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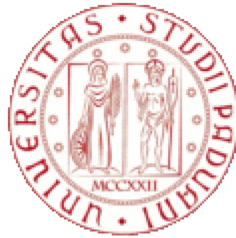

Department of Economics and Management

Master Program in Business Administration

BENEFIT CORPORATIONS AND FAMILY FIRMS

NATURAL MATCH *VS* SUITABLE EVOLUTION

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To my family, for all the love, support, and patience.
And to my friends, thank you for having shared this journey with me.

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INTRODUCTION & SUMMARY

RESEARCH QUESTION OF MY DISSERTATION N. 1: This dissertation aims to answer the following research question: «Are *Family Firms* more suitable to become Benefit Corporations? ». Family Firms are supposed to be more interested than Non-Family Firms in the socio-emotional endowment, declined according to the socioemotional wealth approach. The main point of SEW is to value the emotional and cultural side more than the traditional financial aspects. This perspective incentivizes Family Firms to operate considering also the socio-environmental commitment, which is at the basis of the Benefit Corporations core mission. We want to understand if the Family Firms' transformation into Benefit Corporations will depress the performance of the companies because of their decision to institutionalize the resources' allocation to the socio-environmental sphere.

RESEARCH QUESTION OF MY DISSERTATION N. 2: The second purpose of this dissertation is to answer the question «Could *Familiness* mitigate the criticisms to Benefit Corporations? ». Benefit Corporations have been criticised for their need to value the stakeholders' interests as well as for the problems that the measurement of the benefit impact can arise. The aim of this research is to understand if the Family Firms' inclination to follow the values that SEW communicates can somehow mitigate those criticalities.

WHY THESE QUESTIONS MATTER. What we want to analyse is if it is true that the specific characteristics of Family Firms can make those type of companies more suitable to become Benefit Corporations. This is an important topic because Family Firms are usually identified as operating according to the socioemotional wealth (SEW) approach,

CHAPTER 1. The first chapter focuses on the evolution of the business in the last years, emphasizing how different themes achieved an ongoing increasing importance correlated to the impact of companies' activities on the surrounding society and the environment. These socio-environmental aspects can be ignored no more and the companies may face the reality and find a new solution to operate in the business. In this context, the fourth sector has risen as a solution to combine the financial perspective desired by the companies with the pursuit of social goals. In particular, this chapter is dedicated to the evolution of a new paradigm of Benefit Corporation, which is similar under certain points to the B Corps but need a stronger commitment from the companies that decide to undertake this path. Furthermore, the Benefit Corporation represents a new legal form that changes the old business paradigm by requiring the companies to write down in their statutes their intention to pursue the social mission. Benefit Corporations must, therefore, list all the socio-environmental objectives that want to reach and nominate one Benefit Director who is in charge of controlling the trustful pursuing on those goals. Moreover, it is mandatory for the companies to find a way to measure their impacts and to stick to their decided goals. However, there are also several advantages in becoming a Benefit Corporations, which include the improvement of the relationships with the stakeholders, as employees, consumers or suppliers, but also the possibility to benefit from the creation of a network of companies that share all the same values.

CHAPTER 2. The concept of Family Business has been studied for years. In this chapter, it is provided a brief description of Family Business, with a particular focus on its strengths and weaknesses. Moreover, the attention is placed on what role the family side plays in this companies and how this presence creates a shift in the business paradigm. In fact, Family Firms operate according to different perspectives, attaching a higher level of importance to family and company's values and tradition rather than Non-Family Firms. motivated by what is called "socioemotional wealth (SEW)" perspective. The SEW approach analyse different aspects of Family Firms and recognises four main aspects. The first is the "Transgenerational control", which is based on the idea that Family Firms desire to achieve a control that lasts in the long-run in order to pass the business as a heritage for the future generations. The second one is the "Emotions and affects", that considers the influence that the family and its emotional attachments have on the business. The third is about the creation of "Benevolent social ties",

that understands the desire of Family Firms to create strong relationships with the stakeholders in order to achieve a long-lasting competitive advantage. The fourth one is "Identity and Reputation", which underlines how family members actually identified themselves with their company and consequently want to increase the firm image.

CHAPTER 3. The purpose of this chapter is to analyse the possible existing overlapping between the topic of Family Firms and Benefit Corporations. In order to do that, we developed a model, the VALORES Model, which is aimed at underline all the similarities between these two subjects through the division into four sections. The first is focused on the coexistence of the goals of values and financial performance since Family Firms are recognised as more willing to focus on the SEW side while maintaining enough level of financial wealth and Benefit Corporations have been created with the intent to create a balance between the two sides. The second aspect is the long-term orientation that is at the basis of the Family Business operations, with their desire to leave the company to the future generations, while Benefit Corporations' socio-environmental mission requires a long period to be analysed. The third point is about the reputation, which is an inextricable part of both realities, characterised by the attention on values and emotional sphere. While the last dimension is about the importance that the two topic provides to stakeholders, as employees, consumers and all the others which can be now considered a competitive advantage for a company. The VALORES Model allows creating a point of contact between Family Firms and Benefit Corporations, by considering the latter as a tool to improve the already present stimuli of the Family Firms.

CHAPTER 4. The fourth chapter provides an empirical analysis of the assumptions previously made. The VALORES Model indicates that Family Firms seem to be more suitable to become Benefit Corporation thanks to the several common points that those realities have. In order to verify our hypothesis, we created a database which contains all the Italian Benefit Corporations available and we analysed one sample from that. We created some descriptive variables in order to compare Family and Non-Family Firms across several factors, as the geographic area, the industry, the level of Sales and others. Subsequently, we decided to implement some statistical analysis to verify the presence of any kind of relationship between the Family/Non-Family nature of the companies and some variables indicating the performance. The results have shown that Family

Firms obtain higher performance levels in terms of ROE, ROA and Employees' Performance.

CHAPTER 5. In the fifth chapter, the VALORES Model is now analysed considering a different perspective. There are some people that believe the Benefit Corporation topic has some criticality and our purpose is to verify if the Familiness that characterises Family Firms can somehow mitigate those issues. In order to proceed with the analysis, it is provided a description of the Impact Report that the Benefit Corporations have to produce every year, where they have to measure their impact on the basis of some benefit objectives that they decided in the last year. The step by step investigation of each criticism leads to underline how in reality they are not considered as problems by the companies. In order to support our thesis, several examples of Impact Reports have been included as well as two interviews with Zordan Società Benefit and Pasticceria Filippi Società Benefit.

MANAGERIAL IMPLICATIONS. This dissertation can help Family Firms to understand the potential that the transformation into Benefit Corporations can provides them. Becoming a Benefit Corporation can actually become a benefit for a Family Firm, which can exploit its already existing strengths, that derive from their particular attention on the aspects of the SEW. By institutionalising those procedures that work on the socioemotional endowment, Family Firms can become even more efficient by creating an internal work environment that stimulates its employees and communicates the main values of the company. Moreover, the transformation can facilitate the measurement of the resources that the company is already dedicating to the socio-environmental topic and can assist the entrepreneurs in creating a stable social company mission which would not change in time.

ACKNOWLEDGMENTS. First of all, would like to thank my supervisor, Professor Paolo Gubitta, for his assistance and guidance, for having encouraged me to overcome every difficulty. Secondly, thanks to my co-worker, Alessandro Landini, who designed and built the database and all the initial analyses with me.

1. CHAPTER

BENEFIT CORPORATION: FROM A *LEGAL ENTITY* TO A NEW WAY OF DOING BUSINESS

1.1 Introduction

The Earth Overshoot Day (EOD) is becoming more important and alarming every year. The Earth Overshoot Day represents the date starting from which humanity have used more resources than our planet can regenerate in the entire year. In 1970, the EOD was on December 29, while today in 2018 it happened on August 1, forcing us to face the fact that we had already finished the resources that our planet produced for the year. This means that nowadays, in 2018, we are using the resources of 1,7 Earths. We keep this deficit because of the continuous abuse of ecological resources and the accumulation of waste. According to the calculations, our planet started this deficit in 1970 and, since then, the day came earlier every year (WWF website). Looking at the alarming situation of these ecological overshoots, it is essential to encourage an alternative way to keep growing and at the same time preserve as a primary goal the ecological balance. Therefore, people and institutions must truly understand the ecological limits of our planet and start adapting their life according to its capacity. With this purpose in mind, the idea of green business is more than ever essential. It is fundamental to create an awareness in consumers' minds by encouraging an attitudinal change in a green direction, with the contribution of public policies, for the preservation of ecological balance, and corporations. Therefore, the active participation of companies is crucial for the maintaining of individuals' actions of sustainability.

> "Reducing ecological footprint is not a sacrifice that we make but is an act of ensuring quality life and a happier future" (Viswanathan & Varghese, 2018).

In this context a new "B" (benefit) movement is rising as an alternative way of doing business, to help to maintain an ecological balance for our planet. This ideology motivates our community to keep growing and improving, but not at the expense of the wellness of our society, adopting in this way a sustainable business paradigm. Moreover, this innovation takes a step further by pursuing the idea of exploiting the business as a positive force also for the society and for the environment.

The chapter is organised as follow: (2) in the second paragraph it is provided a brief description of how our world changed in the past year and why there is an increasing interest in social and environmental activities, with the focus on the B Lab development and creations. (3) In the third paragraph, we provide a description of the Benefit Corporation definition and mission, analysing the determination of "benefit" that it is aimed to reach. (4) The fourth paragraph is focused on the legal aspects of becoming a Benefit Corporation, underlining the peculiarity of America and Italy and their differences. (5) The fifth paragraph discloses the positive aspects of becoming a Benefit Corporations, listing and analysing each factor. (6) The sixth paragraph highlights the role that values have for the Benefit Corporations, with a focus on the similarities and differences between Benefit Corporation's values and the practice of corporate social responsibility.

1.2 The search for a sustainable business

Introducing the theme of Benefit Corporations, it could be helpful to start with a brief summary of their history and development around the world, analysing the context in which they were created. First of all, the topic of Benefit Corporations is strongly related with the idea of B-Corps, although those are different themes, they were born both from the same need of preserving social interests.

In 1976, Keith Davis had already understood in his work "Social Responsibility in inevitable" that business should be driven more by social stimuli than economic considerations, and that managers feel that they should work not only for the welfare of the shareholders, but also to foster the prosperity of other interested parties, as employees, customers, suppliers and, more in general, the entire community in which the company operates.

While the classic prevailing business model assigns the priority to the shareholders' interests, the arrival of the 21st century has brought with it some changes, as the presence of individuals who value more the healthy living, the environmental and social justice

and sustainability of their purchases, investments, works, and supports. Basically, they are changing the consumer minds, the investment rules and workplace perspectives (Haigh & Hoffman, 2012). Those, in addition to the rise of globalization and the increase in social awareness, are some of the reasons that have encouraged our society to refocus the attention on managing businesses, in particular looking more at the socio-environmental concerns (Freeman et al., 2010).

However, according to the classic division that our society used, there are two different and separate spheres that operate in business: non-profit and for-profit organizations.

For-profit organizations are recognised as aimed at maximizing financial returns for their shareholders, while non-profit organizations are perceived as primarily focus their attention on socio-environmental goals, without a monetary gain from their activity (Doherty, 2014).

It is, however, possible to notice how the concepts of social and environmental effects have always been part of the core mission of the States and their public governance, but unfortunately, their ability to obtain the required level of social welfare is declining over the years and is becoming more common to look at the private alternatives. For this reason, when we think recently about social or environmental protection we think about non-profit organizations. Therefore, people nowadays have some difficulties in imagining that those issues could be interesting and affecting also the for-profit companies; this is because, according to the past economic literature, those companies follow the shareholder theory and could not simultaneously work for a social welfare as well as for their financial purposes. As a matter of fact, the neoclassical theory sees managers and directors of a firm as working in the marketplace only for the achievement of profits for the firm, which will lead to the increase of benefits for its shareholders. This theory considers the existence of some boundaries inside the companies that are aimed to divide external forces and players from internal ones (Hiller & Shackelford, 2018), with the consequent effect that the duty of who run the companies should be directed only toward the internal influencing parts, meaning the shareholders. However, the more recent theories have suggested that the shareholder theory should be replaced by what is called “The Stakeholder Theory”, arguing that, in order to create more value for every interested party, the focus should be put on the increasing welfare of every single stakeholder, more than on the achievement of the profit maximization.

The basis of the stakeholder theory is the idea that economic predominance of a company is not simply a matter of financial revenues, but it derives from the deep understanding of customers' needs, the building of strong relationships with customers and suppliers and also the loyalty and respect of the employees, based on the sharing of the same missions and values (Freeman et al., 2010). According to this point of view, the community should not be perceived as a mere environment in which the companies operate, but it should be considered a fundamental player of the game, that can influence and can be influenced by the companies operating inside it (Lanza, 2017).

1.2.1 Sustainable business and The Fourth Sector

Because of this previously mentioned new vision of the business that includes also the social aspects into the financial sphere, we are facing the disappearance of the borders between non-profit and for-profit organizations and the creation of a so-called fourth sector. The fourth sector is where it is possible for particular players to operate, by taking distinctive elements from both for-profit and non-profit entities and reorganize them in order to obtain either non-profit organizations, with some practices of for-profit firms, or for-profit organizations that operates according to some social and environmental guidelines (Mele et al., 2018). These new companies are called "Hybrid Companies", due to their combination of characteristics. Therefore, the more the interest in sustainability grows, the more it is possible to observe the deeper focus that the organizations put on those "more ethical themes", as the corporate social responsibility (CSR), the production with the use of renewable sources, the recycle etc. As a matter of fact, directors and managers started realising how socio-environmental aspects are indeed crucial for the success of their companies and decided to put more attention on their bottom-line, firstly through the adoption of the "double bottom line" and later with the "triple bottom line" (TBL), that is focused on three main aspects: society, environment and finance (Castellani et al., 2016). However, the combination of social mission and commercial activities may lead to unfamiliar combinations of businesses for which a clear and supportive ecosystem may not yet exist (Battilana et al., 2012). Indeed, there could be different problems, that a hybrid company could face, and that are not part of the usual business perceived through the dual division of sector. One example of these particular difficulties may be represented by the complications in managing the dualities

that are present inside this new balanced form, and consequently by all the problems related to the need to properly respond to market pressures (Doherty, 2014).
As a consequence, the simultaneously looking for profit maximization and social-value creation could be a demanding task for the companies and for this reason has risen the need for the creation of a sustainable business model that allows companies to obtain economic prosperity and produce some positive externalities, but without creating negative externalities for the environment and the society (Schaltegger et al. in press, 2016, in Stubbs, p. 300, 2017). In accordance with those needs, a new balanced solution has been developed and has led to the creation some middle forms as the previously mentioned hybrid organizations, a new kind of organizations settled between the non-profit and for-profit spheres. Hybrids took place after the clear inability of the traditional modes to adequately address the social and environmental issues (Haigh & Hoffman, 2012). Those kinds of companies were created with the purpose of reaching the financial returns for their investors, but without overwhelming the company's social goals by operating with transparency for a long-time horizon period in order to produce for a sustainable marketplace with the internalization of the negative externalities (Hoffman and Badiane, 2012). Essentially, instead of focusing the efforts on trying to decrease the negative externalities, hybrids are committed to create social and environmental improvements by engaging in positive practices (Haigh & Hoffman, 2012). As regards the aim of those hybrid organizations, they represent a new model that embrace two apparently opposed purposes: social value creation and the pursuit of financial prosperity.
In addition, they build strong relationships based on trust inside the community thanks to the recruitment of local workers that are taken into consideration for decision-making, are educated to follow sustainable techniques and receive a salary, which is above-market wages, to achieve a better quality of life (Haigh & Hoffman, 2012). The fundamental difference that distinguishes the hybrid organizations from the others is the fact that they basically pursue the financial prosperity but, while they are looking for it, they also pay attention to choose the more sustainable way to achieve their goals.
It is exactly inside this kind of grey area, that the idea of B-Corps was born in the mind of their creator, as an endorsement for entrepreneurs to prove that there can be several ways to achieve this desired balance and they work as a practical proof of a truly com-

mitted companies, sincerely interested and dedicated to their social goals, which cannot be consequently considered as merely greenwashing activities.

1.2.2 B Lab and the B-Corp certification

As previously mentioned, the increasing need for a more sustainable way of doing business from both companies and consumers' side is the basis from which the idea of the "B" (benefit) business was created by B Lab. B Lab is a non-profit organisation founded in 2006 in the USA by the three former entrepreneurs of AND1, Jay Coen Gilbert, Bart Houlahan, Andrew Kassoy, and a corporate attorney William Clark (Social impact hub, 2014). They realised that in the existing corporate law there was no space for directors to be able to consider also stakeholders' interests. After realising that, they decided to create a new business orientation where directors could work also for the good of society and the environment (Social impact hub, 2014). Together they drafted a Model Benefit Corporation Act (Model Act) and created this non-profit, whose objectives are to promote Benefit Corporation legislation, to provide for the companies an instrument to become B-Corps and measure some of their parameters and, finally, to inspire other companies to join the movement (Hiller & Shackelford, 2018). Basically, B Lab is focused on three major activities:

- Certified B-Corps;
- B Analytics, the rating platform through which there is the socio-environmental assessment of the performance;
- Benefit Corporation and the empowering of a new "B" world.

Thus, basically, B-Corps were born to provide a different kind of leadership, where reaching profits can help in the achievement of the social goals. They are for-profit companies that operate within the traditional corporate characteristics but voluntarily decided to compel themselves to some social obligation (Hiller, 2013), they exploit the power of business to solve social and environmental problems; but they also work to build a shared combination of unified values, rules, and practices.

A company that wants to obtain the B-Corp certification can freely submit to a B Impact Assessment (BIA), providing evidence of the company's impact on the society and on its stakeholders, and they are measured on the basis of four areas: environment, workers, community and governance (B Corp website). The BIA, therefore, enables compa-

nies to benchmark their performance and encourages them to continually reduce their negative impacts.

In practice, the B-Ratings system is divided into several sections, which are themselves composed by other subsections. (B Impact Assessment 2010), and are:

- Governance, which includes for example: Mission and Engagement; Corporate Accountability; Transparency and others.
- Workers: Compensation and Wages; Benefits; Training and Education; Worker Ownership; Management and Worker Communication and others.
- Community: Job Creation; Diversity and Inclusion; Civic Engagement and Giving; Local Involvement; Suppliers, Distributors, and Product; N/A Points and others.
- Environment: Land, Office, Plant; Inputs; Outputs and others.
- Customers; Support for Undeserved/Purpose Drive Enterprises; Impact Improvement; Serving in Need Populations and others.

B Lab must verify if the companies meet the standards which have been set and in case of positive results of reaching those standards, it provides them the B-Corps certification. From the point of view of a company, becoming a B-Corps means on one hand that the firm should remain focused on financial returns, but at the same time that those profits allow the company to have some positive environmental and social outcomes that can be reached, and this constitutes the second objective; therefore those two goals can coexist at the same time (Stubbs, 2017).

As previously said, one key driver that at the beginning incentivises companies to become a B-Corp was the increasing efforts of more conventional profit-driven companies to be seen as environmentally friendly, but mostly they join the movement to change how people think about business and to create a new way of doing it inside a new economy (Kim et al., 2016).

One of the main characteristics of a B-Corp is, therefore, the consistent attention that they put on the welfare of the community, and for this reason, their model is based on the rigorous recruitment of stakeholders whose values are aligned with their B-Corp values (Stubbs, 2017).

However, the main purpose of B-Corps is to change the business and how it is perceived by demonstrating how companies should act with respect to their customers and stakeholders, by operating in accordance with economic, social, and environmental val-

ues. (Mele et al., 2018). Consequently, B-corporations are focused not only on values but also on the practically implementing them within the community, meaning it is more than a simple certification. By disseminating the common norms and values on which they strategize, and act, B-Lab and B-corporations enact shared institutional logics that further connect stakeholders and all other actors and enable mutual value creation.

1.2.3 Missing points: from B-Corps to Benefit Corporations

As noted before, obtaining the B-Corp certification means that the company is focused also on its social mission, but the B-Corp model doesn't have a longer time horizon for patient and slower business development (Stubbs, 2017). This means that being a B-Corp doesn't help in reaching new capital investments from those investors that want to help socio-environmental causes and also doesn't protect the social mission from the arrival of new shareholders or the selling of the business. In addition, profit mandates restrict the possible actions that managers or directors might want to take, and the sustainable business movement has felt the constraints of this legal model (Forbes website).

Instead, the aim that Benefit Corporations attempt to achieve is not only to expand the entrepreneurs' goals beyond profits but also to commit the company keeping doing so, even when the arrival of outside investors and employees can shift the firm's mission (McDonnel, 2016). Consequently, the need for the creation of the legal form derives from the necessity of the entrepreneurs to look for new capitals or to sell the business without fearing the loss of the social values (Benefit Corporation website).

As a result, this legal movement may affect and transform the ways of doing business all over the world, with potentially wide-ranging implications for the economy, environment, and civil society (Hiller & Shackelford, 2018).

Table 1.1 Differences between B-Corp and Benefit Corporation

Issue	Benefit Corporation	Certified B Corporations
Accountability	Directors required to consider the impact on all stakeholders	Same
Transparency	Must publish a public report of overall social and environmental performance assessed against a third party standard	Same
Performance	Self-reported	Must achieve a minimum verified score on B Impact Assessment
		Recertification required every two years against evolving standard
Availability	Available for corporations only in 30 U.S. states and D.C.	Available to every business regardless of corporate structure, state, or country of incorporation
Cost	State filing fees from $70-$200	B Lab certification fees from $500 to $ 50,000/year, based on revenues
Role of B Lab	Developed Model Legislation, works for its passage and use, offers free reporting tool to meet transparency requirements; No role in oversight	Certifying body and supporting 501C3, offering access to Certified B Corporation logo, a portfolio of services, and vibrant community of practice among B Corps

Source: benefitcorp.net website

In sum, B-Corps and Benefit Corporations are often confused, but the former are voluntary associations, while the latter are legal entities, and the two are distinct by law and B Lab itself played a crucial role in promoting Benefit Corporation laws. Specifically, B Lab provided testimony and comments and it remains a reference point, for all the companies that want to transform themselves, by developing and offering a third-party assessment tool to obtain the B-Corp certification, and an assessment standard for the Benefit Corporations that have to provide every year a report. (Hiller & Shackelford, 2018).

1.3 Benefit Corporation as a *legal form*

As it previously mentioned, Benefit Corporation is a new legal form introduced in 2010 in the USA and in 2016 in Italy, the first country outside the USA that adopted this innovation, to legally create a common point between the for-profit and non-profit sectors. It is not a social enterprise and neither a non-profit organisation, but the evolution the idea of for-profit organizations that aims at creating common benefits for society and environment (Benefit Corporation website). Therefore, Benefit Corporations are business organizations, but they have a business purpose that has been changed and refocused. As well as other business corporations, as they are intended to make a profit for

their shareholders, but the way in which that profit is be made is through the conduct of business in a socially and environmentally responsible way (Clark & Babson, 2012).
The distinctive characteristics of a Benefit Corporation are: (1) the purpose to achieve the creation of either a general or specific positive public benefit; (2) the fiduciary duties of the directors are expanded, so they must consider, together with the financial profits, all the stakeholders' interests; and (3) the obligation to assess each year its performance regarding the socio-environmental aspects, by using a third-party assessment (Clark & Babson, 2012; Hiller & Shackelford, 2018).
Consequently, the corporations that want to form as a Benefit Corporation have to formally commit to the "general public benefit" purpose, adapting their articles of association and, moreover, they can also commit themselves to an "optional specific public benefit purpose" that has to be inserted in the corporation's articles of incorporation (Chu, 2012). Indeed, the idea of "benefit" is quite vague and can be stretched from the idea of a general public benefit to something more specific, but in any case, it allows the companies to pursue their social goals without fearing the possibility to be sued by the shareholders for not caring only about profits. In particular, Benefit Corporations are designed to serve different socially desirable goals. However, they also give the companies the opportunity to create a network, to receive discounted services, to improve their public image, and, to obtain new kind of financing. For those reasons, it is probable that becoming a Benefit Corporation means becoming more competitive than traditional corporations. (Andrè, 2012). In this context, the companies have defined statutes that help to encourage others to adopt a socially responsible business, creating a governance structure to both share existing resources as well as to produce them (Hiller & Shackelford, 2018). As a matter of fact, when we talk about stakeholders' interests, we refer to the category named beneficiaries, considering not simply customers or suppliers, but also the future generations, that will be able, thanks to this new way of doing business, to live and work in a more sustainable world (Stubbs, 2017).
As a result of the corporate disasters of the last fifteen years, the reputation of corporations in America has plunged. The failure of the market system has been attributed primarily to the greed and immorality of corporate leaders (Chu, 2012) and Benefit Corporations are trying to find a remedy for this failure.

1.4 Legal requirements

The fact that Benefit Corporations are business entities that focus their efforts on profits, while at the same time are looking for the achievement of some social goals, requires additional accountability to guarantee the sustainability and transparency that they should have towards the society. For these reasons, there are some legal requirements that the companies who want to become a Benefit Corporation must undertake.

Firstly, they have to be aimed at the creation of a material, positive impact on society and the environment; they have to pursue a “general public benefit”, as well as, if they want to, a specific benefit. Moreover, these companies must expand directors’ fiduciary duty in order to include in this classification also the non-financial interests (Clark & Babson, 2012). From a legal perspective, they have to change their corporate charter and explicitly include their social and environmental commitment to allow a clear monitoring of their operations in social terms (Cho, 2017).

Therefore, the directors must operate in order to pursue the common benefit, considering the interests of the shareholders as well as those of all the stakeholders. In order to do that, the Model Act requires Benefit Corporations to elect an independent Benefit Director who is responsible for the delivery of an Annual Benefit Compliance Report to the Board of Directors. This report must contain the specifically required information, as for whether the corporation operated according to its public or specific benefit purpose, and if the directors were able to focus their work on the interests of stakeholders. If those obligations are not satisfied, directors must specify in the report the reasons and circumstances for which the goal wasn’t reached. In addition, this report is included in the Annual Benefit Report compiled by the corporation. It contains a description of the achievement of the public benefit and a general assessment of the socio-environmental performance of the company, made through a third-party standard. It must be sent to the shareholders, but it also must be publicly available (Hiller, 2013). The Benefit Legislation does not oblige a Benefit Corporation to use a specific third-party standard for the report, but it requires that that standard satisfies the statutory requirements and that the company explains the choice of that particular standard, in order to avoid the “greenwashing” possible problem (Clark & Babson, 2012). This third-party standard has to be independent and its developers must have the expertise to assess the company’s socio-

environmental impacts. B Lab itself compiled a list of standards that have all the needed requirements: comprehensiveness, and transparency (Pelatan & Randazzo, 2016).
To facilitate the pursuit of the general public benefit, the Legislation increases the protection of directors against third parties, that have no right of action. It specifies that directors owe a fiduciary duty to those that have the power to start enforcement proceedings against the Benefit Corporation, as for example the shareholders, but not toward those that are merely beneficiaries. In this way, directors can operate with more flexibility, but it can be a disadvantage for the company because there can be some abuse, for which it is essential that the choice of the directors is made carefully (Clark & Babson, 2012). In any case, any shareholder has the power to start a procedure against a director if this latter failed to create the public benefit or to consider the stakeholders' interests, and also if he didn't operate with transparency as the legislation requires (Chu, 2012).

1.4.1 Legal requirements in the U.S.A.

The political context in which the US was situated had a major impact on ensuring that the Benefit Corporation Legislation was passed into 2010 in Maryland. The US Benefit Corporation was firstly created in order to soften the strong and competitive reality of what they call the shareholder primacy doctrine. According to this principle, US directors must operate in the best interests of the company, and this is often seen as pursuing the maximization of shareholder value. In addition, in the case of a hostile takeover must choose the highest bid in order to maximize shareholders' profits, without considering the interests of stakeholders or other community interests. The most explanatory historical example is Ben & Jerry's case.

Case Study 1.1 Ben & Jerry's sale

Ben & Jerry's was the leading distributor of premium ice cream, frozen yogurt, and sorbets. It was founded in 1978, in Vermont, by Ben Cohen and Jerry Greenfield. The company has always been committed to social responsibilities and to its community, becoming a social enterprise icon that operates with a double bottom line of people and profits. For example, 7.5% of the company's pre-tax profits were devoted to charity and there was in the company a pay scale for which the employees' highest wage cannot be more than 5 times the lowest wage. However, in spite of their initial success, they encountered some financial problems and the low stock prices ($17.00 per share) had as a consequence the buyout offers from Dreyer's ($38.00 per share), a group of socially concerned investors, and Unilever ($43.60 per share), a multinational corporation. At that time and with those offers, the board was legally obliged to sell to the highest bidder, which was Unilever. None of the two

owners wanted to sell their company, but it was public and therefore they had no choice. The decision that the board took to accept Unilever's bid was due to the theory of shareholder primacy and of the need to maximize their interests alongside with the concern of being sued for failing their fiduciary duties. However, subsequently, both the two funders have expressed concerns that the initial social mission and responsibilities of the company disappeared.

Source: adapted from Chu, 2012.

In the end, the idea that the simultaneous prosecution of both profit and social goals was not permitted by the legal framework led to the frustration of consumers, investors, and also entrepreneurs. Moreover, in the US there was no space for all those companies that practice "ethical business" to exploit all their potential and impact positively the society (Social Impact Hub, 2014). This dissatisfaction led to the rise of a new movement that required a change, and the legislators faced this movement with the creation of the Benefit Corporations (Chu, 2012). In the US, the Benefit Corporation legislation basically allows the directors to consider not only shareholders' interests but, more broadly, the stakeholder interests, in this way another "Ben & Jerry's case" can be avoided (Pelatan & Randazzo, 2016).

Nowadays, Benefit Corporation are present in the USA in 34 States, and one of the main advantages of a Benefit Corporation is the branding aspect. If a company owns a B-Corps certification, or if a company is a Benefit Corporation, this can simplify the access to new networking and partnership opportunities with already existing Benefit Corporations, creating a new way of doing business. Moreover, those companies can exploit several marketing strategies that demonstrate to the general public how they are responsible. Therefore, these companies can persuade consumers that by purchasing from them they are helping to obtain a greater social good (Cho, 2017). However, it can also be seen as an insurance for companies that want to stay focused on creating social value in the long run, as with Patagonia Inc.

Case Study 1.2 Patagonia

Patagonia is a company specialized in the production of tools for climbing. It was founded in 1973 by Yvon Chouinard and during the years it expanded its business to all the outdoor sporting equipment for men, women, and children. This company is publicly committed to the environmental and social causes, the founder himself devolves part of his salary to environmental groups. In line with the values of its founder, Patagonia values the quality of its products and the sustainable production of them, ensuring a safe and fair work through its entire supply chain, focusing on the delivery of the best product in the most environmentally

sustainable manner. "We strive to make the best product, cause no unnecessary harm,… and inspire and implement solutions to the environmental crisis." (B Corp website). Moreover, Patagonia provides a different kind of opportunities to its employees in order to participate in some environmental or social initiatives. It became B-Corp in 2011, with a score of 114/200, and was one of the first companies that became Benefit Corporation when the California legislation allowed for that. The reasons behind this choice are the strong motivations of the funder and of all his employees. Chouinard believes that his company will benefit from this change of legal form by staying focus on the social mission since he believes that the existing business is no more sustainable.

Source: adapted from Social Impact Hub, 2014; Hiller, 2013.

1.4.2 Legal requirements in Italy

In December 2015, in Italy, the Parliament passed the so-called "Stability Act of 2016", which became effective on 1st January 2016. It was enforced with the Corporate Law n. 207, which legally creates the "Società Benefit". Italy is the first European Country that adopted this new legal form from America and adapted it. The "Società Benefit" is the first "Benefit Corporation" created in a civil law legal system and the second one created in history after the US Benefit Corporation. As well as the US Benefit Corporations, it is an innovative management structure that can help the entrepreneurs to pursue common benefits, as well as the normal economic activity. However, differently from the US, the Italian "Società Benefit" was developed in a different legal and social environment. In Italy, directors can consider, during their activity, also the stakeholder interests; therefore, the theory of shareholder primacy not as strong as in America. This diversity means that the European Benefit Corporation was born not simply to protect directors, but more precisely to promote a different way of conducting business, more focus on reaching both economic and a social purpose. It is essential that those two goals are pursued together, meaning that the management cannot pursue just the social mission and, meanwhile in the remaining time looking for profits. It is fundamental that social mission and financial gains are pursued alongside, that means that the achievement of one should facilitate the pursuit of the other (Palmieri, 2017). Following this idea of creating a network and spreading a new way of doing business, the Italian "Società Benefit" has the possibility to change its company name and add the words: "Società Benefit", "Benefit Corporation" or the abbreviation "SB" and use them in all the companies' documents. The fact that they can explicitly show their status of Benefit Corporation is thereby a consequence of the transparency policy that Benefit Corporations want to achieve toward all the interested parties (Bauco et al., 2017). As a result of these

differing social, legal and historical environments, the Italian Benefit Corporation is not exactly equal to the US Benefit Corporation (Pelatan & Randazzo, 2016). Basically, the Italian "Società Benefit" was created with the Stability Act of 2016 (Gazzetta Ufficiale, 2015):

> "376. Le disposizioni previste dai commi dal presente al comma 382 hanno lo scopo di promuovere la costituzione e favorire la diffusione di societa', di seguito denominate «societa' benefit», che nell'esercizio di una attivita' economica, oltre allo scopo di dividerne gli utili, perseguono una o piu' finalita' di beneficio comune e operano in modo responsabile, sostenibile e trasparente nei confronti di persone, comunita', territori e ambiente, beni ed attivita' culturali e sociali, enti e associazioni ed altri portatori di interesse."

This Act describes the "Società Benefit" as a company that pursues at the same time the financial goal, with the profit distribution, and the social goals, meaning the pursuing of a common benefit from which other stakeholders can benefit. Those companies shall act in a way that is accountable, sustainable and transparent toward people, community and environment.

Therefore, even if the "Società Benefit" has a lot in common with the "Benefit Corporation", there are five main differences:

- In Italy, Società Benefit has to specify in the by-laws all the benefit activities and how directors are intended to act in order to pursue them. This need for more details in Italy is meant to sure that the activity of the company is specific enough to guarantee compliance with the social purpose.
- The Italian annual report must be more detailed, considering also the description of the actions undertaken by the management to achieve a common benefit, the assessment of the positive and material impact, and a section focused on the new future objectives to pursue. In addition, the measurement of the company's impact needs an assessment made by the third party which has to be independent, credible and transparent.
- The Benefit Corporation in the US does not provide any kind of protection for the directors regarding their liability clause with respect to third-party lawsuits. In Italy, there is more focus on the Benefit Corporation directors; since the decision to become a "Società Benefit" implies that the directors are willing and capable to value more their actions, Italian legislation requires rigorous rules in the management.

This is to protect stakeholders from directors who act differently from the company's values. For these reasons, the Articles of association of a "Società Benefit" should identify who would be responsible for ache tasks, which goals would each pursue and how would they balance the possible conflict of interests among shareholders or stakeholders. Failure to comply with those directions are considered as a breach of duties.

- The range of validity of the Italian law doesn't include only the for-profit companies, but also the limited-profit companies, which are cooperatives, limited and mutual companies that aim to the common benefits with a limited profit distribution. (Pelatan & Randazzo, 2016)
- In Italy there is no distinction between general and specific purposes as in the US, meaning that company purposes must be for the general public (Italian benefit corporation website).

Going deeply on the Italian legislation, the start-ups can be constituted directly from the beginning as Benefit Corporations, by going to a notary or even without him if they are S.r.l. (Società a Responsabilità Limitata, meaning Limited Liability Companies). Instead, the existing companies that are listed in book V, titles V and VI of the civil code can become Benefit Corporations by modifying their statute through the majority vote of all the shareholders. In addition, they have to introduce in the business purpose the fact that they are a Benefit Corporation and other legal requirements as previously mentioned (Corporate Law n. 208). For what concerns, instead, the directors' duty to pursue a general public benefit, they would not be considered accountable for the failure of the social mission, or the provision of some benefit for the entire society, if originally the activity was supposed and intended to do so (Palmieri, 2017).

Nowadays there are already numerous companies that have changed into Benefit Corporations, but the first five companies that became B-Corp first, and Benefit Corporations after are: D-Orbit (space security), Dermophisiologique (cosmetics), Nativa (Future Fit Design; Case Study 1.3), Croqqer.it (marketplace for the exchange of works with positive social impact) and Mailwork (a platform for the buildings' energetic an sustainable requalification).

Case Study 1.3 Nativa S.r.l. Società Benefit

> *Nativa S.r.l. was the first Italian company that decided to transform into Benefit Corporation. Moreover, it went further from the simple change by deciding to collaborate with B Lab as a Country Partner, in order to help in the sharing of this new way of doing business. Their website explicitly says: "charting the path for those who lead the change", and they insert "happiness" as a company's value. These beliefs are deeply analyzed into their manifesto, which states:*
> *"We* ***believe*** *that humanity today has an extraordinary opportunity to evolve to create lasting and shared prosperity.*
> *We* ***see*** *new ways of working on the horizon. A new economic paradigm, in which business becomes a tool for regenerating nature and contributing to the common good. A future in which consuming is no longer synonymous with destroying.*
> *We* ***want*** *to bring about change in the span of a generation because now is the time to regain balance with natural systems, while renewing our trust and hope in society.*
> *We* ***know*** *that this evolution will need positive examples, and we believe that Italy can become a model of sustainable innovation, made of courageous companies and visionary people, profoundly interested in our common future. Their steps towards change will guide us all. Those who evolve will become the new leaders.*
> *We* ***act*** *as catalysts for this change to happen.*
> *We put our heart, our energy and our best ideas at the service of those companies that choose to pursue a higher purpose.*
> *We* ***develop*** *new ways of transforming potential into projects, intentions into action and vision into our new, beautiful reality."*

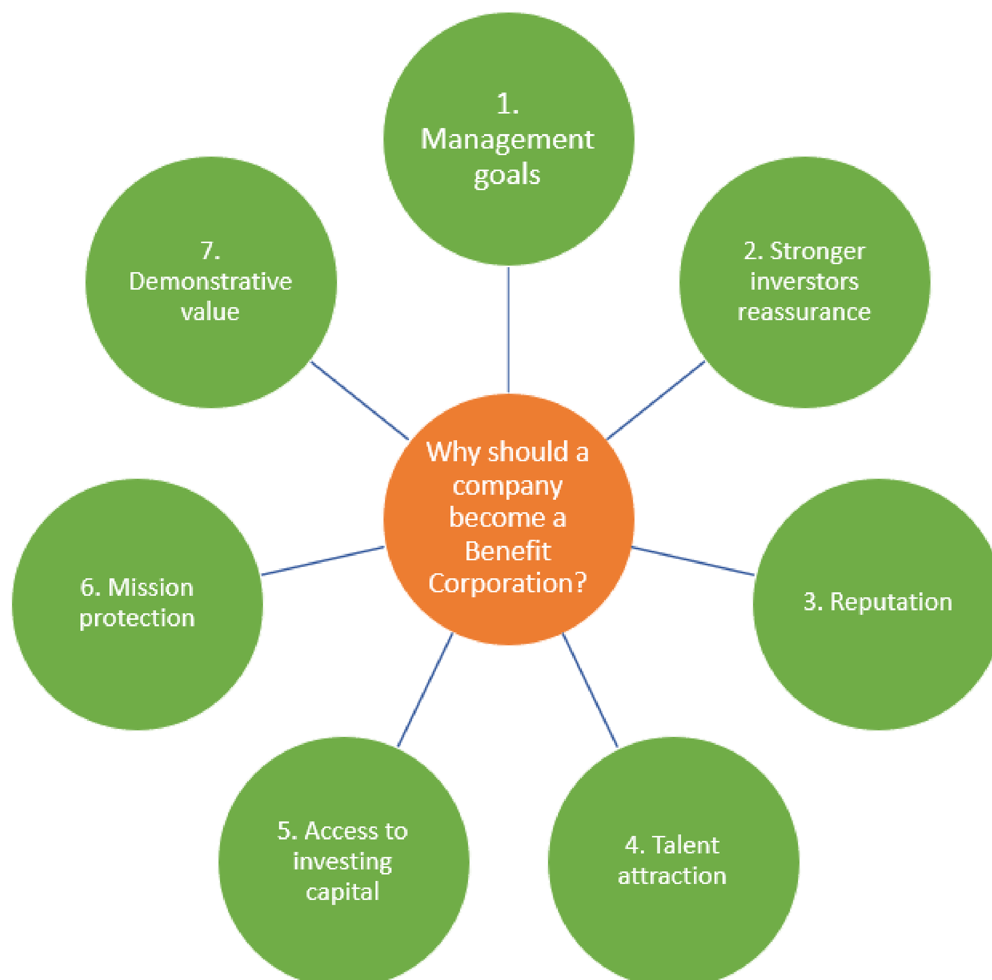
As regards, instead, the mandatory duty of reporting the performance, the Italian law has adopted as a referring point the BIA developed in 2006 by B Lab, which is free and accessible also in the Italian language. However, any standard can be accepted if it satisfies the requirements of accuracy, transparency, and completeness. Those requirements are aimed at informing the consumers about the social and environmental impact of the company, but also at clarifying the situations to managers and directors to allow them to better exert their duties and rights.

1.5 Why to become a Benefit Corporation

It should be evident by now that for a company changing the legal form means to deal with several consequences and uncertainties. One result is that all the stakeholders, from the clients to the suppliers and the employees, which are involved in the business of the company can increase their benefits. It is conceivable that after this legal transformation, Benefit Corporations can obtain some fiscal advantages for the company, but the reality is that there is no tax advantage; a company that wants to transform itself

would do it just for other reasons. This means that there should be some other motives that can cause a company's desire to make this change.

Figure 1.1 Reasons to become a BC



Source: adapted from the societàbenefit.net website

Consequently, there are seven main advantages that can be clearly identified as a result of the adoption of the Benefit Corporation legal form (Figure 1.1).

Management goals

This new legal form allows the company to pursue at the same time financial goals and socio-environmental objectives. Moreover, it provides a stronger legal protection for the managers that strive to achieve this mission. This means that managers and directors are protected from the fear of been sued for not looking only at the shareholders' interests, and they can consequently take what they consider the best decisions without being limited by the shareholders' profit maximization rule.

Stronger investors reassurance

The socio-environmental side of the Benefit Corporation mission is settled for the long run since it would be impossible to measure the effects of the firm's actions in the short term for these social aspects. The adoption of this legal form and the consequent establishment of a long-time period of business horizon, can increment the attraction the investing capital, since it is a sort of reassurance for all the shareholders and external investors that the mission would be pursued in the long horizon and that the company is not interested in last for a brief period.

Reputation

An increasing number of companies is nowadays trying to differentiate themselves from the competition through marketing approaches to improve their image and customers services in order to achieve good consumers' consideration. The adoption of this new and growing legal form can advantage the reinforcement of the company's reputation as it would allow the company to be recognised as a business that creates positive advantages for the society. From this perspective, the legal form of Benefit Corporation allows the companies to work on some marketing strategies that can better communicate their strong commitment to those social causes, attracting in this way people with a similar social interest (Cho, 2017).

Talent attraction

The largest part of the future workforce is composed by Millennials, the segment of the population that, according to the survey elaborated by Deloitte (2017), is becoming more focused on the mission and responsible behaviour of the companies. They think about business in a positive way, as a force that acts can act responsibly, and expect it to put some efforts in more than the research for financial gains. From the companies' perspective, this means that developing a long-lasting and credible social mission can be a distinctive point for the attraction of new talents. Companies are, for this reason, trying to offer job opportunities that leverage on the willingness of young people to do something that engages in good causes and with a positive social impact.

Access to Investing Capital

Benefit Corporation means being more legally protected, responsible and transparent in pursuing the company's mission and this behaviour facilitates the attraction of investors, that are also reassured by the annual impact assessment. Moreover, it can facilitate the attraction of those investors that want to invest their money in some kind of activity that has a positive impact on the society; this kind of investments are part of the "socially responsible investing" (SRI), that includes for examples those people that want to avoid investing in "sin" stocks as weapon, tobacco or gaming.

Mission protection

This legal form, that binds companies to respect also some socio-environmental goals, has a strong impact also on consumers that are looking for a sustainable solution. Nowadays people are becoming more and more interested in companies that care also about environment, society, fair trade and transparency, but often those values take the second place in favour of the classic profit maximization. However, since it is not a private disclaimer of the company but an actual legal form, being a Benefit Corporation provides to the stakeholders the certainty of the pursuing of those missions, no matter how competitive the market can become or who will be in charge of the firm in the future.

Demonstrative value

In the website of the Benefit Corporations in Italy it is underlined how the adoption of sustainable businesses is an advantage also in terms of performance, and consequently in terms of profits. In fact, from a financial perspective, attracting customers and rising sales thanks to the improvement of the company's reputation have as a consequence the increasing growth of the firm (Stubbs, 2017). Moreover, different studies confirmed that a company that is socially responsible may increase their corporate social performance (CSP) and therefore can probably be able to reinforce the interpersonal trust between internal and external stakeholders, achieve social capital, face inferior transaction costs, and, consequently, reduce the uncertainty regarding its financial performance (Orlitzky & Benjamin, 2001).

1.6 The importance of values in Benefit Corporations

The positive sides of becoming a Benefit Corporation mentioned before lead to the idea that those entities can be better than the traditional corporation. This is because they are more ethical than the classic companies, that care only about profit, and are both about society and environment. The basis for this double-mission is the increasing relevance that the social and environmental themes are obtaining among society, that for the companies means to broadly focus on different aspects, from the development of jobs, the improvement of working conditions, to supporting the arts, the charity initiatives or the green projects proposals (André, 2012). Consequently, this new business form focuses its attention on the pursuing of the “triple-bottom line” of people, planet, and profits, embracing the possibility for a company to aim at the achievement of a dual-mission (Stecker, 2016). Moreover, there are several values that are common to all the Benefit Corporations around the world and are those regarding the transparency, that every Benefit Corporation have to pursue, the loyalty to stakeholders interests and company values, as well as the long-term commitment.

However, it is not important what specifically each company wants to do, what matters is that becoming a Benefit Corporation implies that a firm has to fully adopt and internalize its own values and beliefs. All those aspects that are identified as “company culture” become with the Benefit Corporation form part of the firm own identity and statute. This change in the business perspective of a company would be radical and remain embedded in the life of the firm even in case of a change of ownership or management, meaning that the individual values of a shareholder or a manager would be integrated with those of the companies or, if this is not possible, would be overshadowed by the ones of the companies.

Benefit Corporations and Corporate Social Responsibility

Considering all the characteristics that have been mentioned before, it is possible to ask ourselves if those positive features regarding the environment and the society cannot be considered as a part of the more general Corporate Social Responsibility and, if not, what is that makes them different. It is interesting to note that there are existing similarities between the values inside the “B” world and the behaviours encouraged by the Corporate Social Responsibility (CSR).

Both perspectives focus their attention on the idea of reputation, which is a fundamental concept for the individuals as well as it is for companies, irrespective of considering for-profit or non-profit organizations. Basically, the reputational effect that derives from becoming a Benefit Corporation can be compared with those from the exploitation of Corporate Social Responsibility (CSR), defined by the European Commission as:

> "Corporate social responsibility (CSR) refers to companies taking responsibility for their impact on society".

Nowadays society is putting a lot of attention to the adoption of socially responsible behaviours inside the business. Companies are facing an increasing pressure from different stakeholders to act socially and environmentally respectful and, for that reason, they are now adopting more CSR measures. Nevertheless, there are several advantages for the companies that choose to operate in this way. As a matter of fact, they can receive the social consensus from consumers, employees, suppliers, and partners, obtaining positive effects on their reputation and, consequently, the empowerment of their brand. However, they must face a problem regarding the measurement of this social behaviours. Indeed, it seems difficult that every company agrees for the usage of a single tool to measure the effects that CSR has on society and environment. However, this measurement issue has been softened with the introduction of Benefit Corporations. As a matter of fact, Benefit Corporations have the legal duty to produce an annual report in which they list all the social goals that they want to pursue and analyse the past ones. They can use different assessment methods but have to comply with some standard requirements and are based on some measurable results (Lanza, 2017).

Hiller suggested using the six-factor integrated framework of CSR ideated by Crane et al. (2008) to decide if the legal form of Benefit Corporation can be considered under the process of CSR. She reports that those factors analyze companies' actions:

- If they are voluntary
- If they focus on externalities
- If and how much stakeholders are taken into consideration
- If and how companies can consider also society and the environment's interests
- If the CSR actions are not simply charity but are more an integrated part of the companies' operations.

The results that Hiller found out are reported in Figure 1.2 and confirm the validity of Benefit Corporation as an improvement of the CSR. This means that Benefit Corporations can be analysed with the lens of CSR and can potentially affect and improve how corporations and society interact all over the world.

Figure 1.2 CSR and BC

Crane CSR model	Benefit corporation
Voluntary	Choice of entity, no legal mandate
Externalities	Net benefit to society takes into account broad impacts
Stakeholders	Fiduciary duty to consider affect on stakeholders, but no direct input/review by stakeholders required
Environment/social	Fiduciary duty to consider environment and community, but no direct input/review required
Value systems	In the articles of incorporation, appointment of benefit director/officer
Operationalization	Annual report is required and available

Source: Hiller, 2013

There are some scholars that argue that Benefit Corporations are an evolution of the concept of CSR, more than a form of social enterprises. Indeed, CSR is simply a self-regulated policy that the companies agree to adopt and, in this way, changing their mission and business by making it more ethical and socially responsible. Benefit Corporations are considered as a step forward that the companies take toward social responsibility. The idea is that the aim of this new organization is to enhance CSR, providing to the managers some kind of legal protection in order to encourage them to pursue both the profit maximization and socio-environmental purpose (André, 2012). In fact, Benefit Corporations are considered as companies that do CSR with commitment, as they choose a balance between for-profit and non-profit goals, trying to increase their positive impact on society (Castellani et al., 2016).

1.7 Conclusions

The companies, just like the people that rule them, can be capable of several things, both positive and negative, because they have an important impact on the world. The direction that this impact can take depends on how the company is run and which values characterise it (Blount and Offei-Danso, 2013). In this chapter, we have seen how the business world has started to become more interest in the socio-environmental topics because of the increasing interest of people. In response to the desire for sustainability, several initiatives have been created and one of them is the “Benefit” movement. Benefit Corporations are aimed to establish a positive direction for those companies in order

to produce a positive impact on both the society and the environment. Through the adoption of this new legal form is based on the desire to increase awareness and create some benefit while continuing to operate as a normal business. The real mission that they want to achieve is to start the cultural shift of perspective that is needed. (Loewenstein, 2013). This can happen through the creation of a network that is willing to promote the new paradigm and spread this new way of doing business by attracting more investors, consumers and in general people that is aware of the need to create a change.

2. CHAPTER

THE VALUE OF BEING A FAMILY FIRM

2.1 Introduction

It is quite well known that Family Firms account between 80%-90% of firms all over the world, with a total combined $6.5 trillion in yearly sales, which underlines the strong predominance of family business worldwide (Zellweger, 2015). In order to deeply understand how Family Firms shaped the business, it is important to comprehend that almost one hundred years ago when people spoke about “business” it actually meant “Family business” because the two words overlapped. However, over the years those two factors started to differentiate from each other to such an extent that nowadays we identified them as two separate features (Aldrich & Cliff, 2003).

Nevertheless, in the last ten years in Italy, Family Firms obtained a positive performance of 36%, while in Europe they gained 90% in five years and 149% in ten years, compared to the 28% and 22% registered by the Eurostoxx (ilSole24ore, 2018). In other to explain this performance, the sector can influence the outcomes, but it appears that there is another factor, called “family factor” that could explain this predominance. As a matter of fact, since 2006 Family Firms outperformed all the public companies from the same sectors, and this may be due to the long-term orientation that has always characterised Family Firms, facilitating the separation from a profit perspective based on quarter-to-quarter earnings, to a more cycle growth of margins and returns (Credit Suisse, 2018). However, this long-term orientation is only a minor part of the whole set of peculiar features that characterise Family Firms and that allow them to differentiate from the other business.

The chapter is organised in several paragraphs as follow: (2) in the second paragraph it is provided a brief description and definition of Family Firms, with a deeper focus on the role of family alongside with the business, and the kind of capital that it can provide for the firms. (3) In the third paragraph, we list all the strengths and weaknesses that usually characterised Family Firms, analysing each point as the role of family's resources, the importance of reputation, the long-run orientation, the succession problems, and other factors. (4) The fourth paragraph is focused on the relevance that values have inside Family Firms, with a particular attention to the role of what is called "socioemotional wealth" (SEW) analysed according to the FIBER model, and the analysis of the relationship between family values and the activities of corporate social responsibility. (5) The fifth paragraph deeper investigates the internal factors of SEW, focusing on the Transgenerational control and the influence of Emotions and Affects. (6) The last chapter is centered on the study of the external factors of SEW, considering the topic of Benevolent social ties and the one of Identity and Reputation.

2.2 A brief description of Family Firms

There are several variables that characterise Family Firms, but the main important is clearly the predominant influence that the family has inside the business. The distinctive point doesn't regard the company's size or geographical location, but how strong is the presence of the family inside the firm (Table 2.1). The definition that most fit this idea of family's participation is the one of Zellweger:

> "A Family Firm is a firm dominantly controlled by a family with the vision to potentially sustain family control across generations" (Zellweger, 2017).

Table 2.1 Family Business Definition

<table>
<tr><th>Influence Dimension</th><th>Cut-off criterion distinguishing family from nonFamily Firms</th><th>Rationale</th></tr>
<tr><td rowspan="2">Ownership</td><td>For small firms: at least 50% of voting rights in family hands</td><td rowspan="2">Ownership rights, and in particular voting rights, equip actors with a decisive power to alter the strategic direction of the firms</td></tr>
<tr><td>For large public firms: at least 20% of voting rights in family hands</td></tr>
<tr><td rowspan="2">Management</td><td>Small firms: family involvement in the top management team</td><td rowspan="2">Management involvement is what allows a dominant coalition (the family) to imbue a firm with particular values and to directly influence decision making</td></tr>
<tr><td>Large public firms: involvement often not required</td></tr>
<tr><td>Transgenerational outlook</td><td>The firm is controlled by a family with the intention of passing it on to the next family generation</td><td>It is the desire for transgenerational control that distinguishes a family from Non-Family Firms</td></tr>
<tr><td rowspan="2">Later-generation control</td><td>First-generation firms: founder-controlled firms</td><td rowspan="2">Control that spans generations- and hence is not limited to a found generation – is what constitutes a Family Firm</td></tr>
<tr><td>Later-generation firms: Family Firms</td></tr>
</table>

Source: Zellweger (2017)

However, there is no clear and universally accepted definition to distinguish Family from Non-Family Firms. Since Family Firms are common among both small and large firms, operating in several sectors, it is difficult to narrow the definition according to precise characteristics, and moreover some people think that the definition should be based also considering the degree of connection that the family has on the firm's image (Zellweger, 2017). Consequently, what characterizes Family Firms is the coexistence of both the family side and the business side. The family sphere has values and tensions that are usually seen as opposed to those of the business, more focused on the emotional aspects, while the business side is usually seen as more focused on financial performance and organizations. However, those two elements are inextricably connected to each other, such that the effects of the family's presence inside the business are so relevant that the productivity declines if there are problems in the family sphere (Olson et al., 2003). Consequently, it is easy to understand how the family component has a strong relevance also with the company's reputation, and this is particularly true in those cases where the company has the family name. Since the family and the firm are so connected, a public damage on one side effects also the other, and for this reason, it is believed that Family Firms care more about corporate social responsibility (CSR) in order to avoid possible negative effects on the family and its reputation. Indeed, Family Firms are seen as more reactive to environmental pressures because family owners ben-

efit from the socioemotional reward that they could obtain. Consequently, considering the strong importance that the image and reputation have for the family owners, it is possible that they are more willing to satisfy the requests from the community to avoid the public condemnation that could damage both the family and the firm's reputation. (Berrone et al., 2010).

2.2.1 The role of the Family

It is clear that the presence of a strong connection with the family shapes the functioning of a Family Firm. This has several effects on how the company works, considering all the values and beliefs that usually drive its operations. The fact that family members, which share a sense of identity, work together create an overlap between the private and the working side, for which each decision taken in one of the two contexts have effects on the other. Since family members usually spend a lot of time together outside business hours, they learn more about each other, and they can use this knowledge to improve their business or to destroy it: they can encourage each other and cooperate to balance the weaknesses, but they can also compete for the power and exploit each other's defects. Moreover, they share a common language, through which they can communicate more efficiently and rapidly, even though it can arise some problems of communication with an outsider (Tangiuri & Davis, 1997).

More in general, those "family effects" can be defined with the word "Familiness", which represents:

> "a firm-level bundle of idiosyncratic resources and capabilities deriving from the interaction between the family (its history, traditions, and lifecycle), the family members (the interests, skills, and life-stage of participating family owners/managers), and the business (its strategies and structures) "(Dawson, 2012).

Or, more simply:

> "The unique bundle of resources a firm has because of the interaction between the family and the business" (Zellweger, 2017).

Family's role indeed is based also on the contribution of resources to increase a firm's competitive advantage. The familiness has also several effects on business productivity since it can motivate the work of the firm and balance its internal dynamics and provides several assets to the firm:

- *Financial capital*: The fact that usually Family Firms have limited availability for this kind of resources encourages them to be more aware of their investments, and value more the capital that they receive. This capital can be provided by family members as both equity and debt, and usually, it comes at lower than market rates. Moreover, the investment horizon is longer than usual and for this reason, it is known as "patient capital", that can help the firm in pursuing long-term strategies, and the strictness of the repayments, as well as of the contracts, is lower. This exchange of capital can be possible in this profitable way because in return family members increase their socioemotional wealth (Zellweger, 2017).
- *Human capital*: The level and quality of human capital inside Family Firms can be different across the companies. Sometimes talented managers avoid Family Firms because of the limited potential for professional growth that is perceived and that favours the family members. However, the quality of the employees is usually very high, because of the long-term participation inside the firm and the numerous experiences. The knowledge that can be developed is based on trust, support and mutual learning. Moreover, often employees that work in Family Firms show higher levels of commitment due to their personal identification with the firm's values and cultures.
- *Social capital*: The social capital represents the relationships' effects of a network of individuals or organizations. It is based on the creation of networks and ties and on the sharing of a common language, life experience, and history. Family social capital is usually stronger because of its trust and shared values. Their stronger position allows them to create more effective relationships also with their stakeholders, becoming a fundamental part of Family Firms' competitive advantage.
- *Physical capital*: It is the set of the tangible resources of a company, meaning for example property, plant, and equipment. Given the fact that Family Firms have usually ancient origins they can possibly own some unique assets that can provide them with some real advantages.
- *Reputation*: Another important characteristic of Family Firms is that they are recognised as owners of unique brand reputations based on trust and quality-driven. Moreover, their long-term orientation allows consumers to verify the real alignment of the firm with its values and this is a resource that can be hard to imitate (Zellwe-

ger, 2017). However, this can be a double-edged sword because family reputation and firm reputation are inextricably tied to each other and consequently a damage on the image of one can have negative effects also on the other.

2.3 Strengths and Weaknesses of Family Firms

Family and business are not different or diverging forces, meaning that the "business sphere" can bring several benefits to the family, as well as the "family sphere" can do to the business. For this reason, all the advantages and disadvantages (Table 2.2) of being a Family Firms are not so dissimilar as they can appear, and it depends also on the context in which companies operate.

Table 2.2 Strengths and Weaknesses of FFs

Strengths		Weaknesses	
1	Less owner-manager conflict of interests	1	Agency costs because of altruism
2	Efficient leadership	2	Dependence on family
3	Resource advantages	3	Resource constraints
4	Long-term orientation	4	Declining entrepreneurial orientation
5	Commitment and support	5	Succession challenges
6	Identity and reputation	6	Role ambiguity

Source: Personal elaboration from Zellweger, 2017

2.3.1 Strengths

Family Firms differ across the world for what concerns sectors, size, geographic location, and cultural influence. However, they all have some common distinctive characteristics that differentiate them from the Non-Family Firms and allow them to acquire a competitive advantage.

Conflict of interests between owners and managers

Usually, the relationships between owners and managers are complicated. The owners entrust managers to direct their company, and they should operate in the best interests of the owners. However, managers can act according to their own interests in an opportunistic way (Sageder et al., 2016), trying for example to maximize profits in the short-run in order to increase their compensation, even if this means to reduce the possibility to have good results in the long-run, and consequently harming the owners' interests. This problem is known as "agency problem" and it usually arises some agency costs due to the need for monitoring and sanctioning a breach of duty. The peculiarity in Family

Firms is the fact that usually owners and managers are from the same family. As a matter of fact, it is difficult that a family decides to reduce its power and influence by entrusting some external managers, therefore they look for family members to cover these positions. The fact that they are from the same family means that there is an alignment of interests between the two parties. If the relationships among family members are harmonious and benevolent, that results in the creation of trust and the consequent reduction of monitoring costs as well as the reduction of incentive alignment systems (Anderson et al., 2012). Moreover, even in the case of managerial positions owned by non-family members, the agency problem can be sold through the stewardship theory. This theory states that it is possible for managers to be interested in achieving more than simply individualistic desire, but this can happen only if there is an identification of the managers with the company's mission and values that leads to their assimilation by the managers (Zahra et al., 2008).

Efficient leadership

Considering the positive effect of the alignment of interests previously mentioned, family members, both from the managerial and the ownership side, have a strong incentive to ensure the most efficient exploitation of the resources that they gave to the company. For this reason, they are more willing to exploit their powerful positions for the best of the firm, ensuring a most parsimonious management of the resources. This willingness to create benefits for the firm results in the improvement of the managerial operations, with inferior costs of administrations and faster decision-making processes (Zellweger, 2017). Moreover, the commitment to the long-run incentivises them to develop the success of the firm by focusing their attention on customer loyalty the creation of strong ties with the stakeholders (Sageder et al., 2016).

Resource advantages

Another quality of Family Firms derives from their unique possibility to obtain peculiar resources, which are known as "familiness" (Habbershon et al., 1999) and can include assets as leadership capability, specific tacit knowledge, warehouses, brand name and reputation, networks etc. (Eddleston et al., 2008).

As a matter of fact, it was highlighted before how Family Firms benefit from the achievement of different resources that derive from their coexistence of the family and

the business sides. In particular, the majority of the firms' capital derives from loyal family members, which usually don't require a fast return and are considered, for this reason, as a provider of patient capital. Family plays, for this reason, a fundamental role at the beginning for the mobilization of the financial resources (Aldrich & Cliff, 2003). Moreover, Family Firms can exploit all the advantages that are correlated with the creation and development of a unique network with all their stakeholders, including the community in which they operate and the employees that work for them.

Long-term orientation

The relationships previously mentioned are developed for the long period as well as it is the company's strategy, and this allows the company to obtain a form of credibility among the stakeholders. The term "Long-term orientation (LTO)" is referred to:

> "The tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period" (Lumpkin et al., 2010).

In a Family Firm, the time-horizon of the decision-making process is long and leads to a more conservative and cautious approach to maintaining the continuity of the family business across generations. (Anderson et al., 2012). As a consequence, by looking at the long-term mission, Family Firms can obtain a lower management turnover and involve themselves in strategies that are profitable in the long run even if they are costly in the short period. Moreover, the desire to operate in the long-run motivates them to build a strong image and reputation.

Commitment and support

It is clear by now that family businesses are unique because of the presence of family relationships within the business. The internal environment in which family businesses operate is characterized by support and harmony and results in the creation of a company culture for which employees are willing to contribute more than expected and support each other: they can for example voluntarily spend more time on studying and working for the company (Zahra et al., 2008). In addition, a shared perception of commitment increases the reciprocal altruism and allow the company to achieve more easily a long-term organizational prosperity. Those characteristics, in general, lead the firm to

strengthen their business and improve the quality of their working life through the development of aligned goals.

Identity and reputation

The reputation of a firm is a fundamental asset that leads the company to reach a sustainable competitive advantage and, consequently, has a strong positive impact on its financial wealth (Sageder et al., 2016). For Family Firms the owning family is at the basis of the company's wealth and it influences its image, and the reputation is basically how external people perceive company's image (Dyer & Whetten, 2006). Since there is a strong connection between company's and firm's reputation, all the efforts and commitment that family members put on the business often derives from the fact that they also benefit from an increase of the firm's reputation. As a matter of fact, they invest their time and money on the Family Firm, which often has the family name, resulting in a high level of awareness among stakeholders, that leads to the perception of an overlapping between the reputation of the family and of the company. Consequently, the family would avoid any kind of dangerous and risky action that could damage the firm's reputation (Dyer & Whetten, 2006). This reputational aspect is also part of what is called "socioemotional wealth", that strongly characterises family businesses.

2.3.2 Weaknesses

In spite of the several advantages, listed before, that characterize the Family Firms, there are also some possible disadvantages.

Agency costs because of altruism

Even if there are inferior agency costs in the form of asymmetric information, due to the same origin of owners and managers or to the alignment of interests between them, another kind of agency costs can arise. Since it is possible that founders benefit from hiring relatives as key managers rather than external people, they can decide to do that even in cases where the non-family manager is more talented (Bertrand & Schoar, 2006). This kind of decisions is part of the nepotism problem that is common among Family Firms and can lead to inappropriate hiring decisions and, consequently, to the rise of an adverse selection and free-riding problems (Zellweger, 2017). As a matter of fact, allowing non-competent managers to run the firm, even if they are family members, in the long-run would create several problems due to the lack of skills and capabil-

ities. Moreover, it signals to the nonfamily members that abilities and competencies are less important than blood, reducing in this way the motivation of the external employees and the desire of the job seeing to work for the company since it would be impossible for them to reach managerial positions.

Dependence on family

It has been proved that family business shows high levels of dependence from their founders and their owners. More in general, the involvement of family members inside the firm results in a form of deep dependence on the entire family. This dependence can lead to positive effects in terms of commitment and strong relationship, but also it can result in the exploitation of the company by incompetent or unethical family members, that cover those positions just for blood ties. Moreover, several problems could arise in the case of family conflicts, that can sometimes even create a paralysis in the decision-making process and put the entire business at risk (Zellweger, 2017).

Resource constraints

In addition to the emotional and physical dependence on the family, Family Firms are also tied to the family side for what concerns resources. In fact, family members provide most of the resources that the firm needs as well as the managerial skills, but this provision can turn into a "glass ceiling". Moreover, family members usually are overly concerned with the maintenance of these resources and consequently they can avoid several investments in fear of losing them and this can lead to a reduction of the quality of innovation (Eddleston et al., 2008). This is especially true if it regards the financing aspect: since the majority of the equity or debt capital derives from family's investments, there could be some problems and limitations in how to invest and spend that money, which can penalise company's innovation and growth. Another aspect regards the managerial and entrepreneurial skills, that, as previously said, usually the firms found among family members. However, this inclination limits the source of human skills and capabilities among which the firm can look and can create even a reduction in the interests of non-family external managers in case they realise that there is no managerial position reachable by non-family people.

Declining entrepreneurial orientation

It was already mentioned how important is for Family Firms to pursue a long-term business, but in order to do so, it is necessary to maintain the entrepreneurial orientation (EO) across the different generations. However, entrepreneurial orientation is negatively correlated with risk-taking, and consequently, over the years, a company can lose its entrepreneurial spirit in favour of a more stable and risk-free approach (Lumpkin et al., 2010) due to the excessive focus on harmony and continuity that usually drive Family Firms in their mature stage. The EO is usually seen as decreasing over time because the reaching of the mature stage leads to more parsimonious decision-making that discourages the investments in R&D and can consequently reduce their willingness to compete and overcome rivals (Anderson et al., 2012).

Succession challenges

Over the years, the need to pass the firm to the future generations creates succession challenges. In fact, the ownership's transfer in Family Firms can arise problems which differ from those of the nonFamily Firms and which regards money but also nonfinancial issues and cause the disruption of kinship ties. For this reason, it could be helpful to develop some inheritance rules that specify how the succession should be done, but those norms may give rise to direct costs for the firm (Bertrand & Schoar, 2006).

Role ambiguity

It was previously underlined how the presence of the family helps also in the definition of the business. However, the two systems of family, based on tradition, loyalty, and support, and of business, driven by economic factors, can be sometimes incompatible. As a matter of fact, family members that work inside the firm must play multiple roles, sometimes even conflicting ones. They can be, for example, father and boss or son and manager at the same time. This overlap requires tolerance and flexibility but moreover the consideration that the firm's dynamics cannot be solved without looking at both perspectives. The paradox perspective theorizes that the tensions for the coexistence of these two parts can be exploited to make the firm more efficient by seeking the synergies among them. (Zellweger, 2017). However, in order to do that, it necessary to overcome the confusion that the simultaneous overlapping of family members working inside the Family Firms can create. In fact, as part of the family they focus on the welfare

and stability of the family, but as owners of the firm, they look at financial prosperity and operational effectiveness (Tangiuri & Davis, 1997). Consequently, this overlap of roles leads to possible extra influences on the business decisions, which can create confusion and arise complications and possible arguments due to the lack of objectivity in the decision-making process.

2.4 Values and SEW in Family Firms

The above list of strengths and weaknesses underlines how the main advantage of being a Family Firm is probably the presence of the non-financial values in the company. As a matter of fact, at the basis of the operations of a Family Firm, there are several principles as trust, confidence, commitment, and loyalty, which are fundamental to increase the cooperation inside the firm and try to reduce also the possible arising conflicts. However, these are just a few examples of deeply anchored values that can be found in Family Firms. More in general, we can observe how family members have multiple roles inside the firm, both managerial roles and family roles, which are distinct but sometimes can have overlapping goals, and this can facilitate the prevalence of the non-financial goals inside the company (Zellweger et al., 2010). Indeed, it is possible to notice that often Family Firms are primarily concerned by the maintenance of the family control, even in case of risking the financial performance (Gomez-Mejia et al., 2007), because they value not only financial aspects but also other elements such as values, culture, and reputation (Craig & Dibrell, 2006). This strong prevalence of nonfinancial goals leads to several effects, as the increasing importance that Family Firms grant to the environmental activities. Every possible action is analysed by family members according to its possible effects over their reputation and, consequently, they are usually willing to take some economic risk if this can avoid the possibility of threatening their values and identity. This focus on the reputational aspects of the business incentivises Family Firms to behave better in order to increase their image and appear as socially responsible companies, which creates binding connections with the surrounding environment. Taking these into consideration and bearing in mind the fact that Family Firms are more embedded in the community than Non-Family Firms, it is clear that they would put more efforts in the community welfare and satisfaction (Berrone et al., 2010).

2.4.1 Family Firms and CSR

It has been already underlined how strong the influence of family values is inside the Family Firms. Given the fact that Family Firms have traditionally been identified connected with their stakeholders, with both positive and negative characteristics, these relationships can be considered as the basis of their different approach toward corporate social responsibility (CSR) compared to Non-Family Firms (Deniz & Suarez, 2005). Zellweger (2017) and Berrone et al. (2010) suggested for example how Family Firms work harder on some type of costly anti-pollution activities in order to maintain a positive reputation among the community, which is one of the main pillars of the SEW and seems like one clear example of CSR. The definition of CSR is provided by the European Commission in 2009 as:

> "a concept whereby companies integrate social and environmental concerns in their firm operations and in their interaction with their stakeholders on a voluntary basis" (European Commission, 2009 in Marques et al., 2014).

Considering this definition, it is possible to notice that, more in general, the approach of Family Firms toward CSR can be recognised as bivalent. From one perspective, Family Firms are associated with features as nepotism, giving consequently the priority to the welfare of the family members more than to the welfare of the firm or its stakeholders, and also they often present some difficulties in adapting to new environments and behaving as self-interested (Deniz & Suarez, 2005); these are all features that can become an obstacle for the pursuing of CSR. However, on the other side, Family Firms are often analysed through the stewardship theory lens, according to which their founder identifies himself in the firms and would consequently adopt more CSR activities (Marques et al., 2014). Moreover, Family Firms are also very committed to the community, with which they usually build strong relationships, and they are characterised by values like integrity, identification with the company and respect for the traditions, for which they can be considered as more adapted to invest in CSR activities. Furthermore, it is possible to notice that if the identification between the firm and its managers is strong, this would strengthen also their altruism, encouraging them to behave as good citizens. In turn, altruism can advantage the creation of strong social ties based on the development of several social activities for the community, but it can also result in the increasing interest on the family wealth even at the expense of the society. (Marques et al., 2014).

Consequently, even if Family Firms are usually identified as better companies with a better reputation, they also need to increase or justify this good reputation to their stakeholders, and this desire can enhance their socially responsible activities. The result is that the real orientation of Family Firms towards CSR depends on the type of firm, on its values, culture, and traditions (Deniz & Suarez, 2005), but it is more probable that in the case of Family Firms is higher, due to the strong family involvement and identification which is aimed at a long-term sustainability and profitability (Marques et al., 2014).

2.4.2 Socioemotional Wealth (SEW)

As previously said, considering the theme of Family Firms, it is not possible to ignore the strong attachment that the family side has on the company. Indeed, there is another lens through which the values of Family Firms can be analysed, and it is the socioemotional wealth (SEW) model. It states that Family Firms are inspired by the maintenance of their values and beliefs and are dedicated to the strengthening of the family's culture; the overall set of nonfinancial values that are present inside a Family Firm is called "affective endowments" (Berrone et al., 2012). Usually, the culture of a firm derives from the sum of different factors, as the values of its owners and managers (Zahra et al., 2008). However, that culture can also be created with the contribution of the firm's own choices, for example establishing some internal rules or through the development of charitable activities. This devotion to the creation of a good company culture, based on positive values, leads Family Firms to be recognised as more socially responsible. They also are perceived as trustworthy and as organizations that care about their customers as well as about the establishment of strong ties with the community (Sageder et al., 2016). The SEW definition includes all these aspects, as well as the desire that families have on maintaining a strong influence over the firm, with which family members have a deep identification, the preservation of the social ties and the desire for transgenerational succession. Consequently, SEW is defined in a way that includes all the different and broad aspects of affection or emotions from which the firm derives the family values.

> "the value of socioemotional wealth to the family is more intrinsic, its preservation becomes an end in itself, and it is anchored at a deep psychological level among family owners whose identity is inextricably tied to the organization" (Berrone et al., 2010).

Following this perspective, the idea of increasing or decreasing of SEW represents a fundamental aspect for the decision-making process of a Family Firms, and family owners will assess every action according to the possible effects on SEW (Berrone et al., 2012). As noticed before, one peculiar characteristic of Family Firms is the pursuing of the double mission of achieving nonfinancial and financial goals at the same time, leading the activities to be done according to two different stimuli. In fact, the SEW is a peculiar aspect of Family Firms, even if the affect endowment can be present also in Non-Family Firms, because for the family members the firm becomes a fundamental part of their everyday life, while in the Non-Family Firms the relationships between shareholders, managers, and employees are less strong and individualistic (Berrone et al., 2012). However, Le Breton-Miller and Miller (2013) claimed that the relevance of SEW, and its peculiar focus, change over time with the growth of the company and the associated firm's transformation of needs (Table 2.3).

Table 2.3 SEW and Family Firms stages

Family Business Stages	Family members interests	SEW
Founder stage	Creation and maintenance of family influence.	Focus on the transgenerational control. Pursuing lont-term strategies to maintain family power.
Post-founders stage	Maintenance of harmony between family members.	Focus on the emotional attachment with the family values and on the strengthening of the family members relationships.
Cousin consortia stage	The balance between different priorities. Development of strong identification between the family's image and the firm's image. Tied connections with the community.	Focus on the creation of a good external reputation and identity through environmentally sustainable initiative and charitable activities.

Source: adapted from Le Breton-Miller & Miller (2013)

According to the authors, at the beginning, the firm is settled in the "founder stage", where the priorities of the owners are the maintenance of the family influence and the transfer of the companies to the future generations. The SEW simply adapts to these needs and encourages the founders to make the kinship bonds more tied and stronger, to pursue efficient business strategies and to define the family's influence.

In the second "post-founders' phase", the desire for the transgenerational control would probably remain, but now the family has to deal with the disappearance of the strong and powerful figure of the founder, with the consequently possible beginning of tensions between family members for who should be in charge. Consequently, the SEW

would focus on the survival of the firm and on the emotional attachment to the firm that binds all family members.

Looking at the third phase, “Cousin Consortia”, the presence of family members increases, including also several branches of cousins that make the governance more complicated. This increased number would lead to the coexistence of multiple different priorities among family members, which are not so close as they were during the first phase. Since the family is now larger, it is possible that it is also more famous in the community, and this would increase the SEW focus on the identification and reputation, following the external pressures to initiate some charitable and social activities.

It should be clear by now how the SEW theme is very broad and for this reason, it is difficult to define its boundaries. However, Berrone et al. (2012) distinguish five dimensions of SEW called FIBER:

Table 2.4 FIBER dimensions of SEW

Dimensions of SEW		Characteristics
F	Family control and influence	Family members control over strategic decisions, deriving from powerful positions, important status or charisma.
I	Identification of family members with the firm	Inextricable identification between family and firm’s reputation. The firm is perceived as an extension of the family.
B	Biding social ties	The strong connection and sense of belonging and identification are extended also to non-family members that are the stakeholders, including the community, consumers etc.
E	Emotional attachment	The activities of the firm are influenced by the strong relationships between family members and between stakeholders. They develop common and shared values and beliefs.
R	Renewal of family bonds through dynastic succession	The family side is focused on maintaining family power and be able to pass it over to the future generations.

Source: adapted from Berrone et al. (2012).

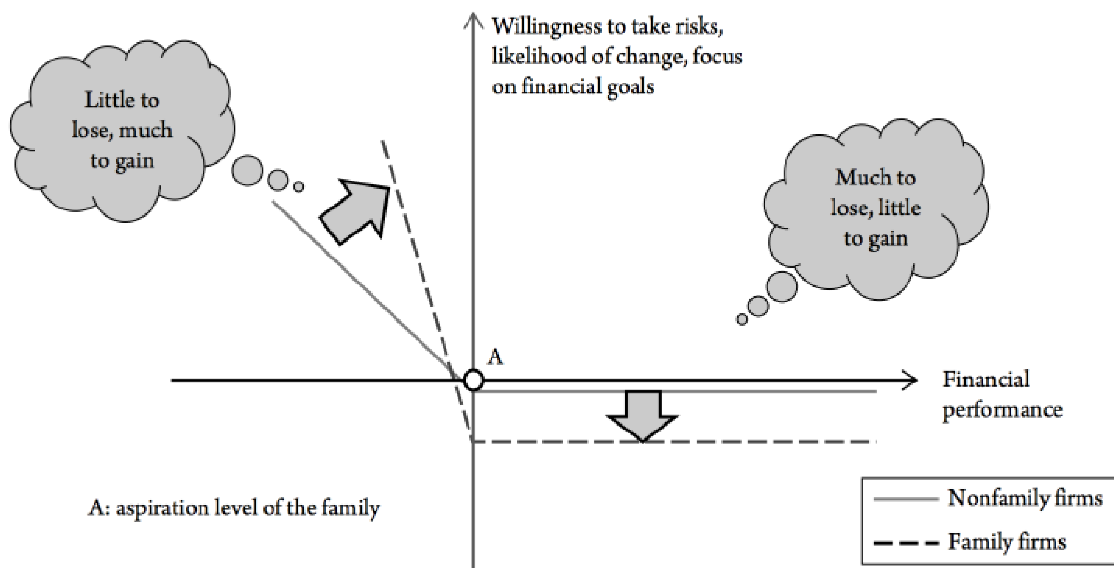
- *Family control and influence*: The first part of SEW is focused on the control that family members operate over the firm. It can start with the strong influence and charisma of the founder, which later would pass over the power to the future generations. Since it is necessary to achieve important positions in order to have the ability to influence the firm, often family members play multiple roles inside the company and try to obtain even indirect control. The maintenance of the family power allows family members to pursue the SEW preservation, which is often considered even more important than the financial prosperity Gomez-Mejia et al., 2007).

- *Family members' identification with the firm*: The next SEW's dimension analyse the connection between family members and firm, which is so strong that can lead to the people's identification with the firm itself. It is quite obvious that there is a strong relationship between the founder and the firm, and this is especially true if the firm has the family name, in which case the firm would be recognised both internally and externally as a family's extension in terms of reputation and values.
- *Binding social ties*: This part of SEW is about the several relationships that Family Firms usually have. In fact, generally, Family Firms have strong connections with the community, based on reciprocal trust and solidarity, which affects all the surrounding society, as employees or suppliers.
- *Emotional attachment*: The fourth part of SEW is focused on the whole set of values and emotions that influences the family side and, consequently, also the business side. As a matter of fact, due to the strong connections between family members, in Family Firms, it is possible to find deeper values, build on a shared family history, common beliefs and experiences.
- *Renewal of family bonds through dynastic succession*: The last dimension of SEW is based on the desire of the family members to maintain a transgenerational control over the firm. Consequently, they operate in the business with the intention to pass it over as a heritage to the future generations, and this means to utilise a long-run perspective for the business.

The above listed SEW dimensions are clearly based on family values and beliefs, that combined together shape the organizational culture. As a consequence, it seems obvious that Family Firms usually value more the nonfinancial aspects than the financial ones. However, the SEW model is not completely focused on the emotional aspects, ignoring the financial perspective. It simply states that when the family is deeply connected with the business, Family Firms are more willing to take more financial risk and uncertainty if there are come noneconomic benefits in return (Berrone et al., 2012). This means that each decision has been taken also considering the possible impact on SEW and the only reason for which a firm is willing to accept a SEW reduction is an adequate financial compensation or the possibility that the loss is needed to save the firm. From an economic perspective, usually, Family Firms aim at reaching a level of financial performance just good enough to ensure the normal pursuing of SEW. The two perspectives

are both important: finance is an output measure that allows them to verify if the company is operating well enough to maintain and increase the level of SEW, while the socioemotional wealth in an internal measure that motivates family members in all their decisions (Zellweger, 2017). Since the financial wealth is essential to pursue SEW, Family Firms are usually more risk-averse. However, sometimes a Family Firms can be even more willing to take risks than a nonfamily, but this can happen only if the firm needs to be saved and this is the only way to do that (Figure 2.1).

Figure 2.1 Risks and performance



Source: Zellweger (2017)

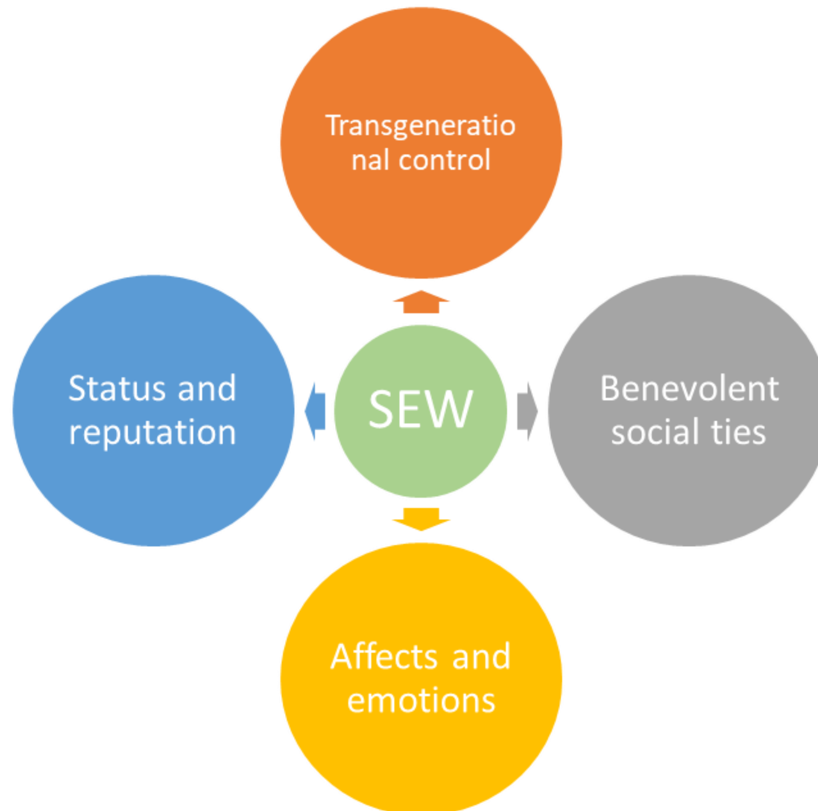
The protection of the SEW is the driven incentives of Family Firms, which can consequently increase the quality of its family image, respect and organizational identity (Berrone et al., 2010). Moreover, the nonfinancial goals have several impacts also on the decision-making process of Family Firms (Zellweger, 2017):

- They encourage the focus on the SEW preservation more than on the financial aspects, favouring in this way those kinds of investments that are less risky.
- They increase the monitoring of the effects of the firm's decision on the long run
- They underline the differences between the family aspirations and the results, to verify if the satisfaction obtained is enough

The effects that those nonfinancial aspects have on the company are both externally and internally valuable. In order to analyse properly these two SEW perspective, it is possi-

ble to divide the socioemotional wealth dimensions not according to the FIBER model, but into four parts (Zellweger, 2017): two factors that have internal relevance, “Transgenerational control” and “Emotions and affects”, and two with an external relevance, “Benevolent social ties” and “Identity and reputation” (Figure 2.2).

Figure 2.2 SEW



Source: adapted from Zellweger (2017)

2.5 Internal Factors of SEW

The socioemotional wealth of Family Firms has two main internal dimensions that influence and are influenced by the internal aspects of the firm.

Transgenerational control

The transgenerational control dimension of SEW refers to the interest of the family to control the firm with the purpose of passing it over to the future generations as a family legacy. Family control is a fundamental aspect of the family business theory and also one of the most desirable goals for family members. The power can be achieved both directly, by assuming some relevant positions inside the company, or indirectly, through for example the election of specific people for designated positions, even if they are non-family members. In any case, the idea of transgenerational control is more than a

simple long-term perspective, as it consists of a long-term perspective under the control of the family over the years. Consequently, family members perceive their company as more than a simple asset, they consider it as a legacy for their heirs and a source of long-lasting competitive advantage (Dyer & Whetten, 2006), which can lead to the development of the patient capital. However, this common goal that Family Firms share can have also negative consequences: the long-run perspective upon which this desire is built can arise several problems connected to the succession process. There can be conflicts between family members to decide who should guide the company and which positions assign to each member, but also the company may decide to start a risk-averse business strategy in order to protect the firm's interests in the future. Even though these negativities can emerge, in Family Firms the desire to preserve the family heritage is a strong incentive to proceed in the search for transgenerational control. Moreover, the idea that the family culture and values can be perpetuated leads the Family Firms to incentivise even more their commitment and strengthen their perception of the firm as family legacy (Berrone et al., 2012), in this way the company works harder to achieve a long-term profitability.

Emotions and affect

The SEW dimension of Emotions and affect refers to the attachment that the family has. Since they are families, they are naturally characterised by a broad set of feelings and emotions, and the individuals that compose them. All the sentiments are not fixed, thy change over time and can affect differently the business side of Family Firms (Berrone et al., 2012). As a matter of fact, Family Firms are characterised by a very thin line that separates the family side by business side, and since the connections between these two parts is so strong (Berrone et al., 2010), the emotions that are a proper feature of the family end up affecting also the business, influencing the entire decision-making process. In addition, the strong connection between family members and their firms may lead to a higher level of affect and commitment. However, the increasing relevance that emotions assume inside a Family Firm can turn into a disadvantage, creating conflicts between family members for personal reasons, with corresponding effects on the business side due to the double roles that family members have to face. Those conflicts, if not efficiently mitigated, can increase the dysfunctionality inside the firm and put the entire company at risk (Berrone et al., 2012). On the contrary, if the kinship relation-

ships are based on cooperation and harmony, the culture that binds together family members will positively affects the entire company, helping in the alignment of employees' needs and desires with those of the company (Zahra et al., 2008), which can lead to an increase in the level of commitment and, consequently in the achievement of a competitive advantage.

Case Study 2.1 Ferrero - Values

> *Fabio Dioguardi, the former Employer Branding Manager of Ferrero, explicitly points out how the company holds some unique values that derive from the family business's nature. According to Dioguardi, being a Family Firm led Ferrero to be shaped in the image and likeness of the family and of its former owner, Michele Ferrero, who created an empire from scratch but based on strong values to which he always remained anchored. As a consequence, the entire Ferrero's management has been developed over some beliefs which never changed even after the process of internationalization of the company. The company is base upon three main values, the three Fs:* ***Feeling****, because people matter more than processes;* ***Forever****, because even during problematic years the company never closed a factory in order to protect its employees, based on the willingness of its founder to "never fire a family";* ***Fast-forward****, to focus the attention on the long period.*
> *The company was created and developed according to the family values, and their beliefs are so strong that the present management doesn't need to learn it, it has absorbed all the social principles and now is working to communicate them to the newest managerial lines. These common values helped in the alignment of the social mission of the company and consequently, it increased the commitment of the worker. As regards the family image, it wasn't very exploited: all the "family" side that influence the business derives from family values which are so embedded in the company that obtained the name "ferrerity".*

2.6 External Factors of SEW

As for the Internal factors, there are also two external factors. The idea of external means that their relevance, and their very existence, depends on the relationships that the Family Firms have with the surrounding environment.

Benevolent social ties

The Benevolent social ties dimension of SEW is based on the idea that Family Firms build their advantages over a mutual support environment. This environment characterised by mutual commitment and harmony is not limited to the family sphere, but it expands also beyond the sphere of the kinship and includes different type of stakeholder, as consumers, suppliers, employees and even the community. In fact, usually, Family Firms build long-term relationships with customers and employees, avoiding job cuts as much as possible, and act in a socially respectable way, trying to

prevent the creation of damages for the stakeholders (Sageder et al., 2016). This mutual support leads to the creation of a common sense of belonging to the firm, that it is often shared also by non-family employees (Miller & Le Breton-Miller, 2005) and consequently cause the increase of the commitment, even further the normal working requests, which leads to the achievement of a competitive advantage and the establishment of positive working conditions (Sageder t al., 2016). For what concerns, instead, the surrounding environment, it is well established that Family Firms are deeply embedded in the communities, for which usually develop charitable activities (Berrone et al., 2010), for altruistic motivations or to increase the outside level of recognition and improve at the same time the company's and the firm's reputation (Berrone et al., 2012). Moreover, the establishment of trusting relationships with the stakeholders include also the consumers, and consequently, these connections make the company more trustworthy in the eyes of consumers that would be more willing to buy their products.

Identity and Reputation

Family members can feel a strong connection to the Family Firm and because of this perception, they tend to see the Family Firm as an extension of themselves. Consequently, family members are rather sensitive about the external image of the company, which is the same that is projected to them in the eyes of customers, suppliers, employees and all the stakeholders. Since the identification between the two parts is so strong, any kind of public embarrassment can be destructive for family members (Berrone et al., 2012). In order to avoid that any problem can affect the family side, Family Firms usually exhibit higher levels of corporate social responsibility (CSR), behaving as good citizens and committing themselves to socio-environmental activities in order to achieve a good reputation. As a matter of fact, the controlling family derives utility from a positive association with the company, and this is particularly true if the firm is involved in some kind of charitable activities because all the positive adjectives that people outside the firm associate at the company would automatically be associated also to the family. Moreover, achieving a good reputation increase also the financial prosperity of the company, because it is known that usually, customers would rather buy from companies with a strong positive reputation, even if this occurs at a higher price. In addition, companies are able to achieve more easily the reaching of financial resources, the increase of the number and quality of job applicants and the creation of strong networks

(Sageder et al., 2016). However, this identification can also damage the family: if the company's reputation experiences a reduction of social value for any reason, the diminishing value, or the negative event that caused it, would be also associated to the family and its members, as a consequence, Family Firms would avoid harmful practices that can damage their reputation and the one of the families (Dyer & Whetten, 2006).

Case Study 2.2 Olio Carli

In 1911, the founder of Fratelli Carli, Giovanni Carli, realized how much potential is hidden in the traditional olive-growing sector and decided to seal a deal with the small producers that he was used to meet every day near home. This alliance was concluded with a simple handshake and marked the beginning of the business. Nowadays the company stays close to their tradition, by visiting and including also the current small producers who represent the excellence in Italy, Spain and Greece. Nowadays, the company entails several collaborations, among which the most enduring is lasting for 52 years. The continuous search for the best quality has led the company to create relationships with other companies and suppliers with the same passion and the same care for sustainability and environmental protection. The company established a CO.SO (Comitato Sostenibilità Fratelli Carli) which is a committee composed by the representative of all the several business functions. Its purpose is to coordinate the efforts of every party involved in order to help the company in the creation of a new model based on socio-environmental development. The entire supply-chain shares the same goals and practices of sustainable agriculture, while at the same time is focused on the valorization of the territories and in particular of the small producers. Another mission that the company wants to pursue is the increase of employees' motivation through the establishment of relationships based on personal respect, the valorization of diversity and attention to the rights and safety of every worker. Nowadays there are 333 employees with an open-ended contract, which actively participate in the company's initiatives. As concerns the clients, the relationships are perceived as a family one, with the door-to-door trusted company's delivery with the most lasting relationships with a consignee that is enduring for 45 years. This closeness with the final customer allows the company to achieve a direct contact and facilitate the response to the several needs. Massimo Belmonte, the HR manager, stated that the company's first desire is to be a community of people, including clients, employees, and suppliers which collaborate create value for the society. A practical example of this commitment is represented by the sponsored of 6 children by the company, but also can be mentioned the 3000 hours of the school-work rotation and the 90 local and national associations sustained by the firm.

2.7 Conclusions

In this chapter, it has been analysed how Family Firms actually differ from the Non-Family Firms because of the influence of their family side. Fist of all the impact that family values and traditions have on the company affects all the business. Family entrepreneurs increase their level of commitment so much that they identify themselves with

the company. For this reason, Family Firms can be understood by observing them through the lenses of SEW approach, which provides a deeper perspective of the socio-emotional goals of those companies. It is a useful tool to understand the long-term mission of the Family Firms to make the company as part of heritage for future generations and obtain a competitive advantage by the creation of long-lasting relationships and strong ties with the community and all those people that interact with the firm. It is important to understand how important the socioemotional aspect is in order to understand why those type of companies is more interested in preserving the SEW rather than in achieving a higher level of financial performance. However, it is also noticeable that the creation of strong relationships, the establishment of company's traditions and the attention also to the welfare of the stakeholders provide an important advantage that can actually benefit also the financial side of the business.

3. CHAPTER

THE VALORES MODEL: THE OVERLAP BETWEEN BENEFIT CORPORATIONS & FAMILY FIRMS

3.1 Introduction

Values and culture have become more and more important in the past years. CEOs and managers from all over the world recognised that those subjects are at the base of people's motivation and consequently they are the stimulus to all the innovations and behaviours (Deloitte, 2016). They became so important that nowadays culture is considered more than a psychological matter or something that can affect only the HR department of a company, it is considered a business issue. Therefore, the awareness of people has changed, and the companies started to feel the need to adapt. This is why the Benefit Corporation topic is so relevant and why it seems clearly close to the SEW approach of Family Firms. The similarities between these two entities are about to be discussed.

The chapter is organised in as follow: (2) in the second paragraph it is provided a brief digression about the noticeable similarities between the purpose and way of doing business of Family Firms and Benefit Corporations. (3) In the third paragraph we introduce the VALORES model, which is aimed at underline all the existing overlaps between Family Firms and Benefit Corporations and that can be summarised into the co-existence of a double mission Values-Performance (VA), the Long-Term Orientation (LO), the importance of Reputation and Image (RE) and the attention that is dedicated to the Stakeholders (S). All these variables have a positive side but also some critical issues that needed to be addressed.

3.2 Why the *overlap* Benefit Corporation & Family Firm exists

People affect and are affected by the environment in which they operate, and this is particularly true for family business. It should be evident by now that what moves Family Firms is not simply the pursuit of a profit maximization, but also the search for strong ties with the community, a long-lasting business to pass down to future generation and, more in general, for a good social image, that can also positively affect family's reputation. The search for the development of a good image moves Family Firms to achieve a better environmental performance than NonFamily Firms, especially if it benefits the local community. For a family company, a social action provides it value not simply from a reputational point of view, but also because it increments the satisfaction from a SEW perspective. Consequently, they are more willing to engage themselves in some environmental initiatives, even if it can be financially risky. Therefore, if a Family Firm has to decide whether to choose an action that would reduce the financial risk but that can create a loss in SEW, or to choose instead an action that could be riskier but that would protect the family's SEW (but with uncertain economic benefits), it will usually prefer the latter (Berrone et al., 2010). However, this attention to the community and the relationships with the socio-environmental aspects of the business could diminish over time, especially if the company grows and the decision-makers increase. Moreover, the asymmetric information between owners and managers could create some problems: if the managers are too focus on maximizing profits, they could undervalue the importance of the family and business culture.

For these reasons, the development of the Benefit Corporation form can help Family Firms in writing down their values and cultures to be sure that they would remain as a fundamental part of the organization even in case of becoming public or simply growing. Moreover, Benefit Corporations can help Family Firms in developing a new way of doing business that can be based on implementing company's culture and exploit this culture as a competitive advantage to buster its business in a socio-environmentally friendly way. There are several common points between Benefit Corporation and Family Firm that can be useful to understand how these two elements can improve each other, but the most important are:

- Dual-mission: Values and Performance
- Long-term horizon

- Reputation
- Focus on the stakeholders

3.3 The VALORES Model

The overlapping points between the two topics of Benefit Corporations and Family Firms are focused on several factors, like the relationships with the community, the internal policies of a firm through which the company can dialogue with its employees, the Values and others. All these subjects have a peculiar, and in a certain way unique, influence and connections with both Family Firms and Benefit Corporations compared to the other kind of companies. It is possible to sense that the common points can be enlarged to incorporate almost every non-financial characteristics of these two subjects, however, in order to provide a more clear and punctual analysis, only the major points of influence listed in Table 3.1 are going to be analysed. Those characteristics can be analysed as a part of a unique model, the VALORES model, which is aimed at demonstrating how the nature of Family Firms, and their tendency to focus on the SEW, is very close to the nature of Benefit Corporations and their attention to the respect and improvement of the environment and the surrounding community. Even though the topic of Benefit Corporations may appear simple and as a natural development of the business in those years, there are several critical points that can be discussed and that will be further analysed in chapter 5.

Table 3.1 The VALORES Model: Overlap between Family Firms and Benefit Corporations

Variables			Family Firms	Benefit Corporations
VA		Values VS. Performance	Family Firms are characterised by the strong prevalence of socioemotional wealth, that often is considered more important than profit maximization.	Benefit Corporations' mission is based on the balance between financial goals and socio-environmental purposes, with the objective to pursue them both at the same time.
LO		Long-term orientation	Family Firms run the business with the intent to pass the company on to the future generations. This means that their operations are focused on the long-term profitability and stability of the firm.	The Benefit Corporations' mission regarding the socio-environmental goals consequently requires, because of its nature, a long-run orientation that is needed for the evaluation of the effects of the present activities.
RE		Reputation	Family Firms are usually recognised as being more trustworthy than Non-Family Firms, this is also because of the strong bind to the family reputation.	Being a Benefit Corporation means to explicitly write down on the company's statue the socio-environmental mission, and consequently to bind the future of the family to the achievement of these goals.
S	Stakeholders:			
	A	Employees	Family Firms often hire family members inside the company in order to have employees that share their same values and family culture.	Being a Benefit Corporation means to attract also young talents that are looking for a job with a company in which they can find their same values and beliefs.
	B	Consumers	Family Firms, because of their good reputation, are usually considered more reliable by the consumers, which are more willing to pay a higher price and believe that they would receive higher quality in return.	Benefit Corporations can materially prove to their customers their commitment to the social mission since they have several standards that they need to respect.
	C	Investors	Family members are reluctant to obtain equity capital from outside investors because they want to keep the control of the company and they are not willing to share ownership with people focused on different values.	The Benefit Corporation form legally requires the pursuing and reaching of both the financial and non-financial goals. As a consequence, investors are aware of the double mission of the company.
	D	Entrepreneurs	Family Firms' entrepreneurs are those that shape the culture of the company and create its traditions and values	Benefit Corporations allow entrepreneurs to freely follow their mission, regardless of its financial or non-financial nature.

Source: Personal elaboration

3.3.1 VA – Values & Financial Performance

Values and Financial Performance have always be considered in the past as two opposed driven forces that couldn't coexist in a company, however, Family Firms based their strengths upon the simultaneous presence of both and the Benefit Corporations were created exactly with this purpose in mind.

Description of the variable

As previously said, it appears obvious that Family Firms operate by looking at financial and socioemotional goals at the same time, but they usually focus on achieving the minimum level of financial performance needed to ensure the SEW preservation (Zellweger, 2017). The strong incentives that Family Firms have on chasing socio-environmentally friendly activities derives from their desire to maintain a high level of SEW, and this allows them to develop strategies that could reach an economic outcome as well as a positive social and environmental impact (Sharma & Sharma, 2011).
However, the two classical form of non-profit and for-profit organizations are not perfectly suitable for the pursuing of this double mission, since the first is born with the intent of forbidding profits and the second explicitly prefer the profit maximization over the social goals in case of conflicts. Nevertheless, there are several entrepreneurs, as usually Family Firms, that believe in the possibility to achieve some social goals while obtaining profits for the company and they want to adopt a legal form that allow them to pursue both missions (Reiser, 2011). In this context, the idea of Benefit Corporation is perfectly adaptable as a response to allow entrepreneurs to pursue profit and social goals at the same time and even reinforce this willing from a legal perspective. This means that Benefit Corporation not only allow, but also legally require the company to pursue the double mission and this can be the ideal form for a family business with strong family values and culture. As a matter of fact, this new legal form can help the family member to overcome the several problems deriving from their double, and often conflicting, roles of both family members and business owners or managers. Indeed, their role of business owners or managers incentivise them to follow a financial logic, looking for the maximization of profits, even if this can damage the society, the environment or some stakeholders. On the contrary, the family member perspective is more focused on the emotional side, developing a sense of loyalty to the community, with which usually Family Firms have stronger ties, and looking for the satisfaction of different interests as those of the stakeholders and the respect of the environment, which acquires more importance due to the presence of the family (Craig & Dibrell, 2006). The Benefit Corporation form encourage them to follow both forces, sometimes clearly defining in which case which logic should be considered more important. This possibility, and the consequent reduction of conflicts and concerns enables Family Firms to develop a more

efficient organization, obtain a higher level of reputational consensus and, consequently, achieve a competitive advantage.

Critical points: the idea of Benefit and the Benefit Director

It has been deeply underlined how the primary purpose of a Benefit Corporation should be the achievement of a benefit for the society or the environment. Moreover, it is not a simple purpose, it is a formal goal that the company decided to insert in its statute. However, there can be some uncertainty about the meaning of this "benefit". The Model Act points out that all Benefit Corporations must pursue a "general public purpose", following a broad concept without any specification or measurement applicable (Callison, 2013). Furthermore, The Model Act introduced also the obligation to elect a "Benefit Director", who must be independent and who must verify, in the annual benefit report, if the corporation acted in accordance with its public benefit purpose. But, as we said, the definition of "general public benefit" is quite vague:

> "a material positive impact on society and the environment, taken as a whole, assessed against a third-party standard, from the business and operations of a Benefit Corporation" (Model Benefit Corp. Legis in Callison, 2012).

This vagueness can give rise to some problems in the analysis regarding the achievement or not of this goal: if there is no clear definition, it is not simple to verify if the activities that the directors or, more in general, the company, has made succeeded or not in the pursuit of the social mission (Loewenstein, 2013).

3.3.2 LO - Long-Term orientation

As previously said, the time horizon that usually Family Firms adopt is oriented in the long run and is based on the established commitment of the family to ensure the future of the company.

Description of the variable

This long-term orientation is a signal to both managers and stakeholders that the company is intended to run the business with the purpose to pass the firm to the future generations (Cennamo et al., 2012). In order to do that it is necessary to sustain good levels of performance and the only way to achieve those levels is to act also in the interests of the stakeholders (Lumpkin et al., 2010). However, when a company decides to operate

with a long-term horizon, the business decisions usually are taken with more objectivity, without considering the personal influence of the present decision makers (Craig & Dibrell, 2006). This means that there could be several differences in how Family Firms and Non-Family Firms would like to operate in longer horizons regarding socio-environmental issues. As a matter of fact the decisions that have an environmental nature are usually costly in the short-run but could be profitable in the long period; however, firms that are not under family's influence may find them to be obliged to operate looking at the present law, while Family Firms would operate by doing so but in addition hey would also put more efforts in order to achieve the best interests regarding the socio-environmental sphere. (Craig & Dibrell, 2006). Family Firms may obtain an advantage in pursuing this mission in the long-run by adopting the Benefit Corporation legal forms, which could help them to create a better reputation. Moreover, being a Benefit Corporation allow the firm to establish some environmental policies that would be made legally binding for the company also in the long run and that, consequently, would not be dependent on who is in charge of the decisions. In addition, the legal form requires the companies to respect some standards, which forces them to constantly compare to each other and improve their socio-environmental programs to respect the requirements. In order to do so, they have to analyse their entire processes to eliminate waste and inefficiencies, as for example those regarding water waste, and this would lead them an advantage in terms of efficiency. It is quite obvious that nowadays the firms that do not address socio-environmental considerations in their operations would lose market share, destroying values also for their shareholders, (Stammer, 2016) and, ultimately, would be overcome by more environmentally friendly and community care firms.

Critical points: Measurement issues

It has already been mentioned that the Benefit Corporation Legislation requires that the companies prepare each year an "Annual Benefit Report", in which they must consider different requirements and a narrative description of how, during the year, the company is intended to pursue the general public benefit. They also must specify the extent to which the benefit was created, how it happened, and, in addition, the reasons and processes for choosing or changing the third-party standard used (Callison, 2012). However, the main orientation of that kind of companies is on the long-run, and consequently,

it seems problematic to find a way to measure the produced benefit in a short period as one year and without clear instruction about what is needed to be specified.

3.3.3 RE - Reputation

Considering the topic of reputation and identity, usually, they are among the most important variables that the companies account for, due to the strong effects that they have o the company's image and, consequently, on the opinion that consumers have about a certain firm.

Description of the variable

Family Firms are often identified as the holder of unique image and brand since they are usually seen as trustworthy and quality-driven. Typically, family history and firm's history overlap in several points, and this causes the establishment of a strong connection between family and firm's reputation, especially in the eyes of the local community in which they usually operate. Moreover, a family member in the firm may look at the active engagement of the stakeholders not simply under the lens of altruism, but also as a way to obtain social legitimacy and enhance the reputation of the company (Cennamo et al., 2012). Therefore, the presence of the family name associated with the firm implies that the company is perceived from both external and internal stakeholder as an extension of the family. This personal family's association incentivizes the founders to focus on the creation of strong relationships with the different stakeholders, including the community (Sharma & Sharma, 2011). The strong family-firm connection encourages the company to pursue CSR strategies in order to appear as more socially and environmentally responsible (Zellweger, 2017) and minimize the risk of damaging family's reputation (Lamb et al., 2017). In fact, this close relationship fosters the desire to protect the company's reputation, since eventual damages would not only relapse on the business, but also on the family (Binz et al., 2013). As a consequence, Family Firms are very committed to corporate social and community behaviors, focusing on environmental protection and developing inside norms and controls for its preservation (Sharma & Sharma, 2011) and the maintenance of the social community welfare. Moreover, it is generally believed

that promoting and increasing the family background of a family business, and consequently capitalizing on its positive image, can lead to positive outcomes also on the organization's perspective (Binz et al., 2013).

This interests that Family Firms have on the social relationships can be exploited and facilitated even more by the adoption of the Benefit Corporation legal form. As a matter of fact, being identified as a Benefit Corporation allows the firm to obtain a public identity as an organization which is interested also in the stakeholders' welfare. The possibility to achieve a public image like this favours the firm's values communication to the customers; one example of how reputation and integrity sometimes can be even more important than profits is provided by Patagonia (Case Study 3.1). Family Firms have to prove even harder than they are authentic defenders of socio-environmental causes in order to avoid a possible association with greenwashing activities, which can damage also the family's reputation. Consequently, the adoption of the Benefit Corporation legal forms provides the possibility to stand out from all the other firms and signal to the stakeholder that the company is truly committing itself to the provision of public benefits (Kim et al., 2016). The fact that this commitment can be demonstrated through the company's statutes, which also legally bind the company to this mission, increases the trustworthiness of the company and consequently improves at the same time the reputation of the family and the firm. As a consequence, all the stakeholders that are interested in doing business with a dual-mission company will actively be looking for brands that can prove the genuine possibility of pursuing profit and social goals at the same time (Reiser, 2011). These considerations, in addition to the positive image that usually Family Firms have in the mind of the stakeholders, can booster the Family Firms' reputation.

Case Study 3.1 Patagonia - Don't buy this jacket

During the Christmas period in 2013, just when companies usually booster their products with several campaigns to increase their sells, Patagonia published a poster with the "Don't buy this jacket" campaign. This controversial message was created in order to encourage people to think about the number of goods that they usually buy and how strong is the consumerism in this era. It was a risky campaign, but it helped the company reinforcing its reputation among consumers, which appreciated its message and values that are not simply focused on the quality of the material that Patagonia provides, but also incentivize consumers to change their behaviors and buy only what they really need. It is a clear exam-

ple of how a strong a trusted reputation can be more important for a company than the financial gains.

Critical points: Dichotomies and Reputation

The creation of the Benefit Corporation form has several positive effects on the improvement of a company's reputation. However, it can be argued that the simple existence of this legal form can lead the entrepreneurs to believe that social missions and financial profits cannot be reached together without using this tool or something similar. The risk is that people can start thinking that those two elements are mutually exclusive concepts, unreachable through the old legal forms, and obtainable only through the adoption of this new legislation (Chu, 2012). Therefore, there could be the creation of a false dichotomy: a corporation may be perceived as "bad" because it is not a Benefit Corporation, and instead a Benefit Corporation may be perceived as "good" just for its legal status (Blount and Offei-Danso 2013).

3.3.4 S – Stakeholders' role in shaping the *overlap*

The last point of the VALORES model is based on the relevance that Stakeholders have on these two realities. Both Family Firms and Benefit Corporations are interested in developing strong ties with the surrounding community and all those figures that can, in several ways, influence the company.

Description of the variable

Usually, Family Firms are known as deeply focused on stakeholders' interests, which includes the care for employees, investors, suppliers, and consumers, but also the environment in which they operate as well as the surrounding community. In fact, the desire that Family Firms have to maintain the business, in the long run, incentivises them to exploit their stakeholders as a source of competitive advantage (Cennamo et al., 2012), meaning as providers of several advantages that derives from the positive images that stakeholders have as a secure intangible asset (Gibson Dunn, 2016). As a matter of fact, having good and solid relationships with the community, for example, helps to endure the family legacy and its reputation, ensuring the stability of the SEW since they are influenced by this external force and can be seen as providers of social support and information among each other (Zellweger et al., 2010). These concepts are based on the stakeholder's primacy theory, which is also the starting point of the Benefit Corporation

effectiveness (Bishara, 2015). Indeed, the development of the Benefit Corporations legal form derives from a change in what our society needs and desires, which is no more the simple profitability but is more a long-run satisfaction. This change is nowadays influencing the business and consequently, companies are looking for the best way to survive. Benefit Corporations have been created to satisfy these new needs and to allow business to be profitable also in the long run through sustainable activities. They are an answer to the rising demand for a new corporate form that satisfies the needs and expectations of consumers, investors, and entrepreneurs that are increasingly more conscious of socio-environmental issues, which, by their own nature, cannot be addressed without a long-term perspective. Benefit Corporations are, therefore, changing the concept of business reality that we were used to think about.

Table 3.2 Perspectives and interests

Point of View	Focus	People's interests
Employees	Good working conditions, Salary	85% of employees don't work at their true potential and don't feel engaged and committed
Consumers	Sustainability	53% (UK) and 78% (US) of consumers feel better to buy sustainably produced products
Investors	SRI, Risk reduction	75% of investors see sustainability performance as relevant to their investment decisions. There was a growth of 11.7% in SRI from 2014 to 2016
Entrepreneurs	Attract consumers and Investors, Pursuing two goals, Attract new talent	77% of Millennials consider company's purposes as a reason to choose the job

Source: adapted from Forbes (2018), Bloomberg (2017), Unilever (2017), BCG (2018), Deloitte (2014).

Employees

Looking at the employees' perspective, Family Firms are usually very focused on the creation of a good environment for their employees, adopting several measures of CSR, because it is clear that poor employee relations can affect negatively the reputation of the firm and, consequently, the reputation of the family (Lamb et al., 2017). Generally, Family Firms have at the beginning more family members working inside than non-family members, since the first have usually a higher level of commitment at a lower

cost (Dawson, 2012), while also the work environment is family-oriented, aimed at the development of loyalty and employee's satisfaction. The ability and knowledge of family members can be inferior to the skills of non-family members, but they have a superior tacit knowledge that is specialised to the firm's history, goals and culture (Dawson, 2012). However, usually, Family Firms invest in the long-term development of human capital for both family and non-family employees, improving the quality of career opportunities, compensation, and benefits, as well as the work-life balance (Huang et al., 2015). Moreover, they aim at the creation and establishment of a common company's culture where employees can be actively involved inside the company (Huang et al., 2015) and where some tacit and highly specific knowledge can be developed, so that they cannot be easily transferable and imitable (Dawson, 2012).

This objective of obtaining the creation of a common company's culture is also on the basis of the Benefit Corporation ideology. As a matter of fact, this entity is created with the specificity of considering the interests of both shareholders and stakeholders. Moreover, a further evidence of the interest in employees' satisfaction is the fact that in the third-party assessment that the Benefit Corporations have to file out, there is a specific section dedicated to the employees (Bishara, 2015). Furthermore, Benefit Corporations have an incentive in the investment in employee's satisfaction in order to attract talented workers and to maintain the promise of pursuing the social mission as well as the profit maximization (Gibson Dunn, 2016). In fact, the identification of a company as a Benefit Corporation create the idea of an employee-centric culture in a good work environment (Stammer, 2016). This culture allows the Benefit Corporations' employees to recognise themselves in the company's objectives and mission and to be more committed in order to achieve them.

Taking into consideration these similarities between Family Firms and Benefit Corporations, it is quite clear that the adoption of the Benefit Corporation form could enhance the trustworthiness of Family Firms as good employers. Indeed, the recognition of being a Benefit Corporation can advantage Family Firms in explicitly write down their values, which are the same that they want from their employees. By doing that, they can be sure that the people that would ask to work inside their company have the same values and beliefs of the firm. Nowadays, more and more job seekers are looking for companies that can reflect the values in which they believe, more than searching for high-paid jobs.

Thus, being a Benefit Corporation means that employees could identify themselves with the firm's public mission and they can consequently be more motivated, increasing in this way their productivity and commitment.

Consumers

Nowadays we can see an increasing number of consumers that are more conscious regarding what they are buying, from which kind of company, and how these products have been produced. As a consequence, there was an increasing attention on the social and ethical causes and consumers understood that, by exploiting their purchasing power, they have the possibility to advantage those companies that operate in a sustainable way (Clark & Babson, 2012). Therefore, the focus shifted from the price and quality, to the effects that the products have on society; because of that, companies started to invest in marketing campaign, in order to appear more sustainable and "green" at the eyes of their current possible future consumers and investors (Blount & Offei-Danso, 2013). Due to this increasing usage of positive adjectives, it is nowadays complicate to verify if a company is truly acting in a sustainable way, focusing their efforts on charity, environment, and social themes, or if it is claiming to be sustainable and acts in this way just to increase brand awareness, getting involved in some greenwashing activities. As a matter of fact, greenwashing is exactly the definition of the activity of those claimants, that want to appear as involved in socially and environmentally sustainable businesses. However, as previously mentioned, Family Firms usually have a good reputation just thanks to their nature: they are perceived from the consumers as holders of positive and specific talents, reliable and quality-driven. This strong recognition can be a source of advantage if Family Firms are able to capitalize on their familiar status and create a strong corporate brand (Zellweger et al., 2010) and foster a customer-centric orientation that can improve company performance (Binz et al., 2013). The achievement of a good corporate reputation usually increases the level of purchase and the number of customers, which normally develop a high level of commitment and loyalty. This identification that customers feel with the company allows it to be able to charge a price premium since they are perceived as more credible and quality-driven than the other companies (Binz et al., 2013).

These reputational advantages and high levels of attention on customers are common also between Benefit Corporations. As a matter of fact, the presence of transparent stand-

ards in the business is becoming increasingly necessary to allow consumers to understand the real behaviour of the companies. (Clark & Babson, 2012). Companies are therefore obliged to find a transparent way to prove them that they behave ethically, and the adoption of the Benefit Corporation legal form is one possible mechanism. Becoming a Benefit Corporation, in fact, means to legally oblige themselves to produce every year a public report in which the companies have to write down their socio-environmental achievement. They basically introduce in their statues the obligation to pursue also this second non-financial mission and consequently can be considered as reliable in their claims.

Considering the Family Firms perspective, being recognised by costumers not simply as Family Firms but also as Benefit Corporations can enhance even more the level of trust and loyalty of their customers. Indeed, the adoption of this legal form could be seen as a tangible and verified proof of their commitment to socio-environmental causes and consequently as a confirmation of what consumers already believe about family business values and beliefs.

Investors

Another important feature that characterizes the relationships that Family Firms have with the stakeholders is the ambivalent connection with investors. Generally, Family Firms are unwilling to giving up the control to outside investors, but at the same time, the possibility to have more investment capital from outside sources can be helpful for the growth of the company. The idea to accept outside equity financing is difficult for Family Firms because they would like to deal with shareholders that share their same values and culture without losing the control of their company since they consider the business as an extension of the family (Neckebrouck et al., 2016). In fact, the organizational identification motivates family owners to focus on the non-economic goals rather than on the maximization of the shareholder's wealth (Gomez-Mejia et al.,2007), and this socioemotional wealth deriving from the pursuing of these goals may be restricted by non-family members investors (Berrone et al., 2010).

Under this perspective, becoming Benefit Corporations would allow Family Firms to attract external shareholders that are aware of them investing in socially responsible companies. Furthermore, from an investing perspective, during the past years, a socially responsible investing paradigm (SRI) has developed and grown, in both the public and

private sectors. As a matter of fact, a similar logic to the consumers' one can be applied on investors; they too are not able to fully understand the entire rationale of the companies and cannot clearly determine the real attitude towards society and environment. Many companies nowadays claim to be socially responsible to attract investments of people that care about the social mission, but at the same time, they still pursue profit (Blount and Offei-Danso, 2013). Regarding the performance, different studies have proven that companies involved in environmental, social, and governance (ESG) operations ultimately achieve greater profits. First of all, by using these sustainable behaviours, companies reduce their risks connected to the negative externalities that may influence directly the production processes or induce a disruption in the supply chain due to unpriced natural capital assets (air pollution, climate, water, etc.). Since nowadays the global trends such as resource scarcity are affecting even more deeply company's ability to sustain long-term value creation, the mitigation of those negative effects is the decrease of the company's cash flows volatility (Clark et al., 2015). Consequently, ESG information provided are considered by investors to decide to buy, sell, or hold an investment and moreover they think that sustainability will become even more relevant in the future (Pwc, 2014). Indeed, those companies that prove their social commitment through their qualification as Benefit Corporations could be more easily attract social investors (Gibson Dunn, 2016). For these reasons the development of Benefit Corporations facilitates the achievement of SRI by creating some connections between social interested investors and mission-driven entrepreneurs, and Family Firms would be able to obtain more equity and at the same time ensure that the ownership of the company would remain committed to the family culture and values as well as to its social mission.

Entrepreneurs

Nowadays, an important issue that the current entrepreneurs have to face is to be able to distinguish themselves in the eyes of the stakeholders and separate their sustainable and green behaviours from those of the competitors, especially if the latter are involved in some greenwashing activities (Clark and Babson, 2012). This good behaviour is not due to a specific legal form or market's requirement, it is an internal stimulus that entrepreneurs as people can feel. Entrepreneurs have to be able to constantly renew themselves and their firms according to what the society needs, and what is needed now is a strong-

er emphasis on the quality of the socio-environmental space that surrounds everyone. Looking at family businesses, family entrepreneurs are characterised by a deep focus on tradition, culture, and image. However, not always they are able to pass this stimulus over to the next generations, that would find themselves to compete with more aggressive and probably less social-concerned companies. These socially driven entrepreneurs consider profit as an important mission for the firm, but not the primary, pursuing in this way two goals at the same time: maximization of profit and achievement of ESG rationale, considering the social mission as another relevant objective for the company (Blount and Offei-Danso, 2013). Moreover, often entrepreneurs are concerned about the future development of their companies in case of new investors capital or in case they need to sell the business.

Benefit Corporations arise as a protection for those entrepreneurs since they legalize companies' core social and environmental values to the status of law (Clark & Babson, 2012). In this way, companies have the obligation to stay focus on the social mission as well as on the maximization of profit, even in case of crisis or other events that may influence the company to ignore those goals (benefit corporation website). Moreover, it has been proven that a good corporate governance results into lower risk for companies and into the mitigation of information asymmetries thanks to improved transparency policies. Therefore, it is also in the best long-term companies' interest to consider sustainability for the management decisions (Clark et al., 2015) and the Benefit Corporation legal form facilitate this consideration by making it mandatory. Finally, because of this mandatory social consideration, a Benefit Corporation may develop a strong effective culture inside, including values that would help in serving customers, advancing the public good, and encouraging fairness and openness (Kotter and Heskett, in André, 2012).

Critical points: Shareholder vs. Stockholder primacy

Even though the topic of Benefit Corporation is relatively new, it has already been criticised for the assumption upon which it is based. As a matter of fact, it derives also from the need to consider more the interests of stakeholders defined in a broad sense, but not anyone agree with the idea that this need is really existing. Some people think that is useless to create a new legal form when the present ones do not explicitly avoid the consideration of stakeholders' interests.

3.4 Conclusions

In this chapter, we have analysed the similarities that could be present between Family Firms and Benefit Corporations. The topic of Family Firm has always been more focused on the emotional side of the business and, starting from this premise, it was possible to notice that the Benefit Corporation legal form can actually operate as a valuable tool to improve and refine the main aspects and ambitions of those companies. The founder of Patagonia, Yvon Chouinard, stated:

> "Benefit Corporation legislation creates the legal framework to enable companies like Patagonia to stay mission-driven through succession, capital raises, and even changes in ownership, by institutionalizing the values, culture, processes, and high standards put in place by founding entrepreneurs." (Stammer, 2016).

Following the suggestion of Chouinard, Benefit Corporation form can be exploited in what we have called the VALORES Model. As a matter of fact, Benefit Corporations can be helpful in order to balance the interests between value-driven mission and financially-driven purposes, creating a framework to operate more efficiently in the long run, and also they can favour the creation of a long-lasting benefit for the society as well as to increase the level of reputation and ensure the development of a positive company's image which can be reflected on the family side. This positive reputation derives from the explicit commitment that Benefit Corporations have to accept by including the benefit goals inside their statutes. Moreover, Family Firms are known to be interested in improving the working life and conditions of their employees which should operate in the company with the same values and beliefs. In this case, the transformation into Benefit Corporations would allow the firm to attract ex-ante the talents with similar perspectives. Moreover, it leads to an increase of the trustworthiness of the company, which leads to an increase in the interest of the consumers, but also it results in the interest of those investors who are willing to work with double-mission driven companies. Finally, Benefit Corporation legal form allows the entrepreneurs to establish a stable procedure and path to be followed also in the future, releasing them from the fear that their company might shift its priority and mission.

4. CHAPTER

BENEFIT CORPORATIONS & FAMILY FIRMS: EMPIRICAL ANALYSIS

4.1 Introduction

This chapter is aimed at analysing if there are some significant differences between the Family Firm that decide to become Benefit Corporations and the Non-Family Firms that take the same decision. In order to verify that, we proceeded with some statistical analysis on a database that we build, and which includes all the available the Italian Benefit Corporations.

The chapter is organised in several paragraphs as follow: (2) in the second paragraph it is provided a description of the methods used to collect all the data and create the database. (3) In the third paragraph, there are the results of some descriptive statistics used on the entire database in order to analyse its composition. (4) In the fourth paragraph, there are included some modification and adjustments made on the database, as well as the creation of a sample group to analyse. Moreover, there are some specific analyses made on both the sample group and the remaining companies in order to compare them. (5) In the fifth paragraph are described the main statistical analysis made on the sample group: descriptive statistics, verification of the normality distribution of the variables, Mann-Whitney analysis. (6) In the sixth paragraph, we include the results of the analysis: first there are some descriptive statistics to compare the Family and Non-Family Firms inside the Sample, then there is the Normality assumption check and finally the results of the research for any relationships between the Family/Non-Family nature of the firms and some other variables. (7) In the seventh chapter, there is a discussion about the previous results.

4.2 Methods and data collection

We have started the construction of our dataset by looking for the Italian companies that decided to become Benefit Corporation. The research has been conducted by name on AIDA (on date 24th of May 2018), an online database that contains comprehensive information about Italian companies. The first research has been done through the parameter of the name, inserting the five inputs that connected to the possible denomination of a *Società Benefit*:

- SB
- S.B
- S.B.
- BENEFIT
- SOCIETA' BENEFIT

The basis for this parameter has been the fact that the Italian companies have the possibility, once they become Benefit Corporations, to change their company name in order to adopt also the Benefit acronym or signature, usually at the end of the title. However, since this modification is not mandatory but merely voluntary, we are aware that there is the possibility of having a higher number of Italian Benefit Corporations than what we have analysed.

After collecting those data from AIDA, we have put together all the results and we have proceeded through the following data-adjusting process.

4.2.1 Database's adjustments

First of all, it was necessary to proceed with the elimination of all the possible duplicates resulting from the different acronym or words used in the research. Secondarily, we started to eliminate those companies that contained research inputs in the name without any causal connection with the *Società Benefit* status and that consequently should have been not part of our database. Some examples are: "Costruzione S.Bernardino Srl", "Benefit e Salute Spa", "Società Sbarchi e Imbarchi" or the cases where the acronym SB indicated the name of places or people.

Afterward, we checked our data comparing them with those present on the Official Register of *Società Benefit* (where the company registration is on a voluntary basis), that has been adjourned to 3rd of July 2018 (Official Website of *Società Benefit*

www.societabenefit.net). We searched for the companies that didn't appear in the list created from AIDA and we included into the database those companies that were present in the Official Register, even if not resulting from the database in AIDA because they don't have any of the research inputs used in their company name, or because they had been added in the meanwhile to the database, since many of the companies have a very recent foundation. To understand if these companies have been added in the meanwhile to the AIDA database it has been done a specific research, using when possible ID numbers as VAT number and Civil Code number and where not possible the company name.

Moreover, from the AIDA server we obtained several additional information about the Benefit Corporations present in our database:

- Province
- Annual Sales
- Number of Employees
- Date of Constitution
- Industry – ATECO code

Not all the data were available for all the companies. If there where small differences in the company denomination present in the AIDA database and the one present in the Official Register (e.g. "XYZ srl" vs "XYZ srl *Società Benefit*") the denomination maintained has been the AIDA's one (after having verified that the two denominations effectively referred to the same company). Moreover, from the official website we considered also the following *Società Benefit*: "Beyond Società a Responsabilità Limitata Benefit"; "De-Lab Srl *Società Benefit*"; "Syntech Srl *SB*" and "Z.E.F. S.r.l. *Società Benefit*", which have all been added to our database.

After this comparison, we proceeded with some additional adjustments and checked for those companies with a SB, S.B or S.B. denomination that however was not perfectly coherent with the one stated by the Official Website of Società Benefit. As a matter of fact, the formula chosen to indicate the legal status of Società Benefit must be put at the end of the company name and for this reason, we decided to eliminate those companies that did not respect the correct denomination and were not present in the Official Register.

Once we completed the inclusion of all the pertinent companies, we proceeded with the search for the ATECO 2007 code classification on the websites www.informazione-aziende.it and www.atoka.io. , that possess two databases about Italian companies, when this datum was not present in AIDA. This code basically provides a clear and unified classification of what the companies do, and which is their sector. Moreover, we also controlled the B-Corps list, available on the B Corporations Official Website www.bcorporations.net (adjourned to the 26th of June 2018), and, where possible, the companies' official websites (last access on 28th of June 2018) in order to understand if the *Società Benefit* selected are also B-Corps or Pending B-Corps.

We proceed with our analysis by trying to identify if a company was a Family Firm or a Non-Family Firm, and in order to do that we search into AIDA the shareholding composition of each company, specifying the percentage of shares corresponding to each single person or entity (and, if it was not possible, the number of total shareholders), and, where needed, it was specified the subsequent and final owners of the parent companies with all the corresponding ownership percentages.

The results of this data collection showed a total number of Benefit Corporation equal to 207. Consequently, the database includes all the Italian companies that have decided to adopt the Benefit Corporation legal form and decided to change their company name, which is a voluntary choice, to include also the "Benefit Corporation attribute". However, among those 207 companies, there were 13 companies without any indication regarding the shareholding composition. Those companies have been eliminated from the database for the purpose of a more efficient analysis based on the distinction between Family and Non-Family Firms. The resulting database is composed of 194 companies.

4.2.2 Analysing the "Family-owned" nature of the companies

We conducted an analysis of the companies for the purpose of dividing the list into "Family" and "Non-family" firms. The classification of each company was: "SI", indicating the presence of a Family Firm, "NO", indicating the presence of a Non-Family Firm, "IBRIDA" for those companies that were not clearly family neither non-family according to the nature of their business, as for example the consulting companies, and "COOPERATIVA".

The definition used to identify Family Firms (FF) excludes from the beginning all those companies identified as Cooperative ("COOPERATIVA") because of their nature, but instead, the classification considers several factors:

- The companies where one single person owns 100% of the shares have been considered FFs.
- The companies where only two people own the shares, regardless of how the percentage of the ownership was allocated, have been considered as FFs, including the cases of 50%-50%.
- The companies where the ownership is split between 3 to 5 people, without a single person owning the majority, have been considered as FFs.
- The companies with more than two shareholders, where the majority (more than 50%) of the shares is owned by one person or by one family, have been considered as FFs. The definition used for "family" includes people with the same surname or people which can be recognised as part of the same household, for example, people with the same address.
- The companies where the majority of the shares (more than 50%) is owned by a parent company, which can be traced back to a single person or to a family, defined as previously mentioned have been considered as FFs. For example, "Z.E.F. S.r.l. Società Benefit" is owned for 83,2% by the company "Gena Holding S.r.l.", which is 100% owned by Lorella Alice Zaffani.
- The companies where the majority of the shares (more than 50%) is owned by a parent company, which can be traced back to a single person, to a group of people from the same family (defined as previously mentioned have been considered as FFs), to two or more people (with one owning the majority of the shares), or to three people with an equal number of shares, have been considered as FFs.
- The companies where the ownership is split between more parent companies, but every parent can be traced back to a single person, a family, three people without a majority, or more people with one family/person owning the majority, have been considered as FFs.
- The companies owned by both people and parent companies, where one single person or one family owns the majority of the shares, have been considered as FFs.

- The companies owned by both people and parent companies, with a 50%-50% division of the shares, where the parent can be traced back to a single person or family, have been considered as FFs.
- Two companies, without any information about the composition of the ownership or a company website, have been considered as FFs according to their company name, which induces them to be recognised as a family: "European Learning Community S.n.c. Società Benefit di Carolina Eugenia Lopasso e Susanna Alice Grimaldi" and "Fada Family S.r.l.".
- One company, "Damiano S.p.A.", previously named "Fratelli Damiano & Co. S.r.l.", which induces to consider the company as a FF.

According to this classification, 106 companies have been recognised as Family Firms, between the 194 Benefit Corporations.

4.3 Descriptive statistics on the Database

Our database is composed of 194 companies, all of them are Italian Benefit Corporations that differ from each other for several factors. In order to obtain a clearer perspective of the companies that constitute the database, we decided to compare all the firms across several descriptive variables. However, some companies presented uncompleted data that we decided to change to improve the qualities of our analysis, for this reason, all the values "n.d." (meaning "non disponibile", as "unavailable") have been substituted with the empty cells. The following are the main variables that have been analysed.

4.3.1 Employees

We obtained from our research on AIDA the number of employees of the latest available year that the companies published. However, we decided to introduce an adjustment in this variable by changing in few cases the number of employees: we substituted the value 0 in the number of employees with a value 1 if the company shows a level of Sales at least equal to 1, expressed in thousands of euros. On the contrary, those companies that presented both values equal to 0 remained unchanged. The adjustment was made because of a logic assumption: in order to produce something or to sell a service and obtain some money, the company should have at least one person working for it.

In the end, the data that emerged show: 29 companies with equal or less than two employees, 36 companies with equal or more than 3 employees, and 129 companies with

no data available (n.a.). Among the 194 companies, the highest number of employees is 3.516, while the lowest is 1.

Table 4.1 Employees working for Benefit Corporations

Employees	N. of Firms
<=2	29
>=3	36
n.a.	129
Arithmetic Mean:	69
Std. Deviation:	435,0057747

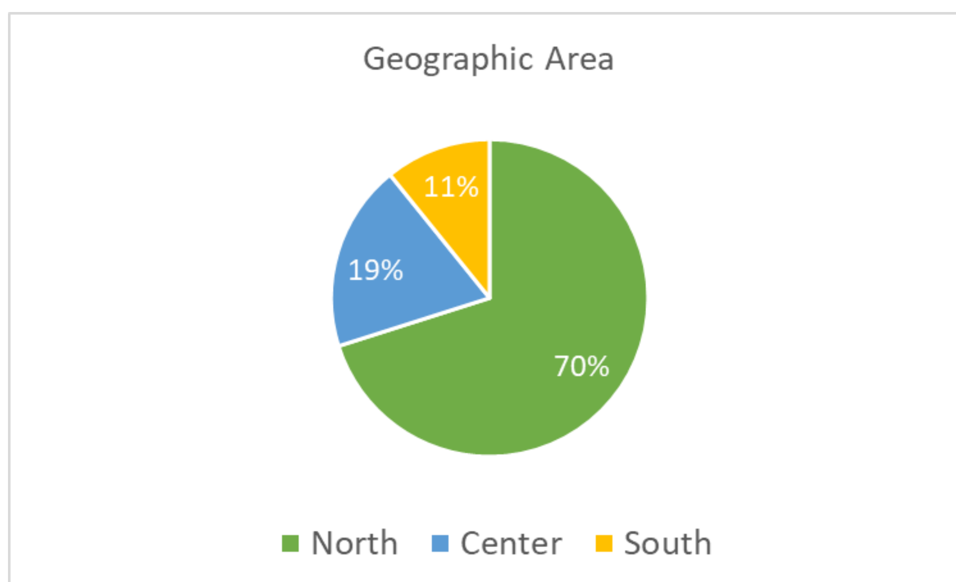
4.3.2 Geographic Area

Another differing variable of our dataset is represented by the province, which was part of the information obtained from the AIDA server, of each of the 194 company. We classified all these provinces according to the correspondent Italian regions. All the several regions were subsequently grouped into three parties, corresponding to the different Italian geographic areas of "North" (N), "Center" (C), "South" (S). The classification was based on a national division of the regions made by ISTAT, which considers:

- *North*: Piemonte, Valle d'Aosta, Liguria, Lombardia. Trentino-Alto Adige, Veneto, Friuli - Venezia Giulia, Emilia - Romagna.
- *Center*: Toscana, Umbria, Marche, Lazio
- *South*: Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicilia, Sardegna.

From our analysis it emerged that: 136 companies are situated in the North of Italy, 37 in the Center and 21 in the South.

Figure 4.1 Geographic distribution of Italian Benefit Corporations



4.3.3 Nature of the companies

We previously mentioned the classification of the companies into "Family Firms", "Non-Family Firms", "Cooperative" and "Hybrids". However, the purpose of the analysis is to analyse the "Family Firm" sphere compared to the "Non-Family Firm" sphere. In order to proceed with this comparison, those 194 companies have been divided simply into "Family and "Non-Family" Firms, where the latter includes also the "COOPERATIVA" and "IBRIDA" forms. For the purpose of a deeper and more efficient analysis, those characteristics have been considered as Dummy variables (0,1 differentiation). The separation made for the dummies was based on the characteristics of being a Family Firm, which has been utilised as the desired value. Consequently, the classification was made following this criterion:

- *Family Firms* = 1
- *Non-Family Firms* = 0

Table 4.2 Family VS Non-Family Firms

Variable: FFs/NFFs	N. of firms	
	VA	%
Family Firms	106	54,64%
Non-Family Firms	88	45%
Tot.	194	100,00%

Table 4.3 Family VS Non-Family Firms: Geographic Area

Variable: Geographic Area	Family Firm		Non-Family Firm		Tot.
	VA	%	VA	%	
North	72	67,9%	64	72,7%	136
Center	17	16,0%	20	22,7%	37
South	17	16,0%	4	4,5%	21
Tot.	106		88		194

4.3.4 Industry

As regards the Industry classification through the ATECO code, it was simplified into a dummy variable (1,0) to distinguish the companies into "Manufacturing" and "Service" companies; the judgment was based on the ATECO codes. The value of the dummy variable was assigned as follow:

- *Manufacturing* = 1
- *Service* = 0

However, some of the companies didn't have a specific ATECO code and it was not possible to obtain it from any site on the Internet. Even though the classification wasn't possible, we were able to divide some of them into "Service" or "Manufacturing", basing the distinction on the company's name; for example: "Love Soul Yoga S.r.L. S.B." is a Benefit Corporation found in the AIDA Database but without the ATECO classification, however, it was still assigned to the "Service" classification due to its name and the word "Yoga" which induces to consider it as a services provider.

Table 4.4 Industry of Benefit Corporations

Variable: Industry	Firms	
	VA	%
Manufacturing	30	15,46%
Services	164	85%
Tot.	194	

Table 4.5 BC's Industry: Family VS Non-Family Firms

Variable: Manufacturing / Services	Family Firm		Non-Family Firm		Tot.
	VA	%	VA	%	
Manufacturing	18	17,0%	12	13,6%	30
Services	88	83,0%	76	86,4%	164
Tot.	106		88		194

4.3.5 Age of the companies

In order to establish the seniority of the companies, we considered the year of the constitution that was provided. Consequently, we compared the present age of foundation of each company, based on the data collected on AIDA, and it was calculated the difference of years between 2018 and the year of creation. We decided to consider the companies before and after 2016, which is the year of introduction of the Benefit Corporation legal form in Italy.

Table 4.6 Years of Constitution

Variable: Year of Constitution	Firms	
	VA	%
From 2016 to 2018	135	69,6%
Before 2016	57	29,4%
n.a.	2	1,0%
Tot.	194	

Table 4.7 Year of Constitution: Family VS Non-Family Firms

Variable: Year of Constitution	Family Firm		Non-Family Firm		Tot.
	VA	%	VA	%	
From 2016 to 2018	74	69,8%	61	69,3%	135
Before 2016	31	29,2%	26	29,5%	57
n.a.	1	0,9%	1	1,1%	2
Tot.	106		88		194

4.3.6 Shareholding composition

Starting from the shareholder composition obtained from AIDA we derived a few more information:

- We explicitly pointed out the absolute *Number of Shareholders* of each Benefit Corporation.
- We specified the *Highest Share* owned by a single shareholder (single person or parent company).
- We calculated the total amount derived from the sum of the *Two Highest Shares*.
- We verified the presence of a stable *Qualified Majority* that can be derived from the sum of the two highest shares. This majority is needed for some non-regular adjustments, as for example the change of statute which is needed to become a Benefit Corporation. This presence or absence of majority has been analysed as a dummy

variable, assigning the value 1 if the majority was reached and the value 0 otherwise. The calculated needed majority corresponds to 2/3 of the total shares (100%), meaning 66,66% at least.

Table 4.8 First two highest shares: Family VS Non-Family Firms

Variable: First two highest shares	Family Firm		Non-Family Firm		Tot.
	VA	%	VA	%	
100	72	69,2%	34	43,6%	106
67-99,99	27	26,0%	20	25,6%	47
<67	5	4,8%	24	30,8%	29
n.a.	2	1,9%	10	12,8%	12
Tot.	104		78		194

4.4 Variables' improvement and Sample's creation

In the first phase of the creation of the Database, we focused on the search of the most common and relevant variables. However, in order to make a more effective analysis, we decided to extend our research and to include more financial variables that can facilitate the analysis. We selected those components of the companies' Financial Statement that could better provide some information about the performance or their business activities.

4.4.1 The financial variables

The data collection was made for both the Family and Non-Family Firms contained in our database. Our source of information has been always AIDA, which provides if the companies shared that information, the financial statements of the firms. After that, we assembled several data from the Income Statement and one from the Balance Sheet of the companies:

- Sales ("Tot. Valore della Produzione")
- Costs for services, a part of the Costs of goods sold ("Servizi")
- Salaries expenses, a part of the Costs of goods sold ("Salari e Stipendi")
- Value Added ("Valore Aggiunto")
- EBT ("Risultato prima delle imposte")
- Net Income/Loss (Utile/Perdita di esercizio")
- Fixed Assets ("Totale Immobilizzazioni")

Those data have been collected from 2014 to 2017, meaning two years before and two years after the introduction of the Benefit Corporation legal form in Italy, which hap-

pened in January 2016. However, most of the companies reported several missing values identified by the "n.d." acronym ("non disponibile", as "unavailable"). Consequently, in order to refine the database, we replaced those cells with empty spaces.

Moreover, we included also some additional financial variables and few indexes, but there were considered just the 2016 and 2017 years because they are the most relevant and because we decided to focus our analysis on the last two years. The additional variables are:

- Revenues per capita - "Ricavi pro capite"
- Value-added per capita - "Valore Aggiunto pro capite"
- Employees' performance – "Rendimento dipendenti"
- ROE
- ROA
- EBITDA/Sales – "EBITDA/Vendite"
- EBITDA
- Debt/Equity
- Debt/EBITDA

4.4.2 Sample Group

In order to continue the analysis, we decided to consider only a subgroup of the 194 Benefit Corporations and choose only those companies that exhibit the financial data of the last two years, both 2016 and 2017. The separation in two groups was made according to the information about the Sales ("Valore della Produzione") as follow:

- The *Sample group* (Treated Group) includes all those companies that have the Sales data for the last two years. It is composed of 60 companies, 31 Family Firms, and 29 Non-Family Firms.
- The *Peer group* (Not-Treated Group) contains all the other remaining companies, meaning all those companies that do not have any data about the Sales of the last two years or that miss the data of one of the two years. The group consists of the remaining 134 companies.

The creation of the Peer group is aimed at verifying that our chosen Sample is not biased, and for this reason, those two groups have been compared according to some factors:

- Presence of *Family VS. Non-Family Firms*: The Sample group contains 31 Family Firms and 29 Non-Family Firms, while the Peer group contains 75 Family Firms and 59 Non-Family Firms.

Table 4.9 Family variable: Sample VS Peer Group

Variable: FF/NFF	Sample		Peer		Tot.
	VA	%	VA	%	
Family Firm	31	51,7%	75	56,0%	106
Non-Family Firm	29	48,3%	59	44,0%	88
Tot.	60		134		194

- *Year of Constitution*: we grouped the companies into levels of years from the most recent (2018, 2017, 2016) to the less recent (2000-2015 and before).

Table 4.10 Year of Constitution: Sample VS Peer Group

Variable: Year of Constitution	Sample		Peer		Tot.
	VA	%	VA	%	
From 2016 to 2018	17	28,3%	118	88,1%	135
Before 2016	43	71,7%	14	10,4%	57
n.a.	0	0,0%	2	1,5%	2
Tot.	60		134		194

- *Geographic area*: The Sample group contains 40 companies (67%) from the North, 16 (27%) from the Center and 4 (6%) from the South, while the Peer group contains 96 companies (71%) from the North, 21 (16%) companies from the Center and 17 (13%) companies from the South.

Table 4.11 Geographic Area: Sample VS Peer Group

Variable: Geographic Area	Sample		Peer		Tot.
	VA	%	VA	%	
North	40	66,7%	96	71,6%	136
Center	16	26,7%	21	15,7%	37
South	4	6,7%	17	12,7%	21
Tot.	60		134		194

- *Industry*: The Sample Group includes 17 companies from the “Manufacturing” area and 43 companies from the “Services” area, while the Peer Group contains 13 companies from the “Manufacturing” area and 121 companies from the “Services” area.

Table 4.12 Industry: Sample VS Peer Group

Variable: Manufacturing / Services	Sample		Peer		Tot.
	VA	%	VA	%	
Manufacturing	17	28,3%	13	9,7%	30
Services	43	71,7%	121	90,3%	164
Tot.	60		134		194

- Presence of a *Qualified Majority*: The Sample Group includes 49 companies that have reached the needed majority with the sum of the two highest shares, while the Peer Group includes 107 companies that have reached the majority.

Table 4.13 Qualified Majority: Sample VS Peer Group

Variable: Qualified Majority	Sample		Peer		Tot.
	VA	%	VA	%	
Majority	49	81,7%	107	79,9%	156
Not Majority	9	15,0%	17	12,7%	26
n.d.	2	3,3%	10	7,5%	12
Tot.	60		134		194

4.5 Methods of Analysis

Our analysis started by taking the Sample Group of 60 companies and make some descriptive statistics aimed at verifying its internal composition. Our hypothesis is that Family Firms that decided to become Benefit Corporations are more suitable for this transformation than Non-Family Firms. In order to find an answer to this research, we examined the differences between the Family and Non-Family Benefit Corporations present in our sample.

4.5.1 Descriptive statistics on the Sample

We compared Family and Non-Family Firms across several variables in order to better understand their compositions. All of the descriptive statistical analyses have been made on Excel from the Sample Group that we created. A descriptive statistic is basically a tool that summarises all the relevant information that can be easily extrapolated from our database. They provide simple information about the several observations through the form of a brief descriptive coefficient. They facilitate the analysis by providing some measurement that describes efficiently the features of a data set.

We proceeded by analysing the most relevant variables among the several of the Sample Group, and we examined them according to both their Family and Non-Family Firms classification. We started by simple analysis of soma variables referred to 2017:

- Geographic Area of origin: North, Center, South of Italy
- Seniority of the companies
- Industry: Manufacturing or Services
- Wages
- Employees' Performance
- Number of Shareholders
- Presence of a Qualified Majority
- Sum of the highest two shares
- Sales
- D/E
- ROE
- ROA

For each variable, we calculated, where it was possible, the mean for the two groups and the standard deviation.

4.5.2 Normality assumption check

Afterward, we proceeded with the search of some significant relationships between variables that have to be taken into consideration. In particular, we focused on those relations between variables that can be correlated with the distinction between Family and Non-Family and those variables that can be considered as indicators of performance. We started with the verification of the Normality assumption of the variables in order to decide which analyses to perform. The Normal distribution (or Gaussian) is the most common continuous distribution. It is bell-shaped and symmetrical, meaning that it is centered on its mean, which corresponds also to the median and the mode. This verification is needed because the normal distribution is one of the main assumptions of the majority of the statistical tests.

In order to verify if our hypothesis we used the SPSS software and we checked for the significance on the Shapiro-Wilk test, considering that:

- H_0: The variables are normally distributed
- H_1: The variables are not normally distributed

4.5.3 Mann-Whitney U Test

It is a non-parametric test that is used as an alternative to the independent samples t-test or ANOVA to make a comparison between the median of two independent groups. It assumes that the dependent variable (Y) is either ordinal or continuous, but not normally distributed. It is used to compare the sample means of two groups that are supposedly coming from the same population, and it tests whether those two-sample means are equal or not. It is based on four main assumptions:

- *First Assumption*: the dependent variable must be ordinal or continuous, but not normally distributed.
- *Second Assumption*: the independent variable must be composed of two categorical independent group
- *Third Assumption*: the observations must be independent
- *Fourth Assumption*: the two variables must be not normally distributed

This test allows us to verify if there are, and which are, the variables that differentiate the Family Firms from the Non-Family Firms.
In this case, the null hypothesis (H_0) is that the tests will try to verify is that the two groups derive from the same population.

- H_0: There is *no statistically significant difference* between the performance levels of Family Firms and those of Non-Family Firms.
- H_1: There is a *statistically significant difference* between the performance levels of Family Firms and those of Non-Family Firms.

We perform the analysis by choosing a level of Significance (Sig., α) equal to 0,05.

4.6 Results

In this paragraph, we report the results of our analyses mad on the Sample Group of 60 companies. In the first subparagraph, we present the results of the descriptive statistics used, while in the second and third subparagraph we show the results of the statistical analysis.

4.6.1 Descriptive statistics on the Sample

We compared the Family Firms with the Non-Family Firms present in our database and we operate several comparisons according to the different areas of interest.

Geographic Area

We compared the geographical distribution of firms across North, Center and South Italy. The results are shown in Table 4.14.

Table 4.14 Geographic Area: Family vs. Non-Family Firms

Variable: Geographic Area	Family Firm		Non-Family Firm		Tot.
	VA	%	VA	%	
North	22	71,0%	18	62,1%	40
Center	5	16,1%	11	37,9%	16
South	4	12,9%	0	0,0%	4
Tot.	31		29		60

From the Family Firms' perspective, there are 22 companies from the North (71%), 5 from the Center (16%) and 4 from the South (13%). On the other hand, considering the Non-Family Firms, there are 18 companies from the North (62%), 11 companies from the Center (38%) and 0 companies from the South (0%).

Seniority of the companies

We compared the different years of the constitution of the companies by distinguishing from Family Firms and Non-Family Firms. The results are shown in **Errore. L'origine riferimento non è stata trovata.**.

Table 4.15 Year of Constitution

Variable: Year of Constitution	Family Firm		Non-Family Firm		Tot.
	VA	%	VA	%	
From 2016 to 2018	7	22,6%	10	34,5%	17
Before 2016	24	77,4%	19	65,5%	43
Tot.	31		29		60

Table 4.16 Ages of the BCs: Family vs. Non-Family Firms

Ages	Family Firms	Non-Family Firms
Mean	14	10
Std. Deviation	13,09814072	13,67983666

Both Family and Non-Family Firms have 0 companies created into 2018 or 2017. Looking at the Family Firms, they have 7 companies born into 2016 (23%), 14 companies between 2000 and 2015 (45%), 10 companies born before 2000 (32%). On the other side, for the Non-Family Firms we can observe that 10 companies were created in 2016 (35%), 16 companies between 2000 and 2015 (55%), and 3 companies before 2000

(10%). For what concerns the mean of the age of the companies, Family Firms are in average older, with a mean equal to 14 years, compared to 10 years in average for Non-Family Firms. Instead, the standard deviation of the two groups is almost equal, with a value of 13,1 for the Family Firms and 13,7 for the Non-Family Firms.

Industry

We verify the Industry in which each firm is operating, and we compared the presence of the companies in the two groups for "Manufacturing" and "Services" industries. The results are shown in Table 4.17.

Table 4.17 Industry: Family vs. Non-Family Firms

Variable: Industry	Family Firms		Non-Family Firms	
	VA	%	VA	%
Manufacturing	10	32,3%	7	24,1%
Services	21	67,7%	22	75,9%
Tot.	31		29	

The results show that Family Firms have 10 companies operating in the Manufacturing industry (32%), and 21 companies operating in the Services industry (68%), while the Non-Family Firms have 7 companies in the Manufacturing industry (24%), and 22 companies in the Services industry (76%).

Wages

In Table 4.18 we indicate the level of average wages that the companies usually pay at their employees, comparing the level of Family and Non-Family Firms.

Table 4.18 Wages: Family vs. Non-Family Firms

Wages	Family Firms	Non-Family Firms
Mean	458,54	4699,01
Std. Deviation	963,0018909	23186,71173

It is possible to notice that the mean of the cost that Family Firms have for employees' wages is 458,5 while its standard deviation is 963. Instead, Non-Family Firms have in average a cost for salaries of 4699, with a standard deviation of 23186,7.

Employees' Performance

We indicate in Table 4.19 the average level of employees' performance that are present in Family Firms and those present in Non-Family Firms.

Table 4.19 Employees' Performance: Family vs. Non-Family Firms

Employees' Performance	Family Firms	Non-Family Firms
Mean	9,15	6,60
Std. Deviation	13,01667501	11,19738481

The results show for Family Firms a mean of 9,15, with a standard deviation equal to 13,01 while for Non-Family Firms the mean is equal to 6,6 and the standard deviation is 11,2.

Sales

We compared the level of sales for Family Firms with the one for Non-Family Firms by considering the data of 2017. Results are reported in Table 4.20:

Table 4.20 Sales: Family vs. Non-Family Firms

Sales	Family Firms	Non-Family Firms
Mean	458,535	4699,011724
Std. Deviation	963,0018909	23186,71173

The level of sales for Family Firms is in average equal to 458,5 with a standard deviation of 963. On the other side, Non-Family Firms have a mean equal to 4699 and a standard deviation of 23186,7.

Debt/Equity (D/E)

We make a comparison between Family and Non-Family Firms by looking at their level of D/E in 2017. The results are shown in Table 4.21.

Table 4.21 D/E: Family vs. Non-Family Firms

D/E	Family Firms	Non-Family Firms
Mean	0,5025	1,151428571
Std. Deviation	1,997313195	1,450234792

Family Firms have a mean equal to 0,50 and a standard deviation of 1,99, while Non-Family Firms have a mean equal to 1,15 and a standard deviation of 1,45. However, Family Firms have 15 companies without information and Non-Family Firms 22.

ROE

We made some comparison with regard to the level of ROE for Family and Non-Family Firms. Results are grouped into Table 4.22.

Table 4.22 ROE: Family vs. Non-Family Firms

ROE:	Family Firms	Non-Family Firms
Mean	12,83	-0,4664
Median	10,81	-0,26
Std. Deviation	50,67637626	55,07718106

Family Firms have the mean level of ROE equal o 12,83, with a median of 10,81 and a standard deviation of 50,67. Non-Family Firms, instead, have the mean level equal to -0,46 with a median of -0,26 and a standard deviation of 55,07.

ROA

We finally compared into Table 4.23 the two groups according to their level of ROA in 2017.

Table 4.23 ROA: Family vs. Non-Family Firms

ROA	Family Firms	Non-Family Firms
Mean	2,82	-14,81
Median	4,76	-0,72
Std. Deviation	27,16729829	51,05429165

Family Firms have a mean level of ROA equal to 2,82, a median of 4,76 and a standard deviation of 27,17; instead, Non-Family Firms have a mean level of ROA equal to -14,81, a median of -0,72 and a standard deviation of 51,05.

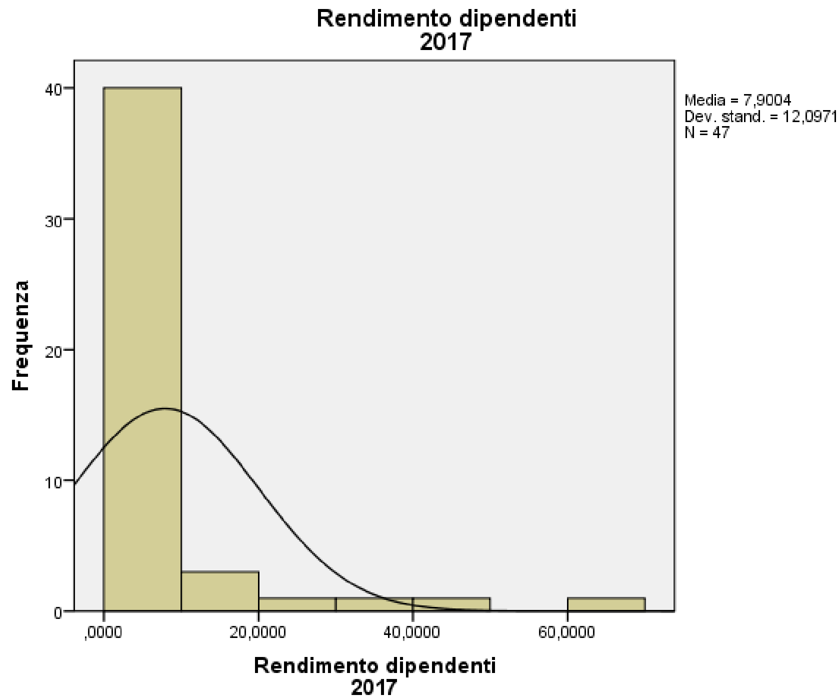
4.6.2 The Normal distribution

We analysed our data in order to verify the normality distribution of those continuous variables that we wanted to consider with respect to the dummy variable (Family – Non-Family Firm): Employees’ performance, ROE, ROA, Highest two shares.

Employees' Performance

We created the Histogram of the Employees' Performance (Figure 4.2), from which we observe that the curve has an asymmetrical shape.

Figure 4.2 Histogram of Employees' Performance



We performed also another analysis in order to observe the Shapiro-Wilk test (Figure 4.3).

Figure 4.3 Shapiro-Wilk test: Employees' Performance

Test di normalità

	Dummy (F=1, NF=0)	Kolmogorov-Smirnov[a] Statistica	df	Sig.	Shapiro-Wilk Statistica	df	Sig.
Rendimento dipendenti 2017	Nonfamily	,360	23	,000	,547	23	,000
	family	,327	24	,000	,495	24	,000

a. Correzione di significatività di Lilliefors

The level of Significance (Sig.) of the test is lower than 0,05 and consequently, we reject the null hypothesis (H_0) and we consider this variable as not normally distributed.

ROE and ROA

We performed the same analysis on ROE and ROA levels of 2017.

Figure 4.4 Shapiro-Wilk test: ROE

Test di normalità

	Dummy (F=1, NF=0)	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistica	df	Sig.	Statistica	df	Sig.
Redditività del capitale proprio (ROE) (%) % 2017	Nonfamily	,202	25	,010	,890	25	,011
	family	,243	28	,000	,835	28	,000

a. Correzione di significatività di Lilliefors

Figure 4.5 Shapiro-Wilk test: ROA

Test di normalità

	Dummy (F=1, NF=0)	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistica	df	Sig.	Statistica	df	Sig.
Redditività del totale attivo (ROA) (%) % 2017	Nonfamily	,298	29	,000	,759	29	,000
	family	,240	31	,000	,838	31	,000

a. Correzione di significatività di Lilliefors

In both cases, the level of Significance (Sig.) is lower than 0,05, so we reject the null hypothesis (H_0) and we consider those two variables as not normally distributed.

4.6.3 Mann-Whitney U Test

Since we verified that our variables are not parametric, we used the Mann-Whitney U test to analyse the possible relationships between the nature of being a Family/Non-Family Firm (Dummy F-NF) with some indicators of performance. Among all the tests that we performed, we reported only those relationships that emerged as significant.

Employees' Performance and Dummy (F-NF)

The first relationship that we tested is between the Employees' Performance and the nature of the Family vs. Non-Family Firm.

Table 4.24 Ranks Table: Employees' Performance

Ranks

	Dummy (F=1, NF=0)	N	Mean Rank	Sum of Ranks
Employees' Performance 2017	Nonfamily	23	19,02	437,50
	Family	24	28,77	690,50
	Total	47		

The results show that the mean rank of Employees' Performance for the Family Firms is 28,77, while that of the Non-Family Firms is 19,02.

Table 4.25 Test Statistics Table: Employees' Performance

Test[a]

	Employees' Performance 2017
Mann-Whitney U	161,500
Wilcoxon W	437,500
Z	-2,437
Asymp. Sig. (2-tailed)	,015

a. Grouping Variable: Dummy (F=1, NF=0)

The level of significance of the test (Asymp. Sig.) is lower than 0,05 and so we reject the null hypothesis (H_0).

ROE and ROA

Subsequently, we tested separately the relationships between the nature of a Family or Non-Family Firm with the levels of ROE and ROA, starting from the former:

Table 4.26 Ranks Table: ROE

Ranks

	Dummy (F=1, NF=0)	N	Mean Rank	Sum of Ranks
ROE (%) % 2017	Nonfamily	25	22,52	563,00
	Family	28	31,00	868,00
	Total	53		

Table 4.26 shows that the mean rank of ROE for Family Firms is 31, while for Non-Family Firms is 22,52.

Table 4.27 Test Statistics Table: ROE

Test[a]

	ROE (%) % 2017
Mann-Whitney U	238,000
Wilcoxon W	563,000
Z	-1,996
Asymp. Sig. (2-tailed)	,046

a. Grouping Variable: Dummy (F=1, NF=0)

The results show that the level of significance (Sig.) is lower than 0,05 and consequently we reject the null hypothesis (H_0).

Afterward, we focused on the ROA variable:

Table 4.28 Ranks Table: ROA

Ranks

	Dummy (F=1, NF=0)	N	Mean Rank	Sum of Ranks
ROA (%) % 2017	Nonfamily	29	25,26	732,50
	Family	31	35,40	1097,50
	Total	60		

Table 4.28 shows that the mean rank for the ROA variable for Family Firms is 35,4 while for the Non-Family Firms is 25,26.

Table 4.29 Test Statistics Table: ROA

Test[a]

	ROA (%) % 2017
Mann-Whitney U	297,500
Wilcoxon W	732,500
Z	-2,249
Asymp. Sig. (2-tailed)	,025

a. Grouping Variable: Dummy (F=1, NF=0)

The results show a level of significance (Sig.) equal to 0,025 which is lower than 0,05 and consequently we reject the null hypothesis (H_0).

4.7 Discussion

From the previous results, it is possible to notice how there is a significant relationship between the nature of Family Firms and the indicators of performance that we chose to analyse. First of all, the level of Employees' Performance is significantly related to the nature of the firms and, in particular, looking at the mean rank values, it results to be

higher for the Family Firms rather than for the Non-Family Firms. This result can derive from the particular ability that Family Firms have to better communicate their values. As a matter of fact, Family Firms have always been more inclined to share a common company's culture that allows all the employees to identify themselves with the goals of the company. Furthermore, Family Firms usually take particular care for their employees, which can be the reason behind an increase in the level of commitment not just from the family members, but also from all those workers that may feel respected and appreciate as a part of a cohesive group. Moreover, the indicators of ROE and ROA provide similar results, showing higher levels in presence of Family Firms. This is an indicator that implies that Family Firms that decided to become Benefit Corporation actually perform better than Non-Family Firms that made the same transformation. Consequently, in a context where the attention is no more focused on the mere financial performance but considers also other variables as the socio-environmental topics, Family Firms appear to be more suitable. This advantage can derive from the natural inclination of Family Firms to care also about these other areas and this interest can lead to the improvement of the efficiency of the company and the reduction of waste.

Those results are very important especially since they refer to the Italian country. Italy is known for having a significant number of Family Firms that operate, however, they need a boost to their development. These results prove that with the right stimuli and tools, Family Firms can overcome Non-Family Firms also from a financial perspective. This can actually be the first practical demonstration that the companies that operate under the SEW assumptions do not damage their performance but, on the contrary, are able to achieve that extra mile which can booster their business. In order to achieve this quid, they must find a vehicle that allows them to exploit their strengths. This tool can be the Benefit Corporation legal form, that has been proved through the VALORES Model to create a positive match with the basis of the SEW approach and with the most important stimuli of the Family Firms.

5. CHAPTER

THE VALORES MODEL IN ACTION: EMPIRICAL EVIDENCES AND A RESEARCH AGENDA

5.1 Introduction

"La nostra paura più grande non dovrebbe essere quella di fallire ma di riuscire nella vita in cose che non sono veramente importanti."

"Our greatest fear shouldn't be to fail, but to succeed in the businesses that do not really matter."

Nativa - Evolving Paradigms

The introduction words that open Nativa's Impact Report underlines that nowadays we are facing a shift of paradigm that is affecting all the sectors and industries and it leads to e new business world where the financial aspect can coexist with the socio-environmental mission. However, we have already realised that this dualism has always been present inside Family Firms, which are assumed to operate according to the SEW approach. In this context, the Benefit Corporations are an important tool in order to help the companies to reach also their non-financial objectives. However, there are some conflicting views that underline some criticality of this new legal form and that are going to be analysed in this chapter.

The chapter is organised in several paragraphs as follow: (2) in the second paragraph it is provided a brief analysis of the Impact Report that the Benefit Corporations must publish every year, with a specific attention to the comparison between the main areas of the report and the pillars of the SEW approach. (3) In the third paragraph, we review the sections of the VALORES Model in order to analyse the critical issues that have been associated with the Benefit Corporation topic and understand if the familiness side of Family Firms can somehow mitigate them. (4) In the last paragraph are listed some

of the most important aspects that the future research should be focused on, as the comparison in a few years of the several Impact Reports in order to analyse the improvement of the benefit goals in a long-term perspective.

5.2 Analysis of the Impact Report

In Chapter 4 we have analysed the quantitative variables that serve as support for our model. However, we have previously underlined how the main strength of Family Firms lies in the SEW approach, focused on the relevance of values and beliefs. It is important to remember that Benefit Corporations were created with a strong focus on the respect and improvement of social and environmental aspects and that, as the VALORES model states, there are several overlapping points between these two realities. Moreover, Benefit Corporations have the obligation to produce every year an Impact Report which is attached to the Financial Statement, that is specifically aimed at measuring the positive impact of those companies and providing a deeper view of how they operate, and which are their values.

Those Reports must contain a Narrative section (Case Study 5.1**Errore. L'origine riferimento non è stata trovata.**), where companies describe their specific goals, in which way they intend to achieve them and what went right or wrong during the process. However, they are not simply “quantitative objectives”, often they regard more the emotional part of a company, like the Happiness’ goal of Nativa, and this priority is well known also as a part of the Family Firms culture.

Case Study 5.1 Nativa

Nativa S.r.L. Società Benefit opens its Impact Report of 2017 with a brief description of the company and of its core values, and afterward it lists the benefit goals that the company wants to pursue:

1. *The **happiness** of all the people that are part of the Nativa’s family.*
2. *The creation and diffusion of new **social and economic models** as the one of the Benefit Corporation.*
3. *The improvement of the shift of paradigms from a mere economical perspective to a deeper focus on the **environmental and social** systems’ regeneration.*
4. *The cooperation with the non-profit world, the universities and schools, foundations and all the other organizations that can spread the positive impact.*
5. *The establishment of a **responsible, sustainable and transparent** way to operate toward the community and the environment.*

Each of these goals is divided into several steps that every year are analyzed and measured in order to verify their achievement. For example, the happiness paradigm in 2017 consisted of:

- *Enhancing the valorization and personal growth of the people, and of the research and learning opportunities, through the participation at courses, speeches, and other voluntary experiences. It was considered as* ***70%*** *reached.*
- *The participation at the Similarity U Italy Summit. Valuated at* ***100%****.*
- *The health program for individuals and teams that allows monitoring the wealth. Reached* ***50%****.*
- *Dedicate 10% of the time to something that everyone loves.* ***50%*** *reached.*
- *Focusing on the leadership and teamwork aspects of Nativa with the creation of a specific Team Coach.* ***30%*** *reached.*
- *Create an open books management project. Achieved at* ***50%****.*

Moreover, in every section, there is also a space dedicated for the confrontation of the KPI with the past year in order to underline possible improvements and, finally there is a list of future commitment for the next year regarding the specific area.

In addition, the Impact Report must contain also a dedicated section where the companies insert their future goals for the next year. Moreover, companies must disclose the impact valuation produced by the third party with a clear specification of the four area of valuation:

- Government,
- Workers,
- Stakeholders
- Environment.

The Italian law adopted the structure of the B Impact Assessment (BIA) provided by B Lab but the companies are allowed to use other standards as long as they satisfy the mandatory requirements (Benefit Corporation website).

The areas of valuation can be considered as a specification of those values that are already present inside the Family Business Theories. Family Firms are focused on several aspects of governance since their internal composition usually differs from the classic one with more family members involved and the necessity for a more cautious and aware internal cooperation, as well as established managerial procedures (Zellweger, 2017). Moreover, the level of attention to the employees is very high in Family Firms, this is because often there are several family members inside but, in general, they care more about the level of employee engagement and typically this attention results in a

higher level of commitment (Zahra et al., 2008). As regards to the stakeholder perspective, it is well known that usually Family Firms are more focused on the creation and maintenance of solid relationships with their stakeholders (Cennamo et al., 2012) and this is also one of the main components of the SEW perspective, the "Binding social ties". Finally, the relationship between Family Firms and the Environment can be considered as part of the social and emotional side that lies in these companies. As a matter of fact, family members have a deep identification with their own firm and this leads to a deeper focus on increasing the company's reputation, which is another pillar of the SEW theory.

5.3 Benefit Corporations criticisms: can *Familiness* mitigate them?

The previous discussion seems to represent a proof that what we have assumed with the VALORES model, regarding the overlapping between Family Firms and Benefit Corporations, have a practical evidence. This evidence results from the comparison between the pillars of the SEW approach and the Impact Reports, that represents the basis of the Benefit Corporation movement.

Even though the Benefit Corporation legal form seems to be a useful tool for the society and in particular a suitable evolution for Family Firms, it seems that there are some opposing views regarding the benefits of this new legal form. In general, what all these criticisms have in common is the idea that this new legal form of Benefit Corporation is offering something that is, in their opinion, not new and neither innovative, but on the contrary that can be accomplished in any case by the currently existing legal forms. As a matter of facts, they think that there are already existing legal forms that are flexible enough to satisfy those entrepreneurial needs of accomplishing some kinds of social goals (Chu, 2012, Lowenstein, 2013), and because corporations can already perform being aware of their social impact and how to improve them, there are not so many reasons for already existing corporations to change their corporate forms. (Chu, 2012). Moreover, others consider the introduction of this new topic not just unnecessary, but also negative since they think that Benefit Corporations add some kind of complexity to the legal structure, as well as the rising of some financial and social costs and some organizational uncertainties (Chu, 2012). However, the presence inside the business of peculiar companies as the Family Firms is already an example of how the majority of the topics that Benefit Corporations cover can be applied in real life (Table 5.1)

Table 5.1 Criticisms to Benefit Corporations (BC) vs. Family Firms perspective

Topic	BC's Criticisms	Family Firms Perspective
Shareholder *vs.* Stakeholder primacy	The shareholders' maximization rule is not mandatory and neither the only goal in the market, therefore the idea of Stakeholders' primacy is useless.	Even the Family Firms, that have always been focused also on non-financial goals, can benefit from the introduction on the Stakeholders primacy in order to have a clear organization of the mission that they already are pursuing.
Model Act and Benefit Director	The definition of "benefit" is too vague and this can lead to some problems regarding the mandatory measurement that has to be done. Plus, there are no clear instruction to the Benefit Director about how to behave and which priorities to assign.	For the Family Firms, this is probably not even an issue, since the family members' priority is identified in the SEW and so it is difficult that a Benefit Director could ever have difficulties, and the measurement can be done according to the B Lab model.
Transparency and Clarity	The lack of a clear definition of benefit can lead to the rise of some opportunistic behaviours for achieving a better reputation and to the establishment of third-party assessments based on how much the company pays.	There are several easier way to increase the reputation, and Family Firms usually have a better one just thanks to the presence of the family, so for this kind of companies becoming a BC is a way to facilitate the organzation of what they already do.
Dichotomies and Reputation	The presence of companies that are considered "good" because they are BC can lead to the recognition of those companies that are not BC as "bad", just as a juxtaposition.	If this is the case it should apply also for the family vs. non-family topic, since the first is recognised as more sustainable, caring about the community and quality-driven.

5.3.1 VA – Values and Performance

In Chapter 3, we presumed that the coexistence between two simultaneous mission, Values, and Performance, could be a common point between Family Firms and Benefit Corporations. Now we can observe that there are also evidences to support this idea, as proved by the first benefit goal of Nativa's Impact Report 2017:

> "Il binomio felicità-lavoro e la realizzazione delle persone diventeranno lo scopo ultimo delle attività economiche dell'essere umano."
>
> "The dualism between happiness-work and the personal satisfaction will become the ultimate goal of the human economic activities."

Focusing our attention on the previously mentioned content of the Impact Report, we can notice that there is also a section dedicated to the measurement of the results. Those measurements have been made by the Benefit Director, whose task is to verify if the companies respected its benefit obligation. Consequently, it is true that it can be imagined as a "duty of obedience" to the general public benefit purpose, and that this can cause some problems due to the fact that there could be seen shift from the existent fiduciary duties to shareholders to some duties towards the stakeholders (Blount and Offei-Danso, 2013). The concept is that they could face some trade-offs between the inter-

ests of the shareholders, those of the stakeholders and, in addition, the goals that they have to achieve, without any clear established priority (André, 2012). Moreover, the annual report that he has to comply comes with some extra costs that, according to some opinions, are useless and could be saved (Loewenstein, 2013). However, the main point is that this is an investment and consequently it requires some expenses that should not be considered as mere costs. Moreover, the task of a Benefit Director is to verify if the goals that the company decided to pursue during the year have been accomplished or not, this means that it's not simply on him the decision to which objective should be achieved, but this is a decision that the entire company wants to take. In particular, taking into consideration the topic of Family Firms, it is well-known that they operate according to a double-mission of pursuing value creation, related to the SEW aspects, but also an established level of financial performance. The possibility to become Benefit Corporations allows these firms to simply write extensively and permanently the goals that the family members already are trying to pursue in an unofficial way. Consequently, it is not a problem to decide which goal matters the most and what "benefit" actually means, because they would probably write down those goals, that they are already trying to pursue, inside the annual Impact Report. Additionally, this report would be prepared by a Benefit Director that would be most likely a family member or, in any case, someone that is trusted by the family owners. For example, in Zordan S.r.L. the Benefit Director is one of the family members, Marta (Case Study 5.2), while instead of in Pasticceria Filippi S.r.L. it is Andrea Filippi, the owner, and CEO of the company (Case Study 5.3).

Case Study 5.2 Zordan

Zordan is a family company founded in 1965 by Attilio Zordan. It started as a joinery and later on it becaome a manufacturing company, guided by Alfredo Zordan, dedicated to the production of design furniture in order to deliver tailor-made solutions for both private consumers and the general retail industry.

During the interview with Alfredo Zordan, he told us that his sister, Marta, has been appointed as Benefit Director of the company. She is responsible for the delivery of the annual Impact Report that shall be lodged at the Chamber of Commerce. But her tasks include also the creation of a team dedicated to the Benefit aspect and even the definition of the main goals for the next years.

The fact that she is part of the family make easier the decision-making process because, as a family member, she understands what the priorities of the shareholders are, and she is more suitable to find a balance between the profit maximization and the pursuing of the so-

cio-environmental mission. Consequently, being a Benefit Corporation requires a strong commitment to the socio-environmental cause and it also requires a certain level of economic effort. However, according to Alfredo, it should be considered an investment and not simply a cost, because the social mission motivates and encourages the company to work better and the efficiency that derives from this new way of doing business would certainly pay back in the long run.

Case Study 5.3 Pasticceria Filippi

Pasticceria Filippi is a family company founded in 1972 by the Filippi family. Inside Pasticceria Filippi the person in charge of the "Benefit decisions" is Andrea Filippi. According to his perspective, a Benefit Director has to be able and capable of communicating his values and beliefs in order to make the other people truly understand his reasons and consequently commit themselves to the same goals. Moreover, he should balance the financial goals with the sustainability mission, avoiding some negative effects from the coexistence of those two aspects. However, the contamination includes all the several features inside the company because it is a change of mind, it encourages the company to rethink at every action and process and evaluate if it can be done with fewer negativities or in a better way. Consequently, the several objectives that the company is trying to pursue are listed in the impact report, but what really matters is that the firm is able to adapt to the new business path and follow the example of other companies by creating a network.

5.3.2 LO – Long-term Orientation

It should be evident after the discussion about Benefit Corporations that these companies are long-term oriented. They have been created with the intent to affect the society and the environment in a positive way and those objectives are, for their own nature, only obtainable with patience and long-term vision. Moreover, the purpose of a Benefit Corporation is to create a long-term value creation for all its stakeholders and the environment. At the same time, Family Firms are oriented to a long-term vision too. As a matter of fact, their SEW approach underlines how one of the main goals is to obtain a transgenerational control, meaning to establish the control of the family across generation, in a long-run period (Cennamo et al., 2012). However, this long term-period creates some difficulties in deciding how to measure for the Impact Report the benefit that a Benefit Corporation actually produces. In fact, there is no guidance about how this general public benefit should be created and therefore it is unclear for example whether the benefit is reached or not if there is a donation of money or percentage of profits to certain causes or if the minimization of the environmental impacts is enough (Loewenstein, 2013). In addition, it is not specified how the corporate performance should be assessed in the report, with the risk that some Benefit Corporations may take advantage of

this unclarity and provide very general description just to be recognised as a sustainable company (Callison. 2012). But above all, the fact that the creation of a general public benefit is a long-term mission and it may require some time to be accomplished implies that any form of yearly measurement would be incorrect. However, it is requested by B Lab to include some quantifiable objectives and results related to the socio-environmental purpose, that can be used for the comparison with the previous years, risking in this way a shift of focus to the obtaining of some annual score more than to the real mission of a long-run sustainability (Loewenstein, 2013).

Despite all these issues, it should be considered also that those companies that decide to become Benefit Corporations should be willing to consider as a primary goal the achievement of a socio-environmental improvement. In particular, Family Firms have always been considered as companies that care not only about the financial perspective but also about the socio-emotional aspects of a company and consequently are more used to take those aspects into consideration for the business activities. As a consequence, once those firms decide to add also non-financial goals into the statute, they would be able to find also some measurement to verify the status of their achievement, even if this requires dividing the goals into subsection that have to be analysed every year. For example, Pasticceria Filippi S.r.L, like many other Benefit Corporations, wrote down into its statute eight main benefit goals for the company, which are every year divided into a smaller mission that can be somehow measured at the end of the year and declined through different aspects for the future one (Case Study 5.5). Similarly, Zordan S.r.L. uses some KPI indicators to track the progress of its goals (Case Study 5.4).

Case Study 5.4 Zordan

Alfredo Zordan told us that in Zordan S.r.l., the company's values are explicitly shown on their website and include several aspects as Beauty, Sustainability, Family Flexibility, Skills, Humility, Passion and Reliability. The company built its business over those values and they become an inextricable part of the company's operations, deciding to work following the idea of "We create beauty that is sustainable, adding our values to yours" (Zordan S.r.l. website). The benefit director Marta should consider all these aspects that are embedded inside the company and find a way to evaluate them. She has to establish the Key Performance Indicator (KPI) that the company should pursue, and she has to monitor those indicators during the year. However, this measurement is not simply a matter of reaching the intended goals, it is more a tool that the company can use to evaluate itself and verify its own progress. This requires a certain amount of coordination and cooperation because

some KPI are assigned to the specific directors that are in charge of this topic, as for example the waste management. Moreover, the company is trying to promote this policy, encouraging its suppliers and the entire supply chain to adopt this model in order to spread this approach. As concern, the measurement of the social goals, becoming a Benefit Corporation encouraged the company to find a way to evaluate the activities and progress that the company was taking. Thanks also to the help of Nativa, Zordan started to look for accurate methods of detection and it decided to bring in also its employees in order to motivate them and allow them to understand the reasons behind the new sustainable choices of the company. For example, the company has designed formalized policies for its purchasing activities, giving the priority to certified sustainable components, even if they are more expensive. However, in order to keep the balance between the financial objectives and the social mission, Zordan has enforced some rules that require considering also the price spread for the purpose of also protecting the clients and avoid losing market share.

Case Study 5.5 Pasticceria Filippi

Looking at the Impact Report of 2017, there are the eight benefit goals that the company included in the statute:

1. *To improve the conditions of the people that are most in need, as the single mothers, by giving them, for example, the priority in case of new recruitments.*
2. *To provide some personal growth and professional qualification opportunities to its employees.*
3. *To promote employees' happiness as an indicator of performance for the company.*
4. *To develop welfare programs in order to improve the quality of life.*
5. *To ensure the priority to the local dimension for the purchase of raw materials in order to enhance the local development.*
6. *To strengthen the ties with the know-how suppliers, improve the cooperation and maintain the level of productivity and quality.*
7. *To ensure the availability of raw material and primary components that are socio-environmentally sustainable by adopting some models to track their life cycle.*
8. *To support the reduction in the usage of the exhaustible resources by maximizing the energy efficiency and the exploitation of renewable sources.*

The first goal, for example, has been divided into subsection in order to measure them: new recruitment (especially of women), a number of people hired that are either foreign or from a single-income family, number of young people hired.

During the interview, Andrea Filippi said that what the transformation into Benefit Corporation rally leads to is a radical change in the mentality. Consequently, the result is that the decision that would be taken in any case would now consider also the effects that they could produce on a broader base. There are several actions that the company must undertake, and for each of them, the entrepreneurs may have different solutions that would lead to different results, with consequently different effects on the society and on the environment. The Benefit Corporation network simply requires the companies to consciously evaluate every process and make a commitment to reduce the negative impacts and increase the positive ones. Obviously, every action has a cost, but it is not so expensive since what really changed is only the path to achieve the objective.

5.3.3 RE – Reputation

We have already mentioned in chapter 3 how the transformation into Benefit Corporation can facilitate the desire of a Family Firm to improve its reputation. They have the possibility to prove the honesty of their intention through the adoption of a new legal form, which is a process more difficult than a simple publicity statement and which requires a certain level of commitment. However, the concern regards the possibility of a change of perception in how consumers, investors, and society think about business in general. As a matter of fact, people could now justify companies' poor social behaviour because if they are not Benefit Corporations, and as normal companies, they have to pursue the shareholders' profit maximization and cannot be committed to any kind of social mission (Chu, 2012). The risk is that it could result in the division of corporations into two categories: Benefit Corporations, that pursue the general public benefit, and all other corporations, that act only to reach the shareholder profit maximization (Callison, 2013). The possible establishment of this dichotomy means that the very existence of Benefit Corporations could imply that their counterpart, the normal old corporations, exist with the only purpose of maximizing shareholders' interests. In other words, the existence of this new legal form reinforces the idea that corporations act only to make money for their shareholders (Chu, 2012). However, there are several certifications that companies can achieve and that would guarantee a positive reputation, but it is not true that those companies without any certification or with different ones are not considered in a positive way. Moreover, Family Firms have always been oriented to achieve also non-financial goals, and the SEW model confirmed this tendency. Therefore, even without any certification, family businesses have often been considered as more sustainable and with a better reputation than Non-Family Firms, but it is not true that for this reason all the Non-Family Firms are considered as "bad". The Benefit Corporation legal form is simply one tool to advance the business and improve the wealth of our society, but companies that don't want to change their legal form are not obliged to do that. They can operate in a sustainable way and, if they want their activities to be recognised and appreciate by the stakeholders, they can look for one of the several certifications that nowadays exists. Benefit Corporations are not the simplest solution, they are not a shortcut to improve the reputation of a company, they are simply a tool that

has been provided to those companies that truly want to commit themselves to achieve and improve a sustainable business.

Case Study 5.6 Zordan

According to Alfredo Zordan, when the company had the possibility to hear for the first time the idea of a Benefit Corporation and looked for what is required to become one, it found out that it was not an objective that they should have tried to reach, but it was more a behave that they already had. It represented a way to organize in a specific way all the procedures and peculiarities that they were using. It basically was a general framework that allowed the company to group together all the decisions that it was already taking. Consequently, it was not due to the decision of "becoming good", it was a simple evolution of a business that the company was already approaching. This means that the success derives from a combination of sustainable values and connected strategy. For this reason, Zordan refused the possibility to work in China, where the human working conditions and social politics was completely different from its idea of business. Nowadays, the company is trying to spread the idea of Benefit Corporation even in America where it works, but it requires time in order to adopt and internalise these values and to become an ambassador for them. It is fundamental that the transformation includes also the mentality and the opinions of the people inside the company, that should embrace the change in order for it to be more effective. For this reason, the company decided to share since the beginning its decisions with all the employees, that became so enthusiastic of their job and proud to work in this company that they want also to talk with their friends about this idea of how it is possible to do business. Nowadays the company has also some workers that exploit the possibility of teleworking, and this is possible only thanks to the growing trust between people with the same mission and vision. Clearly, the transformation into Benefit Corporation and the consequent change in mentality has led to some losses of people with different ideas, but those who instead decided to adopt this mindset are more trusted and can benefit from several advantages as the flexibility on working hours.

Case Study 5.7 Pasticceria Filippi

According to Pasticceria Filippi, the transformation into a Benefit Corporation was more than a choice, it was basically an evolution from the path that they were already following. Their sector and products, the Panettone, is a peculiar and specific market where people get attached to a specific product and, once they found it, it is very difficult to change their mind and shift their preferences to another brand. However, their success was due to the strong motivation that allowed them to communicate their values in a more effective way. Their main strength was the willingness to use only high-quality products and to stick to their own values. This helped them to share their ideas to the surrounding environments with proud, not to increase their own reputation but to share this ideology with other in order to create a sustainable network where quality matters more than simple profit. Consequently, there is not the creation of a dichotomy since it was a spontaneous shift from making good choices once in a while to obtain a constant evolutionary process.

5.3.4 S – Stakeholders

Establishing good relationships with a company's stakeholders is becoming more and more important, as they can ensure social support and information and facilitate the establishment of a long-term advantage. This is particularly true for Family Firms, which pursue the achievement of transgenerational control. They usually create benevolent social ties, which is one aspect of the SEW perspective, with employees, that increase their level of commitment (Sageder et al., 2016), with the surrounding community (Berrone et al., 2010) and more in general with supplier and consumers whit which they create solid relationships. As a consequence, Family Firms ensure the stability of the SEW and improve the external conditions of their stakeholders in a win-win situation. In this context we have already seen how the development of the Benefit Corporations legal form can be an answer to all those companies that want to adopt a new corporate paradigm that satisfies the needs and expectations of consumers, investors, and entrepreneurs from a socio-environmental perspective, that is becoming more and more important every year. Consequently, this new legal form can be considered a tool for those companies that want to adopt a perspective that differs from the classic shareholder's maximization profit rule and that considers as more or at least equally important also the stakeholders view. However, some people argued that this division doesn't exist, that any company is allowed to follow the stakeholder's paradigm even without changing their legal form. Basically, our business is divided into non-profit organizations, that are forbidden to obtain any kind of monetary gain, and for-profit companies, that maximize shareholders' wealth; but the point that some people underline is that, in their opinion, there is no gap between those two realities that need to be fulfilled through the creation of "Benefit Corporations" (Chu, 2012). The main idea is that the legislation has never obliged managers to maximize profits and has never prevented them to pursue social goals at the same time, operating with flexibility by looking also the stakeholders' interests (Blount and Offei-Danso, 2013). However, people that are in favour with the concept of Benefit Corporations have seen the several duties that the managers owe to the owners, as the duty of diligence and care, as an obstacle that had to be removed, by providing the possibility to follow also some social purposes along with the maximization of the financial profits. The critical point is that the Benefit Corporations' opposers argue that the lack of presence of any legislation, explicitly pointing out the permission

to consider stakeholders' interests, doesn't mean that it is forbidden (Chu, 2012). Even if this is true, still what makes the difference is that the companies feel themselves as obliged to be subject to the profit maximization rule.

> "Prima che fosse riconosciuta in Italia una forma giuridica ad hoc, abbiamo dovuto lottare per avere il nostro scopo riconosciuto nello Statuto: per quattro volte ci è stato respinto dalla Camera di Commercio di Milano, perché per un'azienda non era ammessa una finalità diversa da quella del profitto."
>
> "Before the official Italian approval of a specific legal form, we had to fight for our mission to be included in our statute since the Chamber of Trade of Milan rejected it four times because they didn't allow a scope different from profit." (Nativa impact report)

In this context, it has been deeply analysed how the family presence in a firm influences the business by adding some culture and non-financial goals inside (Zellweger, 2017). However, it is also easily noticeable that they are often struggling to do so. They consider the protection of SEW as fundamental, but this can be a problem when the company grows because their attention to the stakeholders can also not be followed by their non-family managers and employees. Moreover, the more the company grows, the more people become in charge of taking decisions and the more the mission of the firm risks to deviate from the original one. For companies like this, that in a certain way already operate in a hybrid environment, the Benefit Corporation legal form can help in establishing a determined business strategy, oriented to the long-term, that will always consider several interests and not just the profit maximization (Case Study 5.9Case Study 5.8). Moreover, this allows Family Firms to receive a tangible recognition of their social commitment and a reassurance that everyone that could ever enter in contact with the firm would know which the core values are and how to do in order to fulfill them (Case Study 5.8).

Case Study 5.8 Zordan

Alfredo Zordan explicitly pointed out during the interview how the transformation into Benefit Corporation changed the attitude of the entire company. Zordan S.r.l. is a perfect example of a company that always worked with diligence and care, operating in a sustainable way and being engaged in several social activities, but at the same time, it was looking for the preservation and increase of the shareholders' wealth. However, even if these two purposes coexisted for a certain period, the transformation into a Benefit Corporation allowed the company to explicitly write down all those concepts which even now guide the business and that were merely claimed before. Amending the corporate charter has been a funda-

mental phase that actually facilitates the evolution of the company because it provided a route to follow and turned the decision-making process into an easier procedure, motivating the outcomes of several decisions with their connection to the Benefit Corporation mission. It can be considered as a voluntary constraint that the company provides to itself and that underlines in a clear and transparent way the borders within which the firm can operate. Even though the social mission was already present inside the company, it's embracing through the Benefit Corporation tool make this purpose more distinct and embedded inside the company. Consequently, it seems that the transformation allows Zoran to increase its consistency regarding the actions of directors, it also provides a stronger stimulus to operate in a more efficient and sustainable way and at the same time it offers a more precise direction to follow in the decision-making processes.

Case Study 5.9 Pasticceria Filippi

Andrea Filippi said that the transformation into a Benefit Corporation happened thanks to one of the clients that was already certified B Corp and introduced them to the world of B Corp and Benefit Corporations. Andrea Filippi immediately understood that his company was already operating according to several aspects that the Benefit Corporation requires, but it wasn't able to measure the good practices and utilize them every day. They needed the Benefit Corporation tool in order to make those activities more efficient and turn them into a new way of doing business. Nowadays, inside the company's website, it is claimed that "Pasticceria Filippi is a Benefit Corporation because it is committed to respecting the highest standards of purpose, responsibility, and transparency. As a B Corp, Pasticceria Filippi stands out on the market from all other realities. It goes beyond the goal of profit and innovates to maximize its positive impact on employees, the communities in which it operates and the environment. In this way, business becomes a regenerative force for society and for the planet."

5.4 An agenda for the future

The purpose of this thesis has been to prove that Family Firms are more suitable to become Benefit Corporations than Non-Family Firms. We succeeded in this goal, by demonstrating that the VALORES Model represents a positive overlap between the interests of Family Firms and those of Benefit Corporations, that actually result to be the perfect instrument to improve and validate the SEW perspective. Moreover, we wanted to know if the coexistence and union between the Familiness and the Benefit Corporations legal form could mitigate the critical point of the latter. We proved through the VALORES Model and the analysis of the Impact Report that from the Family Firms perspective those criticalities that we noticed were not as relevant as they seemed.

However, the topic of Benefit Corporations is relatively new, and it has been introduced in Italy from January 2016, which means that there are few data to compare right now. In the future, it could be interesting to analyse how the benefit paradigm has evolved

and which could be the main improvements that the companies were able to achieve after the transformation. In addition, we have often underlined how both Family Firms and Benefit Corporations operate in a long-term perspective, and for this reason, an historical comparison of the Impact Reports during the years could be helpful to understand the most important effects of this innovation. Consequently, the future analysis should be focused on the punctual analysis of the results that derive from the companies' benefit commitment and to verify if this legal form indeed creates a positive impact on the society and on the surrounding environment in which the companies operate.

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