybrid organizations*. As far as quality concerned, consumers often consider the fair trade of lower quality due to the fact that the products come from poor producers. To solve this problem and communicate the goodness of the goods, organizations may design product in a charity appeal way through colours and materials.
- Lack of adequate distribution channels to reach easily the intended customers. It is the case of those companies that, selling to medium and high-income markets, aim at reaching and sustain poor markets.
- Difficulty on exploiting economies of scale. Indeed, since the antagonistic assets tend to heterogeneity, enjoying economies of scale may be unlikely.

Anyway, Hockerts (2015) explained that this type of firms doesn't stop in front of challenges deriving from the non-complementarity, instead they look for innovative ap-

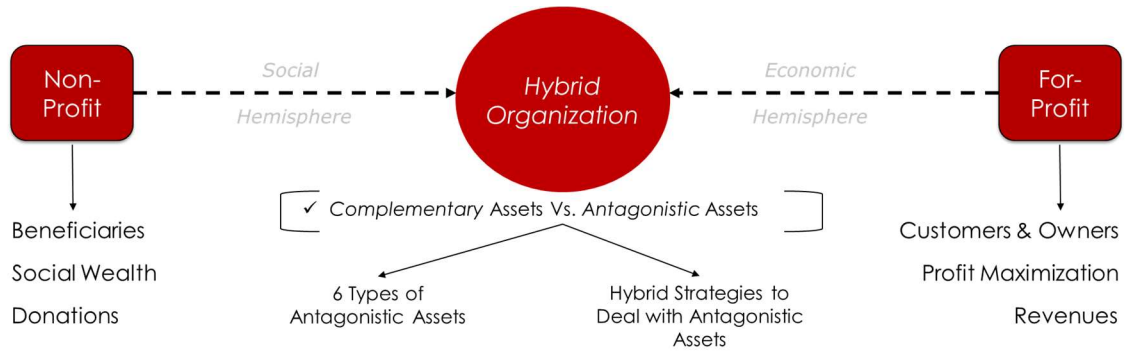
proaches to overcome the obstacle, transforming it into an advantage. Ostensible antagonism can mask elements of complementarity, which are the starting point to build and develop firm's strength. Studying the *antagonistic asset metaphor*, an innovative perspective to run the business has been developed.

The following are the possible strategies to implement aiming at successfully manage *antagonistic assets*, taking advantages from them and turning their apparently hostile antagonism into complementarity:

- Identify Hidden Complementarities. The ability to look for new complementarities that nobody before in the market had exploited may have strategic implication for *Hybrid organizations*. For example, the antagonism coming from the employment of people with some disabilities may turn into complementarity if the entrepreneur is smart enough to allocate them strategically, hence in positions requiring them to leverage on their strengths (e.g. a blind person may be more perceivable in hearing and touch, moreover he/she may be more emotionally appealing for other people interacting with him/her).
- Develop New Complementarities. In this case, the organization may teach to their beneficiaries how to work, making them learn or improve technical or soft skills. This situation starts from a different point of view in comparison to the previous one: in this case the employee has no hidden capabilities to be discovered, instead they need the opportunity to experience and learn a job (e. g. immigrant women becoming bakers). Hence, it is a matter of opportunities and motivations.
- Eliminate Need for Complementarities. This strategy asks for the reduction of complexity, it concerns the re-design of the product to render it usable in targeted situation. The way to implement this strategy is to make deep researches to really understand the context (economic, political and cultural) where the product will be used. The example of this strategy is the re-think of a product that normally may need electricity and water if the aim is to send it to areas where these resources are not easily available.
- Create Demand for Antagonistic Assets. This strategy implies the organization's ability to turn the antagonisms concerning the asset simply telling an attractive, emotionally strong and convincing story about the product, its production process and peculiar properties.

- Use Partnerships to Achieve Distribution Complementarities. When the difficulty to overcome concerns the distribution channels, *hybrid organizations* have the advantage of benefitting from their networks of non-profit organizations that go to those poor areas, their target markets.

Figure 2 Hybrid Organization: Complementary vs Antagonistic Assets



Source: our elaboration based on Hockerts, 2015

Accordingly, when Battilana *et al.* (2012) explain the firm's double missions, they argue about the impossibility of maintaining the two goals independent and as a consequence the options that the social and the profit aims bolster or weaken each other. Discussing the hybrid ideal, they clarify that entrepreneurs are not required to favour one of the two logics, rather, they should find a particular equilibrium integrating welfare and profit missions in the same strategy. Thanks to such an integration, a virtuous cycle arises: the firm has the opportunity to gain profits that can be reinvested in social issues. Moreover, the paper examines four different challenges that *hybrid organizations* have to face in order to find a sustainable place in between the for-profit and non-profit spheres:

- legal structure,
- financing,
- customers and beneficiaries,
- organizational culture and talent development.

Figure 3 The organizational challenges of Hybrid Organizations



Source: our elaboration based on Battilana *et al.*, 2012

1.2.1 Legal Structure

The legal dimension plays an important role in understanding how the firm could be run during its life. In general, the two macro categories in which companies can be allocated are the for-profit and the non-profit organizations, each of them with some peculiarities which distinguish itself from the other:

- for-profit corporations traditionally aim at satisfying shareholders' expectations, trying to maximize the total company value and providing them a portion of generated profits;
- non-profit organizations are famous because of their social and charitable purpose and thanks to this altruistic vision they usually receive some benefits from the governmental institutions in the form of tax allowance. As a consequence of the legitimacy they gain running activities for good deed, other individuals and associations offer donations, grants and other inexpensive resources.

So, it's easy to understand the dilemma that a *hybrid entrepreneur* has to face: standing in between the two forms, which one is more convenient to embrace? Making the wrong choice could entail some disadvantages bringing the company into failure or losing the competitive advantage.

On one side, if a company selling product and services registers itself as a non-profit organization, it could lose its right to receive some benefits, e.g. it may have to pay taxes according to the revenues, above all if the sales activity appears to be too far from the charity mission. On the other side, choosing the for-profit status, firms may become discouraged from focusing and pursuing at first the social mission, as it should face the global market competition like a common firm and it would be engaged in satisfying shareholders' interests. As non-profit organizations cannot enter equity capital market

selling shares, in the same line for-profit firms don't enjoy tax benefits, grants and donations.

Governments have tried to fulfil the gap creating additional possibilities for hybrids able to encourage them on following their social and economic missions and create value. New forms of legal status were born in recent years, first of all in the United States and Europe.

In the United States three main structures have been developed:

- *Low-Profit Limited Liability Company (L3C)*, flexible structure that gives hybrid's governing board the possibility to fix the ownership as they prefer, asking to give a bit more emphasis to the social aspects, equity and decision rights can be allocated to different members in different ways (Ebrahim, Battilana and Mair, 2014);
- *Benefit Corporation*, for-profit company pursuing the multiple missions of maximizing the profit and taking care of creating social and environmental impact (Fomcenco, 2016), it will be analyzed in detail below;
- *Flexible Purpose Corporation* (in California) or *Social Purpose Corporation* (in Washington), requiring board and managers to decide in collaboration with the shareholders one or multiple social or environmental goals and to fix a stricter protection against liabilities for management.

In the United Kingdom, the hybrid legal structure is the *Community Interest Company (CIC)*, that offers tax benefits to those hybrid companies that accept to limit the distribution to investors and earmark its frozen assets for social welfare.

In Italy, the revolution has been the adoption of the legal status *Società Benefit*, that follows the driving principle of the Benefit Corporation and will be described deeper later (Table 1).

Table 1 Legal structures of Hybrid Organizations

Typology	Country	Since
Low-Profit Limited Liability Company (L3C)	United States	2013
Benefit Corporation	United States	2010
Flexible Purpose Corporation	United States	2012
Community Interest Company (CIC)	United Kingdom	2005
Società Benefit	Italy	2016

Source: our elaboration based on Haigh *et al.*, 2015; Ebrahim *et al.*, 2014

1.2.2 Financing

Similarly to what already said concerning legal structure, sources of financing vary a lot according to the type of organization: common for-profit companies rely on equity and

debt, while non-profit organizations depend on national or regional foundations, venture philanthropists and other public funds, usually offering scarce resources.

Finding an equilibrium also considering the theme of financing is a fundamental requirement and companies have used different approaches to find successful solutions.

An approach concerns the activities differentiation, it means accessing to profit-seeking investors for the activities generating revenues and donators and public funds and benefits for those activities generating positive effects on society and environment.

Other approaches can be focusing at first on one of the two missions to get money accordingly; some entrepreneurs have started obtaining funds from the typical non-profit investors, others asking for capital within the for-profit capital market.

1.2.3 Customers and Beneficiaries

Common corporations perceive their final interlocutor as a *consumer*, non-profit institutions as *beneficiaries*.

With reference to hybrids, this traditional distinction has been overcome, at the same time the final stakeholder is consumer and beneficiary. The idea is that the company offers not only a product or a service, but alongside it also social welfare and positive environmental impact are pursued. The integration of the two figures is powerful, trying to attain profits doesn't mean turn down the social dimension and vice-versa. This overlap characterizes the world of commercial microfinance institutions, as they grant unlikely entrepreneurs loans that they would not have the possibility to have from the traditional for-profit banks and financial institutions because of their low income (Battilana and Dorado, 2010).

However, it happens that the integration is not possible because of limitations in resources at disposal of beneficiaries, so the impossibility to pay for the service and value received.

An example could be an organization offering an educational program for poor children who obviously cannot buy school materials or pay for the received lessons. In this case, customer and beneficiary are not the same person and inevitably some challenges arise for the organization, that has to be flexible and smart to find solutions.

According to the type of hybrid different strategies can be implemented (Battilana *et al.*, 2012):

- Creating two different organizations able to focus on two distinguishable activities serving separately customers and beneficiaries can be a complex but successful solution for a company offering educational programs for poor children;

- Giving work opportunity to beneficiaries who obtain the chance to learn, produce and sell goods to customers is the reality already discussed concerning Hot Bread Kitchen.

1.2.4 Organizational Culture and Talent Development

The last challenge hybrid organizations should face to operate effectively is how to manage human resources, maintaining the double vectors of social and economic goals. The idea should be developing and spreading a strong culture able to transmit a common commitment to both fields among people. Developing strong culture means identifying and conveying organizational values that capture a smart and compelling balance considering, on one side the two missions and, on the other side, the implementation of effective operations. The other important aspect is the way the organization runs the selection, training and management of employees. In line with this, two main practices are mentioned in the paper of Battilana *et al.* (2012):

- Hiring people with similar background and work experiences only in one of the two areas of interest, the social or the economic one;
- Hiring employees from different sectors creating a mix of heterogeneous resources.

Each of the previous practices presents some problems: in the first case, the risk of *mission drift* arises significantly, as everyone is focused on the same discipline; the second one causes the risk of conflicts, as the organization appears so mixed that different points of views and approaches crash.

Moreover, a third approach can be considered and it seems to be the most successful. Selecting people without specific work experiences, like young new graduates could be the right choice because they have no previous biases and they are flexible enough to operate putting equivalent dedication in both directions. Obviously, when people have no structural methods or frames of mind, it is easier to adopt innovative *philosophies* combining social engagement and profit-seeking.

With reference to this last *modus operandi*, Battilana and Dorado (2010) argue that, even if time-consuming, it reveals itself as the most suitable approach, it is the only one really sustainable in a long-term horizon. They call it *apprenticeship*: it provides for a «*tabula rasa*» approach that selects people not already influenced by institutional norms and schemes, with a free and malleable mindset, easily adaptable to the hybrid context. Concurrently with the hiring process now described, also a *socialization* process is taken into

account. In wider terms, it focuses on training, incentives and promotions, but, more specifically to this approach, it aims first of all at spreading the personal and collective engagement to operational excellence. Continuous and periodical training sessions with presentations and several activities, performance-based incentives, role-playing tests and individual exams to reward employees and confer career promotions are strategic organizational choices to reach that goal.

So, the ideal human resource for *hybrid organizations* may be a man or a woman with no previous experience, no working mental methods, flexible and easily manageable; thanks to right training and motivational processes, he/she would be able to perfectly fit the nature of the firm, operating for the double missions harmoniously.

1.3 The different logics of *Hybrid Organizations*

In 2009, December 3rd *The Economist* published an article arguing the disorientation that was gradually spreading within the business world, the ambiguity of determining the belonging of some companies to the public rather than to the private sector. The title of the article was *The rise of the Hybrid Companies* and it refers to the disappearing borders between the two macro categories, which, since a decade, have started to be less well-defined. Understanding where to draw the line able to split and distinguish the security world of the public from the wherewithal of corporations and private held firms, has become the new challenge (Box 1).

Box 1 *The rise of the Hybrid Companies*

Here are the most relevant sentences from the article quoted above.

«Wherever you look you can see the proliferation of hybrid organisations that blur the line between the public and private sector»

«These are neither old-fashioned nationalised companies, designed to manage chunks of the economy, nor classic private-sector firms that sink or swim according to their own strength. Instead they are confusing entities that seem to flit between one world and another to suit their own purposes»

«... they enjoy the best of both worlds: the security of the public sector and the derring-do of the private sector»

[Source: The rise of the hybrid company, The Economist, December 3rd, 2009]

Even before, in 2007, *the New York Times* had already written about *hybrid organizations*, defining them a new intermediate form of companies that mixes typical features of two opposite segments, the for-profit and the non-profits one. Nowadays, the traditional categorization – public, for-profit and non-profit - that had always represented the economic system doesn't exist, it is no more enough.

Critical environmental changes, like the globalization and the IT development, have entered the scene throwing traditional paths off balance and shaping phenomenon never seen before (Sabeti, 2009).

The increasing attention on hybridity comes from the social entrepreneurs' desire to be more financially autonomous, depending no more exclusively on donations, as well as managers' aspiration of running more sustainable financial businesses (Battilana *et al.*, 2012). In addition, citizens' dissatisfaction with the public politics aiming at overcoming some social problems has made the difference for the development of *hybrid organizations* (Haigh *et al.*, 2015).

Decisions made by companies positively or negatively affect the living conditions for citizens, in terms of employment and economic growth rate, prosperity, distribution of income among population, the industry and trade organization (Bowen, 1953). Individuals require that businessmen with the power of driving decisions should recognize some commitments on taking care and improving the social welfare in conjunction with their individual-company interests (Davis, 1976). In a growing and diffused consciousness of what to consume, where to buy and which business to support purchasing, companies start perceiving a so strong pressure, that they are forced to adjust themselves and their practices (Sabeti, 2009).

Venturi and Zandonai (2014) argue the evolution of the *hybrid organizational form* as the consequence of exogenous, as well as endogenous forces. Firstly, external causes concern the environment with its particular socio-economic and socio-politic mechanisms. More in detail, they refer to the evolution of welfare demands, as a consequence of demographic changes and the new trend concerning people becoming progressively more careful about their health and their consumption choices. Secondly, internal forces are connected to innovative processes responding to emerging needs and human capital, that is increasingly more cultured and aware of social issues.

The development of *hybrid organizations* is in line with the emerging dynamics affecting people, who nowadays put particular attention on several issues that before were set aside. Increasing value is given to social justice, sustainability, environmental impact and healthy living conditions. In this scenario, also companies' behaviours are monitored, not only by their competitors but first of all by their potential consumers. Individuals put the same care choosing their ideal career, hence, also managers and entrepreneurs are moving

in this direction, trying to transmit their personal values and beliefs in their organizations. The company's culture becomes the mirror of its manager's philosophy (Haigh and Hoffman, 2012).

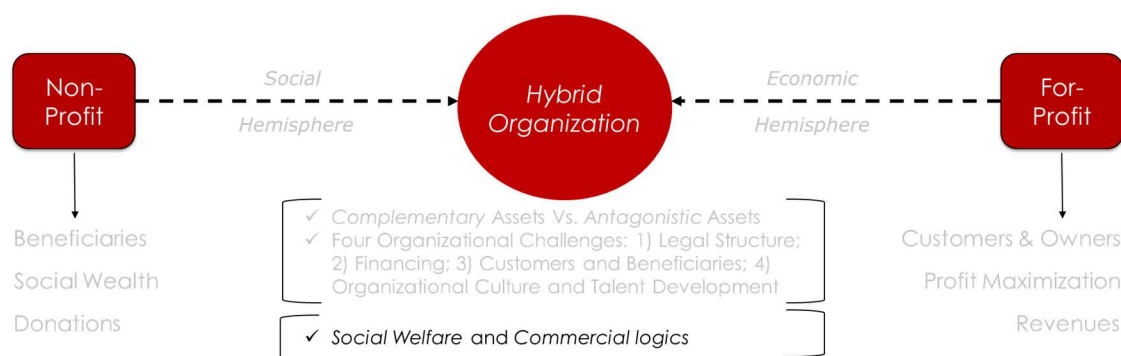
Companies and public organizations are recognizing that the *modus operandi* that has been always the centre of the classic capitalism should be reviewed, the systemic problems concerning poorness and environmental losses are the results of structural market and organizational failures. Rethinking about the organizational design to promote global welfare with long-term vision is the key to sustainable social benefits and profits (Sabeti, 2009).

1.3.1 Social welfare logic and Commercial logic

Combining social and economic mission, hybrids are driven by opposing but complementary logics. It is the focus and pursuit of this complementarity on day-by-day management the critical point.

Pache and Santos (2011), in their paper «Inside the *Hybrid organization*. An organizational level view of responses to conflicting institutional», deal with what they name *social welfare logic* and *commercial logic*.

Figure 4 Combining social welfare and commercial logics in Hybrid Organizations



Source: our elaboration based on Pache and Santos, 2011

Social welfare logic concerns social nature objectives and the way in which they have contributed to form values, methods and practices within an organization. In this context, what drives the every-day activities and decisions is the will of giving a response to social needs. The will of helping unlucky and unemployed people to find a job, winning back self-esteem, is a concrete example of such a logic. Due to logistic practical reasons, such organization tends to stay concentrated at a local level. Maintaining a local focus, the

social institution can perceive more deeply social strengths and weaknesses, better understand the difficulties and necessities.

Similarly, but with a completely opposing point of view, Pache and Santos (2011) consider commercial logic as that vector made of economic nature able to shape organizations' values, methods and practices. The survival of a company depends on its ability to generate profits, that constitute the value reserved for shareholders. With this primary goal, a business should demonstrate to have the capacities to act proficiently within a competitive market, relying on a sustainable competitive advantage.

1.3.2 The two sides of *hybridity*

Through a more structured perspective, Quélin, Kivleniece and Lazzarini (2017), analyzing collaboration among different business and institutions across public and private sectors, present hybridity from a different point of view, considering it with two distinctive connotations, *hybridity in terms of governance* and *hybridity in logics*:

- *hybridity in terms of governance* is depicted as the result of hierarchy, market interaction and contractual negotiations, represents the level of organizational fragmentation. For instance, low level of hybridity in governance means that the organization is unitary, clearly structured with demarcated boundaries. Instead, high level of hybridity in governance means that the organization is composed by multiple partners, also operating in different industries and sectors;
- *hybridity in logics* comes from the phenomenon of being increasingly attracted by pursuing the two antithetical missions, the profit and the social and environmental positive impact. For instance, low hybridity in logic depicts a company where the tendency is to be concentrated on following only one vector of beliefs and values, while high hybridity in logic represents the organization simultaneously aiming at spreading benefits and gaining revenues.

According to the authors, the interesting element to observe is that the two types of hybridity are in some sense related, but not completely correlated (Table 2).

Table 2 *Relation between Hybridity in terms of Governance and Hybridity in Logic*

Hybridity in logics	Hybridity in governance	
	Low	High
High	Social enterprise Unitary organizations pursuing social benefits along with economic/efficiency objectives	(Blended) socially oriented contract/partnership Public-private partnerships or cross-sector alliances with emphasis on social benefits combined with the pursuit of economic/efficiency gains
Low	For-profit enterprise Unitary organizations focusing on economic benefits	Classic public-private contract/partnership Procurement-based public-private partnerships or cross-sector alliances focusing on economic/efficiency gains

Source: Uélin, Kliveniece and Lazzarini, 2017

For-profit enterprise

The for-profit business belongs to the low-low cell. In this case, value, as well as governance, are well-defined and, as it is outlined, it concerns unitary organizations aiming at perceiving an economic benefit. The advantage is the possibility to implement a strategy avoiding conflicts relating to the double mission, even if maintaining the ideal to support needy people.

(Blended) socially oriented contract/partnership

This structure refers to the situation in which the organization is part of something broader, a partnership or a collaboration among one or more for-profit businesses and non-profit organizations or institutions. The result is a complex structure with multiple missions, interests and stakeholders but, despite the undeniable difficulties, it may appear as an incentive for corporations to modify their original business model including other new stakeholders, acting as beneficiaries and interlocutors.

Classic public-private contract/partnership

This cell represents the relationships that could be created between public and private sector in order to reduce costs and pursuing efficiency managing services of public order. In this case, hybridity is only referred to governance, the logic is mostly uniform and focused on economic values.

Social enterprise

The so-called *social enterprise* is characterized by high level of hybridity in logic and low level of hybridity in governance. As a result, it is the perfect representation of *hybrid*

organization: an individual company pursuing the double mission of social benefit as well as the economic efficiency and profit. The following subsection is going to deal with this theme.

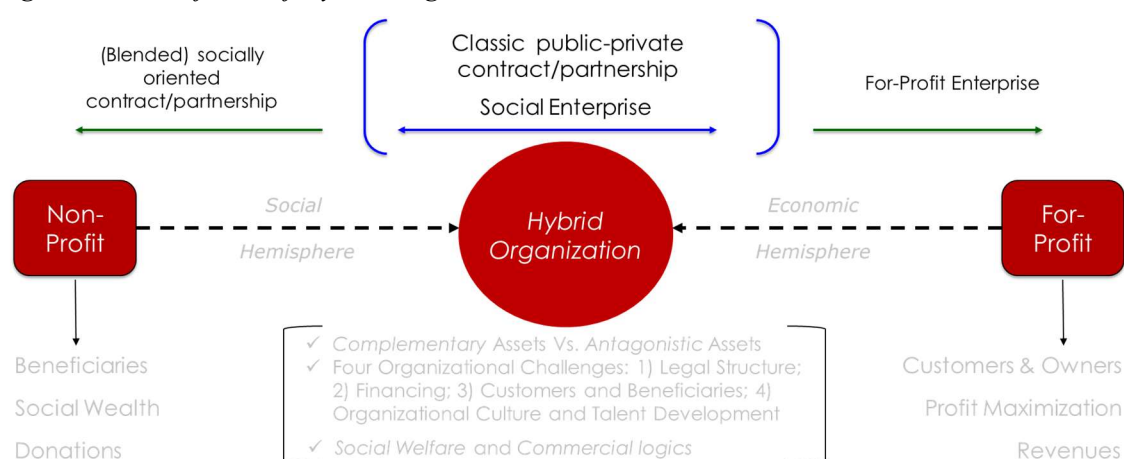
1.4 Differentiated Hybrids and Integrated Hybrids

The social enterprises described above are considered the most outstanding manifestation of hybridity, due to the fact that they pursue social objectives appealing the market mechanisms: they are neither traditional non-profit institution, nor traditional commercial companies (Grassl, 2012; Ebrahim *et al.*, 2014).

Typing on the web *Global Entrepreneurship Monitor* and looking for *Social Entrepreneurship* interesting data are available. In 2015 investigating the theme, interviewing 167.793 people in 58 economies, it has been noticed that 50% of social entrepreneurs (45% of them are women) commit on measuring their social and environmental impact, and 73% invest their own capital on the business.

Starting from the traditional classification concerning enterprises and institutions, Figure 5 shows that, considering the intersection ownership - primary objective pursued, social enterprises are categorized as private companies with the social mission leading position. However, such a categorization is extremely strict and it doesn't represent the real economic situation. As mentioned in the previous paragraphs, hybrid and social enterprises are positioned in the middle of the extremes, for-profit and non-profit organizations. The emergence of such phenomenon has started defying the traditional paths, confusing boundaries. Social enterprises are those entities able to link two opposite hemispheres. In line with hybrids, also social enterprises demonstrate that entrepreneurship has assumed new facets that flow into innovative visions of what is really feasible and possible to manage. As far as the goodness concerns the entrepreneurial intent, competition is seen through innovative eyes and the fact of copying represents a positive signal demonstrating the willingness and commitment of *doing better* and their mission's success (Venturi and Zandonai, 2014).

Figure 5 The forms of Hybrid Organizations



Source: our elaboration based on Uélin *et al.*, 2017

The birth of social enterprises is usually encouraged by the perceived need of a class of disadvantaged people, who have not the economic possibility to enjoy some particular products or services already existing in the market through common commercial firms. Pushed by this lack, social entrepreneurs create organizations able to serve these market shares, offering them more affordable commercial conditions (Eldar, 2017).

With a deeper observation, the typical aspect that social enterprises absorb is the predominance of the social goal over the economic one. Indeed, the social mission seems to be the first driving vector for them, while, on the other side, the profit-seeking goal assumes a supporting role that makes the core social activities feasible (Seelos and Mair, 2005).

As far as activities concern two opposite poles, organizations can be divided in as many groups:

- differentiated hybrids (DH) – they include all the organizations that maintain divided the social activities that benefit the targeted disadvantaged people from that activities addressed to customers and thereby rising revenues;
- integrated hybrids (IH) – they refer to the organizations in which all the activities serve the same target that benefits from them and, simultaneously, contributes to the generation of economic resources (Battilana *et al.*, 2012).

Hence, concerning integrated hybrids, beneficiaries combine the double role, that of individual who takes advantage from the service and that of patron who makes the business

possible (Eldar, 2015). The power of social enterprises compared to standard social programs is the particular ability to grow up on their own, making them self-sustaining (Porter and Kramer, 2011).

Sectors in which this type of hybrids are more present are the microfinance, fair trade products, affordable products in developing countries (Venturi and Zandonai, 2014).

Typical examples of social enterprises are the following (Eldar, 2017):

- Microfinance Institutions, that provide small short-term loans to unlucky people who have no other ways to obtain capital from other traditional entities;
- Credit Development Financial Institutions, offering financial services, like depository, mortgages and loans for small companies and low-income customers in the USA;
- Social Investment Firms, that deal with small investment in disadvantaged entities that are generally perceived as too risky by private equities and venture capitalists;
- Low-cost sellers, organizations offering useful products and services, like eyeglasses and items for the healthcare, to unsuccessful people at lower price in comparison with the market;
- Fair Trade Social Enterprises, companies that buy some of their inputs in developing countries to support small specialized producers (e.g. coffee beans). Involved in communication and promotion initiatives, these firms exploit the premium price paid by their final customers to sustain such a supply chain;
- Work Integration Social Enterprises, that are those organizations aiming at helping people unfortunately affected by systemic unemployment situation, e.g. disabled, marginalized foreigners, ex-detainees.

Despite the for-profit social enterprises' nature is related to the goal of profit-seeking, Eldar (2017) outline the contractual relationship that such organizations should establish and maintain with non-profit institutions, that may be in charge of certifying or controlling them. Indeed, there are some mechanisms through which non-profits have the power to influence for-profit social enterprises:

- Certification mechanism, firms or products that follow certain standards are certified as social enterprises;

- Contractual mechanism, concerns cases in which non-profit organizations ask the for-profit social enterprises to sustain unlucky people offering them what they need at affordable conditions;
- Control mechanism, implemented through non-profits' ownership or voting rights on the for-profit business.

These forms of control are very useful to ensure the good-faith of social enterprises and their commitment on social issues, considering that they may receive donations and subsidies from government and other entities. Hence, this type of hybrids is liable to several categories of stakeholders, i.e. beneficiaries, customers, fundraisers, investors. With reference to this, the study executed in 2015 by the Global Entrepreneurship Monitor found out that in the USA and Australia, Social Entrepreneurs leverage on the following sources of financing: 37% from family, 27% from venture capitalists or private investors, 55% from government fund and grants, 18% through crowdfunding.

Moreover, social enterprises, not only are required to be controlled and monitored, but they are twice as accountable for their double missions chased. In line with this, the success of such organization depends on the achievement of both the social and the profit aims (Ebrahim *et al.*, 2014).

1.5 Shaping Hybrid Organizations

Haigh and Hoffman in their analysis concerning *hybrid organizations* (2012) have highlighted which are the main aspects that distinguish traditional organizational form from hybrids.

In contrast with the common Corporate Social Responsibility (Lindgreen and Swaen, 2010) stating the organizations' commitment on reducing the negative impact caused by their companies' activities without really focusing on creating additional value for the external environment, Haigh and Hoffman emphasize the hybrids' effort, not only on reducing damages, but overall on generating positive impact through the implementation of their processes and products. The point of view becomes wider: engendering positive externalities puts companies in other positions, making them establish more enriching links with other entities.

According to the type of existing interactions and relationships, they divided the emerging differences into three groups: relationship of social-environmental issues to organizational objectives; relationships with suppliers, employees and customers; interaction with the market, competitors and industry institutions. Table 3 summarizes the contrasting elements observed through the comparison.

Table 3 Key distinctive Factors between For-Profit and Hybrid organizations

	Relationship of Social/Environmental Issues to Organizational Objectives	Relationships with Suppliers, Employees, and Customers	Interaction with Market, Competitors and Industry Institutions
For-Profit Firms	Social/environmental issues are addressed only if the organization has the organizational slack (e.g., resources, profit) and a strong business case	Relationships with suppliers, employees, customers, and suppliers primarily functional and transactional in nature. Cost factors are primary	Industry activity is premised on creating markets for traditional goods and services, appropriating and protecting competitive benefits, and altering industry standards for self-serving benefit
Hybrid Organizations	The business model is configured to address explicit social/environmental issues; organizational slack and the business case are secondary	Relationships with suppliers, employees and customers are based on mutual benefit and sustainability outcomes. Costs are considered but only after social and environmental outcomes are met	Industry activity is premised on creating markets for hybrid goods and services, competing successfully with traditional companies, and altering industry standards to serve both the company and the condition of the social and environmental contexts in which they operate

Source: adapted from Haigh and Hoffman, 2012

1.5.1 Relationship of Social-Environmental Issue to Organizational Objectives

While traditional companies usually offer products or services focusing first of all on quality, hybrids enter the market proposing goods able to blend additional values. The mission always concerns across-the-board needs, linked to the society and environment in which they are located.

It is true that also traditional commercial companies, alongside their priority of achieving profit, try to behave taking care of avoiding as much as possible the negative externalities, however, they put it into practice in a different way. Indeed, they usually decide to invest on society and environmental-friendly activities when they are economically strong enough to reach surplus or when they recognize the potential positive impact that they could obtain back as a mirror, in terms of reputation as well as sales. On the contrary, the effort put by hybrid on such issues is not conditioned by the slack or deficit coming from

the balance sheet. The commercial business is implemented with the official declared goal of producing common positive results.

Two important elements connected to this aspect are the *longer time horizon* and the *positive leadership*.

The first one refers to the hybrid's mission that inevitably requires a longer time horizon through which see and plan all the activities and strategies, with respect to the other usual for-profit firms. As long as the double mission is pursued, it appears inevitable to accept the compromise between sustainable growth and slower but stable development. Obviously, as a consequence, hybrids may rely especially on patient capital instead of demanding investors like venture capitalists, otherwise, they wouldn't have the opportunity to grow slowly and maintain the right level of autonomy recommended to ensure the devotion to the missions.

The latter relevant aspect connected to that theme is the *leadership*. The leader at the top of every company should embody the values and the culture of the company, however, for *hybrid organizations* this factor is surely more important. A hybrid leader marries the social and environmental values distinguishing the company, he/she uses them to make consciously all the decisions and to run the day-by-day the business. Positivity, authentic commitment and ethics are the required features for a hybrid leader.

1.5.2 Relationship with Suppliers, Employees and Customers

With reference to traditional companies, they usually base their choices about supplier, customers and employees on efficiency, costs and margins. The value achieved at the end of the transaction is the first element to consider for them, only in a second phase social and environmental aspects are taken into consideration.

Completely different is the hybrid logic: alongside the autonomy that hybrids look for, in terms of control and management, they simultaneously operate very close to the local communities. The strong relationships in which they invest are based on mutual trust, reciprocal benefits, positivity and vitality. Hybrids demonstrate their commitment to the community in different ways, *id est* offering employment to local citizenship, training about specific sustainable activities (e.g. innovative technique in agriculture able to reduce environmental impact and waste), remunerating employees with above-market wages to permit them better living-condition.

These types of relations are strategic also for the organization itself, since they trigger a virtuous vicious cycle: providing to the community valuable employment, with high salaries and the opportunity to continuously learn, the long-term outcome is a well-developed high-qualified local community, able in turn to generate a useful network of prosperity, e.g. also through the establishment of innovative qualified suppliers. Reciprocal benefits are evident and, again, the long-term vision represents a crucial point. Similar dynamics are related to customers and employees. Concerning this latter, the company receives back positive outcomes if it put effort into spreading a sense of family, demonstrating trust and empathy, giving them responsibilities and participative opportunities. As far as the same reflection concerns customers, the hybrid firm can transmit its values and positive *modus operandi* to them affecting their choices and living habits.

1.5.3 Interaction with Market, Competitors and Industry Institution

Traditionally, common commercial companies produce goods or services to attract the wider market share, relying on a distinctive competitive advantage. In this sense, competition is seen as a sort of war, in which the winning businesses represent those obtaining the best results and highest profits. Consequently, companies' interest is trying to modify industry's dynamics and rules to achieve self-serving advantages.

Similarly, also hybrid companies aim at reaching an important position within the market, assuming the leadership in their industry. The breaking point with the traditional businesses, the element that distinguishes the two organizational forms is connected to the motivation, the goal driving the desire to obtain the leadership. While the common for-profit firms act to be different from the rest of the market protecting their ideas, know-how and market share, hybrids' peculiarity is their will of spreading their good practices, sharing ideas and social sense. The act of copying, as already mentioned before in the previous paragraph, is the signal that a positive change has been activated. Hence, the first-mover in this case wins the market, assumes the leadership position and stand in the market as a force driving a social and environmental change. The egoistic approach characterizing traditional businesses is replaced by the will of sharing common wealth and spreading community consciousness.

1.6 The Fourth Sector and the emerging *Benefit Corporations*

Going through the chapter, the concept related to the perception that the company's final goal can't be still measured exclusively in terms of cash flow, but also social welfare and well-being have to be considered, is constant.

Entrepreneurs are leaning towards to re-think their ways of managing the businesses: the growing entrepreneurial *forma mentis* requires business models comprehensive of two additional *layers* related respectively to the environment and the society (Joyce and Paquin, 2016). This phenomenon can be seen as a tendency revolution originated against the traditional capitalism that since several decades has become unsustainable. As far as it had brought richness and prosperity, it had also let companies growing to the detriment of communities and external environment (Porter and Kramer, 2011).

The idyllic *invisible hand* depicted by Adam Smith in his work *The Wealth of Nations* (1776, in Fleischacker, 2009) is overstepped. The illusion of the perfect liberal market that, by letting companies pursuing egoistically individual objectives, would have been able to bring to the general economic equilibrium, is in place no more. The main idea expressed by Smith, i.e. by pursuing his own interest companies promotes that of the society more effectively than when he really intends to promote it, should be re-examined and adjusted through a current vision of what is emerging nowadays. The expectation that, behaving egoistically with no concern about what society and environment need, companies' activities will continue being sustainable forever, is no more credible. Nowadays, implementing business models, companies are required to deal with the external environment facing the issue of sustainability too (Seelos and Mair, 2005). With reference to this, in 1987 the World Commission on Environment and Development, stated the importance of *sustainable development* defining it as:

«development that meets the needs of the present without compromising the ability of future generations to meet their own needs».

1.6.1 Defining *The Fourth Sector*

The above described changes in running business have at least the following two effects:

- The boundaries among industries become flexible and blurred;
- The hybridization between social-welfare logic and commercial logic is a phenomenon becoming constantly more developed and spread.

In 2009, Sabeti defined this way of doing business as *The emerging Fourth Sector*. His approach is consistent with our model:

- Continuum between *non-profit* and *for-profit* organizations – In the Sabeti approach, the extremes are the government/non-profit organization on one hand, and the business side on the other hand. With reference to government and non-profits, they have progressively started to move to the *income zone*, assuming more and more business-like connotations in terms of implemented strategies and market-oriented vision. Instead, for-profit businesses are translating their activities and missions in more sustainable agendas: managing resources and final goods taking care of social and environmental issues and referring not only to shareholders but to a wider range of stakeholders.
- Combination of two logics (social-welfare and commercial) - Sabeti has noticed that something more complex than the mere affinity on organizational practices was in action. Indeed, the occurred evolution has revealed not only a relocation of boundaries or a blurring of entrenched limits, but a totally innovative organizational landscape in which social objectives and business practices coexist together. It is in such a convergence of forces and opposing blocks that the *hybrid organizations* grew up, letting the Fourth Sector assemble.

Box 2 How to implement the Fourth Sector

A common consequence of every revolution is the situation in which everything seems to be unclear and uncertain. The upset condition that has been generated necessarily creates some problem for organizations in managing the activities and finding external backing. These are the reasons why a tailored supportive system is needed. New types of institutions, infrastructures, instruments, services and, more in general, a new culture are required to sustain the development. As far as the supportive ecosystem concerned, a lot of different factors are taken into account, starting from the financial market, going through the taxation, education, marketing and communications channels till technical assistance. In this section, the attention is put on some of the most relevant ones.

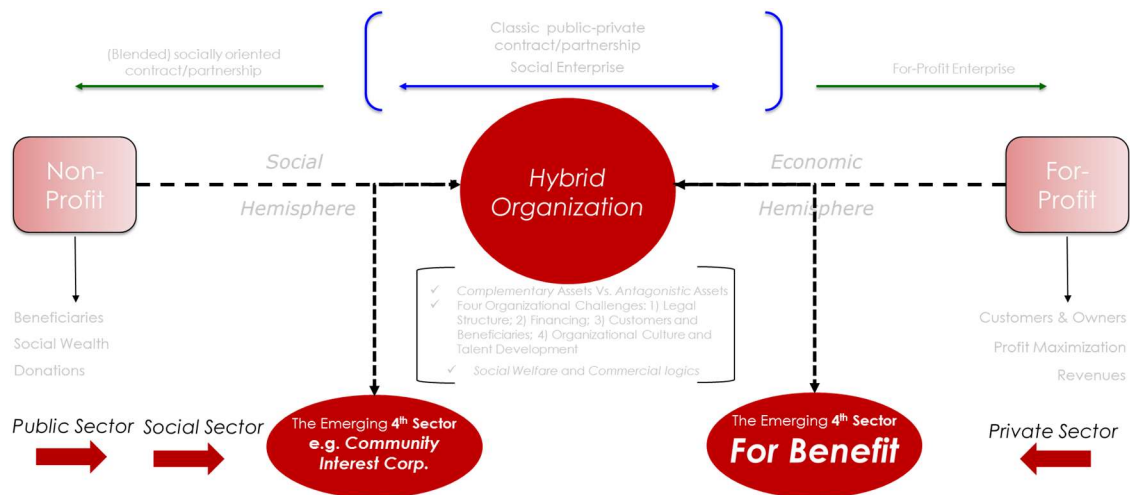
With reference to the financial market, for-profits and non-profits have totally different ways to obtain capital. The available channels are so incompatible that other kinds of innovative investment funds, able to create a bridge linking the two poles, are required. Only fulfilling the existing gap in between, it is possible to create the harmonization essential to economically help firms operating into the Fourth Sector. The same logic is true concerning legal structure and regulation: transparent clear paths and regulations should be provided by international corporate law. Only proceeding in this direction, it would be possible to establish adequate enterprises enjoying the right protection and opportunities. Moreover, conflicting management is a key element to consider when stakeholders belong to several categories with a variety of interests. A traditional corporation, that for its nature should guarantee shareholders maximizing profits, may face some problems on trying to implement strategies considering also societal and environmental issues. When the stakeholder cycle becomes wider, also interfering with shareholders' will, inevitably some conflicts arise, so preventing them through the arrangement of new mechanisms controlling the conflicts would represent a safeguard.

Another important element concerns the relationships to establish within the sector. As is common knowledge, having a solid network and connections with a plurality of different entities and institutions is crucial for the successful management of a business, hence creating an ecosystem able to render them feasible is a central point to carry on the innovation. Only in this way, organizations would have the opportunity to share, first of all, the underlying driving culture with inherent values and beliefs, but also basic knowledge, methods and practices. In line with this type of need, the other further necessity is to facilitate the approach to specialized subjects, like advocates, consultants, strategists and IT technicians, who should be endowed with the capacity to cover the hybrid needs of such a peculiar target as is that belonging to the Fourth Sector.

At the end of the story, the targeted supportive ecosystem is essential to reach a stable and well-structured condition in which all the interlocutors can see eye to eye, understanding each other, bracing up and working for the common final double missions. This concept, so the coherent fit of all the methods and operations, the fact of speaking the same language, is represented by Sabeti (2011) using the term *interoperability*. This, together with a harmonization process, would accelerate the definition of the Fourth Sector pushing the related advantages. It is obvious that such an evolution is an ambitious process that will require a long period of adjustments.

The Fourth Sector merges the boundaries of businesses, non-profits and government resulting in a business model *for purpose*, that represents a consistent synergy of social objectives, economic results and environmental needs (Castellani, De Rossi, Magrassi and Rampa, 2016). The so-called *For-Benefit Organization* is its archetype, *i.e.* a typical example to depict the essence of this emerging sector (Sabeti, 2011).

Figure 6 From Hybrid Organization to for Benefit Firm



Source: our elaboration based on Sabeti, 2009

1.6.2 Why the *For-Benefit Organization* as the archetype of the Fourth Sector

What does *For-Benefit Organization* mean? Which is the message that should be transmitted through such a terminology?

At first glance, it seems it aims at creating an indivisible link between the lucrative for-profit world and the altruistic genuineness of non-profit organizations that operate to

spread welfare and benefit. The intuition represents the actual reality, indeed, also thanks to this terminology, it is possible to practically create that bridge that goes through the Fourth Sectors and the several hybrid organizational models. The two most evident departures from the original extremes concern: on one hand, the theme of stakeholder value for the money-maker firms; on the other hand, the revenue issue for non-profits. With reference to the first one, traditional lucrative businesses usually put the attention on shareholder's value, whereas the for-benefits consider simultaneously a wider group of interlocutors, all the people and institutions related to them or withstanding an impact from them. Concerning the second one, non-profit organizations that for definition commonly don't pursue revenues, approaching the for-benefit alternative, start to consider the additional goal of profit-seeking (Sabeti, 2011).

In Harvard Business Review (2011), Sabeti, a co-founder and trustee of the Fourth Sector Network, defines *The Anatomy of a For-Benefit Organization* splitting the main features into two layers (primary and secondary) and identifying nine *key for-benefit characteristics*:

- Embedded purposes – A commitment to the mission is in the organization's DNA (primary layer);
- Earned income – selling goods or services the organization reach most of the income (primary layer);
- Inclusive ownership, it means that the ownership is shared among a plurality of stakeholders (secondary layer);
- Stakeholder governance, similarly to the ownership, decision rights are distributed among all the interest bearers (secondary layer);
- Fair compensation, collaborators and partners are proportionally compensated (secondary layer);
- Reasonable returns, eventual limitations connected to the allocation of returns to some types of investments support the organization to reach the double missions (secondary layer);
- Social and environmental responsibility, which progressively increases with the development of a coherent network (secondary layer);

- Transparency, since every result and performance concerning social, environmental or economic issues has to be measured, recorded and communicated (secondary layer);
- Protected assets, first of all the asset used for social purposes (secondary layer).

In the future, the Fourth Sector and its connected For-Benefit organization will not interfere dramatically on the other three historical sectors. Indeed, the aim of for-benefit is not to substitute itself to other organizational forms, whereas to fill the gaps existing among them. All of the four sectors will be required in the next future to create and support a sustainable and resilient, competitive but inclusive economic landscape.

1.7 Conclusion

A new economic scenario has started developing as a consequence of the generalized consciousness related to the unsustainability of the actual economic landscape. Some innovative organizational form has gradually appeared, thanks to several social and economic factors, but, first of all, to the desire perceived by a growing number of entrepreneurs and managers to make something good for the people and for the planet.

The hybridity movement is a very interesting theme that the literature is putting attention on. The *Hybrid organization* is a particular category of organizations, characterized by the pursue of a double mission: the profit and the social-environmental wealth. As far as the combination of goals concerns, the achievement of social benefits alongside the financial sustainability causes several additional challenges, related to the legal structure, financial resources, customer and beneficiary identification, organizational culture. However, the most important and basic problem that such organization has to face is the risk of *mission drift*, i.e. the possibility that, trying to reach two opposing objectives, the company would end up verging on concentrating the attention only on one of them.

Some possible solutions to these difficulties have been already outlined in the chapter, in the next one, analysing the innovative organizational form of Benefit Corporation, a concrete example of how to overcome all the challenges caused by mixing more than one mission is presented.

To conclude, in an economic system with as extremes there are, on one side, the non-profit organizations and, on the opposite side, there are the for-profit firms, perfectly in the middle *hybrid organizations* are positioned. Moreover, Social Enterprises belong to

the hybrid category, but it is idealistically more projected to the non-profit side since the social mission is considered the first motivating force. On the contrary, my dissertation aims at describing the context of the Benefit Corporation, that stands on the opposite side in comparison to the Social Enterprise. Benefit Corporation is integrated into the hybrid sector, but sliding to the for-profit sphere. Next chapter tries to understand the organizational and managerial implications that this new type of firm entails, in terms of governance, organization and strategy.

BASIC ORGANIZATIONAL CHALLENGES FOR *BENEFIT CORPORATION*

2.1 Introduction

On March 26, 2012, Robert Shiller, Nobel Prize for Economic Sciences in 2013 and founding father of the Behavioral Finance, explains on the occasion of the *Carnegie Council for Ethics in International Affairs* the Benefit Corporation, an innovation in the USA legislation. Describing it, he stated:

«It's an experiment like Wikipedia was an experiment...and I'm betting on this experiment. I think this will make more profits than others».

Again, in 2012, John Montgomery, corporate attorney, entrepreneur, executive coach and writer, argued the same theme during the *TEDx HultBusinessSchoolSF* in San Francisco. He outlined several aspects comparing corporations to responsible global citizens:

«...It's really time to awake the corporate conscious. Optimize good and profit...»

One year later, on February 2013, for the first time in the history of corporations, a charter states the pursue of *happiness*. Happiness of everybody belonging to or related to that organization, whether the owner or other people with different roles and connections. The company is Nativa S.r.l., first Benefit Corporation in Italy.

The three episodes here mentioned are clear signs that something is changing rapidly, that new ideas, new paradigms are entering the economic landscape bringing incredible news and innovative points of views.

The present chapter aims at analysing the Italian way of doing hybrid businesses, giving a clear picture about how the world, with a particular focus in Italy, has interpreted hybridity and the double mission on the side of the for-profit sphere.

The chapter starts describing what the Benefit Corporation is. Beginning with the question presented in the previous chapter concerning the challenges arising out of hybridity, the following sections show how the Benefit model has practically solved them. At first, a description of the legal statement is given and a related study concerning the governance and the decision-making process is performed. Second, taking into consideration the issues of culture and talent development, themes like people, vision and reputation are evaluated. Third, having in mind the challenges related to financing and customer-beneficiary identifications, the last paragraph considers how the Business Model is affected.

Discussing the different challenges and rise of the Benefit Corporation, each paragraph is enriched with some interesting testimonies by Italian entrepreneurs who have decided to become Benefit:

- Alfredo Zordan representing Zordan Srl Società Benefit, a manufacturing company specialized on the production of design furniture that creates tailor-made solutions for the retail industry and for private customers;
- Andrea Magnani representing Be Training, a consulting enterprise offering ad hoc training services for organizations, managers and employees;
- Andrea Filippi representing the Pasticceria Filippi Srl Società Benefit, an expert company producing Panettone, Colomba and other cakes;

and other qualified people who have chosen to approach the Benefit Corporation world as base to build up their work:

- Giulia Pische, who, through her company The Opportunivore, creates synergies among the enterprises that want to generate a positive social impact, supporting them and trying to understand with them how, also focusing on new technologies. The motto of the company is *Doing good make sense the business too*;
- Anna Cogo, as representative of Nativa, the Italian Country Partner of B Lab, entities promoting the B Corp movement.

2.2 Designing Benefit Corporation: Legal Structure and Governance

The Benefit Corporation is a new official legal entity introduced by governments to fulfil the existing gap between the opposing poles of for-profit and non-profit organizations.

Benefit Corporations are for-profit companies that, managing their commercial activities, commit themselves on creating a positive impact on society and environment.

The country that for the first time has structured the law to give enterprises the opportunity to transact as a common company pursuing profits and a common wealth, has been Maryland in the United States. In 2010, the first legislative article accepting the existence of Benefit Corporation stated:

«A Corporation may elect to be a Benefit Corporation under this subtitle by amending or including in the chapter of the corporation a statement that the corporation is a Benefit Corporation».

On 1st January 2016, in Italy, enter into force the Corporate Law n. 208, that sets forth the possibility for a company already formed or a startup to adopt the legal status of Benefit Corporation. Italy has been the first nation after the United States to include such a news, reaching for this reason, a leadership position.

The article n. 1 of the Italian Legislative Decree n.1882, defines Benefit Corporations as those corporations that:

«...during the business, alongside the goal of profit sharing, pursue one or more objectives of common benefit and operate with responsibility, sustainability, transparency for people, community, territories and environment, cultural and social goods and activities, entities and associations and other interest bearers».

The turning point concerning the introduction of this type of organization is that the company formally commit itself to pursue additional goals alongside the economic results. The formalization is real: the commitment assumption is explicitly declared in the corporate charter. Hence, becoming a Benefit Corporation requires the alteration of the charter, but also the company denomination. As far as the denomination concerns, at the end of the corporate name, the acronym *S.B.* should be added.

The legal structure gives solidity to align the double mission of *profit* and *benefit*, rendering them sustainable and durable in the long run.

From a legal point of view, the theme of Benefit Corporation is so innovative that it is the main character of some debates and related to this, Yosifon (2017) suggests the development of a reform to further push the freedom granted to Corporations, considering the issue of shareholders' primacy or multi-stakeholder governance.

The first Italian company that has become Benefit Corporation is Nativa S.r.l., the Italian entity dealing with the promotion of the movement at a national level. It acts as Country Partner of B Lab, the American promoting authority. Paolo Di Cesare and Erik Ezechieli are the people who have brought the B Corp philosophy in Italy, writing Nativa corporate charter as follows:

«The Corporation's ultimate aim is the *happiness* of everybody who take part in it, owners or people with different roles, through a motivating and satisfying commitment to a successful economic activity. The company wants to accelerate the positive transformation of the economic paradigms [...] moving towards a systematic regeneration of natural and social systems. Its activities aim at creating a Benefit – a positive impact – on people it interacts with, on society and environment to which it is a party».

It appears immediate the paradigm shift: the company has the power and the engagement on generating simultaneously economic, social and environmental value. The economic system has changed, it deals no more with good products, but with *good companies*. These last ones are businesses taking up the so-called *triple-bottom line*, representing people, planet and profit, the three pillars (Stecker, 2016).

Moreover, the innovative legal form boasts two important advantages in unusual occasions that may occur during the corporate life. As far as the entrance of new investors or leadership turnover concerned, the Benefit Corporation status declared in the charter protects the mission. Also with reference to ownership transfer, entering shareholders have no possibility to ignore the social and environmental mission. In this sense, the commitment is ensured and entails an enduring long-term horizon, it is not perceived as a volatile engagement with the goal of reaching higher revenues in some period of the year. Furthermore, acting as an official Benefit Corporation, the pursue of the positive impact on society and environment is supported also in case of listing on the stock exchange.

These factors indisputably help to outline the strategic role of such a legislation. There are some authors arguing the uselessness of the Benefit Corporation law. With reference to this, Loewenstein (2013) asserts that this additional corporate form is not necessary. Again, Chu (2013) supports the same idea claiming that other legal status are flexible enough to be adapted according to the entrepreneurial needs and the desire of pursuing social missions.

Our dissertation aims at giving a demonstration that the reality is different. The legal form of Benefit Corporation has an effective strategic role due to the fact that the company consciously decides to operate going beyond the mere Corporate Responsibility. The turning point is the formalization of new corporate duties, which the company commits to becoming liable and legally indictable. Such a strong point puts the sustainable company into another level. With reference to this aspect, art. 4 of the Italian Benefit Corporation legislation states that the breach of social and environmental obligation the company has committed to, may be considered

«As a breach of the duties imposed by the applicable laws and the by-laws upon the directors of the company».

In the form of Benefit Corporation, the company acquires the duty of providing a *general public benefit*. It represents the concrete managerial positive impact that the company should generate on society and environment. Furthermore, the firm may apply for offering a so-called *specific public benefit*, i.e. a positive impact targeted to some particular issues, like the human health or artistic manifestations (Munch, 2012).

The Model Legislation, that, even if modified state by state, represents the basis for the Benefit Corporation law in those countries that had adopted it, declares in details a list of seven different specific public benefit: providing low-income people or undeserved individuals with useful services and products; creating ad hoc work opportunities for unsuccessful people, beyond the natural course of business; protect the environment; promoting human health; supporting the arts, science and knowledge; sustaining investments for entities pursuing a general public benefit; lavishing any other benefit to the society or to the environment (Loewenstein, 2013).

As far as the controlling aspect concerned, Benefit Corporations are required to prepare and share on their websites an annual report to demonstrate their results in terms of achievement of social and environmental purposes. Art. 4 included in the Italian Benefit Corporation legislation concerns the Annual Benefit Report. It has to be attached to the annual financial statement and should involve:

- A punctual description of the goals, modalities, operations and activities put in practice to reach the mission and create positive impact and *public benefit*;

- A third-party evaluation of the spread impact, using the specification suggested by the law (in Annex A and Annex B);
- An additional list of new good objectives fixed for the following year.

Hence, alongside duties related to the wealth, the law considers also some measures in order to guarantee directors' awareness and control their operations and decisions (Munch, 2012). The reporting function aims at guarantee shareholders' interests, that otherwise may become blurred falling into the background (Hasler, 2014). With reference to this, Table 4 shows the criteria through which the third-party evaluation should be managed: completeness, independence, credibility and transparency are key-words.

Table 4 Annex A: Third-Party Standard

Third-Party Standard should be:	It means:
Comprehensive	It estimates the impact that the company through its activities and processes has generated aiming at pursuing General and Specific Public Benefits
Independent	It is edited by an independent entity, i.e. with no relationship with the Benefit Corporation or that is not controlled by it
Credible	Developed by an entity that: <ul style="list-style-type: none"> • Is competent for evaluating the social and environmental impact • Edit the standard based on a scientific and multidisciplinary approach
Transparent	Information are disclosed: <ul style="list-style-type: none"> • Criteria and weighting employed • Identity of people belonging to the Board of Directors of the entity that elaborates and controls the standard • Methodology by which revisions may be made • A report disclosing the entity's sources of financing to rule out the possibility of some conflicts of interests

Source: adapted from Italian Legislative Decree n.1882

Moreover, Annex B, summarized in Table 5 concerns four categories of evaluation areas: Corporate Governance with the related level of transparency and liability; workers; other stakeholders; environment.

Table 5 Annex B: Evaluation Areas

Corporate Governance	Levels of transparency and liability are taken into consideration; degree of involvement of stakeholders and transparency related to practices and processes are judged
Workers	Relationship existing with collaborators are evaluated considering: salaries, benefits, training, career opportunities, quality of internal working environment, flexibility, job security
Other Stakeholders	It concerns relationships with suppliers, local communities, cultural and social activities, but also supporting activities for the development of the value chain
Environment	Level of attention put on the environment by the firm for all the activities and processes: resources, energy, logistic, production, material recyclability.

Source: adapted from Italian Legislative Decree n.1882

But, consider all the liabilities and duties related to being a for-profit company pursuing simultaneously the common wealth, how can the governance be structured in a Benefit Corporation?

Moreover, applying for this innovative legal status, activities connected to the pursue of social and environmental benefit become integral parts of the corporate strategy. Hence, a further question arises: how may the decision-making process be implemented in such a hybrid context?

Questions for on field research 1

Starting from a theoretical framework, we derived the following question:
What do you know about Benefit Corporation?
I'm already a Benefit Corporation,
I know it and I'm thinking to turn my company into a Benefit Corporation,
I've just heard about it,
This is the first time that I hear about it.
 Developing this question, we expect to notice what we have called a learning process that can be described as follows: *more a business is near the Benefit Corporation's values and beliefs, more it will modify and adapt its behaviors and organizational structure.*

Case Study 1 Andrea Mancini, Be Training

I'm the only business partner, hence I had no duty to share with others this decision. I had no duty but I had the pleasure to share my idea with all the collaborators. We are mainly a group of external collaborators but we act as there was an employee relationship, also with reference to the services and relationships that we dedicate to our clients. Decisions are made in a horizontal responsibility system, thus I discuss with my collaborators before. There is transparency for everyone. We have the balance sheet on the wall and I would like to render it more useful to guarantee an easier and pragmatic reading of it, able to let us make some particular choices. We are adopting the boss-less system, it means that we have some projects and everyone should participate to each of them according to his/her will and to the perception of being able to positively contribute to it.

Case Study 2 *Alfredo Zordan, Zordan Srl Società benefit*

The will to turn the business into a Benefit Corporation has started by us, the managers. We shared our intention with the owners. This was a mandatory step to formalize the transformation in front of the notary.

Amending the corporate charter has been a fundamental phase because writing is completely different from saying something. When you lay down black and white is like when you sign a contract: if you just talk about an issue, it may be good but it risks to be only theory or an idea.

It is when you formalize something that you really became aware of the guiding principles. In this way, also the decision-making process is simpler, the work becomes easier because of the creation of particular limitations: it may happen that some interesting opportunities appear but you know that you are not allowed to accept them due to some unacceptable conditions that are in contrast with the pursue of the benefit missions. Having these types of limitations let us say “look, we cannot act in this way because we are a company belonging to this category”.

Hence, being a Benefit Corporation entails barriers that protect the organization from negative influences. Moreover, writing clearly the good corporate objectives push the whole firm on doing always better.

Case Study 3 *Andrea Filippi, Pasticceria Filippi Srl Società Benefit*

We have known the Benefit Corporation and the B Corp Certification thanks to one of our client that was already certificated and then we met Nativa that has helped us during the transitional phase.

I have immediately thought that we were already in that direction because we had already implemented some good practices. The issue was that till that moment we were not able to measure them, neither to work for purposes trying to reach day-by-day.

Being Benefit Corporation is a matter of mentality. For every action you have to make as entrepreneur, you have different solutions and numerous ways to do it and each of them entails particular consequences on the society, on the environment and on relationships.

The Benefit Corporation status requires us to consciously evaluate every practice and process to try to improve it and understand the impact. A concrete example for us concerns the ribbon for the package: it has always been in plastic but we wanted a more natural material so we started to investigate and we have discovered on internet an innovative recycled spun. Now our ribbon is more beautiful than before and it makes good. The same has been done for the ingredients and the packaging.

Becoming Benefit Corporation may represent a radical change for the daily decision-making process, it push you to rethink to all the activities to constantly improve them.

Case Study 4 *Anna Cogo (Nativa) and Giulia Pische (The Opportunivore) describing the typical Benefit Entrepreneur*

Entrepreneurs who decide to approach the Benefit Corporation community are those entrepreneurs who have perceived the need of acting differently. They think that through their business they can generate a the common good.

When they meet us, they identify their values and their interests on our words.

A lot of them come to us to enter in contact with the topic and take some information, then they start to consider the certification or the transformation working on the first impact evaluation.

The entrepreneurs really interested to the theme do not consider the Benefit Corporation as an accessory activity, they are aware that it would represent an integral part, a pillar of the whole corporate strategy.

The Benefit Entrepreneurs aim at concretely understand what could be done differently, they evaluate all the processes and the activities linked to the business.

These concepts recalled by Anna Cogo are perfectly in line with Filippi who stated their wish and enthusiasm on re-think about all the activities, from the simplest to the most complex ones. In the same way, also Alfredo Zordan outlined the total and systemic viewpoint that the Benefit Corporation adoption implies.

Giulia Pische has described the figure of the Benefit Entrepreneur from a more structured perspective, stating that *three different types of entrepreneurs exist:*

- 1. The entrepreneur who has already positioned his company as a B Corp but he does n't know it, he is naturally aligned to the Benefit Corporation values;*
- 2. The entrepreneur who want to find his MTP (Massive Transformative Purpose) and for this reason he tries to create a positive social impact but he doesn't know yet;*
- 3. He knows nothing about the Benefit Corporation and its values but he heard about it and he decides to deepen the topic because it may render his company more profitable.*

According to the entrepreneurs Magnani, Zordan and Filippi, it seems that all of them belong to the first group.

2.3 Designing Benefit Corporation: Organizational Culture and Talent Development

In the previous chapter, it has been argued the challenge related to the workforce of a *hybrid organization*. Due to the hybridity and the related double mission it appears very difficult to find a successful way to engage a group of people able to harmoniously cooperate for reaching the same goals, putting equal effort on pursuing each mission. The risk of mission drift or internal conflicts is very high.

With reference to such a problem, the legal form of Benefit Corporation may represent a successful solution. Indeed, due to the fact that the company in any case is a for-profit organization, employees maintain the same characteristics of the other commercial firms. The dissimilarity is perceived only in terms of corporate values, that in a Benefit Corporation may be perceived in a more evident and strong way by every interlocutor. Hence, the risk of mission drift is not a real issue and a clearly defined human resources management, able to motivate and create a common shared organizational culture among employees may be the key to success.

With reference to this and to the delivery of a positive social and environmental impact, the role of who is so-called Benefit Director in the United States, is extremely important. The Italian Benefit Corporation legislation, in Art. 4, mentions the identification of the individual or individuals in charge of functions and assignments intended to the achievement of objectives declared in the charter. Hence, a person from management should be elected and entrusted with reporting and controlling tasks for what the social and environmental mission concerns.

As far as the Benefit Director concerned, Model Legislation requires him to be an independent person in order to be able to give an opinion, that has to be included in the annual benefit report, concerning the management and the activities implemented to achieve the *public benefit*. According to the Delaware legislation, the internationally recognized leader in Corporate law, having a benefit director is an option. Anyway, when he/she is present, he/she has to give a description of directors' and officers' actions.

This figure appears very important due to the consequences that being a Benefit Corporation entail in terms of organizational culture, values, vision and, first of all, reputation and attractiveness related to the external environment (see Case Study 8).

Moreover, being a Benefit Corporation works as a magnet to attract young keen people. The survey elaborated by Deloitte (2017) concerning Millennials and their perception of the actual world and work opportunities has found out interest trends strictly related to this issue. What has been proven is that businesses behaving responsibly are positively seen by young people, even if nowadays companies often do not act as should be done to improve social issues. Moreover, the survey outlines the interesting relationship between millennials and work opportunities engaging in *good causes*. Indeed, since young people appear very committed to acting to create a positive impact, companies increasingly offer job opportunities leveraging on their motivation and will of linking business activities to good social and environmental impact. In the second section of the survey that is named *Business as a force of positive change*, the greater part of respondent declares itself *pro-business*, 76% in 2017 consider the business a powerful entity able to drive to positive social and environmental changes. Another impressive result concerns business leaders: 62% of millennials consider them engaging in supporting society improvement. Also comparing the actual data with those collected in 2015, the trends are positive and display a growing confidence of young people. More in detail, business is perceived as a force

having the particular potential of enhancing: education, competences and skills, economic stability, cybersecurity, health care and prevention, unemployment and environmental issue like climate change.

Starting from these results, it appears authentic the attractiveness that a Benefit Corporation would have on people looking for a job. The recognition that a business is strongly committed to sensitive issues and act accordingly to the philosophy of *do-good*, represents a very appealing element for people (Demetriou, Papasolomou and Vrontis, 2010). It is true not only for employees, but also with reference to partnership opportunities, customers and investors.

As far as employees retention concerned, the image sent by the company and the *good* values in which the organization formally believes are very prevailing aspects that motivate collaborators to stay within the organization. Moreover, this condition makes them feel their affinity with something powerful that may drive the development and improvement of the society and the environment. In some cases, companies with the Benefit Corporation status have formalized policies with particular criteria taken into consideration during the recruiting phase to select those people who demonstrate personal conformity to the corporate values and philosophy (Stubbs, 2017). Being embedded in social missions, both the company and its employees, builds up the basis for a strong long-lasting bond. The will of pursuing the multiple missions and, in wider terms, the values and the cultures have to be rooted in the company and the employees, too (Stubbs, 2017).

This aspect is rationally explainable through the theoretical framework elaborated by Maslow (1954 in Costa and Gianecchini, 2013). Indeed, in his hierarchy of human needs, he put at the top three layers that are, respectively, belonging, self-esteem and self-actualization. Concerning a Benefit collaborator, working following the good mission alongside the profit, he/she perceives the opportunity to satisfy all the three layers of needs, reaching the top of the pyramid. In this sense, the benefit collaborator is pleased to work, feeling the added value of every implemented activity. Moreover, also McClelland's theory (1961 in Costa and Gianecchini, 2013) argued the relevance of motivation, putting the attention on three main driving aspects, i.e. the achievement need, the power need and the affiliation need. According to the individual and personal being, employees working in a Benefit Corporation may feel inspired due to the fact that they may create every day

a portion of public benefit, they may positively affect other people and they are part of a group of cooperating individuals believing in the same *good* values.

On the other hand concerning leadership aspects, as *hybrid organizations* do, also Benefit Corporations encompass a positive and committed leadership (Haigh and Hoffman, 2014). Management transmits passion and mutual benefit with all the stakeholders involved in the organizational activities, obviously including the collaborators (Stubbs, 2017).

Questions for on field research 2

Using as a theoretical framework the working paper *Characterising B Corps as a sustainable business model: An exploratory study of B Corps in Australia* made in 2017 by Wendy Stubbs, we elaborated the question as follows:

How much do you agree with the following sentences?

Making my company grow is the most important thing for me

I invest in training because making the collaborators grow up is the right thing to do

I trust on my team and I'm willing to delegate decision-making

Making decisions I always consider my collaborators' ideas and needs

I want to actively participate to the local community development

My company has become what is now, thanks to the local community support

I want to regularly invest part of the income in projects for the public wealth

The employees are workers, they are not friends

The profit is not the only mission for my company

My firm may contribute to the community welfare

I want to regularly share information concerning the corporate management and strategies with all my collaborators

As it can be noticed, this question was about general principles related to the Benefit Corporation theme.

The goal was to reach a first perception of entrepreneurs' *sentiment* concerning issues like employees, the external community and investments for public wealth.

Case Study 5 Andrea Magnani, Be Training

We take care of our employees, we have the idea that people have to work for what they are inspired to do and they should have the freedom to manage their time as they want. Obviously, collaborators have formal working hours because it is required by the contract, but it is not a corporate request.

For the selection phase we first of all filter the base requirements, i.e. the education level, the competencies. Then, when we meet the candidate we immediately share with him/her our corporate values. We have always acted in this manner and now it is more important than before because of the corporate charter stating these formalized missions.

Case Study 6 Alfredo Zordan, Zordan Srl Società benefit

We turned into Benefit Corporation on October 2016, now (January, 2018) we clearly notice an effect on every employee belonging to all the different functions.

In this sense, the most important office is the purchasing department because they manage the relationships with the suppliers, so they are one of the most externally influenced areas of the organization. We have developed some formalized policies concerning the purchasing

activity: when there is the opportunity, we give priority to materials that are certified as sustainable, even if they cost a bit more. Obviously, we have fixed some rules, if the price spread is too high we cannot endanger the profit linked to that project or that client, neither we can lose the job because our prices are out of the market.

From the beginning, we shared our ideas with all the people and they became more inspired in their work. Now, our employees are proud to work in this company, they feel also the need to talk with their friends about these concepts and this particular way of making business.

Now we have some employees taking advantage of teleworking. It is the consequence of a growing trust on people that share the same vision and the same mission of the organization. Due to the transformation we lost someone but those who have decided to embrace our decision are employees having our full confidence. As a result of such a trust, we have introduced also flexibility on working hours.

With reference to the selection process, we are working with an external agency and we asked them to evaluate the candidates 50% for their CV, capabilities and experiences and the remaining 50% for their personal interest and motivation on joining our organization. We want trusted people and our wish is to make them to auto-select on their own.

As far as the training concerned, we are required to regularly organize training courses to update people about B Corp and sustainability issues.

Marta Zordan is the Benefit Director. She is the person in charge of the impact and the writing of the impact report. In concrete, she defines the KPI and there is a team that should collect and monitor the goals achievement.

At the end of the year she has to check the results and eventually make some adjustments to redefine the objectives for the following year. On January and on July of each year, they make a meeting to discuss what has been made and what they want to reach. Moreover, also other additional meeting can be organized during the year if necessary: on December 2017 for example, I personally asked to meet everybody because it was a very stressful period and I wanted to stop ourselves for a moment to discuss about it. I think that sometimes firms ask workers a lot of effort without giving them the consciousness of what there is behind that; I wanted to explain them that their work was fundamental and would have brought positive prospects.

Case Study 7 Andrea Filippi, Pasticceria Filippi Srl Società Benefit

We are still developing as Benefit Corporation, it is a long process that every day evolves, gradually engaging more and more the collaborators. To support this evolution, we have organized for them some activities like a beach-volley competition.

I am the Benefit Director, I am in charge of defining the objectives and control the achievement.

I think that a good Benefit Director should have communication skills and be able to work on team to be effective on transfer the values and beliefs influencing all the interlocutors. Propensity to innovation is another very important characteristic, as often the little ideas are those that make the change.

Case Study 8 *Anna Cogo (Nativa), Giulia Pische (The Opportunivore), the HR Management and the Benefit Director*

As far as the organizational culture concerned, Anna Cogo outlined the relevance that collaborators have within a Benefit Corporation or a Certified B Corp and in line with this Giulia Pische adds:

Some changes on HR management could be necessary but it depends on the type of entrepreneurs and on the starting point of the company's organization: the first type of entrepreneurs, who is already naturally aligned with the Benefit Corporation values, is already adequately structured; the second type may decide for example to create new rewarding systems or other benefits (the opportunity to the psychology for free, to use the services reducing the stress...). All of these initiatives help to build a positive work place, where people can work better and with serenity.

The interesting trend is that becoming Benefit Corporation may bring more profitability because people are motivated, more cohesive and willing to work on team and obviously this flows into positive results.

She continued talking about the Benefit Director: *it may be compared to the common CSR Director but he has more standards and processes to follow, those declared in the BIA. He has to be able to rationally measure the impact.*

Similarly, Anna Cogo said that *an official job description does not exist, it depends on the business. Anyway, it should be better to choose an internal person, not an external consultant. Since the strong relationship of the role with the Top Management Team and the strategic choices, it is important for the Benefit Director to be completely embedded on the organizations, with a complete overview of all the mechanisms and processes.*

This is completely consistent with what our three entrepreneurs make: the Benefit Director in Zordan is Marta Zordan, member of the family and the TMT; Andrea Filippi is the owner, manager and Benefit Director in Pasticceria Filippi; Andrea Magnani is the owner, founder, manager and Benefit Director of BeTraining.

Moreover, Giulia Pische added her opinion of what that strategic figure should be in charge to do: *it would be important for the Benefit Director to assume a more strategic role: he should create synergies with all the other B Corp to create a powerful network. My work is also to incentivize this network, but it would be better to integrate also an additional activity developed within and among the companies.*

2.4 Designing Benefit Corporation: New Business Models

In the previous paragraph, concerning the several challenges that hybrids have to face, the themes of *financing* on one hand, and *customers and beneficiaries* on the other hand have been mentioned.

Starting from the definition of Benefit Corporation and declaring them as organizations which, alongside the profit maximization to share among the shareholders, pursue the additional mission of creating a positive social and environmental impact (Hasler, 2014; Fomcenco, 2016; Cho, 2017), some reasoning can be made.

As already mentioned before, Benefit Corporations operate taking into consideration not only shareholders' interest, but also those of a broader range of stakeholders (Alexander, 2016). Freeman, the father of the so-called *Stakeholder Theory*, was the first in 1984 that gave rise to the studies about stakeholders, intended as those groups or individual who directly or indirectly have the potential to influence the company's success or failure (Freeman, Harrison, Wicks, Parmar and De Colle, 2010). More in detail, stakeholders may represent employees, shareholders, communities, customers, suppliers and other types of collaborators, governmental institutions and the natural environment (Joyce and Paquin, 2016). Consequently, all the categories listed above are beneficiaries of the activities and choices made by those companies that have embraced the value of *doing good*. According to the literature (Stubbs, 2017), Benefit Corporations do not consider shareholders different from the other groups of interest bearers and they work closely with all of them to limit as much as possible negative impact to expand the general common wealth. Trivially, the category named *beneficiaries* considers also future generation, that, thanks to a more sustainable way of doing business, will enjoy a better world, in terms of natural and human conditions (Stubbs, 2017).

Hence, customers may be only a part of beneficiaries. The first ones are those who practically buy the product or service, the latter are those individuals that directly or indirectly gain a benefit of whatever nature.

An important advantage that the Benefit Corporation status entails, is related to the power of *branding*. In this sense, the opportunity that this type of companies has, is to bet on marketing strategies, to communicate to the external environment their strong sensible consciousness and attract not only devoted consumers, but also aware partners sharing similar *good* ideology and spirit (Cho, 2017). Indeed, it is already known how consumers' choices are affected by the companies' behaviours: people buying a brand committed in good causes instead of others, aim at incentivizing sustainable practices, feeling to actively contribute on generating positivity (Barone, Miyazaki and Taylor, 2000). *Branding* does not represent a marketing trick, but the added value, the distinct competitive advantage that this category boasts. Consumers appreciate their edge over, they pay attention to how the production takes place, where, which are the employees working conditions, and how they affect the natural surroundings. Simultaneously, consumers through

their purchasing choices, want to repay responsible businesses for their effort and condemn the others for the damages and unsustainable behaviours (Fomcenco, 2016).

Moreover, alongside the responsible consumers, associating a brand with the Benefit Corporation title is appealing also for other businesses. As far as potential partnerships concerned, Benefit Corporations choosing companies with whom to cooperate, give priority to those entities presenting the added value of sustainability or social and environmental awareness (Cho, 2017).

From a financial perspective, attracting customers and rising sales mean pushing growth and lastly being able to reinvest in new product and service, good for society and for the biosphere. Being focused on making *profits with a purpose* is the key. With such a perspective, the profit takes on a broader connotation (Stubbs, 2017).

Already in 2007, in the article published in the New York Times, it was argued about the increasing interest of investors to the themes of sustainability, willing to confer patient capital. Hence, both investors and companies have started to understand that an investment that is more expensive today, may bring longer-term profits. The more lucrative and sustainable results may come from the progressively costs reduction, e.g. considering less negative externalities, or from higher revenues, e.g. due to the possibility to sell products or services at higher prices or because the *green* offer attracts a huge number of customers. According to the article, nowadays it has become riskier to invest in a *bad* business, i.e. that do not spend time on limiting the negative impact on society and environment. Also Stubbs (2017) outlines the complexity of financing a Benefit Corporation considering the shareholders. Public listed companies without the freedom own by the entrepreneurial firms have the disadvantage to account for the financial results; however, they may be supported by the so-called patient shareholders, which because of the interest put in multiple issues, allocate higher value to companies acting for the public common benefit even if the longer time horizon.

With reference to this, on February of this year (2017), the first American Benefit Corporation went public. The first *benefit IPO* has as protagonist the world's largest higher education company, Laureate Education. It is a clear sign that something is changing, not only for what concerns consumers' purchases, but also for financing processes. As far as it concerns, Alexander Frederick, Head of Legal Policy at B Lab, the non-profit organization driving the movement of Benefit Corporation, stated (www.csrwire.com):

«Investment strategies that maximize share value at the expense of other stakeholders simply don't work in the long run; they destroy more value than they create. Mainstream investors are now buying into a new paradigm».

B Lab explains the five reasons, translated into general trends, that are pushing capitals to the Benefit Corporation:

- Sustainability improves the performances, indeed, as the Nobel Prize Robert Shiller forewarned stating that Benefit Corporation may have better performance than the other traditional business, there are several studies (Clark, Feiner and Viehs, 2015; Eccles, Ioannou and Serafeim, 2014) supporting the idea that companies following sustainable practices obtain higher return on investment;
- The attention has been moved from the stockholders to the stakeholders, i.e. a committed and conscious strong governance, focused on important values and beliefs, may manage the activities reducing the risk in the long-term;
- Entrepreneurs want to protect their mission, since benefit entrepreneurs change their legal status amending their charter, this represents for investors a clear sign of belief flowing into certainty;
- Talents select those companies that generate a positive impact, indeed, as already mentioned before, the study elaborated in 2017 by Deloitte shows how themes like sustainability and good processes are important for millennials and drive their job ambition;
- Non-financial information have become fundamental, and this is demonstrated by the analysis performed by Ernst&Young in 2015 that found out the increasing attention put by investors on those businesses that are as transparent as possible. In this sense, financing a Benefit Corporation may appear a profitable choice due to their additional reporting duty.

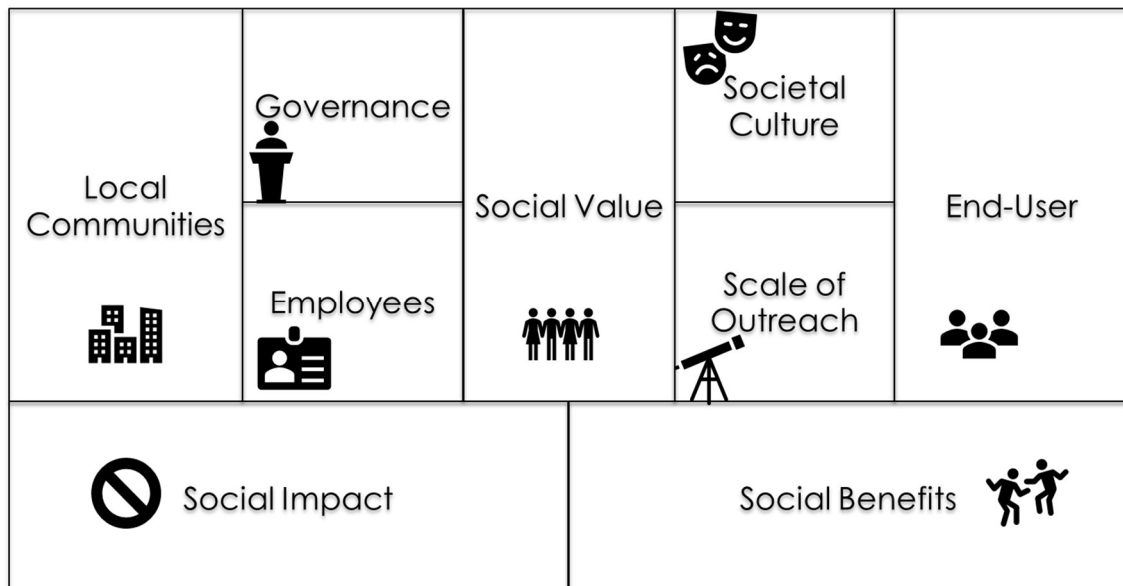
2.4.1 Interpreting the Business Model: The Social Stakeholder Layer

In a world where companies are conscious, consumers purchase generating positivity for a wide range of beneficiaries, investors have a green and benevolent mindset, new perspectives and innovative methods are required. New scenarios imply new challenges, an impact on the traditional Business Model and, as a consequence, new frameworks able to represent reality. With reference to this, Joyce and Paquin (2016) have understood that a

new prospectus of Business Model making some adaptation to the original one, would have been necessary. They developed a useful tool to describe and support the new dynamics and relationships appearing in the economic system, an additional *layer* for the traditional Business Model Canvas: *Social Stakeholder Business Model Canvas*.

As shown in Figure 7, the main scheme is the same. The relevance of such a tool is due to the possibility to integrate to the traditional path the dimension related to people and relationships. Since the figure of stakeholder category is increasing constantly its importance and consideration, it is appropriate to have a look at the business from this additional perspective.

Figure 7 *Social Stakeholder Business Model Canvas*



Source: Joyce and Paquin, 2016

The objective of this framework is to give a clear overview about the interconnections that have been engendered, passing from a shareholder approach to a stakeholder point of view. Everything is coherent and symmetric with the traditional Business Model Canvas. It has been translated into a more sustainable language in order to clearly express what value creation means when considered from a stakeholder-driven perspective (Lozano, 2008). Moreover, such a layer explores the social impacts that each business activity produces with reference to all the interlocutors, adapting it to the context. It is a mutual influence among all the stakeholders acting within the production process of the company. The different boxes included in the Business Model Canvas elaborated by Osterwalder and Pigneur (2010), that traditionally are Partners, Activities, Resources, Costs,

Value Proposition, Customer Relationship, Channels, Customer Segments, Revenues, in parallel, from a social perspective, become Local Communities, Governance, Employees, Social Impacts, Social Value, Social Culture, Scale of Outreach, End-User, Social Benefit. With the purpose of creating benefit and positive social impact, every box plays a relevant role and companies should use this framework in order to better understand how they are actually operating and, first of all, how they can improve their business-sustainability (Lozano, 2014).

Similarly to the classical Canvas Model, in the stakeholder layer there are costs and revenues that are respectively, Social Impacts and Social Benefit, which flow into the Social Value creation, the result of all the business activities and relationships. Leveraging on this cause-effect path, the social layer is composed by the following categories:

- Social Value, that is related to the concept of *shared value* (Porter and Kramer, 2011), i.e. the fact that the benefit and good impact generated through the company's business activities, are addressed not only to consumers, but to a wider range of interlocutors and the society as a whole. Despite the profit maximization mission, Benefit Corporations as sustainability-driven companies, aim at improving society condition meeting at the same time stakeholders and shareholders' expectation (Collins and Porras, 1996);
- Employees, considered one of the most important category of stakeholder since they are within the organization and they actively contribute to the value generation, both in terms of profit reaching and social impact. Indeed, engaging employees to daily behaviour in a conscious way is the key to support and spread sustainability values and practices inside and outside the organization (Polman and Bhattacharya, 2016). Moreover, this box analyses collaborators' characteristics such as the number of employees, gender, ethnicity, education level, age. It is useful also to wonder about the need of further training programs, other learning sessions and workshops to achieve or improve hard and soft skills. Due to the big amount of data that can be collect in this box, the authors' suggestion is to focus the attention only on some most important aspect, remembering the strategic value of creating a positive workplace able to motivate and inspire collaborators (Guerci, Radaelli, Siletti, Cirella and Rami Shani, 2015);

- Governance, that concerns ownership, organizational structure and decision-making policies and, as a natural consequence, affects the participation level of each stakeholder in the social value creation. Obviously, there are differences on letting employees take part of the decision-making process or not, having a strict hierarchy or an innovative *holacracy* organizational structure (Robertson, 2007). As far as Benefit Corporation scenario concerned, as Nativa constantly outlines, *transparency* and *shared responsibilities* are key values driving the governance structure;
- Local Communities, that mainly include relationships existing with local suppliers and local entities and people. These connections and interdependences are so strong that the company success depends also on them, but first of all has the power to influence the development and innovation concerning the society. Hence, communities and companies are mutually affected: this may be perceived as a strategic advantage or a critical issue to be controlled. With reference to this, Joyce and Paquin (2016) highlight the rationality of considering all the suppliers and communities involved into the organization as a whole, not fastening just on social stakeholder and communities surrounding the headquarter;
- Societal Culture, that refers to the mutual influence of society and business, outlines the concept of social sustainable value (Laszlo, 2008), the positive or negative influence that society can generate on company and the potential impact that, vice versa, this latter can generate on society. In this sense, activities and processes related to Corporate Social Responsibility can be considered positively to demonstrate the company itself as responsible, active and aware;
- Scale of Outreach, that describes how much deep and spread are the relationships established, in terms of time-horizon, geography, culture, ethics and beliefs. Hence, this box is useful to analyse in how many countries the company operates, through which channels, which are the additional activities managed in parallel to the core business.
- End-users, that in the social stakeholder layer represents the equivalent of what the traditional Business Model Canvas defines as *Customer Segment*. Sometimes, there are some differences between users and customer due to the fact that the latter one may be the person who chooses the product in the market, while the final user is another person or a group of people effectively employing it. The example given by the

authors Joyce and Paquin identifies a teacher choosing the educational material as customer and the pupils as end-users that practically read and study the book;

- Social Impact, intended in the negative connotation of social costs caused by the organization activities. There is not a consensus on which aspects to consider or not to measure such an impact, however, some authors (Benoît-Norris, Vickery-Niederman, Valdivia, Franze, Traverso, Citroth and Mazijn, 2011) tried to figure out the following index: working hours, cultural heritage, health, fair competition. Obviously, the social impact is strictly related to the context and the typology of the business, hence there are some industries with higher costs like the tobacco one, and others that negatively affect less the society;
- Social Benefit, hence the positive impact generated within the society. As far as benefits concerned, the same reasoning made for the previous box is valid. Indeed, different aspects and parameters can be used to measure the benefits produced and everything depend on the industrial background. Anyway, benefits are linked to the development and improvement of the social conditions, both under an individual and a community point of view. The creation of job opportunities, higher salaries, good and efficient services, adequate education services are typical examples of social benefits.

The advantage of this additional layer to the traditional Business Model Canvas is that it offers the opportunity to see the business from another different perspective and, as a result, to notice also the most tacit and imperceptible hints, understanding then the real social value and impact created with reference to all the stakeholders. According to the authors, acting with this type of awareness is crucial to make adjustments, improve activities and all the processes taking the direction of a more sustainable social business.

Questions for on field research 3

<p>Exploiting as theoretical framework the article <i>The triple layered business model canvas: A tool to design more sustainable business models</i> published in 2016 by Joyce and Paquin, we posed the question: Which priority order do you attach to the following initiatives to increase the Social Benefit? <i>Welfare policies for collaborators (support for the school, health...)</i> <i>Cultural Initiatives (school...)</i> <i>Artistic activities (music, exhibition, theatre...)</i> <i>The restoration of artworks or buildings for community</i> <i>Activities supporting local poorest bracket of the population</i> <i>International donations</i> Developing this question, we expect to confirm what the theory outlines, the preference of entrepreneurs to sustain their own employees and the surrounding community at first.</p>

Case Study 9 *Andrea Magnani, Be Training*

We support volunteering: we pay an employee who decides to spend a non-working day making voluntary work as a working day.

I'm waiting to speak with the HR manager of the Italian Croce Rossa to offer them training for-free. In this case I pay my collaborator as it was a paid working activity, the firm makes an investment, it puts part of the profit at disposal of the society.

We usually manage our profit distributing part of it among the employees and addressing another part for internal training.

Giulia Pische has mentioned this kind of behaviour: Benefit Corporation usually are willing to create moments and organize activities to generate positive impact for the society, both for their collaborator and the community.

Case Study 10 *Alfredo Zordan, Zordan Srl Società benefit*

We support local sport associations, we have activated some beneficiary activities.

From a local point of view, we have always sustained a pair of parishes, we financed the restauration of an altar in Vicenza, last year we participated to an artistic project in Venice.

There are also activities that we systematically run, like for example collaborations with schools to be able to spread the knowledge of Benefit Corporation and this way of doing business. I consider this type of activities as part of our corporate mission: creating consciousness and sharing our culture.

Case Study 11 *Andrea Filippi, Pasticceria Filippi Srl Società Benefit*

Recruiting people, we want to help unprivileged people. We are happy to give a job to those people with economic troubles, offering them also the opportunity to learn and grow. This interesting sentence clearly recall the concept discussed in the first chapter concerning Hybrid Organizations

We are interested on our collaborators, we have organized for them two Prevention Days and medical examinations for free. Giulia Pische has confirmed this tendency, some examples of activities concern the prevention days to promote the human health but she added: at the end the initiatives are so different that the only limit is the creativity. This is an interesting point since it highlight the multidisciplinary linked to the Benefit Corporation that is an integral part of the corporate strategy and it flows into what we have already discussed about the Benefit Director: due to the complexity and the complementarity of being benefit to the whole strategies, it is recommended to appoint a Benefit Director embedded as much as possible on all the processes.

From a social point of view, companies can be the difference. Going beyond the individual dimension to reach a community perspective is important: the social impact is the consequence of every firm's behaviour. Sharing a common good mindset building collaborations, we can create positive impact and this is contagious.

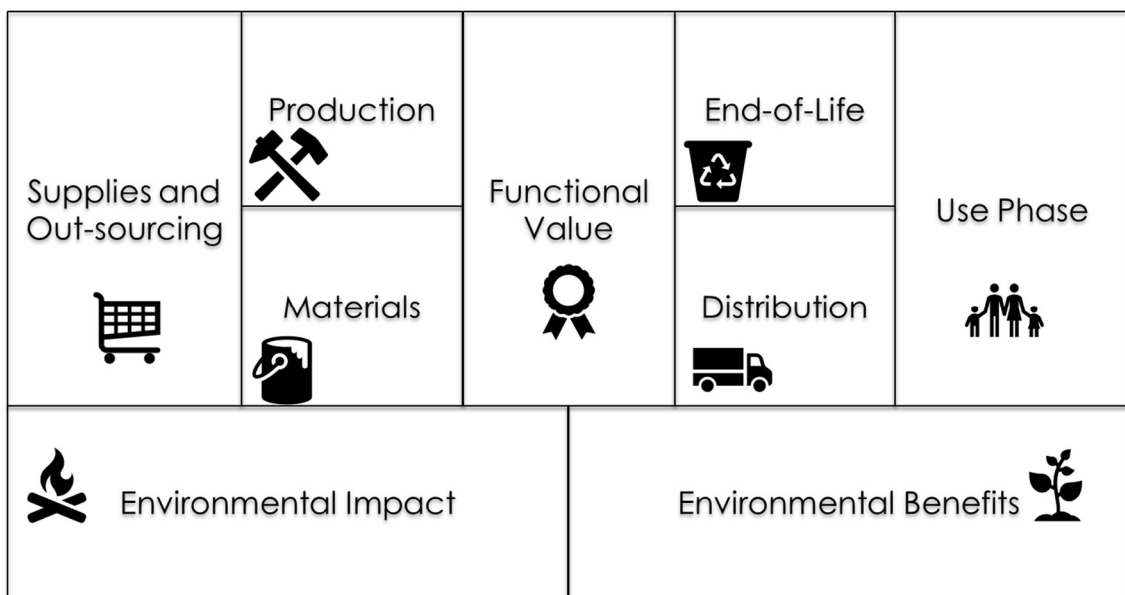
2.4.2 Interpreting the Business Model: The Environmental Layer

As well as for the social perspective, also from the environmental point of view, it is required for the company to re-think and adapt all the implemented business activities.

An incremental focus on the planet health implies a sort of business plan re-engineering. Joyce and Paquin (2016) understood this emerging necessity and, starting from some studies about the *Life Cycle Assessment* (LCA), developed an additional layer to complete the traditional Business Model Canvas.

In order to offer a clearer understanding, it is useful to outline that the method of Life Cycle Assessment is a new scientific tool used worldwide to analyse the environmental impact caused by the life cycle of each product (Dalla Riva, Burek, Kim, Thoma, Cas-sandro and De Marchi, 2017).

Figure 8 Environmental Life Cycle Business Model Canvas



Source: Joyce and Paquin, 2016

The *Environmental Life Cycle Business model* (see Figure 8) works in parallel with the classic Business Model Canvas and the other layer dedicated to the people and the interests-bearers, the Social Stakeholder Business model. Following the growing attention put on people and planet, the authors Joyce and Paquin have elaborated what they define as *Triple Layered Business Model Canvas*. It is a helpful tool to explore deeply the effective sustainability-orientation of business, as it entails a complete view of the company perfectly integrating a triple-bottom-line approach. Indeed, economic with social and environmental aspects are all evaluated and coherently embedded.

With reference to the planet, the Environmental Life Cycle Business model considers several elements that otherwise could be accidentally neglected by the management team. As the authors highlight, the main goal of the prospect is to rationally judge the influence

that the business activity provokes on the ecosystem and, as a result, assess the perceived negative externalities, i.e. the costs, and positive impact, i.e. the benefits.

Following the same path of the other two already discussed layers, the environmental one is composed by several focused categories that, at the end of the story, flow into the costs, revenues and value proposition boxes. The boxes forming the environmental layer are explained below (Joyce and Paquin, 2016):

- **Functional Value**, that represents the environmental translation of the Canvas' *Value Proposition*. The functional value defines the output that the company delivers through its products or services. It can be compared to the so-defined functional unit, that, within the LCA framework, constitutes the most relevant basis used to study and compare alternative products, materials or services. An easy example of a functional unit is 1 m³ of several options of packaging for product sold (Rebitzer, Ekvall, Frischknecht, Hunkeler, Norris, Rydberg, Schmidt, Suh, Weidema and Pennington, 2004). Anyway, the functional value distinguishes itself from the functional unit for the usage because the first one describes the total amount of unit (functional units) per product, consumed in a certain timescale. The goal of analysing this box is to focus what has been evaluated in the environmental layer and, in case, look for potential better alternatives;
- **Materials**, that is the category that, as for *Resources* in the classical Business model Canvas, includes all the bio-physical stocks employed for a product or service to offer a functional value. Every business activity, whether a manufacturer or a service provider, uses a great amount of different types of resources. Hence, it is not required to consider all the materials used to analyse the consequent impact on the planet, for this purpose it may be sufficient to take into consideration just those representing the company's key materials;
- **Production**, that is the extension of the *Activities* category belonging to the original Business model. As a result of this relation, production involves all the actions implemented by the organization running the business. Also in this case, there may be a huge variety of activities, but this layer requires only to focus on those that are core for the particular business and relevant in terms of environmental impact;
- **Supplies and Outsourcing**, that represent the parallel of the *Partner* category. This box includes all the activities that are necessary to create value but not considered

strategically relevant for the business. Again, a careful evaluation of which are the core activities and which not, should be managed in order to establish which are the more convenient processes to manage in-house and those that are not unique, not value-adding and, as a result, possible to outsource;

- Distribution, the extension of *Channels* in the original Canvas, represents all the elements and physical means employed by the organization to let customers access the product or service offered. Since in this case the attention is put on environmental impact caused, what the company should consider is related to means of transport, distance and total weight delivered. Packaging design plays an important role in the distribution process and may be a critical aspect to examine to esteem the impact generated on the planet;
- Use Phase, the component extending the *Customer Segment* category, participating in the traditional Business model. It represents the consumption moment and, more in details, it is about the measurement of additional resources and materials necessary for taking advantage of the product or service during the usage phase. Moreover, it may be possible to maintain the control of the product furnishing a complementary service or the responsibility of the good life cycle (Vasiljevic-Shikaleska, Gjozinska and Stojanovikj, 2017). With reference to this, the maintenance and repair options should be considered in this context due to the fact that they may be indispensable in the long-run, inevitably increasing the environmental impact generated;
- End-of-life, representing the box corresponding to the original *Customer Relationship*, concerns the decision made by the customer to interrupt the consumption of the product. This type of choice implies the appearing of other problems and questions: is it possible to reuse, recycling, disassembly or re-designing the resources and materials employed? How to manage the treatment and disposal of that product? Can the company re-allocate the product or part of it for other innovative purposes? The existence of this box forces the company to consider the whole product life cycle as its responsibility, not ignoring the last phases following the selling. In this sense, the relevance of such a category is extremely powerful, bringing the organization to reconsider all its business model approach;
- Environmental Impacts, that substantially are the negative externalities produced by the organization's activities. They are considered as *costs* because of the ecological

damages enduring by the environment. Example of negative consequences caused by the business activities are the following: climate mutations, stratospheric ozone depletion, pollution, resources exhaustion (water, land and other raw materials). Obviously, all these costs have implication for generating tension not only on the biosphere, but on human health too (Rebitzer *et al.*,2004);

- Environmental Benefits, that are the extension of *Revenues* belonging to the original Business model Canvas. It concerns the environmental value created thanks to the organization's activities. As far as the value for the planet concerned, it may be pursued whether reducing the impacts affecting the ecosystem, or trying to produce additional benefits for the planet. The strategic implication of this particular category of the *green* layer is that it gives managers the opportunity to invest in those R&D activities enabling companies to find new solution able to challenge the state-of-the-art about sustainability-driven technologies.

Thanks to the integration of the Environmental Life Cycle Business model Canvas, managers and entrepreneurs feeling the will to help and support the planet, have a very useful tool to analyse their businesses in details. The great advantage of the green layer is that it permits to have a complete overview on the interconnections and relationships existing within their business and affecting the entire life cycle of the product or service put into the market. Nothing of what has participated or affected the production, consumption and the final disposal is left to the chance. With reference to this, what may be favourable is a close and trustworthy collaboration with all the actors, like the suppliers, the designers till final users, in order to have access to a wider range of information concerning water, energy and other resources requirements (Vasiljevic-Shikaleska *et al.*, 2017).

Examining the business across all the layers of the innovative business model and having consciousness of all the passages and cause-effects relations implied, may be seen as a boosting force to improve the business and spread benefits, both for the people and for the planet.

Questions for on field research 4

Again, exploiting as theoretical framework the article *The triple layered business model canvas: A tool to design more sustainable business models* published in 2016 by Joyce and Paquin, we developed the question:

Which priority order do you attach to the following activities to reduce the *Environmental Impact*?

Purchasing from the closest suppliers

Reducing the emissions during the production process

Utilizing material with minor impact on the environment

Re-designing the products to facilitate the waste treatment and re-usage

Optimizing the distribution process, also through shared transport

Re-designing the products to reduce costs linked to their usage

Through this question we expect to understand the concrete choices that entrepreneurs prefer to take into practice to have a positive impact on the environment, or at least to limit the negative externalities caused by the company's activities.

Case Study 12 Andrea Magnani, Be Training

We are a company providing services so it is easier for us to reduce the negative environmental impact. We focus on some precautions like the eco-font for example and we avoid printing when it's possible. Following this line, we usually do not use common printed brochure, only when it is strictly required for some particular reasons.

Again, some HR managers and other clients often ask us to reach their offices even when it is not a necessity; we answer that we move only via Skype in these situations.

Obviously, all these practices are indicated in our corporate charter. We try to create a positive impact through these little things, the CO2 that we save do not change the planet but it is exactly what we can do to go to that direction.

Case Study 13 Alfredo Zordan, Zordan Srl Società benefit

We have some policies concerning the suppliers, if we have the opportunity we choose sustainable suppliers even if they cost till 10% more than the competitors.

For the CO2 emission we have redefined our organization to reduce the number of transportations and promote the optimization of the materials pick-up: we have acted to increase the quantity per transport and reduce the pollution.

We try to communicate the same message also on the other side of the value chain: we aim at stimulating also the downstream interlocutors to consider the added value of sustainable certified products. One of our mission is to promote this way of doing business upstream and downstream and we do it implementing concrete actions and showing our formalized policies.

Case Study 14 Andrea Filippi, Pasticceria Filippi Srl Società Benefit

As already said before, are put attention on the materials we select and their impact on the environment.

With reference to the emission, with another certified B Corp we have studied a process to manage the deliveries to reduce the transportations. We rationalize the supply chain to limit the negative impact on the environment

Case Study 15 Giulia Pische, The Opportunivore

The most common activities implemented to support the environment concern the energy-savings, the reductions of resources exploited and of all the consumption. With reference to the sourcing process, according to the country and to the type of business, entrepreneurs look for renewable energy sources.

2.5 Conclusion

The previous chapter argued about hybridity and introduced the concept of the emerging Fourth Sector and For-Benefit organizations, defining them as those entities standing within the economic sphere in the role of for-profit companies that tend to embrace hybridity because of their values and positive practices. As a consequence of such an organizational concept, the Benefit Companies have been developed.

Presenting what Benefit Corporation is, the focus of the chapter was to analyse and demonstrate how this innovative legal status and organizational form may represent a practical solution to the challenges noticed going through the study of *Hybrid Organizations*.

From the legal point of view, having a national corporate law attributes meaning to the companies that consider the business a resource for the social wealth and want to act responsibly for the environment. Thanks to the legal recognition, entrepreneurs can change their corporate charter and formalize the multiple missions pursued and the positive practices that they commit to. As the interviewed entrepreneurs said, the strong formality of explicitly writing these things creates limits that practically help the organization to make every kind of decisions running the business.

The other aspect widely discussed refers to the organizational culture and the talent development. In this session what has been seen is a particular attachment of the employees to the company because they feel themselves as part of something positive for the society and the environment and for this reason they are strongly motivated on their day-by-day job. These positive sentiments are also due to the fact that normally the Benefit Corporations take care of their employees, attributing them a value, involving them in the decision-making process and constantly sharing with them information about the business and letting them know the direction and the objectives driving their daily tasks.

Then, we argued also about a new way of considering the business model, the original Business Model Canvas enriched by two additional layers, that of stakeholders and that of the environment. Due to the multiplicity of goals fixed by the Benefit Corporation, the benefit entrepreneur or manager has to re-think about all the processes and activities to improve aiming at creating benefit for all the stakeholders and the planet.

The essence of the Benefit Corporation can be explained through four key words: mission, sustainability, transparency and responsibility.

BECOMING *BENEFIT CORPORATION*: PROCESSES, METRICS AND RESULTS

3.1 Introduction

The *Hybrid Organization* has entered the organizational scenario disrupting the economic landscape and the way of running the business, managing people and facing the emerging challenges. As part of the category, Benefit Corporation represents a potential and effective solution to those appearing tricky challenges. Benefit Corporations are common organizations pursuing the profit, but that have decided to embrace an innovative business model, smarter, more aware and favourable. They are completely unrelated to non-profit associations and charity organizations.

The founder of the American association B Lab, Bart Houlihan, during an interview with the magazine *La Nuova Ecologia* explained:

«Transforming the entrepreneurs, who already know that they are a part of the problem, *part of the solution*, in order to face together the enormous environmental challenge that we have in front of us».

Although the Benefit Corporation is the organizational model solving several ambiguities connected to its hybrid personality, having in mind not only the shareholders' returns, but also the social and environmental issues, gives rise to a renewed scenario with other two emerging challenges.

Firstly, new measurement systems are required to have the opportunity of evaluating the positive impact affecting the society and the environment, as rationally as possible. Moreover, the other important aspect to put the attention to, is related to the environment and, more in detail, its evolving relationship with the enterprise. It is impossible to deny that

the existing link between the company and the biosphere is changing over time, assuming more and more interconnections and unprecedented roles.

The present chapter aims at analysing these two main aspects. It starts giving an actual picture of the Italian entrepreneurship. It is interesting trying to understand which is the real sentiment perceived by the entrepreneurs, also those who have not yet decided to transform their firm into a Benefit Corporation. The idea is to measure, aside from the usual marketing campaign showing the company sensibility, the cultural adjacency to or remoteness from the typical Benefit Corporation's values and beliefs.

Then, the second paragraph focuses on measurement practices used by the Benefit Corporation itself but, first of all, also by the so-called *Certified B Corp*, another type of organization embracing the same values and beliefs but exposed to less formal requirements. During the explanation, also a careful and detailed description of what a Certified B Corp is, is offered.

Consequently, the chapter continues with the third paragraph that is built around the new connections establishing between the company and the natural environment. Due to the increasing attention put by entrepreneurs and managers on natural preservation, both the environment and the company figures assume other mutated roles.

3.2 Methods and Procedures

This dissertation aims at reaching a deeper understanding of what a Benefit Corporation is and which are its most relevant challenges and implications from an organizational perspective. Having this purpose in mind, we combined different methodologies for different objectives:

- Interviews with some Benefit Corporations and one of the most relevant representative of the Italian B Corp movement trying to provide a real cases description able to confirm, reject or deepen the existing researches;
- Online survey sent to a group of Italian entrepreneurs to collect data allowing us to arise new *questions*, *assumptions* or *reasonings* to be examined in depth in further future researches.

Hence, a combination of exploratory study aiming at identifying other new research questions that may be analysed in subsequent researches, and a descriptive case studies to offer a picture of the real-world context (Yin, 2013), has been used.

As a consequence, this study uses both the deductive and inductive logics, since the interviews validate the theory whereas the survey opens to new relationships and aspects (Eisenhardt and Graebner, 2007).

The qualitative researches are used to make available a clear picture of the complex phenomenon here analysed that requires several different elements to be considered, some of them very sensitive and personal like the entrepreneur's perspective about the theme (Baxter and Jack, 2008). With reference to the interviews, they are reported through a narrative approach in order to represent as precisely as possible the interviewees' points of view, feeling and visions (Yin, 2013).

Since the theme of Benefit Corporation is an emerging phenomenon, researchers are studying it but there is a wide place for further analysis. With our thesis, we aim at deepening the topic creating new connections with other innovative areas of interest, as hybrid organizations are, arising new questions, providing real evidence through some case-studies and interviewing one of the leaders of the Benefit Corporation movement.

Case selection

With reference to the interviews, the cases analysed have been selected leveraging on the *snowball sampling* approach that offers the possibility to identify interesting cases to study thanks to people who recommend individuals or companies who may be good interviewees or that in turn are able to create the contact with other subjects (Patton, 1990). In our study, the first case we entered in contact with was Zordan Srl, then they introduced us to Nativa, afterwards we met Pasticceria Filippi Srl, Be Training and Giulia Pische. Since our objective is to give a practical representation of what theory or managerial practices, we have considered only three Italian companies to talk with. Anyway, the limit of considering only three cases has been partly integrated with the interview made to the competent leader of the phenomenon, able to provide a useful overall description.

A completely different perspective has been used concerning the survey: we asked entrepreneurs attending the Master of Business Administration for Entrepreneurs at CUOA Business School (Vicenza, Italy) their willingness to complete it. Thus, the population analysed:

- is composed by SME, all of them are family firms;
- includes companies of different sizes belonging to different industries, hence it

- represents a good sample for reasonings and other considerations (Seawright and Gerring, 2008).

Data collection

We developed a structured survey starting from pertinent literature (Subbs, 2017; Joyce and Paquin, 2016) and it included questions asking for priority orders and degree of accordance with the proposed sentences.

The interviews were elaborated in a semi-structured way and were ad-hoc studied according to the interlocutor (a company or the leader representing the Italian movement). With reference to the companies, the questions were mostly the same to allow eventual comparative reasonings on them. Each interview was conducted face-to-face at the interviewee's location, they lasted about 90 minutes each and were recorded with the needed consent.

3.3 An Explorative study

Intuitively, companies approaching these organizational structure and philosophy should have a particular *sentiment* driving its behaviours, values and business vision. Starting from these assumption, we have developed an easy and structured survey.

The objective of this analysis is to try to understand, which is the predominant *sentiment* of entrepreneurs with reference to the Benefit Corporation values and beliefs.

First of all, if they already know it or if they completely ignore the existence of such a legal status.

The reasons why we decided to elaborate this explorative study is to think about what being a Benefit Corporation concretely means and highlight eventual appearing relations with some selected parameters, like the turnover, the percentage of export, number of employees. The final purpose of this survey is to take results and data as basis for posing smart questions to elaborate reasonings related to this innovative topic.

The addresses of this investigation, those who have been required to fulfil the survey, are entrepreneurs, mostly operating in the North-East area, who have attended and successfully completed the MBA for Entrepreneurs at the Business School, placed in Vicenza (Italy). Hence, all the asked entrepreneurs own high education level and it is an important index of professionalism and self-awareness, for them and for their firms too.

The survey was developed and sent by email to the entrepreneurs on November-December (2017). The survey had been kept open for about 1 months (21st November, 2017 – 18th December, 2017) and during this period we reminded them twice. The sample receiving the survey was composed by 205 companies, the number of answering entrepreneurs is 64, hence the 31% participated to the study.

As far as the structure of the survey concerned, it was composed by 13 different questions, 9 of them aimed at taking a picture of the strategic perspective and organizational size, whereas the first 4 ones were strictly related to the challenges discussed in the previous chapter and have been structured as follows:

- The first question aimed at understanding entrepreneurs' knowledge about the Benefit Corporation theme (see Questions for on field research 1);
- The second question was about general principles related to the Benefit Corporation theme. The goal of this question was to reach a first perception about the *sentiment*, measuring the entrepreneurs' level of agreement with reference to the reported sentences. The question has been elaborated using as theoretical framework the working paper *Characterising B Corps as a sustainable business model: An exploratory study of B Corps in Australia* made in 2017 by Wendy Stubbs (Questions for on field research 2);
- The third and the fourth questions focus on the two main topics, as well as the two missions pursue by companies adopting the Benefit Corporation status: the environmental impact and the social benefit creation. In both questions were asked to indicate the priority scale with reference to the different activities mentioned there. The theoretical framework exploited as base for these two questions is the article *The triple layered business model canvas: A tool to design more sustainable business models* published in 2016 by Joyce and Paquin (see Questions for on field research 3 and Questions for on field research 4).

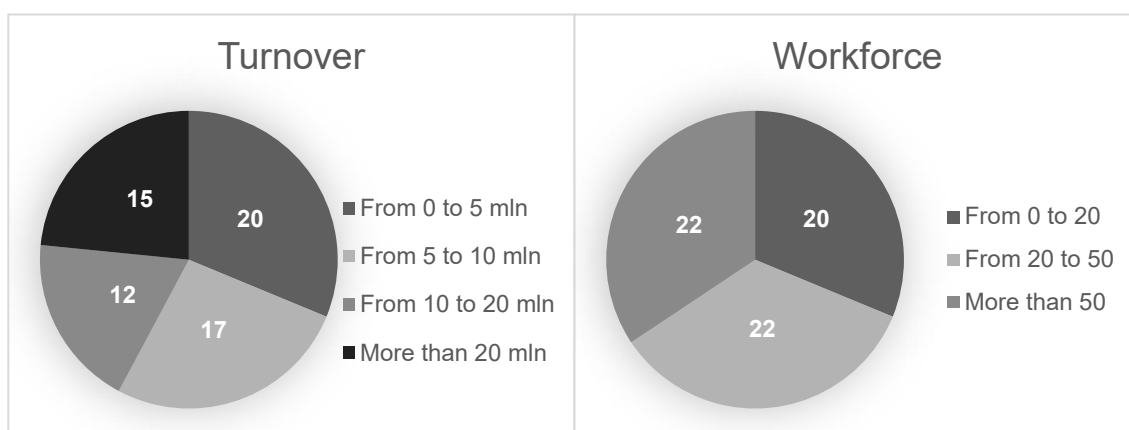
3.4 Results: Descriptive Statistics

Anyway, the respondent firms are 64, they operate both in the product and service markets and belong to very different industries: food, fashion, healthcare, mechanic, automotive, hi-tech and software, furnishing, construction, trade, logistic.

With reference to the corporate size (Figure 9):

- Workforce – one third of the respondent companies (22 out of 64) has more than 50 people; another third (22 out of 64) employs from 20 to 50 people, and the remaining third has up to 20 workers;
- Turnover – 20 out of the 64 respondents registered in 2016 up to 5 million of turnover, 17 of them reached from 5 to 10 million, 12 out of 64 registered from 10 to 20 million, whereas the remaining 15 obtained more than 20 million of turnover.

Figure 9 Turnover and Workforce registered in 2016



Source: our elaboration based on CUOA Business School Database

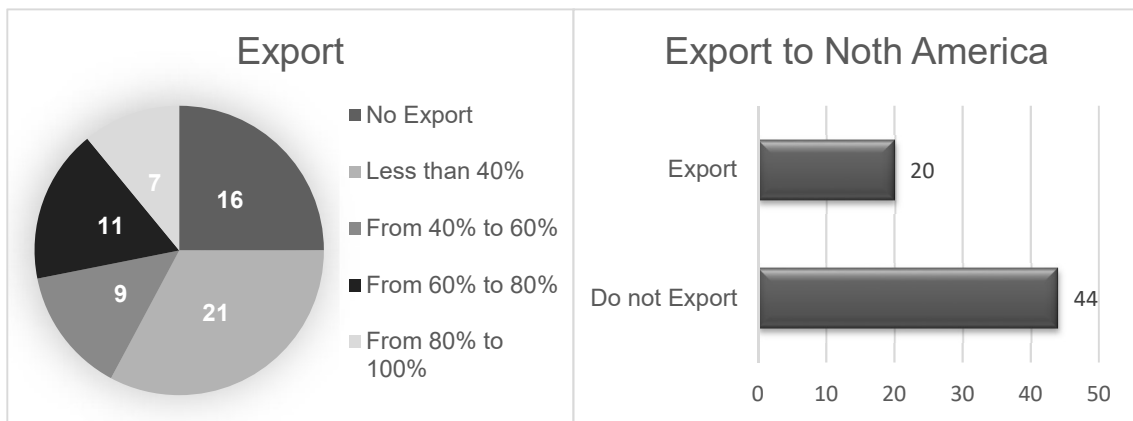
All the responding entrepreneurs enjoy prominent positions within their respective firms indeed, they act on behalf of their business as CEO (45 out of 64), Manager (6 out of 64) or Divisional, Business Unit and Functional Directors (11 out of 64). They are all shareholders belonging to the Top Management Team (TMT), hence having the responsibility to take strategic decisions.

To give a complete overview, another important characteristic to outline in this session concerns the level of internationalization of the companies participating to the study. Some questions composing the survey was about their business worldwide, with specific connection to the percentage of products and services sold per year abroad and the direct presence through plant or commercial subsidiaries. This data may be interesting because it allows us to examine the eventual existence of relationships between the level of internationalization and the proximity to the Benefit Corporation structure.

Figure 10 shows data concerning the percentages of export registered by the companies in 2016 end the number of firms that specifically sell their products and services in North America:

- Export – 16 of the 64 responding entrepreneurs operates only in the domestic market, 21 out of 64 enterprises registered less than 40% of their turnover out of Italy, 9 out of 64 obtained in 2016 a range of 40%-60% abroad, 11 out of 64 registered from 60% to 80% of export, whereas 7 of the 64 respondents reached more than 80% of their turnover out of the domestic market;
- Export to North America – 20 of the 64 responding enterprises do not export

Figure 10 Export in 2016



Source: our elaboration based on CUOA Business School Database

3.4.1 Question n. 1: What do you know about Benefit Corporation?

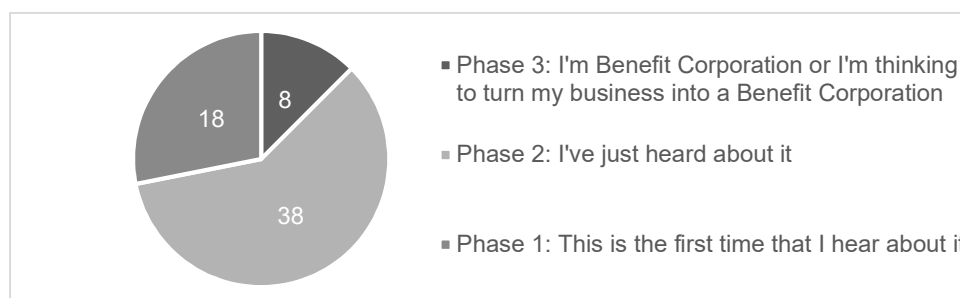
As already seen in Questions for on field research 1, there were four possible answers assessing the level of knowledge about the theme of Benefit Corporation.

We created three different groups, each of them representing a different phase forming the *learning process* of gradual approach to the *Benefit world*:

- Phase 1 is when the company completely ignore this emerging organizational structure because it has never heard about the theme or the legal status;
- Phase 2 represents a minimum step forward towards the Benefit Corporation;
- Phase 3 combines businesses already adopting the status or with the practical intention or an interest on becoming Benefit Corporation.

The answers collected can be represented as follows: 18 of the 64 respondent entrepreneurs had never heard about the theme, 38 out of the 64 declared that they had already heard about it, whereas 8 of the 64 respondents pronounced themselves to be already a Benefit Corporation or to already have the intention to turn their business into it.

Figure 11 Question 1: What do you know about Benefit Corporation?



Source: our elaboration based on CUOA Business School Database

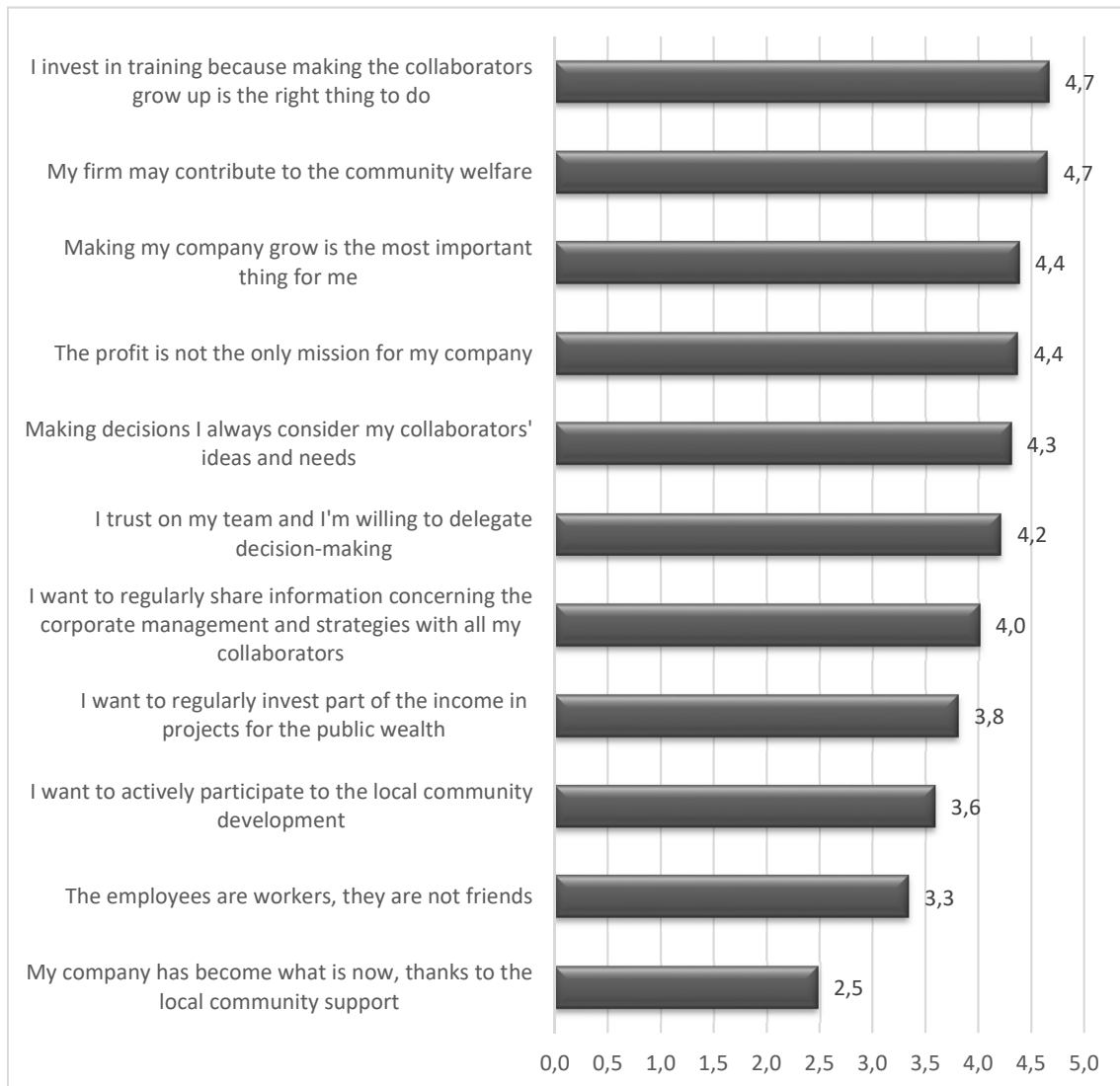
3.4.2 Question n. 2: How much do you agree with the following sentences?

In this question entrepreneurs were asked to communicate their level of agreement with eleven sentences. All of them have been ad hoc studied to measure the respondent entrepreneurs' conformity with the essence characterizing the Benefit Corporation values. The statements to evaluate concerned different aspects: the corporate mission, employees, public benefit, decision making process and governance transparency. Mentioning a plurality of themes has been important to have a first perception of what the general sentiment could be among the respondents.

Figure 12 shows the general results coming from this question, the score rating goes from 1 to 5 and 5 represent the fully agreement.

The sentences obtaining the highest scores (more than 4 points) concern employees, the social community, the willingness to delegate power and the non-unique corporate mission. Another aspect gaining general approval concerns the corporate goal of making grow the business, but it was easy thing to predict. The issue registering the lowest approval is referred to the community support that let the company become what is now: this is interesting to notice because it may be an index of a general thinking putting the internal resources and capabilities as critical for the corporate growth.

Figure 12 Question 2: How much do you agree with the following sentences?



Source: our elaboration based on CUOA Business School Database

3.4.3 Question n. 3: Which priority order do you attach to the following activities to reduce the *Environmental Impact*?

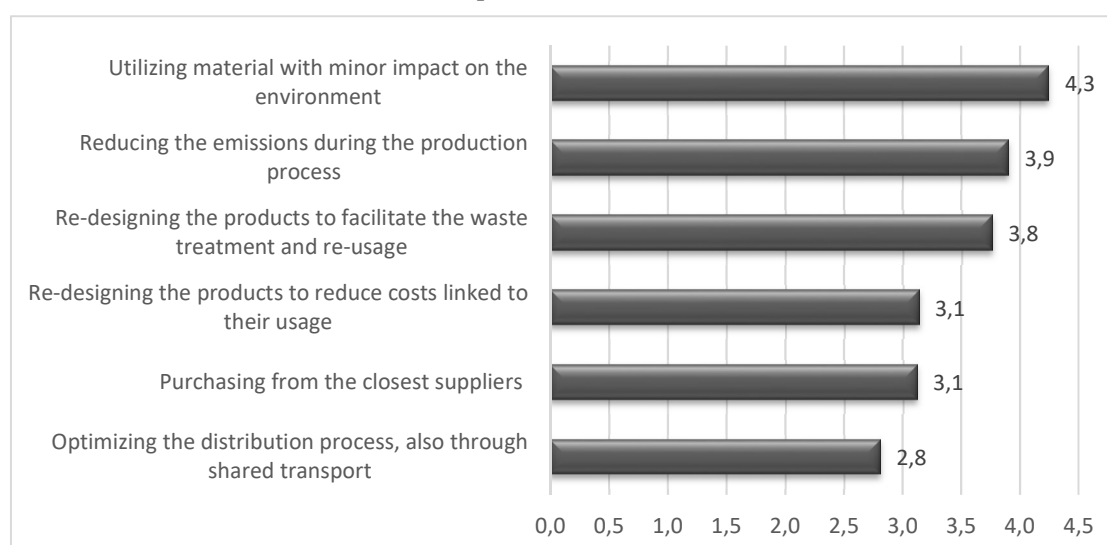
Focusing on the environment, companies have the opportunity to act in multiple ways in order to enhance the condition, limiting the negative externalities and pushing for creating positive impact. Also considering what already mentioned concerning the circular economy, entrepreneurs and managers may take a lot of different roads to render the business more environmentally sustainable (Vasiljevic-Shikaleska *et al.*, 2017).

At the base of every Benefit Corporation, there is common sense and a desire to help the people and the planet as a whole, so that the future generations will have a better world to enjoy. Focusing on the environment, a better world may be reached through the adoption of new practices able to stop the climate change, the engineering development of cleaner technologies (Stubbs, 2017).

This multitude of different possibilities or alternatives to make the world a healthier place, is reproduced in the survey given the entrepreneurs to complete.

Question number 3 was about the environment, more in details it aimed at looking for the tactics that the majority of them would be willing to put into practice or, better, that have already started to implement (see Questions for on field research 4). The entrepreneurs were asked to answer attributing a priority order to a list of six *green* activities represented in Figure 13 (the priority order goes from 1 to 6, where 6 represent the maximum importance).

Figure 13 *Question n. 3: Which priority order do you attach to the following activities to reduce the Environmental Impact?*



Source: our elaboration based on CUOA Business School Database

It seems that all the activities play an important role or at least, there is not a superior absolute predominance. The activity to which entrepreneurs have attributed the highest priority and they would be willing to consider as first activity to implement, concerns the usage of materials and resources with the minimum environmental impact possible. Reducing emission throughout the producing process and re-designing the products to facilitate the disposal or re-cycle are the following two efforts that the respondents would commit to.

All these concepts concerning the emissions and the re-design of goods to make more efficient the waste treatment, the selection of materials mirror some of the main important principles at the base of the so-called *Circular Economy* that will be discussed later. Indeed, it focuses on what have been defined the three R - *Reduce, Reuse and Recycling* (Zhu, 2017).

Moreover, one of the last positions hence the activity that entrepreneurs consider least than the others, is about the supply chain, in detail the choice of suppliers. This may be perceived in contrast with what already said about *hybrid organizations* that may tend to support local communities, also creating job opportunities. Nonetheless, for Benefit Corporations, or potential future Benefit Corporations, the fact of choosing suppliers in a manner to reduce the value chain may become a non-necessary issue, due to the fact that they, first of all, feel the need of offering a very good product and service, made of high-quality, green and sustainable materials, ad-hoc studied to generate the maximum benefit. As a consequence of this aspiration, the suppliers with whom they cooperate are required to have particular characteristics, both in terms of technical competences and philosophy: elements that not everyone may own. This may be one of the reasons why entrepreneurs want not to be geographically limited in the partners' selection. As a consequence, the value chain may become more complex with the purpose of generating more *value* and *benefit* for the planet first, but for people, too. Obviously, these are just hypothesis, further analysis should be conducted to deepen the knowledge about the reasons why the entrepreneurs had ordered the activities in that way.

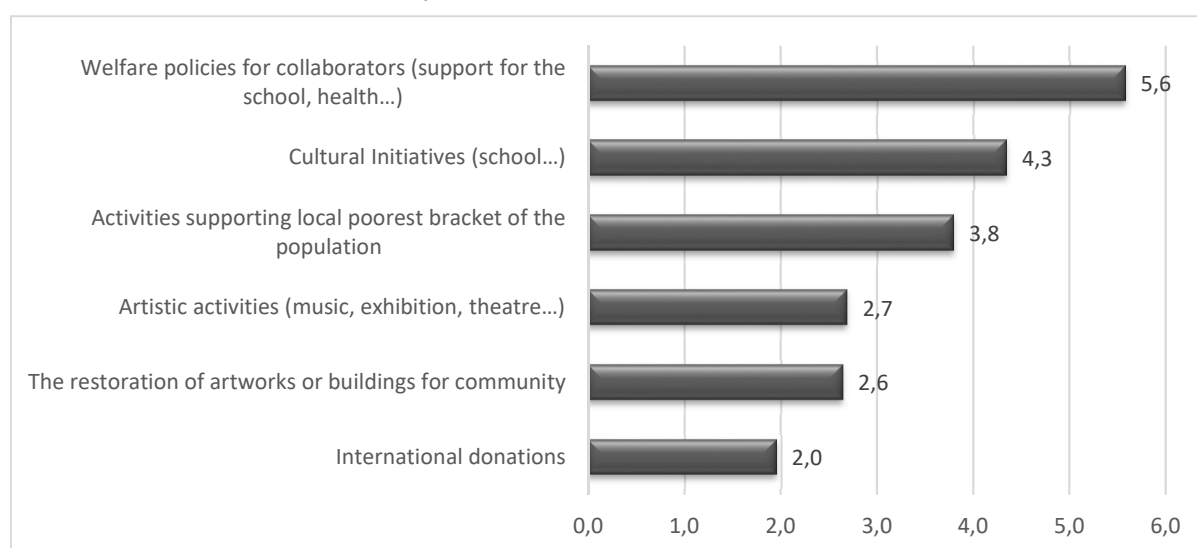
3.4.4 Question n. 4: Which priority order do you attach to the following initiatives to increase the *Social Benefit*?

The willingness to put the attention on social issues, personally engaging on improving live conditions for individuals and community, seems to be a strategic choice for companies and entrepreneurs to reach successful results and a positive reputation among customers and investors.

As far as the effort concerned, companies may decide among a wide range of different good actions and practices in which direction to commit. First of all, the beneficiaries should be identified, indeed, the target may be composed by only firm's collaborators, all the citizens, only some classes of people like young or poor. Then, the type of activity should be defined, e.g. the company may prefer to support activities related to art and cultural events or, on the contrary, concerning healthcare. Finally, also the engagement methodology may be different, the company may be willing to participate actively in practical activities or simply donating money.

In line with the previous question, this part of the questionnaire asked respondents to order the presented initiatives according to the relevance they attribute to each target (see Questions for on field research 3). The aim of this section is to understand how entrepreneurs would behave to generate positive impact for the society through their business activities (see Figure 14 showing the priority order evaluated by respondents, the possible scores goes from 1 to 6, where 6 represent the maximum importance).

Figure 14 Question n. 4: Which priority order do you attach to the following initiatives to increase the *Social Benefit*?



Source: our elaboration based on CUOA Business School Database

Having a look to the graph it is easily understandable which is the target initiative considered as the most important or interesting by the respondents: helping and supporting firm's collaborators, for example taking care of their personal and familiar education and healthcare. The activity considered the most important in comparison to the others concerns the welfare policies for collaborators, 46 out of 64 respondents put it at the first place of the chart attributing the highest priority. The awareness expressed by the entrepreneur with reference to its employees and business partners is one of the main elements characterising the organizations promoting wealth and sustainability, so the Benefit Corporations.

The second and the third activities in terms of priority concern respectively cultural initiatives and engagement on supporting the local needed poorest people. What seems to awaken less interest in comparison to the other alternatives are the international donations: only 2 of the 64 respondents put it in the first position of the chart, while 34 out of 64 put it in the last position and 14 in the second to last place.

Hence, the major concern is connected to creating a positive impact for people strictly related to the company and supporting collaborators that practically operate for the long-lasting success of the business. As far as such a preference concerned, it moves in parallel to concepts that are actually studied in the literature, creating links between company's financial performances and good, motivating and respectful human resources practices (Tomer, 2001; Fulmer, Gerhart and Scott, 2003). In spite of some studies affirming the non-existence of universal effective human resources practices (Dowling, 2005), there are some evidences demonstrating the positive relation between the way of managing and motivating employees and the economic results achieved by the company. The employee represents an intangible and long-lasting asset for the business (Fulmer *et al.*, 2003). Companies able to trust on their collaborators, training them and giving them responsibilities, at the end of the year may reach higher performances due to the personal commitment, satisfaction and stimulus perceived by the employees (Tomer, 2001).

Moreover, the second position of the rank, related to cultural activities, may be seen through similar eyes since it goes in the direction of supporting education and improving, as a consequence, the self-esteem, soft and hard skills of future potential collaborators or influencers of the business. Acting as a promoter of education and culture, the company

aims at generating active, smart and resourceful people for the future business and, more in general, for the community itself (Lozano, 2014).

3.5 Results: Analysis and Discussion

After presenting the descriptive statistics, now we are going to analyse and discuss some further results, which help us to derive strategic and organizational features for better understanding the firms' behaviours. The objective is to challenge the theoretical assumptions previously made or to develop new theoretical issues.

We proceeded putting in relations the collected answers of these four main questions with other parameters asked on the survey, like the percentage of export, if they export in Europe and/or in North America or other countries, the turnover registered in 2016, the workforce and others.

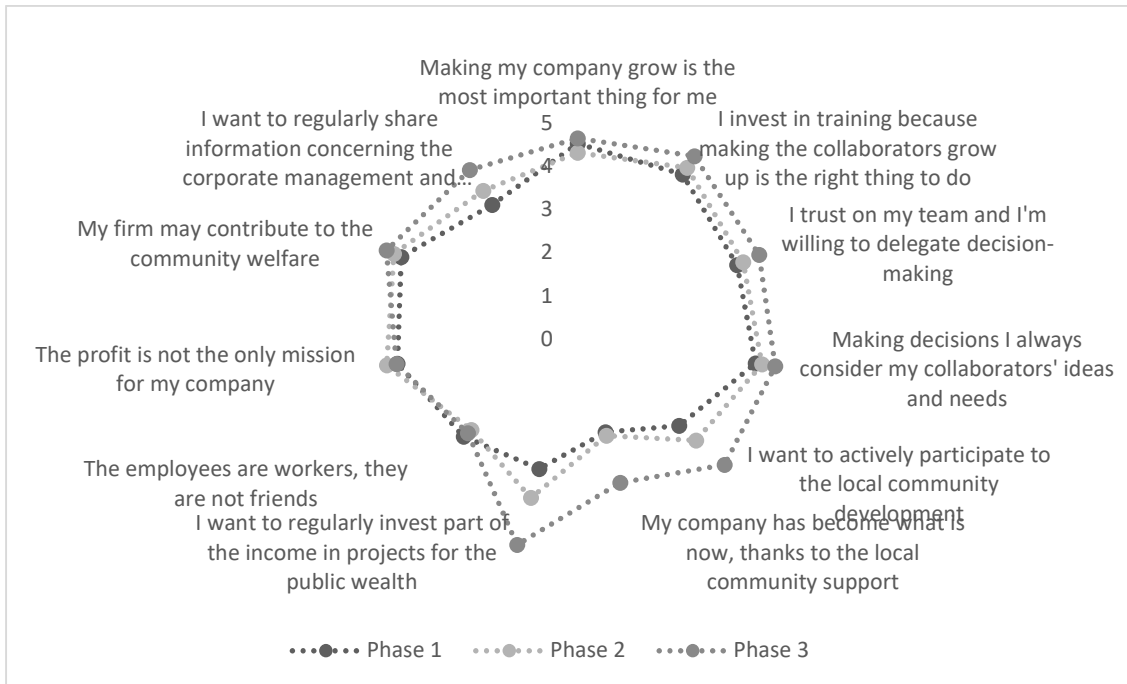
The expected (but emerging) learning effect

Starting from the first question, related to the level of knowledge owned by the respondent entrepreneurs about the Benefit Corporations, we created three different groups according to the proximity to that theme. The goal of such a representation is to simulate a sort of what we have called a *learning line*, i.e. a learning process driving companies, that gradually start to know what a Benefit Corporation is, to improve and adequately adapt their business activities, embracing more concretely the *benefit values*.

Hence, our assumption concerns a learning process that as well as they enter in contact with other Benefit organizations, they know the connected principles and accordingly they change their business approaches adapting their behaviours. This would translate into a *learning effect* that would be interesting to investigate: does this learning effect really exist? Are there bases to support such an assumption?

Aiming at giving a first answer to these questions, we have studied the data coming from our survey combining the three groups (Phase 1, Phase 2 and Phase 3 that we have called *company status* for ease) with the answers given to the question 2 (about general principles), question 3 (concerning the environment) and question 4 (concerning social benefit creation). As showed in Figure 15, interesting data come from question 2, asking for the level of agreement with some statements.

Figure 15 Does a learning effect exist?



Source: our elaboration based on CUOA Business School Database

The graph seems to provide reason to support our assumption. Phase 3, the group combining those entrepreneurs that had declared themselves to be already a Benefit Corporation or as interested to turn their business into it, is the line represented externally, so attributing the highest agreement to most of the provided statements. High agreement means more affinity with the analysed theme. The most relevant differences comparing the agreement scores registered for the third phase and the other two, concern the following statements:

- I want to actively participate to the local community development;
- My company has become what is now, thanks to the local community support;
- I want to regularly invest part of the income in projects for the public wealth;
- I want to regularly share information concerning the corporate management and strategies with all my collaborators.

What emerges from the graph is that in general, phase 3 has given the highest scores, phase 1 the lowest and phase 2 maintains a position in between. This trend may empower our initial assumption: yes, these results appear coherent with what has been defined *learning effect*.

Case Study 16 Anna Cogo, Giulia Pische and the Learning effect

Moreover, Giulia Pische of The Opportunivore has confirmed such a trend: *it is a vicious cycle, when entrepreneurs genuinely approach the Benefit Corporation world, they enter in a positive process and good brings good.*

With reference to this, Anna Cogo has shared with us the fact that *for those who have never heard about B Corp, if they are already active with some initiative of positive social impact, they are just little easy actions. This is unavoidable, for example using an ad-hoc measurement tool offers so many relevant advantages that getting in touch with these tolls and special practices stimulate people and entrepreneurs to continue and gradually improve. Translating this concept in a more practical version, we can say: if I have an adequate tool, I can measure the impact of my business more precisely and I have the possibility to concretely know the weight of my actions, only in this way I can manage systemic operations.*

The effect of the competitive pressure

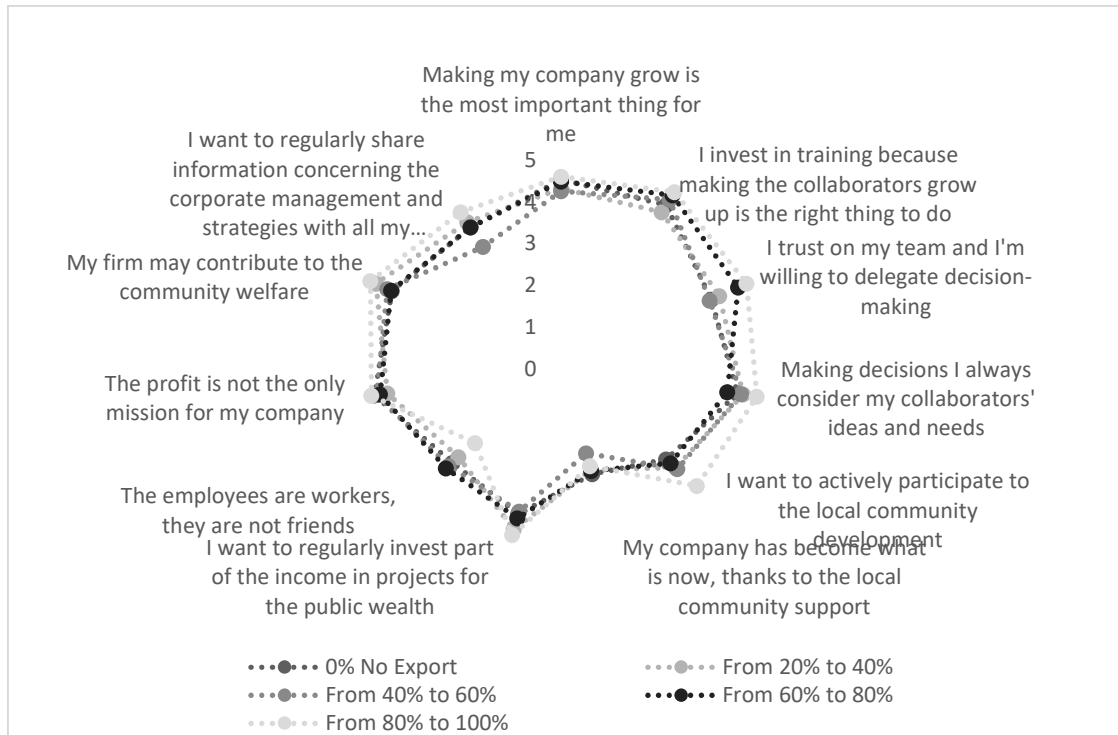
In addition, going ahead with our study, we have seen if some relations among the export percentage in 2016 and the entrepreneurs' answers occur or not. Again, with reference to question concerning the level of approve of the benefit principles, something that may be interesting to deepen has emerged.

We have wondered if the presence abroad through export may be an index or an interesting element pushing companies to become more *benefit* or not. Figure 16 gives us the opportunity to make some reasonings about it.

It is interesting to see that the line showing the scores given by the companies exporting a lot, almost all of their products sold - from 80% to 100% of the income – is the external one, so that representing the major consensus. It is true for different statements except for *The employees are workers, they are not friends*, but it may be considered perfectly in line with the Benefit Corporation philosophy that values collaborators and all the participants to the business activity.

As far as these data concerned, we wonder if a link between the export propensity and the proximity to the Benefit Corporation theme exists or not.

Figure 16 Are there some relations between the percentage of export and the affinity level?



Source: our elaboration based on CUOA Business School Database

With reference to this, we argue about the competitive constrains coming from an international openness. The cause-effect relationship pushing the exporting entrepreneurs to the *benefit* direction may be associated to the strong competitive constrains which at the international level require businesses to be:

- Innovative and open-minded to embrace or simply learn about the emerging themes worldwide;
- More aware about the needs and interests coming from the market, considering both the potential costumers and the competitors, who are increasingly aware of sustainability issues, in particular concerning the protection of the environment and the support to the society.

The influence of North America

Moreover, focusing on North America, it appears that those companies exporting to this country have more affinity with the theme here analysed (Figure 17).

Figure 17 Export to North America and the affinity with the Benefit Corporation



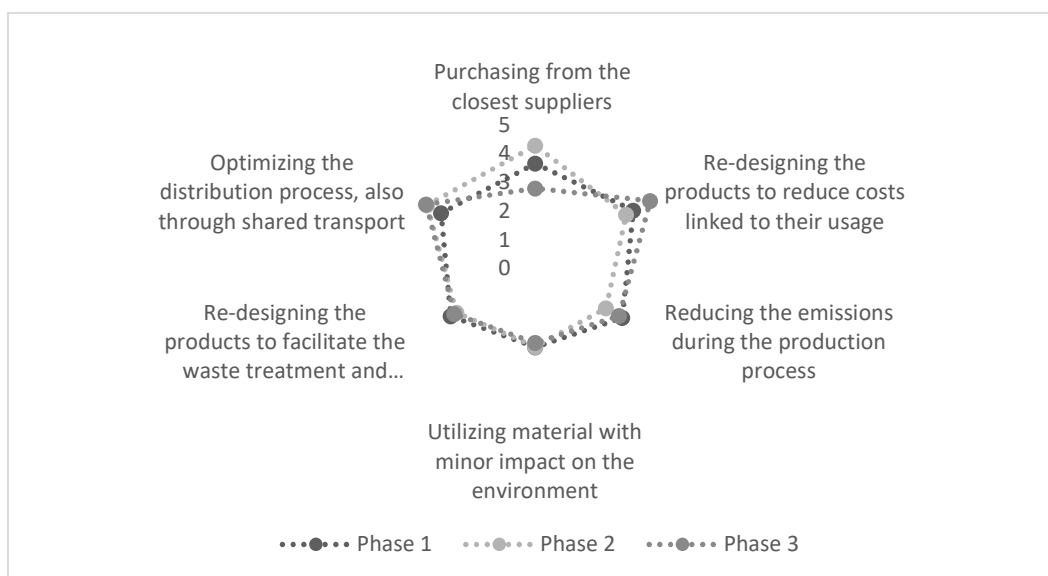
Source: our elaboration based on CUOA Business School Database

As far as the target countries concerned, even if without huge differences, the entrepreneurs exporting in the USA prove to be nearer to the Benefit organization. It is an interesting aspect to analyse due to the fact that it is the first county officially introducing the legal status.

A Benefit preference on Re-designing the product

In Figure 18 it is interesting to see that the companies belonging to the third phase, hence already Benefit Corporation or intentioned to turn into this legal status, show preferences that are different in comparison to the other firms.

Figure 18 Reducing the Environmental impact for Benefit Corporation



Source: our elaboration based on CUOA Business School Database

Entrepreneurs forming the third phase declared themselves less willing than the others to select local suppliers. At first instance, it may be perceived as surprisingly but it is reasonable because it depends on the availability of a local competent and adequate supply chain. To compensate the need to find partners far away, Benefit Corporations prefer to invest on themselves and on their internal competences and re-design their offer to reduce the costs and relative negative impacts connected to their usage.

Case Study 17 *Alfredo Zordan, Zordan Srl Società benefit*

Due to the characteristics of our products, we have strict limits on designing and projecting our offer. Having local suppliers would be the best thing, but because of the peculiarities of our product we are required to go to Bologna, Vicenza, Padova, Como. Since we cannot select local suppliers, we choose to re-organize our processes.

Case Study 18 *Giulia Pische, The Opportunivore*

According to her experience, Giulia Pische has strengthened the Zordan's concepts. *The relationship between community and supplier depends on the peculiarities of the business: is a company need a particular natural material that the nearer supplier doesn't work, the company is forced to go far away. The advantage is that the company can explain this to the nearer supplier, incentivizing him to consider that natural material and translate his business in a positive perspective.*

In this way the process is fostered, a lot of people will start to know about the Benefit Corporation values and will approach them.

At the end of the story, we have to remember that the business is business and we do not want simply to be good, we have to reach the profit otherwise creating positivity through the business makes no more sense. Profitability and positive impact are always linked, one support the other.

Case Study 19 The ambiguity of Concentration and aggregation: the different perspectives of Anna Cogo and Andrea Filippi

Going through our research and talking with the people interviewed, we noticed two points of view opposing one to the other.

When Anna Cogo described the typical Benefit Entrepreneurs, she depicted them as *people that feel themselves alone, different from the other. They know that some radical changes are needed, they are aware of it and they want to act and bring another direction. The problem is their perception, they feel they have nobody with the same mindset and this is the reason why the B Corp community is so important for our Benefit Entrepreneurs.* It can be represented as a self-selection process of those sensitive entrepreneurs who wish to become Benefit exploiting their business to generate good impact.

Being aware of the positive opportunities that they have, makes them stronger but fragile at the same time because they don't have the support from several other firms. Aggregate entrepreneurs and forgetting the loneliness into a strong community may be the key to drive effectively the change.

Andrea Filippi seems to perceive the Benefit Corporation movement from another viewpoint, as he stated: *the point is to spread as much as possible the values, activating lot of flames to disperse everywhere, it would work as a virus gradually affecting every business everywhere.* A similar idea has been expressed by Alfredo Zordan and Giulia Pische the partnership opportunities and concerning the supply chain (see *Case Study 2* and *Case Study 18*).

Starting from these opposing statements, it is clear the uncertainty at the base of the development process for the Benefit Corporation, aggregation or scattering? This is still an open question.

3.6 Measuring Social and Environmental Impact: B Corp

In line with Benefit Corporations, Certified B Corps are companies that act to simultaneously reach the economic results with respect the surrounding communities and environment. Hence, again a double mission putting at the centre of the scene the creation of a public positive impact, alongside the private profit.

The American association B Lab with its Italian partner Nativa are the promoters of this phenomenon of B Corp. Their mottos are *Using Business as a Force for Good* and *B The Change*. The vision that the two entities driving the phenomenon spread worldwide is (bcorporation.eu)

«Using the business as a *positive force*, in order to make all the companies compete to be *the best FOR the world*, and create an enduring and shared prosperity for the society»

As they want to outline, the term B Corp encapsulates a new business paradigm, a brand, a measurement protocol and a global movement inspiring an increasing number of aware companies operating in every industry.

The movement has a B Corp Declaration, the so-called *Declaration of Interdependence*, that states their beliefs as follows (bcorporation.eu):

«We must be the change we seek in the world. That all business ought to be conducted as if people and places 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»

According to Erik Ezechieli and Paolo Di Cesare, founders of Nativa, a Certified B Corp is a company that chooses to follow some important values, reaching the highest level possible in term of mission, responsibility and transparency. The first one is *Mission*: the double mission concern the pursue of a positive impact on the society and on the environment, alongside the economic return. Hence, performances consist of benefits perceived by the society and the biosphere, this is the reason why B Corps are seen as those companies employing the business as a strategic force for the sustainable good development.

Then, the second mentioned characteristic is *Responsibility*: in the B Corp context, as well as for the Benefit Corporations, the stakeholders' figure undermines the centrality historically held by the shareholders. Indeed, with such a scenario, companies are required to consider all the different groups of stakeholders and their relative interests and needs, limiting in a certain sense the complete primacy of the shareholders. Moreover, reaching the certification of B Corp and, as a consequence, having the possibility to show the logo, has the advantage to communicate to all the interest-bearers that the values declared are effectively at the centre of the strategy, influencing the different decisions, they are not a mere form of marketing activity.

Finally, the last one is *transparency*, intended as a value, as well as a duty. With reference to this, Certified B Corps have to public periodically the report attesting the impact created on surrounding society and environment. It is a requirement that the company accepts to reach, certifying the needed standard to maintain the status.

There are different reasons to consider the Certification B Corp as a helpful strategic choice. Indeed, the promoters of the movements guarantee that status as an opportunity to protect the profit mission simultaneously to the parallel business objectives concerning the public interest and the natural wealth, to constantly evaluate the obtained results and, last, to be part of a great international movement driving a disruptive mindset change. With reference to this last aspect, actively participating to the phenomenon has the advantage to get access to some services offered by the B Corp community and to enter in contact with other companies, collaborating with them. Moreover, the achievement of the certification permits the company to differentiate itself from other businesses, improving considerably its reputation and, as a result, becoming more appealing to new potential partners, talents and media. Especially the strong attractiveness of new partners and professional and specialized potential employees represent a very important engaging aspect for the achievement of the missions (Cho, 2017).

At this point, Certified B Corp and Benefit Corporation seem to be very similar ones to the other, it is undeniable. Hence, why are there two different corporation forms if the characteristics, in terms of advantages, values and principles are so alike?

The certification of B Corp may be associated to the status of Benefit Corporation, since the values and the principles at the base are the same, however, they are completely different titles. On one side, that of Benefit Corporation is a legal status that requires the company to amend the corporation charter (Bauco, Castellani, De Rossi and Magrassi, 2017) and has inevitably also legal implications concerning director's duties and accountabilities (Yosifon, 2017). On the other side, the Certification does not affect the corporation charter, but substantially entails only some evaluation procedures able to transparently assess the goodness of the business (Rodrigues, Comini, Fischer, Dujardin and Dos Santos, 2015). As far as the certification concerned, it is a way to measure as rationally as possible, basing on an internationally approved standard, if a company is behaving consciously, according to the sustainable good practices or not (CRSPiemonte, 2015).

Practically, what is maintained equal for both of them is the responsibility, hence, the role played by the entrepreneurs or managers who are enrolled to commit on pursuing and reaching the goal of profit for shareholders, but also the creation of the positive impact, satisfying a broad range of stakeholders' interests. In this respect, indeed, both Benefit Corporations and Certified B Corp are strongly engaged on providing benefits to their stakeholders, surpassing the shareholders primacy, and they are willing to put their businesses to an external examination meeting rigorous standard concerning several aspects, e.g. the missions purposed, accountability and transparency (Gao, Jackson, Jeon, Jung and Schaller, 2015).

More in detail, to be as thorough as possible, in the following Table 6 all the differences are clearly summarized and expressed:

Table 6 Differences between Benefit Corporation and Certified B Corp

	Benefit Corporation	B Corp Certification
Transparency	They have to public an impact report each year on the Corporate website and enclose it in the Balance sheet	They public the report coming from the standard BIA
Performance	The measurement of the generated impact is required. They can use the BIA System or another internationally recognized standard	They have to reach the minimum score required and renew the certification every two years
Cost	Notary deed	€ 500 - € 50.000 according to the company revenues
B Lab Role	It participated to the law development; it promotes the legal status among the Certificated B Corp; it provides the BIA for free	It is the certification entity, it supports companies and provides them the B Corp logo, services and other opportunities

Source: adapted from societabenefit.net

In a different way from Benefit Corporations, Certified B Corps do not have to annually public on the corporate website and enclose with the Balance Sheet the statement attesting the reached social and environmental performances. Being transparent for B Corps means to public the report obtained submitting the evaluation test named Benefit Impact Assessment (BIA), that will be examined in depth later.

Moreover, concerning performances registration, to obtain the certification of B Corp a minimum score is required for the BIA and it has to be renewed every two years submitting again the standard test. In addition to the re-certification, Certified B Corps are also randomly undergone to on-site audits by B Lab (Stubbs, 2017). On the contrary, Benefit Corporations have to present and publish the impact generated, but they are free to choose

the appropriate measurement system among the existing international standards, equal to the BIA. In this case, no minimum score is needed.

Furthermore, also costs related to each of the two forms are completely different: assuming the legal status of Benefit Corporation involves the notary deed necessary to amend the corporate charter; instead, gaining the certification from B Lab entails a yearly spending of about € 500 - € 50.000, depending on the revenues of the company.

What about the role of B Lab and the Italian partner Nativa concerning the two forms of companies? In the first case, they are those entities that have supported, making the difference, during the development of the Benefit Corporation Law, respectively in the United States and in Italy. Actually, they are promoters of the international movement, aiming at spreading more and more the innovative legal status and demonstrating the possibility of managing the business in a good and sustainable way. They also make available for free the test of BIA to interested companies.

With reference to the Certification of B Corp, the two entities have a supporting role, letting the certified companies join advantages and services linked to the community and allowing them to use the logo of B Corp wherever they want.

As it is easily seen from the B Corp official website, it is quite simple from a bureaucratic point of view to obtain the certification, directly developed and managed by B Lab. There are just three steps to pass (CRSPiemonte, 2015):

- Complete the Benefit Impact Assessment and meet the performance requirements. To pass the on-line test, the company has to obtain a minimum score equal to 80 out of the 200 points available. The BIA is a survey aiming at verifying the sustainability and goodness of practices and processes run by the organization, it is an innovative analytic and rational method to measure effectively the impact.
- Validate the results coming from the BIA. It means that the score reached through the BIA has to be checked and approved by B Lab, who may ask for additional documents sustaining the answer done during the test.
- Sign the Declaration of Interdependence. This last step makes official the achievement of the certification, through this signature the company formally accepts all the rights and duties connected to the status.

With reference to Benefit Impact Assessment, it appears immediately clear how much relevant it is: it represents the tool used by B Lab to measure analytically the impact

generated by the company. The strength is the fact that it associates a number to the impact generated by the management of a company, this gives the opportunity to benchmark the results against those obtained by the other companies worldwide.

The advantage is not only that of communicating externally how the business daily acts, but also to have internally a definite understanding of how the activities are managed and how they may be improved. Furthermore, completing the Impact Assessment gives evidence of company's actions and externalities to all the stakeholders, that, as already extensively discussed, are the interlocutors according to who all the decisions should be made (Stubbs, 2017).

The Benefit Impact Assessment is a global and free tool easily available on-line and composed by about 150 very precise and targeted questions. Moreover, it is tailored according to the company dimension, geographic allocation and belonging industry; it is dynamic, since every two years it is updated and independent, because it is developed by independent third-parties (Standard Advisory Council).

There are four different areas of interest to be analysed, each of them concerns a particular segment of the organization that creates or is affected by a business impact. The five macro-areas are: Environment, Workers, Customers, Community and Governance. Each of them has subsections with a certain score registered by the company, comparable to the average score achieved by all the other businesses. In addition, also the Business model is evaluated with reference to the impact that it generates to the other four sections. Moreover, another important tool that has been developed in recent years following the *sustainability movement*, is the Global Impact Investing Rating System (GIIRS), an innovative standard aiming at stimulating the impact investment, i.e. a more conscious and aware way at disposal of institutions and funds to invest (Marquis, Klaber and Thomason, 2011). As far as socially responsible investing (SRI) concerned, the phenomenon had increasingly grown over the past 30 years, registering, already in 2010, around 2,3 trillion in the United States (Friar and Vittori, 2017), reaching 8,72 trillion in 2016, with 33% of growth from 2014 (Raymond, 2017).

There is quite a lot to suggest that obtaining the B Corp Certification entails numerous different advantages, concerning the company itself, but also connected to the potential relationships enjoyable with the rest of the B Corp community and finally, with reference to the market as a whole. The following Table 7 summarizes all the advantages.

Table 7 The advantages of obtaining the Certification of B Corp

WITHIN THE COMPANY	WITHIN THE COMMUNITY	WITHIN THE MARKET
<ul style="list-style-type: none"> ▪ Recognition for investors thanks to the free GIIRS ▪ Toolkit for internal communication ▪ Identify the areas to improve 	<ul style="list-style-type: none"> ▪ Access to resources and services provided by B Lab ▪ Access to B2B opportunities ▪ Promote the product within the community 	<ul style="list-style-type: none"> ▪ Mass Media and social media attention ▪ Newsletter B Lab for the obtained certification ▪ Marketing and PR toolkit ▪ Monthly initiatives of B the Change Campaign ▪ Marketing and Co-Branding opportunities

Source: adapted by bcorporation.eu

The development of all these tools and the increasing number of companies approaching the world of B Corp, are evident signs of the success achieved by the companies already certified. With reference to this, there are some proofs attesting a sort of *superiority* of B Corps compared to the public companies belonging to the same industry: companies with the B Corp certification outperformed their competitor, since the growth rate of the first ones was higher than the average of the other organizations operating within the same industry (Chen and Kelly, 2015).

The innovation that the B Corp and the Benefit Corporation have brought concerns the legitimization occurred with reference to some sensitive themes that for several years have been overused by the market. Since consumers started to be aware of nature, charity and sustainability, companies have begun to exploit it selling themselves as charitable, generous, green, animal and nature lovers, even if no standards or measurement systems were defined (Clark and Vranka, 2013). It is not a matter of external communication, being a Certified B Corp implies having social and environmental issues rooted inside as a personal mission (Rimanoczy, 2014).

Nowadays, thanks to B Lab and Nativa that have pushed companies to subject themselves to the BIA obtaining the Certification of B Corp and have supported governments for the development of the Benefit Corporation legislation, everything is changing in the direction of a really measurable corporate consciousness.

As Anna Cogo has confirmed, the measurement tool helps firms to rationalize and organize all the positive interventions and the whole processes. It offers the opportunity to innovate focusing on sustainability. The B Corp mechanism make entrepreneurs think through a wider point of view including different logics.

Case Study 20 *Andrea Magnani, Be Training*

At first, we obtained the certification thanks to the B Impact. Just at the first time we have reached a sufficient score to gain the B Corp certification, so further adjustments were not required for us.

Generally speaking, for a company going through the test, it is really hard to re-organize the activities if some processes are not yet implemented.

This is worth first of all with reference to the manufacturing enterprises, our facility is that we are a very flexible service provider. Nonetheless, adapting some activities or processes according to the B Corp requirements would have been difficult also for us because it entails a particular attention and effort. We succeeded on it because we have always acted following the same philosophy.

Anyway, there are also some very easy practices to implement, like the idea of volunteering.

Case Study 21 *Alfredo Zordan, Zordan Srl Società benefit*

When we discovered the Benefit Corporation and we saw the B Corp video we thought «we are already like this». The B Corp has been the tool that has permitted us to order and formalize what we were already doing. It has been for us the opportunity to rationally measure our activities because we had not an objective measurement practice able to give us a value, a number. Nativa and the B Corp certification gave us some criteria to control the operations, define an adequate standard and the best practices to adopt.

Case Study 22 *Andrea Filippi, Pasticceria Filippi Srl Società Benefit*

When we knew about the certification and the Benefit Corporation we thought that we were already acting following these values. I had never imagined the opportunity to measure the positive actions that we have always tried to implement. It has a strong potentiality that let you think in a different way driving to innovation.

The topic of innovation is extremely interesting, both Anna Cogo and Giulia Pische mentioned it: the will to constantly improve and the openminded organization drive people to look for new solutions and methods to simultaneously support the business, the society and the environment.

3.7 Reshaping the Relationship with the External Environment

In the last decades, an important evolution occurred substantially transforming the role that the company plays not only in the market, but within the society as a whole. In this sense, enterprises, customer and investors' roles have become more complex assuming a broader influence. As a result of such a revolution, the concept of Corporate Social Responsibility changed, overstepping the simple common sense that can let companies avoid the mistreatment of child labour (Raymond, 2017).

It is in the midst of all these developments, that the legal status of Benefit Corporation and the Certification of B Corp, but more generally the surrounding ideas, were born. As

already explained before, Benefit Corporations are very interested to safeguard and improve the biosphere. As a result, the relationship existing between the company and the environment gradually has changed. The enterprise acquires an active role, it really influences the environmental evolution. With reference to this, one of the companies' mission is to enhance the environmental health across all the activities, solving the problems linked to the global industry (DEMM: Engineering & Manufacturing, 2016).

Themes like those here mentioned, immediately recall another emerging topic, the *Circular Economy*. Attention put on natural landscape, re-thinking to the production processes, the rationalization of resources, all of them are issues connected to the founding principles at the base of the Circular Economy and in a certain sense, to the Benefit Corporations, that balance simultaneously shareholders' profit with social and environmental impact (Stecker, 2016).

The growing attention put on the environment has its root, first of all, on the problem of natural resources scarcity and the other negative externalities generated by the historical production and consumption methodologies, that had brought businesses to be no more sustainable (Taranic, Behrens and Corrado, 2016).

As well as the benefit organization, also the Circular Economy is based on three pillars, i.e. *Reduce, Reuse and Recycling*, that should be embedded into production and consumption processes (Zhu, 2007).

The Circular Economy goes beyond the traditional Linear Economy, that simply transforms the natural resources into waste passing for the production process (Murray, Skene and Haynes, 2017). The news of the circular one, is that it considers also other important aspects: the removal of toxic elements; the implementation of strategies aiming at developing the reuse, remanufacturing, repair and recycling activities for goods; pushing innovative adequate consumption paths; renewing the corporate business model to be as effective as possible. Moreover, as far as the business model concerned, a sustainable good strategic choice is that of establishing strong relationships based on mutual trust with all the interlocutors participating at the value chain, i.e. suppliers, retailers and distributors, manufacturers and consumers. Thanks to such particular connections, it would be easier to efficiently use materials, reduce the waste and squandering, protracting the products and the resources life cycle (Vasiljevic-Shikaleska *et al.*, 2017). An easy example of circular economy practice may be to work close to customers in order to be able to organize

useful and practical packaging to render the supply chain more efficient (Food & Drink Technology, 2017).

Hence, the awareness that the business can be managed no more without considering the natural environment, the consciousness of its unsustainability, have brought companies to re-consider their actions reshaping their connections with the biosphere (Hickman, Byrd and Hickman, 2014). As already argued, Benefit Corporations go in this direction. Furthermore, the benefit organization has the added value of considering also other fundamental elements that, on the contrary, are missing in the circular economy framework: the human and social dimension. With reference to this absence, the Benefit Corporation goes beyond this limit, as it is grounded on the three pillars characterizing sustainability, so the economic, the environmental and the social one (Murray *et al.*, 2017).

3.8 Conclusion

In the new economic context where entrepreneurs are aware of creating benefits for a wide range of stakeholders and for the ecosystem, some emerging challenges appear.

As already seen throughout the previous chapter, Benefit Corporations represent a valid and sustainable solution to the challenges that the growth of *Hybrid organizations* had brought. Nonetheless, other considerations should be done.

First of all, arguing about benefits and positive impact, it is important for Benefit Corporations to be very precise and define a set of rules and an adequate measurement method to rationally quantify the effects caused by the business activities on the society and on the planet.

With reference to this, the Benefit Impact Assessment (BIA) is the useful tool offered for free by B Lab and its Italian partner Nativa, to companies aiming at becoming benefit amending the corporate charter, or obtaining the Certification of B Corp. This last option entails the same values and beliefs of a Benefit Corporation, but it differs from it since it represents just a certification that a company may achieve demonstrating its *good behaviour* through the fulfilment of the BIA test, reaching a minimum score of 80 out of 200. Completing the assessment gives companies the opportunity to effectively measure their activities and the connected impact generated on people and ecosystem. Moreover, the advantage of measuring the positive or negative consequences of each business is to acquire a deeper understanding of the organization that, as a consequence, flows into useful information for managers and entrepreneurs to constantly improve their processes and

practices. Reaching consciousness about the business and its effects make the difference on acting as a *good* or a *bad* entrepreneur.

In addition, the other reasoning that can be developed analysing the innovative form of the Benefit Corporation concerns the environment. Indeed, the relationship existing between the planet and the organization gradually has changed: the company is assuming more and more an active role in the environmental development. Nowadays, a company can make the difference through its decisions and activities implementation affecting positively or negatively the ecosystem. With reference to this, studies about the circular economy and other related tools help organizations to deeply recognise all the processes, having a complete overview of the business and its potential impacts. Moreover, considering the value chain as a whole, including all the different interlocutors and stakeholders may be the critical element to find out the best solutions to increase value, benefits and continuously improve.

BENEFIT CORPORATION: A NEW RENAISSANCE FOR FAMILY FIRMS?

4.1 Introduction

Analysing the actual socio-economic system and going through the study of *Hybrid organizations* and *Benefit Corporations*, it is possible to notice several very interesting references recalling the huge world of *family businesses*.

In some cases, the spotted similarities are so strong and peculiar that it is unavoidable arising questions concerning the possible connections that may exist between the Benefit Corporation path and the Family Firm.

More precisely, it seems that everything starts from the wider *Hybrid organizations* circle because they combine some peculiar characteristics that reflect to the Benefit Corporation, the legal status belonging to the economic hemisphere of the hybrid scenario presented by the model here elaborated. These above-mentioned peculiarities immediately recall some of the most relevant distinctive characteristics usually used by the specialised literature to describe the family business theme.

One of the most impressive signals that for us has generated the question about the effective link between these two for-profit organizations, concerns the sensitivity that flows into awareness of non-financial issues.

Sensitivity may highlight a particular attachment of the company to some powerful *values* already discussed to explain the nature of Benefit Corporations. With reference to this, the international consulting group PWC presenting on its website what a family business is, writes:

«Where others [for-profit corporations] might focus uniquely on value, you [family for-profit firm] also focus on *values* – including preserving the company for the next generation, and perhaps *making your mark on the world*».

The last few words evoke something that goes beyond the mere profit maximization and starting from this consciousness other parallelisms concerning Benefit Corporations and family firms came to light arousing interest.

Working on this dissertation and discussing with the interviewees, we discovered Polaris and the Polaris Impact Assessment, the tool powered by B Lab for family firms in collaboration with the International Family Business Network, that dedicates a special attention to sustainability, believing on the same values as the Benefit Corporation community.

Again, the international research program focusing on Family Business, the Global Step Summit, that in 2017 took place in November in Lugano at the Università della Svizzera Italiana, dedicated a complete session to the theme of Benefit Corporation.

In line with our initial assumption, these two cases incentivize us to believe to the existence of a relationship, a kind of link or an overlap between Benefit Corporation and Family Firm. It is an emerging topic that we had already noticed studying the Benefit Corporation theme and we wanted to further deepen.

With this purpose, the present chapter finds out all the major common features and wonders about them. It is structured as follows: the first part explains all the characteristics that they have in common. Starting from what has been already said about *Hybrid organizations* and Benefit Corporations, several references to the family business will be done touching upon different themes, ranging from the driving logics to the leadership system usually implemented.

Consequently, the second paragraph takes into consideration one of the most interesting theme argued in the family business literature, the Socioemotional Wealth (SEW). It is a very appealing topic since it presents the business from a different point of view, accepting the existence and attributing high relevance to the non-financial goals driven by other values alongside the profit-seeking. The paragraph continues with a focus on what in family business researches is called FIBER Model, since through some adaptation it may be possible to create a strong connection with the world of Benefit Corporations.

4.2 Dualities and other common features

Introducing the theme, it may be useful to open with a theoretical definition able to easily express the distinguishing nature of this particular organizational reality. Ernesto J. Poza (2010, p. 5) in his book adopts the following definition:

«Ownership structure aside, what differentiates family business from management-controlled business are often the *intentions*, *values* and *strategy-influencing interactions* of owners who are members of the same family».

It is immediately and easily noticeable a first relationship with the particular nature of the Benefit Corporation. The key words crossing the mind are:

- Intention, that may be perceived as synonym of *vision* to communicate the peculiarities affecting the forces driving the strategic decision process and the corporate behaviour;
- Values, that together with the corporate beliefs and norms define the *rules of the game* and the firm behaviour (Reay, Jaskiewicz and Hinings, 2015);
- Strategy-influencing interactions, linked to the numerous relationships that a company manages day-by-day and that inevitably affect the corporate choices and actions.

The following two paragraphs have the objectives to go through all these three areas in order to provide a concrete picture about the strong connections related to the mission, the corporate values and beliefs and the managerial implications coming from the network of relationships supported by the company.

4.2.1 The Dual perspective of Benefit Corporations and Family Firms

Due to the complexity distinguishing the family businesses, the author (Poza, 2010) argues about the *System Theory*, a theoretical approach commonly used in literature for representing the multiple levels and the resulting challenges that a family firm has to face. The mentioned theory provides a framework structured by three overlapping and independent, but interacting subsystems, each of them representing the family, the management and the ownership. Each subsystem interacts with the others and reciprocal adjustments take place. The short reference to this theory aims at giving a first idea about the complexity concerning the dynamics and the elements that should be taken into consideration arguing about family businesses.

This described set of delicate interactions and interdependences flowing into an elaborated system, is coherent with the existence of more than one corporate mission. With reference to this, in recent years the emergent paradigm exploited by scholars to study the dynamics affecting the family firms is the so-called Socioemotional Wealth (SEW). Even if the theme will be discussed deeper in the following paragraph, mentioning it here is functional to introduce the duality of goals.

Indeed, starting from the statement elaborated by Berrone, Cruz, Gomez-Mejia and Lazara-Kintana (2010, p. 82),

«family owners are likely to be guided by a very different set of motives, namely, the preservation of socioemotional wealth, or the stock of affect-related value that the family has invested in the firm».

What stands out it is the non-exclusiveness of the profit maximization goal as driving force of the business. With reference to this, the most important thing to outline is that the family running the business may attribute particular effort on the preservation of the socioemotional endowment, or also named *affective endowment* (Gómez-Mejía, Takács Haynes, Núñez-Nickel, Jacobson and Moyano-Fuentes, 2007).

Aiming at preserving the socioemotional wealth for a company means in concrete to pursue at the same time two different and dissonant missions:

- Financial goal, i.e. the traditional profit-seeking objective to satisfy on one side the shareholders' interests and on the other side re-invest part of the registered revenues in the business for future activities;
- Non-financial goal, i.e. the preservation of the affective endowment that in practise can be shaped differently according to the interest of the owning family.

Moreover, the will to protect the family, its values and its wealth is so strong that the risk of an economic loss is not perceived. In this sense, in case of threat to the affective endowment, strategic choices implemented by the firm may be driven by economic irrationality as they are focused to take care of the affect-related values (Berrone, Cruz and Gomez-Mejia, 2012).

As far as the mission concerned, both the Benefit Corporations and the family firms are characterized by *duality*. As already extensively described, the first ones organize their

activities and develop their business plan pushed by the two missions of generating economic profit and simultaneously creating a positive impact on the society and environment. Similarly, also the family firms follow the same directions, as they aim at producing a financial result alongside the preservation of the socioemotional wealth. Moreover, examples of this latter objective may range from the preservation of the family's positive image and name to the commitment on environmental protection and safeguard.

Related to this, the study conducted by Berrone *et al.* (2010) figured out the interesting trend having as main characters family-controlled public companies that to preserve their socioemotional wealth, engage themselves on producing better environmental performances. Potential economic losses aside, demonstrating the family aware of the environmental issues reflects in a positive reputation for the company and the family name itself. In line with these reasonings, both family firms and Benefit Corporations are not subject to only one logic. As Stubbs (2017) states, these last ones are not cognitively limited by dominant business logic. The same perspective is worth for family businesses, where the logics put at the basis of the processes may be the following (Reay *et al.*, 2015):

- Family logic, i.e. satisfying the family and its members is the prevailing mission;
- Business logic, i.e. profitability is the driving principle on running the business and making decisions
- Community logic, i.e. the company pursues the goal to support the community and the related needs.

The latter one has been introduced by Reay *et al.* (2015) as an integration to complete the framework. The combination of the family logic with the business logic makes the family firm needy of its own field of study, since both of the two different logics affect the corporate behaviour (Chrisman, Chua, Pearson and Barnett, 2012 in Reay *et al.*, 2015). Moreover, there are schools of thought attesting the conflicting nature of this *hybrid family-business logics* that drives to the achievement of lower financial results (Craig and Moores, 2005 in Reay *et al.*, 2015). On the contrary, other researches consider this type of *hybridity in logic* as a unique source of complementarity able to distinguish the company and let it achieve the competitive advantage (Pearson, Carr and Shaw, 2008).

Anyway, the element to notice is the mirrored double logic explained in the first chapter typical of the *Hybrid organizations*, the social welfare and commercial logics.

Both in family firms and Benefit Corporations is valid what has been stated concerning the first mentioned reality (Basco, 2017, p.31):

«economic and non-economic goals are combined with specific orientations, such as family [*benefit*] and business orientations. Based on this demarcation, a multidimensional concept of family [*benefit*] business goals between an economic versus non-economic orientation and a family [*benefit*] versus business orientation can be formed».

As organizations not cognitively constrained into a limited business logic exclusively made by profit and economic indexes, family firms' strategies are balanced by the family logic as well as Benefit Corporations are influenced by the social welfare logic or better, by the *benefit logic*.

4.2.2 Other features in common

Consequent to the similar approach in terms of missions pursued and driving logics, other interesting characteristics associate Benefit Corporations and *Hybrid organizations* with family businesses. All of them are issues that have been already discussed before with reference to *hybridity* and Benefit Corporations, they are: longer time horizon through which the business is perceived and managed and the resulting need of patient capital, the particular connection and relationship with the surrounding community, the positive leadership aiming at sharing common vision and motivating people on their daily activities.

Longer Time Horizon

The long-term perspective represents a crucial point in *Hybrid organizations*, since they have to run their businesses considering the *good* impact that little by little may be generated on society or environment. Due to his role of subcategory of *Hybrid organizations*, the same reasoning is worth for the Benefit Corporation that aims at creating positivity through its day-by-day activities.

With reference to the long-term vision, family businesses are considered strong supporters due to their desire to make the firm successfully survive over generations. Indeed, succession and continuity are one of the most argued themes in literature (Miller, Steiner and Lee-Breton-Miller, 2003, Porras and Collins, 1997, in Poza, 2010). The family members consider the business as a long-term family investment that should be handed down to future generations (Berrone *et al.*,2010).

Patient Capital

The requirement for patient capital is the consequence of the long-term vision previously argued. Due to the longevity of family businesses and to the will of acting as a sustainable company aiming at producing good things for the people and the environment, the implemented investments cannot guarantee returns in the short-term. In both cases, the commitment of the company goes beyond the limited short-term vision.

Patient capital can be defined as the financial capital that owners decide to invest in the business for long period with no threat of liquidation (Dobrzynsky, 1993 in Sirmon and Hitt, 2003). On the family's side, the choice to bequeath the firm inevitably requires generational effort on structuring capital effectively exploiting longer-time horizon than other common non-family companies (Sirmon and Hitt, 2003).

On the Benefit Corporation's side, as already said before it seems that investors are nowadays more willing to opt for patient capital required to invest in long-term projects due to the transparency and complete communication provided by *benefit entrepreneurs*. Being more sustainable may imply higher investment with slow returns, anyway the growing perception now is that what costs at present a bit more effort will provide higher value in the future.

Local Community

The strong relationship with the surrounding community is a further element that the two worlds here analysed have in common. Due to the strong identification of the family with the firm itself, it is not rare that family firms establish a strong link with the community based on mutual support. The firm acts in the role of citizen and takes care of its image and reputation among the society (Berrone *et al.*, 2012). Related to this, several studies analyse the fact that often family businesses are more aware of social welfare and environmental safeguard (Berrone *et al.*, 2010; Bergamaschi and Randerson, 2016; Sánchez-Medina and Díaz-Pichardo, 2017). Berrone *et al.* (2012, p. 263) support these theses stating how strong the bonds with the community are:

«family firms are deeply embedded in their communities and often sponsor associations and activities that are valued in the community, such as [...] charities, special events, and local sports teams».

The reason why they tend to participate so actively may be for altruistic being or simply may be driven by the desire to gain recognition for activities considered *good* by the community, or better for both (Schulze, Lubatkin and Dino, 2003 in Berrone *et al.*, 2012). As far as the Benefit Corporation concerned, it is evident the relevance of the local community for them. Generating positive impact for all the stakeholders affected by the company's activities represents for this type of legal entity a declared mission and the community itself is part of this group of interest bearers.

The strong consideration of local community has been showed also in the survey discussed before: all the entrepreneurs (all of them managing a family firm) showed high interest for the community, admitting their opportunity to incentivize the common welfare; the firms already with the Benefit Corporation status or close to it, declare also the mutual benefit they have with the society outlining the fact that the company has grown up also thanks to the local support.

Positive Leadership

Positive Leadership can be defined as the approach combining together several strategies that may be implemented by the leaders to reach successfully high performances. The mentioned strategies are (Cameron, 2008):

- Positive climate, representing a work environment made of positive emotions instead of negativity. There are three most important activities that a leader can commit to, i.e. encouraging compassion, forgiveness and gratitude among all the employees;
- Positive relationship, creating and maintaining positive relationships may empower the organizational strengths;
- Positive communication, having positive discussion with the other and constructive mutual feedback may have good results;
- Positive meaning, that is related to personal values, human well-being and the opportunity to create community able to sustain emotionally and motivate people.

The leader guiding an organization should completely embrace the organizational values and the related culture. This is a very important point for every company, but it may have a critical relevance concerning *Hybrid organizations* and Benefit Corporations due to their particular mix of missions pursued. A Benefit manager or entrepreneur has to feel a strong emotional attachment to the missions, as they are the driving forces to have in mind

making all the decisions. In the case of Benefit Corporation, the positive leadership seems to be the natural consequence of its goals: considering employees as resources, motivating them every-day, being transparent with them and getting them involved in the decision-making process are all positive leadership's facets.

On the side of family firms, family's emotions and commitment are integral part of the business. Often family businesses take advantages from very long-lasting relationships with external partners (suppliers and distributors for example) and internal collaborators (Berrone *et al.*, 2012) and this aspect together with the emotional values, the strong commitment and the identification with the firm itself, may bring to the creation of a positive work environment, even if unconsciously.

Reputation and corporate image

Due to the fact that the family normally identifies itself with the company because of the direct or indirect involvement and control in running the business, reputation for family firms plays a relevant role. This is true first of all with reference to those companies with high proportion of family ownership. Aiming at reaching a favorable reputation, family firms are more willing to commit on socially responsibly practices, paying attention to all the stakeholders and on make their employees feel appreciated and motivated and on the environment preservation (Sageder, Mitter and Feldbauer-Durstmüller, 2018). From a certain perspective, all the aspect explained before flow into the improvement of the corporate image and reputation. Investing on long-time social bonds within the community is driven by the need to be positively judge by the external environment and reach high performance results (Byron and Lehman, 2009 in Sageder *et al.*, 2018). The participation of family members in the community life and its several activities, generates a unique image of the family and of the company itself that flows into a unique competitive advantage on the market (Zellweger, Kellermanns, Eddleston and Memili, 2012). Generally speaking, acting in a responsible way for a family business is a way to enhance and preserve the corporate and the family's reputation (Dyer and Whetten, 2006 in Sageder *et al.*, 2018).

Similar reasoning can be developed also for Benefit Corporations. It is indisputable that the responsible and sustainable management and the awareness of people and environment bring consumers to evaluate positively the company, the whole Corporate Social

Responsibility is based on this assumption. Moreover, as far as the reputational issue concerned, the Benefit Corporation can leverage also on the advantages linked to the community of B Corp, i.e. visibility on press, advertising campaign and inherent events.

For a family business, becoming a certified B Corp or turning the business in a Benefit Corporation may represent a key strategy to formalize all the good practices able to attract the attention of the society, demonstrate in concrete the family business integrity and as a result, improving the corporate image.

4.3 Over the profit: some deeper emotional levels

The main feature that the family firms and the Benefit Corporations have in common concerns the duality nature that inevitably affects their decision-making process and their behaviours in general.

Both of them consider as corporate objective not only the profit but also further purposes closed to the entrepreneur's heart. For the Benefit Corporation, the added mission involves creating *benefit* perceived at the stakeholder and the environmental level, whereas for the family business it can be linked to a wider range of interests, aspirations and worries.

From a general point of view, it seems that *emotions* play a very important role in driving such choices or organizational behaviours. Obviously, an entrepreneur may decide to turn its organization into a Benefit Corporation due to a strong personal feeling of altruism or awareness about some critical themes like the climate change. Personal emotions or worries are sufficient forces to convince an entrepreneur to embrace the legal status of Benefit Corporation and commit the corporation to additional *good purposes*. With reference to the family firm, as mentioned before they are often managed following the final goal of the socioemotional wealth preservation. As Berrone *et al.* (2012, p. 259) state:

«Family firms are typically motivated by, and committed to, the preservation of their SEW, referring to nonfinancial aspects or *affective endowments* of family owners».

Let emotions enter the business has the consequence of rendering the company and the Top Management Team less rational. From a Benefit Corporation point of view the irrationality is easily seen for example through the implementation of charity activities and volunteering as Be Training makes. Being focused not only of economic variables makes

entrepreneurs pass from a business logic to a mixed logic, rendering wider the action constraints.

Similarly to what already discussed for the Benefit Corporation, also family firms usually do not operate limiting their choices to numbers or to a strict business logic. This concept is particularly clear when some threats to the affective endowment occur, in these cases the managing family may prefer to make decisions not based on economic parameters even if they may imply making the company at risk. The interest on preserving the socioemotional welfare is so high that the family may be willing to take risks (Berrone *et al.*, 2012).

An interesting example of this type of family-controlled firms is given by the study elaborated by Gómez-Mejía *et al.* (2007): they analysed Spanish olive oil mills to confirm the hypothesis concerning the willingness of the family to take higher business risk resulting from the choice to maintain the company control, instead of giving up their socioemotional wealth. They demonstrated that facing the dilemma involving the certainty of future stability and financial gains or the risk to lower the performances up to the complete failure, the selected option would be the second one to preserve the affective endowment.

The reasoning is not precisely the same with reference to the Benefit world, Benefit entrepreneurs do not put their business into risk deciding to embrace this legal status, they simply choose to manage their activities in a more sustainable way. The common ground in which the preservation of the socioemotional wealth and the benefit logic converge may be represented by the same departure from the historical and rooted capitalistic vision (Porter and Kramer, 2011), whatever the pushing reason is. The focus on number, economic rationality and short-term financial goals are not their pitfalls, or at least not the only ones. The fact of having multiple facets influencing the organizational processes is the distinctive characteristics of family businesses and *benefit corporations*:

- On the family sphere, profit aside, one of the main priorities is linked to the family-controlled business continuity because of the strong affective bond of the family that identifies itself with the company;
- On Benefit Corporation sphere, alongside the financial objectives also other *good* missions for people or for the planet, considered important by the management team or by the owners are pursued.

Due to the particularity characterising the socioemotional wealth and the empirical studies supporting the theory, Berrone *et al.* (2012) tried to develop a formal tool aiming at practically measuring the socioemotional wealth, the force driving a lot of family businesses. The tool that they elaborated in order to encapsulate the essence of the *affective endowment* is the FIBER Model, composed by five dimensions.

We will focus the attention on each of them trying to create a sort of bridge able to connect the socioemotional wealth's model with the Benefit Corporation logic: working on some adaptations and having in mind the multidimensionality affecting the two realities are the starting point for the reasoning.

Family Control and Influence

The first dimension forming the model concerns the control and the influence exercised by the company's owners to the whole organization. With reference to family firms, often everything is in the family's competences, directly or indirectly appointing a skilled manager or a team of qualified top managers. As Berrone *et al.* (2012) outlines, family members employ control over strategic choices and actions and at the same time they have the strong ability to influence all the people belonging to the company or working in close contact with it thanks to their personal charisma. These two elements are considered integral part of the model due to the fact that usually one of the strongest desire of the family is owning the power to control the business and inspire it because it identifies the family itself, its values, history and aspirations (Gomez-Mejia *et al.*, 2007).

This reasoning is coherent with the will to impact on everything that is connected to the business and in turn it can be also linked to Benefit Corporations. As far as the control concerned, literature does not state the detention of full control as a priority, instead it repeatedly alludes to the transparency, participations and inclusion by which the business activities were organized and implemented. The influence exerted to and through the organization is the point that mostly recall the benefit logic. Entrepreneur's personal attachment to the declared missions, his passion for the business and the euphoria for the positive impacts produced on the people and on the planet, drive day-by-day employees and collaborators.

Hence, the emerging parallelism between family firms and Benefit Corporations may be based on the aspiration to inspire the whole organization, preserving its values and cultures that on the family side concern the firm's traditions and history, while on the Benefit Corporation's side refer to the *positivity* spread within and outside the organization.

Family member's identification with the firm

Similar reasoning made for the previous dimension can be translated also to this second category of the FIBER Model, highlighting the very strong link usually established between the family and the business. Meshing the emotional part of the family and the challenging but stimulating economic activity generates a unique relationship between them and within the family firm (Dyer and Whetten, 2006 in Berrone *et al.*, 2012).

In the same manner the family is emotionally very close to the business, also Benefit Corporations may be considered shaping the entrepreneur's personality and identity. Starting from the assumption that he chooses his multidimensional missions according to his business and to what he personally considers relevant to support the society and the environment, it can be stated that the company itself is the mirror of its entrepreneur's soul.

Binding Social Ties

Consequently to the identification of the family with the company itself may be translated into an extension of the family unity that inevitably includes a wide range of interlocutors. Family firms operate in closed networks traditionally characterized by feelings of friendship and solidarity (Uzzi, 1997 in Berrone *et al.* 2012).

Usually the established networks last for very long time, going through more than one generation. They normally have the advantage of counting on their trusted suppliers and distribution channels that sometimes may be perceived as belonging to the family. The same thing may be worth also for non-family employees who are affected by the strong influence and culture of the owners.

This personal attachment of the employees and other stakeholders has a kindred spirit to that of the Benefit Corporation. Moreover, as already discussed above, often family firms integrate themselves in the community and its activities, like events, associations, sport teams. This is the very glaring aspect that immediately let us to put these two types of

organizations in relationship. Being active within the society, offering the own time, resources and spirit to the people is the common feature.

Emotional Attachment

The fourth dimension of the model concerns the emotional part of the company. As already mentioned, family firms are so influenced by emotions and feelings that sometimes they loss their economic rationality to follow their perceptions. The organizational activities and the decision-making process is affected by these emotions, first of all considering the bonding existing between the family and the company.

The emotional attachment contributes to strengthen the link that the firm has with all its stakeholders, both internal and external: it lets people feeling as integral part of the organization, of its past, its present and its future.

In line with this perception, the comparison with the Benefit Organization can be made considering the attachment to the selected and declared missions. Indeed, as the case studies have shown, *benefit* employees and entrepreneurs are usually very embedded in the business and proud of being part of something *good*:

- Employees with strong commitment to the social and environmental objectives are more motivated and work perceiving that their daily activities aim at improving people's lives and the planet. Such a consciousness comes from the internal widespread availability of values and *benefit culture*;
- Entrepreneurs and managers have the same mental and emotional attitude, but increased since they represent the people who have thought and encouraged the culture, fixing the *good* missions and promoting their achievement among all the people involved.

Renewal of family bonds to the firm through dynastic succession

As well as the Benefit Corporation has been established to be sustainable in the long run from a social and environmental perspective, family businesses commonly focus on sustainability but from a different point of view, that of the dynastic continuity.

One of the major worries of the family is the maintenance of the business under the family's control due to the strong link argues before between the two entities. The solid attachment to the business push the owning family to arouse its interest in the long-time

horizon. Family members perceive the firm as a long-term investment established and managed by the family to be acquired by the future generations.

Dynasty and inheritance aside, also Benefit Corporations plan their activities and strategies thinking to the long-run because of the will to survive in the future creating in the meantime positive impact. In the same manner family firms usually elaborate succession plans to preserve the dynasty and perpetuate its values and traditions, Benefit Corporations amend their legal status through a notary deed to fasten the pursued *good* missions and guarantee the continuity of the positive impact created for the people and for the environment.

4.4 Conclusion

The question at the base of the present chapter was about the existence of a relationship between the organizational form of *Benefit Corporation* and the *Family Firms*. Going through the literature concerning both of the topics, we found out very important characteristics that they have in common like:

- longer time horizon through which the business is perceived and managed,
- the resulting need of patient capital,
- the particular connection and relationship with the surrounding community,
- the positive leadership aiming at sharing common vision and motivating people on their daily activities,
- the reputational issue.

The *first affinity* that we have perceived is related to the double vision that affects both the Benefit Corporation and a family business. Indeed, on the first case a company that is a Benefit Corporation is influenced and consequently driven by the following main logics:

- commercial logic,
- social welfare logic.

On the other side, family firms are particular for-profit organizations affected by:

- business logic,
- family logic.

Despite the different terms used in literature to describe these two organizational forms, both of them seems to be strongly influenced by a duality in logic that makes the management consider not only the profit and the economic rationality, but also additional issues like the welfare or other values that are the consequence of the business activity.

Particular emphasis has been attributed to the socioemotional wealth, the theory stating that the decision-making process of a family business often is strongly affected by emotions and by the desire to preserve the emotional endowment, the emotional value that the family perceives due to the controlling role within the company.

The sentiment arising from the analysis of the present chapter is that a real connection between the Benefit Corporations and the family firms exists, has been confirmed also by the activities and the interest shown by the Family Business Network and the Global Step Summit. It may represent an innovative topic with the potential to attract the interest for future research.

This relationship may be a very interesting concept to consider because it may depict the Benefit Corporation as a direct natural continuation of the family firm, a new renaissance for those family businesses wishing to constantly grow and be admired by the society.

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5.3 Websites

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www.fourthsector.net (Website specialized on the phenomenon of the emerging Fourth Sector) [Date of access: 9/11/2017]

www.gemconsortium.org (Global Entrepreneurship Monitor to obtain some general information about the latest trends) [Date of access: 20/10/2017]

www.youtube.com/watch?v=anh1K10nA8U (Video of Robert Shiller explaining the Benefit Corporation) [Date of access: 11/11/2017]

www.youtube.com/watch?v=NfNF9u7X0GU (Video of John Montgomery discussing the phenomenon of the Benefit Corporations at TEDxHultBusinessSchoolFS) [Date of access: 11/11/2017]

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