

**Università degli Studi di Padova**



**Department of Economics and Management**

Master Program in Entrepreneurship and Innovation

# **UNLOCKING THE POWER OF PEOPLE**

## **HOW BENEFIT CORPORATIONS ENHANCE HUMAN CAPITAL**

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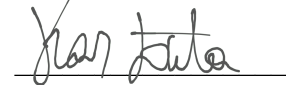
*Ringrazio i miei compagni di viaggio, senza i quali non sarebbe stato lo stesso.*



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Firma

A handwritten signature in black ink, appearing to read "Gianluca", written over a horizontal line.



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## INTRODUCTION & SUMMARY

*PREAMBLE* - Italy stands out for being the first sovereign nation in the world to implement the innovative and regenerative model of Benefit Corporation within its legal system. This model identifies a corporate structure that merges and bridges sustainability-related objectives with the traditional corporate goal of generating profit. This achievement is a source of national pride, marking a pivotal step in redefining the role of businesses globally in addressing sustainability-related challenges. However, this upgrade brings along several issues that generate harsh criticism. Among others, greenwashing represents a pressing obstacle to overcome. This detrimental practice involves selfishly exploiting sustainability claims for superficial branding- and reputation-related reasons rather than for promoting heartfelt and substantive positive action. The criticism that this practice has sparked undermines the genuine effort that businesses are making to achieve sustainability. Beyond the challenges related to greenwashing lies another equally relevant issue: the management of human capital. Increasingly, a misalignment upsurges between traditional human resource practices and the emerging needs of employees deriving from the rapidly evolving socio-economic landscape characterizing the third millennium. Bridging this gap is essential to establishing a workforce that is engaged and resilient in the face of new challenges.

My dissertation focuses on the new paradigm for managing human capital oriented toward the common good, that transcends greenwashing to build truly regenerative organizations able to meet employees' emerging needs. In the future, it is desirable to consider other aspects related to the road toward sustainable businesses that should not be

left behind, such as governance and its role in aligning corporate goals with societal and environmental considerations.

*THE PURPOSE OF THE DISSERTATION* – The purpose of this dissertation is to analyze the role of the Benefit Corporation as a new paradigm of doing business and how this affects the management and enhancement of human capital, which is oriented toward pursuing the common good.

Human capital management continuously adjusts to the social, economic, and political landscape that shapes the evolution of the role of the organization. The emerging need for businesses to be committed to sustainability has led to the rise of new organizational forms that care more about the common good and go beyond mere profit generation, the so-called purpose-driven organizations. Benefit Corporations embrace a higher purpose and pursue the common good toward multiple stakeholders, including employees, customers, society, and investors. This commitment to *making good* leads these companies to care more about their people and implement actions aimed at unlocking their potential and enhancing overall human capital management.

The National Research on Benefit Corporations 2024 represents a milestone in the analysis of Italian Benefit Corporations. It systematically analyzes the whole population of these companies and their specific purposes of common benefit to understand how these companies interpret their sustainability commitment. The Research adopts the SASB+ framework which identifies five key sustainability dimensions: Environment, Social Capital, Human Capital, Leadership and Governance, and Business Model Innovation. The Human Capital dimension addresses three different issues: Labor Practices, Employee Health and Safety, and Employee Engagement, Diversity, and Inclusion. These differ in their complexity and expression of human capital commitment, with the latter representing the highest expression of these companies' commitment to the enhancement of human capital. Moreover, SASB defines a materiality map determining which categories are particularly relevant for specific industrial sectors. This allows for verifying whether companies properly interpret and are aware of the categories in which they can exercise major sustainable impacts according to the belonging industry.

*FIRST CHAPTER – EVOLUTION OF HUMAN RESOURCE MANAGEMENT PRACTICES* – The chapter analyzes the most important milestones and transitions marking the evolution of human resource management. The tormented journey toward finding the *proper* way to manage people within organizations has sparked much debate over the past century. The modern concept of human capital management is rooted in three key foundations: *money is the engine of efforts, group and relationships matter, and motivation at work*. The synergy of these factors greatly stimulates employees to work to the best of their ability. Over the decades, several approaches to human capital management have been implemented. An important transition occurred in the late 1970s, when *personnel management* gave way to *human resource management*, according to which employees are vital assets that can generate competitive advantage. In the same direction, another important transition took place in the 1990s: the emergence of *strategic human resource management*. This approach broadens traditional human resource management, aligning HRM and organizational long-term goals and strategies. A final radical step marking the last decade involves the enrichment of strategic human resource management with sustainable considerations. *Sustainable human resource management* engages employees in the achievement of sustainable development goals. This approach addresses the emerging needs of employees, including work-life balance, inclusive workplaces, and overall well-being.

*SECOND CHAPTER – THE INNOVATIVE APPROACH TO MANAGING PEOPLE WITH PURPOSE* – The chapter analyzes the emergence of the phenomenon known as *hybridization*. Increasingly, for-profit companies commit to pursuing sustainable goals beyond profit generation. These companies, also known as *purpose-driven organizations*, balance higher social and environmental purposes and the traditional goal of generating profits. Purpose represents the *why* and the *raison d'être* behind all the company's decisions, actions, and short- and long-term strategies. Becoming purposeful represents a radical change requiring purpose-driven leadership to be embraced. Purpose-driven leaders investigate the *why* behind their role. They are on the frontline of the purpose achievement and inspire others to discover their own purpose and to connect with the organizational one, creating a strong community around a higher shared purpose.

*THIRD CHAPTER – FROM PURPOSE TO BENEFIT: THE ROLE OF PURPOSE IN BENEFIT CORPORATIONS* – This chapter examines the role of the Benefit Corporation, which

represents the organizational form that best interprets the evolution toward the higher purpose. First introduced in 2010 in Maryland, Benefit Corporations revolutionized the way of doing business. The higher purpose of these companies leads them to be oriented toward the *common good*, which involves all stakeholders, including employees. Italian Benefit Corporations, or *Società Benefit*, were introduced in the Italian legal framework in 2016, and have grown rapidly ever since. Despite their low incidence, these companies already make a difference and positively impact human capital management. The first part of the National Research on Benefit Corporations 2024 demonstrates that these companies invest more in their people than their non-benefit counterparts. The higher investment translates into initiatives oriented toward meeting employees' emerging needs and enhancing their well-being. This in turn generates higher levels of productivity.

*FOURTH CHAPTER – EMPIRICAL ANALYSIS OF HUMAN CAPITAL IN BENEFIT CORPORATIONS*  
– Starting from the results obtained in the second part of the National Research on Benefit Corporations 2024, this chapter is based on the empirical observation of Italian Benefit Corporations' commitment to human capital. The Research adopts the SASB+ framework as the language to analyze the purposes of common benefit of the entire population of Italian Benefit Corporations focusing on five key sustainability dimensions: Environment, Social Capital, Human Capital, Leadership and Governance, and Business Model Innovation. Considering Human Capital, the purposes of common benefit are distributed between three general issue categories: Labor Practices, Employee Health and Safety, and Employee Engagement, Diversity, and Inclusion. From empirical analysis, it emerges that Italian Benefit Corporations are particularly interested in the latter category, namely Employee Engagement, Diversity, and Inclusion, which represents the highest form of expression of the common good related to human capital. Moreover, the empirical analysis of the purposes of common benefit focuses on the materiality of the general issue categories according to the company's industrial sector of belonging. From the analysis, it emerges that some industries, namely services and technology and communications, place greater emphasis on the Human Capital dimension than others. Finally, to understand how Benefit Corporations concretely interpret and implement their commitment to human capital, the chapter analyses the specific HRM practices included within the purposes of common benefit of Italian Benefit Corporations. From the analysis, it emerges that these

companies prioritize employee well-being, training and development, and a positive work environment.

*FIFTH CHAPTER – ANALYZING THE DRIVERS OF HUMAN CAPITAL COMMITMENT* – This chapter studies specific Benefit Corporations' characteristics in order to identify the average company's profile and study its behavior and commitment toward the five SASB dimensions and in particular Human Capital. The analysis focuses on the following characteristics: the size, distinguishing between micro, small, medium, and large enterprises; the geographical area, distinguishing between Islands, Northern, Central, and South Italy; and the year of the constitution, distinguishing between born- and become-social. From the analysis of the additional characteristics, several interesting results emerge. In particular, the North seems more committed to sustainability, and particularly to the Human Capital dimension than other geographical regions. Moreover, the micro-size category prevails in the distribution of the purposes of common benefit. Finally, the born-social status is the prevalent status in the distribution of the purposes of Italian Benefit Corporations.





# EVOLUTION OF HUMAN RESOURCE MANAGEMENT PRACTICES

## 1.1 Introduction

The search for the best way to manage people within organizations has generated a heated debate in the literature from the early part of the 20<sup>th</sup> century. Human resource management has undergone remarkable transformations reflecting economic, social, and technological changes affecting society. The earliest concept of manpower planning, considering workers just like any raw material has given way to the latest human resource management approaches, in which people are placed at the center of the organization and considered a key factor of the overall organizational success (Islam, 2015).

Analyzing the historical evolution of human resource management is essential to have a clear understanding of the roots of modern methodologies applied in organizations. For this reason, this chapter analyzes the key phases in this evolutionary process starting from the foundations that led to the emergence of modern approaches, such as strategic human resource management, which considers people as key organizational assets that contribute to the overall strategy for the organizational goals' achievement.

The second paragraph of this chapter explains the three foundations of human resource management practices: the scientific foundation which considers money the primary engine of workers' efforts, the humanistic foundation which highlights the importance of social norms and human relationships, and the motivational foundations, which focuses on the importance of personal needs and motivations in driving employee behaviors.

The third paragraph examines the late 20<sup>th</sup> century, exploring the socioeconomic changes and the influence of behavioral theories that have driven the shift from personnel management to modern human resource management and related practices.

The fourth paragraph of this chapter analyzes the origin of strategic human resource management practices. In particular, it explores the key principles and the benefits characterizing this approach.

Finally, the fifth paragraph undergoes the journey toward sustainable human resource management, exploring the emerging tendency toward sustainability and social and environmental responsibility in modern organizations.

## **1.2 Foundations of HRM practices**

The modern concept of human resource management (from now on, HRM) is the result of radical transformations and the succession of several schools of thought that have shaped the way in which people are currently managed and considered within organizations. In particular, three key foundations of HRM can be identified: the scientific foundation based on leveraging money to obtain employee efforts, the humanistic foundation in which human relationships and groups are emphasized, and the motivational foundation studying and analyzing the intrinsic needs that guide behaviors and performances of employees. The paragraph outlines the succession of these three foundations which led to the establishment of the latest HRM practices.

### **1.2.1 Money is the engine of effort**

The first foundation of workforce management is characterized by a scientific approach, introduced by Friedrich Taylor at the beginning of the 20<sup>th</sup> century. According to this approach, the primary engine behind employees' efforts is characterized by monetary compensation. In his book 'Shop Management', Taylor (1911a) underlines the importance of combining high wages and low labor costs. He identifies four principles defining the *one best way* to manage people:

- *A large daily task.* It is important to provide employees with clearly defined tasks that are not easy to accomplish.
- *Standard conditions.* Standardized working conditions and appliances are essential to allow employees to accomplish tasks with confidence.
- *High pay for success.* High pay should be ensured to employees after task accomplishment.
- *Loss in case of failure.* Punishments should be applied as a consequence of employees' failures.

According to the principles of scientific management, employee behaviors and performances revolve around monetary compensation and punishments, to be exercised in a standardized working context. The only way to obtain a higher level of productivity from workers is represented by providing a higher wage, which is the primary engine behind employee efforts. Punishments and rewards are calibrated to ensure waste reduction and best practice promotion. Each task is studied scientifically and standardized to identify the *one best way* to perform it, without leaving anything to chance. This involves systematically studying labor flow through time and motion studies (Ehiobuche and Tu, 2012). Scientific management rejected the general belief that the interests of workers and those of employers were necessarily in conflict. Taylor (1911b) strongly believed in the importance of establishing encouraging and friendly cooperation between management and workers. However, according to scientific management, the relationship between these two actors is oriented only toward achieving higher levels of employee productivity, without a whole consideration of psychological and social dynamics that will be the foundation of future approaches to human resource management.

Overall, the principles of scientific management can be summarized in standardization, task optimization, and leveraging monetary compensation and punishments to improve employee performance and productivity. This approach, also known as *Taylorism*, generated several gains at the beginning of the 20<sup>th</sup> century, both for employers and workers: for the employer, it generated higher efficiency in the use of resources and lower production costs; for the employee, it led to higher wages and improved working conditions.

Taylorism determined the so-called *classical management theory*, characterized by a rationalization of organizational structures and the concept of the *economic man*, that implies that employees are dehumanized and driven only by economic incentives through which they can be exploited and encouraged (Bueno and Salapa, 2021).

Although the scientific management approach is still applied within some organizations with specific characteristics making it suitable, it has been mostly overtaken by more innovative methods addressing the related issues. In this regard, the excessive attention given to maximizing productivity through task optimization and monetary incentives overshadowed the social and psychological sphere of work. Consequently, these issues led to the establishment of a new school of thought recognizing the importance of considering the social dynamics and the intrinsic motivation of workers within organizations.

### 1.2.2 Group and Relationships matter

The second foundation of HRM, the humanistic foundation, can be identified as a response to the issues related to scientific management. It dates back about a century ago, around the 1920s-30s, when Elton Mayo contributed to the establishment of the human relations movement, resulting from the Hawthorne Works Experiment, which substantially influenced the development of management theories (Önday, 2016).

The human relations theory rejects the belief that man is an *economic animal* driven only by financial incentives, as stated by classical management theories. Rather, it recognizes that workers are *social animals*, establishing relationships and social interactions within the workplace that will inevitably influence their behaviors and performance (Omodan *et al.*, 2020). Social interactions among workers lead to the development of small informal groups capable of establishing social norms within the workforce that shape behaviors even more than monetary compensation or formal rules imposed by the management.

Furthermore, the human relations school of thought emphasizes the importance of leadership style and participative decision-making to drive employee job satisfaction and a sense of belonging, which can significantly influence employee performance (Omodan *et al.*, 2020). This approach radically changed the relationship between the employer and the employee, highlighting the effectiveness of expressions of thanks and encouragement compared to coercion and punishments, characterizing the scientific approach (Önday, 2016).

The concepts of the human relations movement still find application in modern human resource management approaches. Within organizations, people need recognition, a sense of belongingness, and inclusiveness in order to be motivated to perform to the best of their ability. Social and psychological dynamics generate a greater impact on employee behaviors and performance compared to monetary incentives, punishments, and physical working conditions. This new theory revolutionized the overall consideration of workers within organizations, generating the need to study the complexity of the human factor in the workplace. It led the way to modern approaches to HRM that prioritize employee satisfaction, motivation, and overall well-being (Chaudhary, 2023).

### 1.2.3 Motivations at work

The third foundation of HRM, namely the motivational foundation, can be dated back to the half of the 20<sup>th</sup> century, around the 1950s. The underlying concept of this foundation

is that the most powerful engine leveraging human behaviors and consequently their performance is represented by motivation.

One of the most important classic Motivational Theories is represented by Maslow's Hierarchy of Needs, first introduced in 1943 in the paper 'A Theory of Human Motivation' and took it up later in the book 'Motivation and Personality'. Maslow (1943) identifies five needs capable of determining people's behavior: physiological, safety and security, love and belongingness, self-esteem, and self-actualization. The needs are represented graphically by a pyramid, in which the bottom levels represent the basic needs of each human being, and the upper levels represent the most psychological and subtle needs. *Higher-level* needs, namely love, belonging, self-esteem, and self-actualization are activated only after satisfying *lower-level* needs, which are physiological, safety, and security (Rasskazova *et al.*, 2016).

Applying these concepts in the work environment, Maslow's model introduces the idea that to maximize employees' well-being and therefore productivity, employers must consider their needs, starting from the basic ones to the most complex needs of self-actualization and realization. Managers should design work environments that allow employees to satisfy higher-level needs, that have greater potential to motivate them and therefore obtain higher levels of productivity (Imel, 1982).

While more modern approaches have replaced classic Motivational Theories, they introduced the idea that fostering motivation is essential to encourage employees to perform to the best of their ability. The latest management approaches identify several strategies to motivate employees, including job rotation, job enlargement, and job enrichment. Through *job rotation*, each employee learns to perform several tasks in a manufacturing process and rotates through each in a set period. *Job enlargement* is a practice through which the job of an employee is expanded so that the worker acquires more responsibility and work is less repetitive. Finally, *job enrichment* provides workers with more control and responsibility over their tasks, by enriching their work with some functions carried out by their supervisors or other staff members (Ganta, 2014).

### *In sum*

The three foundations of HRM laid the groundwork for contemporary approaches and practices of people management. Despite some attempts to actualize and implement these theories within organizations with specific characteristics making them a proper solution,

the three models have been overcome by more up-to-date approaches, in which the role of the employee is prioritized compared to other organizational assets, and there is a whole consideration of employees' physical, psychological, social, and financial needs. As evident, neither monetary compensation nor human relationships or employee motivation alone are capable of driving employee efforts. Rather, the synergy of these factors can stimulate employees to work to the best of their ability.

### **1.3 From *Personnel Management* to *Human Resource Management***

The mid to late 20<sup>th</sup> century was marked by radical socioeconomic changes that influenced the development of management theories. In particular, World War II significantly impacted society, affecting the structure of the workforce. During this period, industries registered a scarcity of labor, and recruiting workers was difficult. Many women entered the workforce to replace the men engaged on the battlefield generating a shake-up in the labor market. Furthermore, workers were subjected to financial and social concerns which undermined their productivity. After the war, unskilled soldiers came back, generating the need to reintegrate them into the labor market (Rotich, 2015).

Overall, these factors led employers to improve personnel functions through the provision of training and welfare services to attract and retain workers and implement actions aimed at fostering employees' motivation (Rotich, 2015).

In this context, management theories continued to evolve providing increasing attention to the human factor and its impact on productivity. By the late 1970s, as a consequence of the growing prioritization of the human element, another significant shift occurred: the transition from traditional *personnel management* to *human resource management* (Thite *et al.*, 2012). Table 1 summarizes the key differences between these two approaches. In particular, while personnel management was characterized mainly by a short-term and reactive perspective, human resource management requires a long-term perspective and a proactive approach. Moreover, in human resource management, the relationship between the employer and the employee is based on the employees' commitment, instead of their mere compliance. Employees are more trusted by their supervisors and require less external control, gaining more autonomy. Organizational structures and systems also evolve as they become less centralized and mechanistic, embracing an organic perspective and more flexible roles rather than fixed formal roles.

*Table 1 Comparison between personnel management and human resources management*

	PERSONNEL MANAGEMENT	HUMAN RESOURCE MANAGEMENT
TIME AND PLANNING PERSPECTIVE	Short-term reactive <i>ad hoc</i> marginal	Long-term proactive strategic integrated
PSYCHOLOGICAL CONTRACT	Compliance	Commitment
CONTROL SYSTEMS	External controls	Self-control
EMPLOYEE RELATIONS PERSPECTIVE	Pluralist collective low trust	Unitarist individual high trust
PREFERRED STRUCTURES/SYSTEMS	Bureaucratic/mechanistic centralized formal defined roles	Organic devolved flexible roles
ROLES	Specialist/professional	Largely integrated into line management
EVALUATION CRITERIA	Cost-minimization	Maximum utilization (human asset accounting)

Source. Adapted from Guest, D. E. (1987).

Overall, the main novelty introduced with the human resource management approach is the consideration of employees as *human resources*, perceived as vital *assets* able to generate competitive advantage (Storey *et al.*, 2019). According to this approach, employees require management strategies and practices that aim to develop and maximize their full potential (Rotich, 2015). John Storey (1997) describes the key elements characterizing human resource management, which are reported in Table 2.

*Table 2 Key elements of human resource management*

BELIEFS AND ASSUMPTIONS	STRATEGIC QUALITIES	CRITICAL ROLE OF MANAGERS	KEY LEVERS
It is the human resource which gives competitive edge	HR decisions are of strategic importance	Because HR practice is critical to the core activities of the business, it is too important to be left to personnel specialists alone	Managing culture is more important than managing procedure and systems
The aim should be not mere compliance with rules but employee commitment	Top management involvement is necessary	Line managers need to be closely involved both as deliverers and drivers of the HR policies	Integrated action on selection, communication, training, reward, and development
Employees should be very carefully selected and developed	HR policies should be integrated into the business strategy – stemming from it and even contributing to it	Much greater attention is paid to management of managers themselves	Restructuring and job design to allow developed responsibility and empowerment

Source. Adapted from Storey, J. (1997).

Focusing on employee commitment and development, involving top management in HR practices, and aligning HR policies with business strategies provides businesses with a great competitive advantage, allowing them to handle the growing competition characterizing the late 20<sup>th</sup> century and satisfy the emerging needs of empowerment and self-actualization of employees.

#### **1.4 The emergence of *Strategic Human Resource Management***

*Strategic human resource management* (from now on, SHRM) emerged around the early 1990s and represents the 21<sup>st</sup>-century approach to managing people within organizations. This approach extends traditional human resource management, as it aligns HR practices with long-term organizational goals and strategy (Armstrong, 2014). According to SHRM, managing the employment relationship involves a strategic approach to ensure that employees actively contribute to achieving organizational goals (Alvesson, 2009). Armstrong (2014) underlines three main goals of strategic human resource management:

- The vertical alignment of the HR strategy with the corporate strategy as well as the horizontal integration of HR strategies.
- Providing a sense of direction in an uncertain environment, allowing the satisfaction of organizational and employee needs by the adoption of coherent HR policies.
- Contributing to the articulation of organizational strategy seeking to take advantage of the strength of human resources.

According to Armstrong (2014), strategic human resource management is based on two main concepts: the resource-based view and the need for strategic fit.

The *resource-based view* (RBV) is grounded on the ideas expressed by Edith Penrose in her work ‘The Theory of the Growth of Firm’, first published in 1959. Penrose (1959, pp. 24-25) believes that a firm is a «collection of productive resources» and that «it is never *resources* themselves that are ‘inputs’ in the production process, but only the *services* that the resources can render», highlighting the importance of properly managing resources in order to generate sustainable competitive advantage.

Armstrong (2014) states that applying the RBV to strategic human resource management can generate *human resource advantage*. According to the RBV, having inimitable and irreplaceable human resources at their disposal allows organizations to achieve



sustainable competitive advantage. For this reason, organizations should invest in their people to hire and develop their skills and maximize their value.

Instead, *strategic fit* refers to the congruence between HR strategies and organizational strategies (Armstrong, 2014). This condition is an essential prerequisite in strategic human resource management, allowing organizations to obtain competitive advantage. As Schuler states:

«Strategic human resources management is largely about integration and adaptation. Its concern is to ensure that: (1) human resources (HR) management is fully integrated with the strategy and strategic needs of the firm; (2) HR policies cohere both across policy areas and across hierarchies; and (3) HR practices are adjusted, accepted and used by line managers and employees as part of their everyday work» (Schuler, 1992, p.18).

For what concerns the HR practices characterizing strategic human resource management Delery and Doty (1996) identify three perspectives: the *universalistic perspective*, the *contingency perspective*, and the *configurational perspective*.

#### *Universalistic perspective*

The universalistic, or *best-practices*, approach argues that a set of HRM practices is best in any situation and leads to superior performance (Armstrong, 2014). In this regard, Pfeffer (1998) identifies seven SHRM practices:

- Employment security.
- Selective hiring.
- Self-managed teams and decentralized decision-making.
- High compensation contingent on organizational performance.
- Extensive training.
- Refused status distinctions and barriers.
- Sharing of financial and performance information.

Pfeffer (1998) believes that by applying these practices, organizations are able to improve their economic performance and generate more profit through their people.

#### *Contingency perspective*

The contingency, or *best-fit*, approach argues that the proper set of HRM practices should be adapted to several contingency factors, including organizational strategy which represents the primary contingency variable in strategic human resource management (Delery

and Doty, 1996). This means that there is not a set of *best practices* able to generate better performance regardless of the situation, as suggested by the universalistic approach. Rather, there are practices that *best fit* the specific context and strategy characterizing an organization.

Therefore, the relationship between performance and HR practices is not linear but is affected by several contingency variables, such as organizational strategy, size, regulatory environment, and others (Malik, 2022).

Armstrong (2014) identifies three best-fit models, namely:

- Business life cycle model.
- Competitive strategies.
- Strategic configuration.

The *business life cycle model* by Lloyd Baird and Ilan Meshoulam argues that human resource management practices are more effective if they fit the organizational stage of development. In particular, Baird and Meshoulam (1988) identify five stages of development: initiation, functional growth, controlled growth, functional integration, and strategic integration. According to the business life cycle model, HRM practices undergo all these stages and should be aligned with the increasing complexity they implicate.

For what concerns the second best-fit model, Porter (1985) classifies three generic *competitive strategies*: cost leadership, differentiation, and focus, which in turn is divided into cost and differentiation focus. The generic strategies are represented in Table 3.

Table 3 *Three Generic Strategies*

COMPETITIVE SCOPE	COMPETITIVE ADVANTAGE	
	Lower Cost	Differentiation
Broad Target	<i>Cost Leadership</i>	<i>Differentiation</i>
Narrow Target	<i>Cost Focus</i>	<i>Differentiation Focus</i>

Source. Adapted from Porter, M. E. (1985).

According to Porter (1985), each generic strategy presents a different way of achieving competitive advantage. Cost leadership and differentiation pursue competitive advantage over a broad range of industry segments; focus strategies instead aim at achieving either cost advantage (*cost focus*) or differentiation (*differentiation focus*) in a narrow segment. This implies that in order to improve their performance, organizations must make a choice

about the type of competitive advantage they want to obtain and the scope within which they will attain it.

- In cost leadership, organizations seek to achieve cost leadership in their industry, serving many industry segments.
- In a differentiation strategy, a firm pursues uniqueness in the industry, which allows it to charge a price premium.
- In the focus strategies, a firm seeks to achieve either a cost advantage or differentiation in its target segment.

The third best-fit model is represented by *strategic configuration*. This approach involves aligning organizational strategy to an ideal type (Armstrong, 2014). In this regard, Miles *et al.* (1978) identify three strategic types of organizations: Defenders, Prospectors, and Analyzers, and a fourth type, Reactors, representing a form of *strategic failure*.

- The *Defender* generates and maintains a stable environment by adopting mechanistic actions meant to achieve efficiency and targeting a narrow segment of the industry.
- The *Prospector* operates in a dynamic environment. It can be defined as an innovator, constantly looking for new products and market opportunities to exploit.
- The *Analyzer* incorporates the characteristics of the Defender and the Prospector organization types, seeking to maximize profit opportunities while minimizing risk.
- The *Reactor* is characterized by inconsistent and unstable adaptation to a continuously changing and unstable environment.

### *Configurational perspective*

The configurational approach, or *bundling*, represents the third perspective of SHRM. According to Richardson and Thompson (1999), bundling suggests that specific combinations, or *bundles* of HR practices, according to the organizational setting, are able to generate a higher level of business performance. They believe that the success of a strategy depends on combining *vertical* or external fit and *horizontal* or internal fit.

John Paul MacDuffie (1995) studies the effects of bundling HR practices on organizational performance. According to him, this perspective suggests a holistic approach to strategic human resource management, as it studies the impact on performance of interactions among different HR practices, rather than the effects of individual HR practices. The outcomes obtained by the research of MacDuffie show that grouping HR practices in

bundles allows the creation of synergies able to generate greater improvements in performance if compared to isolated HR practices.

### *In sum*

Strategic human resource management constitutes a significant evolution in the field of human resource management. Aligning HR practices with business strategy allows organizations to leverage human capital in order to generate sustainable competitive advantage. Therefore, the adoption of a strategic approach to HRM is essential to handling emerging challenges and the increasing complexity characterizing the 21<sup>st</sup> century.

## **1.5 Moving to Sustainable Human Resource Management**

*Sustainable human resource management* is a natural response to the emerging tendency toward sustainable development characterizing the last three decades. This concept first emerged in 1972 during the Conference on the Human Environment held by the United Nations (Hajian and Kashani, 2021). In this context, *sustainable development* was described as a form of development that highlights the importance of environmental conservation, especially for future generations. In 1987, the World Commission on Environment and Development provided the following general definition of sustainable development in its report ‘Our Common Future’, also known as ‘Brundtland Report’:

«Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs» (World Commission on Environment and Development, 1987, p. 43).

In 1992, the United Nations held the Environment and Development Conference in Rio de Janeiro which involved international organizations, delegates, and leaders from almost all countries of the world. The Conference represents the first global effort to achieve an environmentally friendly and more sustainable development. It produced Agenda 21 and the Rio Declaration, both of which intended to guide countries toward sustainability (Hajian and Kashani, 2021).

Several action plans were introduced in the following decades, aimed at promoting sustainable development. In 2000 the United Nations developed the Millennium Development Goals (MDGs), identifying eight global objectives to be achieved by 2015. These goals are focused on eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality,

improving maternal health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability, and fostering global partnership for development (WHO, 2018).

In 2015, the United Nations General Assembly presented the 2030 Agenda, consisting of seventeen ambitious Sustainable Development Goals (SDGs) which extended and replaced the Millennium Development Goals (Chams and García-Blandón, 2019). The SDGs are reported in Figure 1. They recognize the responsibility of government, civil society, development agencies, and the private sector to contribute to properly managing urgent environmental, social, and economic challenges (UNDP, 2016).

Since then, the concept of sustainable development evolved and started to be integrated into various business strategies. Pursuing sustainability in business implies reducing the negative impacts provoked by organizational operations on the environment and the whole society (Spiliakos, 2018).

*Figure 1 United Nations Sustainable Development Goals (SDGs)*



Source. United Nations Department of Global Communications. (2023).

In this context, several businesses increasingly adopt environmental management systems (EMS), which are proactive and strategic tools that allow managers to better control the environmental impact of the company (Daily and Huang, 2001). In this regard, the ISO 14000 family provides international standards on environmental management, guiding organizations to manage their environmental responsibilities (ISO, 2023). The standards

are characterized by a voluntary nature, which implies that their implementation is not legally required (IISD, 1996).

ISO 14001 is the best-known standard within the family; it provides guidelines for an environmental management system (ISO, 2023). ISO 14001 defines five key interrelated elements of an EMS, namely policy, planning, implementation and operation, checking and corrective action, and management review, able to generate continual improvement of the overall system and environmental performance (Woodside, 2000).

In order to be successful, the EMS needs to take account also of the human factor. According to Woodside (2000), several HR factors, such as top management support, environmental training, employee empowerment, teamwork, and rewards can significantly impact the effective implementation of the ISO 14001 categories and consequently the achievement of sustainability goals.

With the continuously increasing recognition of the importance of the human factor in achieving long-term sustainability, organizations are increasingly considering environmental and social issues in their HRM practices. Sustainable HRM develops from strategic human resource management by including sustainability in the model (Kramar, 2022). Mariappanadar (2020) defines how organizations should extend HRM practices with sustainable characteristics in order to pursue corporate social responsibility. He identifies three categories of HRM practices on the basis of the corporate sustainability outcomes they aim to achieve. In particular, he identifies:

- Sustainable HRM practices for improving organizational financial performance.
- Sustainable HRM practices for reducing negative side effects of work on employees.
- Sustainable HRM practices for reducing organizational ecology footprint.

Below, each of these practices is analyzed individually based on Mariappanadar (2020).

### *Sustainable HRM and Financial Performance*

According to the literature, there are HRM practices that can significantly improve organizational financial performance if applied effectively. Moreover, if enriched with sustainability characteristics these practices can contribute to pursuing companies' commitment to corporate social responsibility. These HRM practices include:

- Employee selection and training on employee competencies.
- Employee compensation and rewards for motivation.

- Work structure for empowered decision-making.

*Sustainable employee selection and training.* Selection and training practices should be enriched with *social consciousness* to be sustainable. Social consciousness is an organizational value that drives *social wealth* through HRM practices (Pandey and Gupta, 2008). Organizations including social consciousness in their HR practices select and develop employees and managers with the competency of compassion toward stakeholders, which fosters the establishment of relationships that benefit both the organization and its stakeholders, contributing to their satisfaction and improved financial performance.

*Sustainable compensation and rewards for motivation.* Sustainable employee compensation and reward practices combine employee-centered intrinsic and extrinsic motivators with stakeholder altruism. Altruistic motivation aims to increase the welfare of employees and other stakeholders (Dovidio *et al.*, 1990). By incorporating intrinsic and extrinsic motivators, as well as stakeholder altruism, organizations will be able to improve employee motivation and consequently enhance organizational financial performance.

*Sustainable work structure for empowered decision-making.* Sustainability-empowered decision-making in work structure should foster cooperation among stakeholders and equality (Van Lange, 1999; Fernández *et al.*, 2003). It integrates pro-financial, social, and environmental characteristics to benefit the organization and its employees and to preserve the ecosystem.

### ***Sustainable HRM and side effects of work on employees***

In order to pursue corporate social responsibility, organizations need to acknowledge and reduce the negative side effects of work on employees through some sustainable HRM practices, which include:

- Work intensification management.
- Employee assistance.

*Work intensification management.* Sustainable HRM practices target the health and social harm provoked by work intensification. For what concerns the health harm, sustainable HRM practices aim to manage the risks of occupational illnesses (e.g., sleep disturbances and insomnia). The social harm instead refers to issues related to the work-family balance. The health and social harm caused by work practices generate a *welfare loss* for employees and a negative impact on organizational productivity and performance

(Mariappanadar, 2013). For this reason, health and social harms should be considered as leading indicators for occupational health and social well-being, allowing the detection and prevention of associated risks.

*Employee assistance.* Sustainable HRM aims to achieve workplace wellness and worker wellness. This approach underlines the importance of the organization-employee interface, which allows organizations to reduce health and social harms caused by work intensification (Mariappanadar, 2019). Moreover, sustainable HRM suggests the implementation of *prosocial job design*. This enables managers to redesign job architecture with prosocial characteristics, in order to promote employee health, social well-being, and overall workplace wellness (Grant, 2007).

### *Sustainable HRM and organizational ecology footprint*

Sustainable HRM practices for reducing the ecological footprint of businesses imply integrating environmental management into HRM practices. These practices highlight the importance of involving employees in environmental management systems (Fernández *et al.*, 2003). In this respect, employee selection and training are proven to facilitate employee involvement in EMS (Jabbour *et al.*, 2010). Organizations should implement selection and training practices focusing on *green competencies*, which refer to employee ecological knowledge, skills, and behaviors that contribute to environmental well-being (Subramanian *et al.*, 2016). Sustainable HRM suggests that organizations should incorporate an *ecocentric* perspective in their selection and training practices, which considers organizations responsible for encouraging employees to respect and safeguard environmental health. Ecocentric green competencies foster employees' green behaviors, allowing organizations to reduce their ecological footprint.

### *In sum*

Including sustainability within HRM practices is increasingly considered a fundamental requisite for achieving long-term sustainability. Indeed, sustainable HRM practices allow organizations to improve financial performance, prevent negative impacts on employees related to work, and reduce their ecological footprint.

## **1.6 Conclusion**

The concept of human resource management has undergone remarkable transformations over the last century. From the early 20<sup>th</sup> century when workers were considered just like



any raw material to the 21<sup>st</sup> century, the role of employees has radically evolved, assuming growing importance in the definition of the overall organizational strategy.

The latest approaches to the management of people within organizations emerged from the synergy of three foundations: the scientific foundation considers employees as *economic animals* driven by monetary compensation; the humanistic foundation perceives workers as *social animals* driven by relationships and social norms; and the motivational foundation studies the needs driving employees' behaviors and performances.

A remarkable step in the field is represented by the transition from personnel management to human resource management which marked a significant shift in the way in which organizations view and manage their human capital. Indeed, human resource management considers employees vital assets of the organization to leverage in order to obtain a competitive advantage (Storey *et al.*, 2019). According to this approach, the motivation of employees and the satisfaction of their needs are essential requisites to generate commitment and consequently improve their performance and contribution to the overall organizational success.

A further step is represented by the transition from traditional human resource management to strategic human resource management. According to this approach, HRM practices are aligned with long-term organizational goals and strategies, involving employees in the achievement of organizational success (Armstrong, 2014).

The final step, occurring in recent decades, is represented by the enrichment of strategic human resource management with sustainable considerations. Sustainable human resource management engages employees in achieving sustainable development goals and pursuing corporate social responsibility. This approach acknowledges the emerging needs of employees, such as their overall well-being and work-life balance. Moreover, it focuses on leveraging new employees' competencies, namely green competencies, able to contribute to the achievement of sustainable goals of the organization (Mariappanadar, 2020). Overall, these transitions highlight the tendency of increasingly valuing human capital within the organization, which progressively gains a significant role in the whole life of the company. Employees become key actors actively contributing to organizational long-term strategies and sustainable development.



## THE INNOVATIVE APPROACH TO MANAGING PEOPLE WITH PURPOSE

### 2.1 Introduction

The increasing interest in sustainable business has led to the development of a new paradigm of managing organizations oriented towards pursuing the common good. In particular, the last decade saw the emergence of the so-called *hybrid organization* that simultaneously aims to generate profits and aspires to a higher purpose (Segrestin *et al.*, 2023). Hybrid organizations can be defined as *purpose-driven organizations*, as they pursue a higher purpose that goes beyond mere profit generation (Carballo, 2023).

The emergence of *purpose* represents a radical transformation in the nature of organizations. While previously the final goal of organizations was making profits and pursuing shareholders' interest, when embracing purpose organizations look at the common good and pursue the interests of multiple stakeholders, including employees, clients, suppliers, and shareholders.

The adoption of purpose originates a radical transformation in business management. Following the international sustainability framework SASB, this transition affects five organizational areas: social capital, human capital, environment, leadership and governance, and business model (SASB, 2019). This dissertation gives particular attention to one of these dimensions, namely human capital. Consequently, this chapter declines the concept of purpose according to this area. Indeed, this new approach to business management greatly influences human capital management and leadership within organizations. The second paragraph of this chapter introduces the concept of hybrid organization and the new approach to purpose-oriented management. This paragraph provides a definition of purpose and the main characteristics of purpose-driven organizations.

The third paragraph analyzes some frameworks that help organizations become purpose driven. It highlights the importance of implementing an *oblique* approach rather than a linear approach, to effectively embrace a higher purpose.

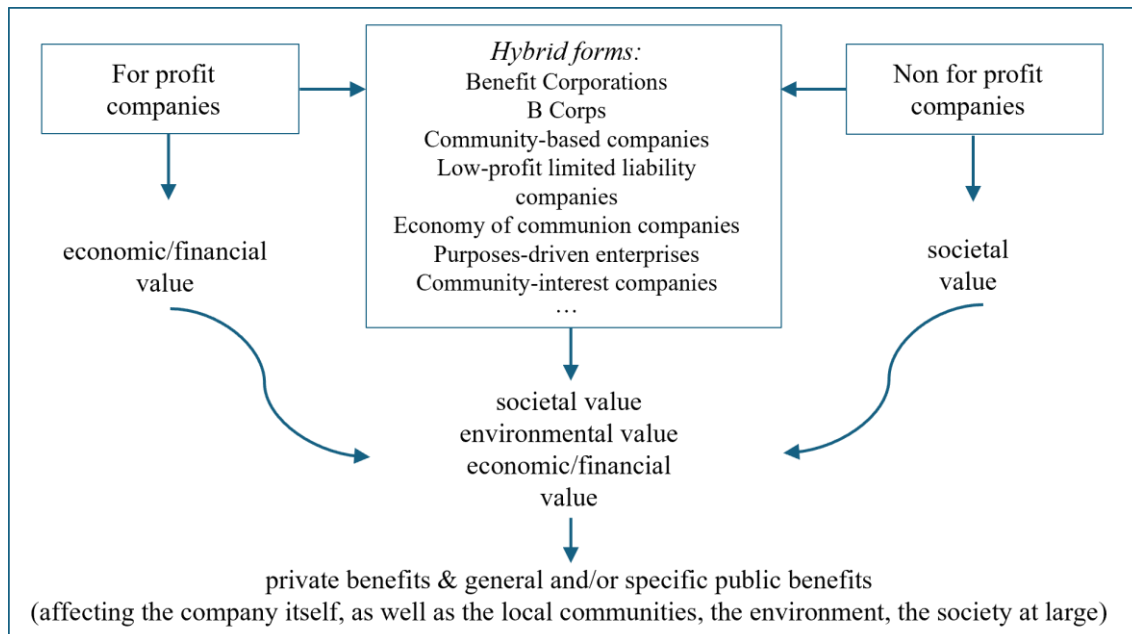
Finally, the fourth paragraph analyzes the new leadership approach of *managing with purpose*. It defines the role of purpose-driven leaders and how they contribute to attaining a shared purpose.

## 2.2 Hybrid organizations and the innovative management logic of purpose

«social enterprise is understood to include those organizations that fall along a continuum from profit-oriented businesses engaged in socially beneficial activities (corporate philanthropies or corporate social responsibility) to dual-purpose businesses that mediate profit goals with social objectives (hybrids) to nonprofit organizations engaged in mission-supporting commercial activity (social purpose organizations)» (Kerlin, 2006, p. 248).

The increasing relevance assumed by sustainability in business leads to the establishment of new forms of organizations oriented toward the common good. As stated by Kerlin (2006), a continuum can be identified from profit-oriented organizations to non-profit organizations. As shown in Figure 2, in between these two extremities a new type of organization emerges: the hybrid organization.

Figure 2 Hybrid organizations: balancing economic and societal value



Source. Adapted from Del Baldo, M. (2019).

Hybrid organizations, also known as *profit-with-purpose corporations*, balance social and environmental purposes, and the traditional goal of generating profits highlighting the increasing importance assumed by considering societal value within businesses (Segrestin *et al.*, 2023). Societal purpose refers to the organizational objectives that go beyond profit generation, aiming at bringing benefit to society (Carballo, 2023).

While several organizations are *born* social, meaning that they have been founded with the *hybrid ideal*, a relevant novelty is represented by traditional for-profit businesses that are hybridizing (Carballo, 2023). Increasingly, for-profit companies commit to pursuing a higher purpose in conjunction with profit generation.

A seminal work about purpose within organizations is represented by the editorial ‘Organizations with purpose’ by Hollensbe *et al.* published in 2014 in the *Academy of Management Journal*. According to the authors:

«a focus on purpose acknowledges the interdependence of business and society – one cannot flourish without the other» (Hollensbe *et al.*, 2014, p. 5).

Purpose represents the underlying *why* behind every operation and strategy; the *raison d’être* of an organization. Embracing purpose involves *making a difference* for society, the environment, and all the stakeholders impacted by the company’s activities.

The link between purpose and society is evident. According to Hollensbe *et al.* (2014), often businesses are perceived as *trust consumers* instead of *trust generators*, and purpose-driven organizations may overcome this challenge. Indeed, pursuing purpose in organizations is the foundation of gaining trust from society, as it involves contributing to building a common good and fulfilling societal needs.

Purpose-driven organizations are not *extractors*, exploiting their stakeholders or the environment to achieve organizational success; rather, they can be defined as *regenerative*, as they deliver value to serve and benefit the environment and whole society (Love *et al.*, 2024). Regeneration goes beyond sustainability, as it is not limited to preserving and protecting the environment but involves restoring and regenerating degraded ecosystems and improving the resilience and well-being of communities (Muñoz and Branzei, 2021).

Purpose represents the foundation of the organizational mission. While the mission answers to the *what* of an organization, purpose as previously mentioned, goes beyond and defines the *why*. Purpose is usually expressed through an inspiring straightforward

statement summarizing the positive impact the organization wants to bring to the world. Some examples are the following:

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*«Refresh the world. Make a difference»* – Coca Cola

*«We create world-changing technology that improves the life of every person on the planet»* – Intel

*«To help build a better world, where every person is free to move and pursue their dreams»* – Ford

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As evident from the examples, a purpose statement must be inspirational and motivational and include impactful words that capture a broad scope in a short sentence. However, purpose is not just a statement. Authenticity and truthfulness are essential prerequisites for a purpose to be valuable. The purpose should come from the inside and be enacted every day within the organization, ensuring that it is authentically embedded in the company culture.

With the emerging focus on purpose and the pursuit of the common good, Carlos Rey, Miquel Bastons, and Phil Sotok (2019) propose a new management logic of purpose in their book ‘Purpose-driven Organizations’. According to the authors, embracing purpose is necessary for generating meaningful organizations, which is particularly valuable in an environment characterized by instability and uncertainty.

The current era is marked by the so-called *VUCA* environment, an acronym used to describe the volatile, uncertain, complex, and ambiguous business landscape that organizations face in the third millennium. In order to compete and succeed in the *VUCA* world, organizations need to adapt quickly to emerging needs and challenges (Lawrence, 2013). In a similar context, being regenerative enhances resilience and allows organizations to better handle the challenges related to this *new normal*.

Rey *et al.* (2019) identify three characteristics of the new management logic of purpose that are acquiring increasing relevance within organizations:

- Personal purpose.
- Self-management.
- Unity.

For what concerns *personal purpose*, the 20<sup>th</sup> century was characterized by top-down leadership, in which founders and directors dictated the organizational purpose to

employees, and individual purpose was ignored. In the VUCA business environment characterizing the 21<sup>st</sup> century, it is necessary to strengthen organizational and personal meaning. In this context, ignoring individual purpose or embedding it within the organizational purpose is not an option. Employees need to discover and pursue the meaning of their work. Organizations need to encourage them to find their unique purpose, and to connect individual and organizational purposes.

Concerning *self-management*, the old management paradigm involved an outside-in imposition of work. Under the new logic of purpose, employees need to find their purpose from within, without any external constraint. This requires abounding the idea that people need to be managed while trusting employees to freely express themselves and assume autonomy and leadership of their own purpose at work.

Finally, *unity* involves sharing a common purpose within an organization. It is related to the connection of personal and organizational purposes. Unity is not something that can be imposed. Rather, it is achieved by individuals who naturally establish connections within organizations.

In conclusion, the new logic of purpose is radically changing the nature of organizations and is likely to expand and become the dominant management approach of the third millennium. Embracing purpose involves pursuing the common good for the environment and the whole society authentically and truthfully. Moreover, it allows companies to reinforce their resilience and consequently succeed in an uncertain and unstable world. This has several implications in the management of human capital, which can no longer be characterized by top-down leadership styles or outside-in impositions but needs to consider each employee as a valuable contribution to the fulfillment of the overall organizational purpose.

### **2.3 How to create a purpose-driven organization**

Having ascertained the enormous potential for a company to embrace purpose in the third millennium, it is important to understand how to effectively build a purpose-driven organization. In this regard, Quinn and Thakor (2018) suggest eight steps that a company should take to create a purpose-driven organization, which are reported in Figure 3. This paragraph analyzes in detail each of these steps.

Figure 3 Eight steps to create a purpose-driven organization



Source. Adapted from Quinn, R. E., and Thakor, A. V. (2018).

### *Envision an inspired workforce*

Embracing purpose requires abandoning the traditional *principle-agent* perspective, according to which employees (agents) are effort-avers and tend to underperform unless the employers (principals) provide them with incentives and put in place control methods. When the purpose is authentic, employees will be inspired to live and act according to it. This will generate a transition in the employees' mindset from performing *a* job to performing *their* job, which provides them with a sense of meaning. Purpose-driven employees are glad to have their job and feel proud to perform it every day. Moreover, these employees can inspire others with their experience and engagement, contributing to creating an inspired workforce strongly connected to the purpose.

### *Discover the purpose*

The company's purpose cannot be invented using the head; it should be organically discovered through empathy to capture employees' hearts. Discovering the higher purpose requires the organization to carefully listen, reflect, feel, and understand. It involves *learning and unlearning* the organization's identity. It is important to bring all the previous notions and paradigms down to embrace a new purpose-centered paradigm.

### *Recognize the need for authenticity*

As mentioned in the previous paragraph, the purpose must be authentic and truthful. Often organizations design a purpose statement to please external pressures deriving from



investors, customers, and other stakeholders. However, if the purpose is not truly felt by the company and embedded in the corporate culture, it will ring hollow. Employees who feel and perceive the insincerity of a purpose statement and notice that what the company does is inconsistent with what it claims will be disengaged and totally disconnected from their work. For this reason, the purpose must be lived authentically by every member of the organization, starting from the highest level of the organization to the lowest one.

***Turn the authentic message into a constant message***

Communicating the organization's purpose once is not enough, the purpose shall be recalled and clarified continuously in order to foster a true internalization. Each organizational division should understand precisely what the company's purpose is to apply it in everyday operations. This involves continuous questioning about the consistency of the operations with the higher company purpose. In this way, the purpose will get entrenched in the collective conscience, building a new purpose-inspired culture. The creation of this new mindset requires constancy and leads to a reorientation of every action toward the purpose.

***Stimulate individual learning***

According to the new logic of purpose, employees are incentivized by learning and development, as they aspire to think, learn and grow. Consequently, a purpose-driven organization should be an incubator for learning and development, in which employees are valued and recognized for their potential and contribution to the organization. This enhances employees' commitment to the organization and its purpose. Moreover, employees must learn the purpose to improve their autonomy to act in the purpose without the need for managerial control. Indeed, if employees have truly internalized the company's purpose, they will be empowered to proactively take initiative accordingly without the need for external suggestions.

***Turn midlevel managers into purpose-driven leaders***

Companies willing to embrace purpose must develop midlevel managers who have truly internalized the organization's purpose and lead with moral power. This implies providing them with the necessary training and tools for discovering their personal purpose and the relationship between this and the professional one. Discovering their own purpose and connecting with the company's purpose requires leaders to understand and open up about

their vulnerabilities and deep aspirations to build a strong and authentic purpose driven by personal ideals.

### *Connect the people to the purpose*

The primary role of leaders is to connect employees to the organization's purpose. This involves listening carefully to employees' personal purposes and helping them to identify with the collective organizational purpose. If employees see that their purpose is valued and considered by the organization, they feel higher levels of pride and engagement in their work and are more incentivized to act on the company's purpose without external supervision.

### *Unleash the positive energizers*

Organizations need to leverage the power of the so-called *positive energizers*, who can be defined as purpose-driven people with an optimistic orientation able to inspire others and promote positive change. Positive energizers are able to challenge the rooted assumptions and help to abandon resistance to change. They demonstrate interest and commitment in discovering the organization's purpose and share it throughout the organization. Typically, positive energizers are easily entrusted by their collaborators and consequently can inspire them to embrace the purpose. This characteristic makes them valuable organizational allies in breaking down old mindsets and fostering the adoption of a higher purpose.

### *In sum*

The eight steps identified by Quinn and Thakor provide a helpful framework for organizations to embrace purpose. However, creating a purpose-driven organization is not a linear process. Instead, developing purpose requires an *oblique* logic, as it should balance multiple objectives that may be not entirely compatible with one another.

#### 2.3.1 The *oblique* logic to embrace purpose

According to Rey *et al.* (2019), three interrelated dimensions constitute the nature of purpose: knowledge, action, and motivation.

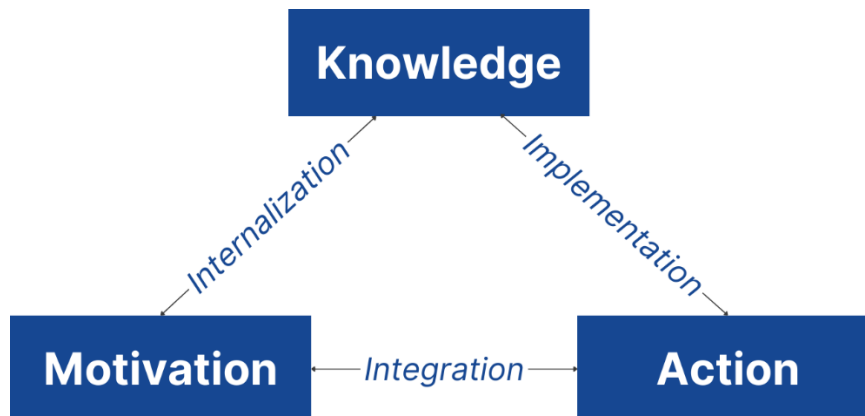
*Purpose as knowledge.* Knowledge represents the explicit understanding of the organization's purpose. Purpose as knowledge refers to the formal commitment of an organization as opposed to an abstract idea. Purpose requires clarity. An organization must be able to

explicitly express its purpose through its purpose statement, to help members and stakeholders have a clear understanding of its essence.

*Purpose as action.* Writing down the organization’s purpose in a statement is not enough. Organizations need to translate words into actions. In this regard, purpose as action refers to making explicit the purpose through its operational implementation. While in the knowledge dimension purpose has a static nature, in the action dimension purpose is dynamic. It refers to the ability of the company to put the purpose statement into practice. The purpose must permeate all the organizational activities and areas. Bringing purpose to life through concrete actions is essential to inspire employees to live the purpose.

*Purpose as motivation.* Purpose as motivation refers to the true essence of purpose. It is the most intimate and deep dimension of purpose. While the other two dimensions were more rational and systematic, involving the head of a person, this dimension involves a more irrational sphere, considering the feeling of the organization’s members about the purpose and touching their hearts. Feeling the purpose allows the company to nurture and fulfill it. In order to be valuable and to generate a return, purpose must be felt and lived with emotional engagement. A purpose that is not truly embedded in the hearts of the organization’s members is not likely to boost profits. One of the worst mistakes that an organization can make happens when the *purpose of the purpose* is not the purpose itself. All these three dimensions should be implemented and coordinated in order to embrace the purpose. The integration of these three dimensions with one another generates three effects, represented in Figure 4.

Figure 4 *The oblique approach to purpose*



Source. Adapted from Rey, C., and Bastons, M. (2018).

In particular, connecting knowledge with motivation generates internalization, connecting knowledge with action generates implementation, and connecting motivation with action generates integration.

*Purpose internalization* emerges from the combination of knowledge and motivation. It refers to the assimilation of purpose in the beliefs and consciousness of the members of the organization. Purpose internalization represents the basis of unity. Internalizing purpose motivates members to fulfill and seek after the purpose. Internalization is an essential prerequisite for achieving a purpose logic within the organization.

*Purpose implementation* results from the combination of knowledge and action. The implementation of purpose translates into the actual contributions that a company brings to society and communities impacted by its activities. This involves how the company fulfills its purpose and how it intends to fulfill it in the future. Consequently, purpose implementation guides the company in defining future strategies and objectives and helps employees make decisions with confidence and certainty.

Finally, *purpose integration* emerges from the connection between motivation and action and derives from the integration of implementation and internalization. Purpose integration translates purpose into a routine performed regularly thanks to the true embed of purpose in the conscient of the organizational members. It refers to the ability of a company to integrate purpose in every operation, action, and decision. It is what drives employees to truly take care of every customer and employers to listen and understand the needs of their employees. It is what is behind every step taken by a purpose-driven organization.

It is important to consider that these three elements do not generate a linear sequence, in which one element comes after another one. These three elements are connected in an oblique relationship. In order to build a purpose-driven organization, they must be developed simultaneously, as they reinforce each other and lead to an authentic adoption of a higher purpose.

## **2.4 Managing with purpose: A new leadership paradigm**

Rey *et al.* (2019) explain that purpose-driven organizations are characterized by the so-called *Purpose-driven Leadership* (from now on, PDL), a leadership style based on the concept of shared purpose. This leadership model challenges the traditional hierarchical leadership, based on a top-down relationship between managers and employees, in which

the former imposed the latter specific orders, and employees did not have any decision-making power. Increasingly, employees are gaining proactivity and empowerment within the organization, progressing from simple subordinates to followers and ultimately to collaborators. This radical evolution leads toward a shared leadership approach, in which everyone is empowered and leader of themselves.

As mentioned earlier in this chapter, in a purpose-driven organization a hierarchical, top-down approach is not optimal for creating and communicating a shared purpose. Embracing the new PDL requires a shift in the managerial mindset toward the idea that «purpose already exists and is alive» (Rey *et al.*, 2019, p. 75). As Quinn and Thakor (2018) affirm, managers cannot invent a higher purpose through their heads to reach employees' hearts. Rather, the purpose must be *discovered*, as it is already present within the organization. Moreover, in PDL, not the top management alone, but all team members contribute to discovering the higher organizational purpose. This requires employees to take a further step and be not just aligned with but truly *connected* to the shared purpose. The shared purpose should be embedded in the head and heart of every member of the organization, in order to be truly lived and enacted.

#### 2.4.1 Leading with Purpose: Becoming purpose-driven leader

According to Rey *et al.* (2019), purpose-driven leaders are not interested in understanding *what* to do and *how* they do it. Rather, they put more emphasis on *why* they do it and the purpose behind it. This involves a much more complicated understanding process of self-awareness and self-reflection, as the purpose cannot be simply learned (Zalis, 2020; Rey *et al.* 2019). Personal experience and aspirations shape the unique purpose of each individual. Leaders are required to discover their own purpose autonomously to develop their unique leadership style.

Discovering individual purpose is an ongoing process requiring leaders to make a constant and great effort. It involves a deep introspection exercise in which leaders aim to understand who they are and what is the lever guiding their actions and aspirations.

It is important to consider that purpose is not the end of the journey but the journey itself. Consequently, leaders need to discover and rediscover their purpose continuously.

The purpose is the *North Star* which provides guidance and a sense of meaning and helps leaders overcome challenges and difficulties emerging from everyday activities (Gambill, 2021).

Rey *et al.* (2019) identify some specific skills that purpose-driven leaders should develop to create effectively a strong shared purpose:

- Leaders should communicate the purpose by giving living examples.
- Leaders should value and respect the purpose of their collaborators as much as their own.
- Leaders should help collaborators in developing their purpose.
- Leaders should develop relationships based on trust, freedom, and respect.

For what concerns the first skill, purpose-driven leaders should *walk the talk*. It is not enough to superficially develop a purpose and communicate it externally. Being truthful and authentic is a prerequisite for creating a shared purpose and inspiring others to connect with it. Concerning the second point, leaders should recognize the importance of the purpose of each collaborator, as it provides them with a sense of meaning and contributes to their personal realization. Moreover, every employee's purpose contributes to developing the shared organizational purpose and consequently should be considered valuable. If it is true that purpose is a journey, it should not be considered a lonely journey but a collective one. In PDL, purposes should be connected in a strong and intimate relationship. Therefore, purpose-driven leaders need to help every member of the organization discover and rediscover their personal purpose. This involves listening and embracing others' purpose as well as sharing their own. Finally, in PDL relationships between leaders and collaborators should be intimate, meaningful, and based on mutual trust. Only in this environment can shared purpose thrive, and everyone feels truly empowered to act and live in the purpose.

Figure 5 represents the so-called *purpose ecosystem*, in which the organization, leaders, and all employees contribute to creating, communicating, and connecting to the shared purpose (Hebbar, 2023). In the purpose ecosystem, the organization provides leaders with the resources needed to develop skills and capabilities allowing them to nurture shared purpose.

Leaders instead are responsible for translating the purpose into employee performance and engagement. They must continuously recall and reinforce the purpose statement at all organizational levels inspiring and empowering employees to act within the shared purpose. This is made possible through living examples, allowing employees to truly connect with the purpose, which consequently becomes internalized and rooted in their hearts

and not only in their heads. All three actors must contribute and cooperate in the creation of a shared purpose in order to obtain the desired outcomes.

Figure 5 The purpose ecosystem



Source. Adapted from Hebbar, V. (2023).

### 2.4.2 Purpose-driven HRM practices

The leaders of a purpose-driven organization should include purpose within traditional human resource management practices. This allows them to create an engaged workforce truly connected with the shared purpose.

In particular, the company should consider the purpose in the recruitment and selection process of its candidates. Purpose-driven leaders should favor candidates who present values consistent with those of the company. This is made possible by explicitly communicating the underlying values and purpose on all the channels through which candidates get in touch with the company. Moreover, recruiters should consider characteristics of the candidates that go beyond mere professional and academic experience, like volunteering, personal aptitudes, and interests. This allows the company to attract and select candidates who are truly willing to contribute to the fulfillment of the organization's purpose, facilitating the connection with it.

Furthermore, the company should design training and development programs aimed at developing leaders' competencies and skills supporting the company's purpose. This is necessary to rely on purpose-driven leaders able to spread the higher purpose and connect

employees to it. Moreover, the company should train employees to the higher purpose. They must have a clear understanding of the essence of the organization. Training and development programs should give employees time to reflect on and discover their own purpose and support them to find meaning in their work. This helps them connect with the organizational purpose (Dhingra *et al.*, 2021).

A purpose-driven organization should foster teamwork by designing moments of sharing, like workshops and storytelling sessions, in which strong relationships between employees are established. This requires also leaders to share their own purpose with collaborators to create a close and intimate relationship, which is essential to discovering a shared purpose to which everyone feels connected (Dhingra *et al.*, 2021).

Another crucial aspect that purpose-driven leadership should consider is related to health and safety in the workplace. Indeed, besides physical health and safety, the company must guarantee all its members psychological safety and mental health. According to social scientists, these two needs should be added to the basic needs of Maslow's hierarchy of needs, as they influence survival, contribution to the community, and achievement of self-actualization. In a purpose-driven organization, employees should feel safe to speak up, take interpersonal risks, and disagree openly without fear of negative repercussions. Indeed, according to the purpose logic, everyone's voice is valuable and contributes to reaching a shared purpose. Every employee should feel safe sharing feedback, even if negative, with everyone, including leaders (McKinsey & Company, 2023). This makes employees feel valued and enhances their level of engagement and their willingness to live the organization's purpose.

Overall, these practices help the organization develop a strong and close community in which everyone is connected to the organization's purpose and encouraged to contribute to its fulfillment. The higher purpose of the organization is clearly understood by all organizational members who feel safe to speak up and are allowed to have a voice.

## **2.5 Conclusion**

The last decade saw the emergence of the hybridization of companies, which are increasingly becoming interested in pursuing the common good. These companies are driven by a higher purpose guiding them in every decision, strategy, and action implemented.

Becoming purposeful is a process. The company should take the eight steps identified by Quinn and Thakor (2018) in order to succeed in the purpose embracement. These include



envisioning an inspired workforce, discovering the purpose, recognizing the need for authenticity, turning the authentic message into a constant message, stimulating individual learning, turning midlevel managers into purpose-driven leaders, connecting the people to the purpose, and unleashing positive energizers. However, thinking about embracing purpose as a linear process is a mistake. Becoming a purpose-driven organization is an *oblique* process as the one identified by Rey *et al.* (2019) according to which three inter-correlated dimensions should be considered simultaneously. In particular, connecting knowledge and motivation generates purpose internalization, connecting knowledge and action generates implementation, and connecting motivation and action generates purpose integration. All these three dimensions must be present to create an authentic shared purpose.

Purpose-driven leadership is essential to embrace this change. Purpose-driven leaders investigate the *why* behind their role. They are on the frontline of the purpose achievement. For this reason, the purpose-driven leader must be the first to discover and understand the purpose clearly, embrace it, and share it with others to create a true connection with it. Moreover, they encourage others to find their own purpose and to connect with the organizational one, creating a strong community around a higher shared purpose. This is made possible by adopting several human capital management practices, which include implementing values- and purpose-driven recruitment and selection processes, designing purposeful training and development programs, guaranteeing psychological safety and mental health, and providing moments of share, fostering a sense of community and connection.

Embracing purpose represents a completely new logic that has radically transformed the perspective of business management and has the potential to become *the* management approach of the third millennium. But how does this change affect the reality of business and human capital management nowadays? The organizational form that best interprets this evolution is the Benefit Corporation, which will be the topic of the next chapter.



## FROM PURPOSE TO BENEFIT: THE ROLE OF PURPOSE IN BENEFIT CORPORATIONS

### 3.1 Introduction

The Benefit Corporation represents the organizational context in which the radical changes introduced by the rise of purpose and common benefit are best interpreted. For this reason, this dissertation analyzes this particular form of hybrid organization and how it affects the way in which people are managed and considered by the company.

The Benefit Corporation is a new legal entity that pursues both the traditional profit goal, and a higher purpose oriented toward generating public benefit (Hiller, 2013). This new organizational form is quite recent, as it was formalized for the first time in 2014 in the United States. Since then, it has rapidly expanded, being introduced by more than thirty states globally (Di Cesare and Ezechieli, 2021, as cited in Nativa, 2021).

Italy was the first state after the US to formalize the Benefit Corporation status. The Italian Benefit Corporation, or *Società Benefit*, introduced in 2016 in the Italian legal system, represents an innovative framework, whose incidence is increasing rapidly over the years. In Benefit Corporations the interests of the shareholders are considered of the same value as those of the stakeholders impacted by the business activity, including employees. This leads to the implementation of innovative ways to manage the human capital inside organizations, which are more oriented toward the needs and well-being of the employees. The second paragraph of this chapter provides a general overview of the origin and implementation of Benefit Corporations globally and the differences between different types of hybrid organizations. This paragraph introduces the Italian Benefit Corporation and the related legal framework.

The third paragraph analyzes the impact of being a Benefit Corporation on reputation and talent attraction. This paragraph highlights some critical trends, such as the rise of employer branding and the risk related to *greenwashing*.

Finally, the fourth paragraph investigates the extent to which Benefit Corporations invest more in their human capital compared to their non-benefit counterparts. Moreover, this paragraph examines the HRM initiatives of Benefit Corporations oriented toward enhancing human capital.

### **3.2 The Benefit Corporation: A new organizational form**

The Benefit Corporation represents a clear example of a hybrid and purpose-driven organization. This new organizational form is the ideal environment to measure the evolution in management practices led by the introduction of purpose.

The Benefit Corporation is defined as:

«an incorporated entity that can earn and distribute profits like a for-profit corporation and have a charitable or socially beneficial purpose like a non-profit corporation» (Feldman, 2015).

The corporate form of the Benefit Corporation was first introduced in Maryland in 2010 with the *Benefit Act* (Nigri and Del Baldo, 2018). Since then, it has been implemented in other thirty-six states in the US, and between 2018 and 2021 the framework has been adopted in Colombia, Puerto Rico, Ecuador, Canada – British Columbia, Peru, Rwanda, and ten other countries. Italy was the first state after the US to implement this corporate form, inspired by the US Benefit Corporation (Di Cesare and Ezechieli, 2021, as cited in Nativa, 2021).

For what concerns Europe, other countries adopted similar corporate forms. In 2004, the United Kingdom introduced the *community interest company* (CIC), which can be defined as a hybrid model blending social and environmental purposes with the goal of generating shareholder wealth. However, unlike the Benefit Corporation, the CIC's main purpose is to pursue social and environmental objectives and limit the distribution of dividends (Ventura, 2023a).

The only European country besides Italy that implemented the Benefit Corporation's model was France, which introduced the so-called *Société à Mission* in 2019. Despite some significant differences from the traditional Benefit Corporation, this model shares the same values and structure (Di Cesare and Ezechieli, 2021, cited in Nativa, 2021).

As mentioned earlier, the Benefit Corporation is an example of hybrid organization, as it blends the interest toward profit generation and the aspiration to a higher purpose. Another example of hybrid organization, as shown in Figure 2, is represented by the B Corp, which however exhibits some important differences from the Benefit Corporation that need to be considered.

### 3.2.1 B Corps versus Benefit Corporations

The Benefit Corporations and the B Corp are two organizational forms representing the hybridization of companies. Both these two types of organizations acknowledge the shareholder interests as well as the interests of all the stakeholders impacted by their activities, blending the for-profit interest with the commitment to pursue corporate social responsibility. However, they present some remarkable differences to take into consideration.

B Corps are companies certified by B Lab, which is a non-profit organization that assesses common benefit generated by companies through a third-party standard, namely the Benefit Impact Assessment (BIA) (Nigri and Del Baldo, 2018). The BIA is a score ranging from 80 to 200 allowing the measurement of the impact of companies on employees, environment, communities, customers, suppliers, and shareholders (B Lab, 2024a; Hiller, 2013). According to B Lab (2023), to obtain the B Corp certification companies need to achieve and maintain a high level of social and environmental performance and consequently a BIA score of at least 80.

In 2007, B Lab certified the first 81 B Corps and since then, the movement has expanded rapidly (Kassoy *et al.*, 2022). By September 2024, the number of certified B Corps globally amounted to around 8,890, while in Italy the companies that have obtained the certification were around 750 (B Lab, 2024b). B Corps are required to be transparent by publicly disclosing information about their social and environmental performance. Companies are recertified by B Lab every three years to ensure a constant commitment toward sustainability. In order to obtain the B Corp certification, a company needs to assume the Benefit Corporation legal form if available in its jurisdiction.

Unlike B Corps, Benefit Corporations are recognized by structured legal frameworks formalized in several countries globally (Nigri and Del Baldo, 2018). As the Benefit Corporation status is not adopted in every country of the world, the B Corp certification intervenes when the legal framework is not available in the country of belonging.

Benefit Corporations crystallize and formalize their interest in pursuing the common good in their bylaws. Consequently, they are legally obliged to pursue the common benefit (Hiller, 2013). For this reason, this organizational form better interprets the evolution fostered by hybridization as it implies greater commitment of companies, moving a step further compared to B Corps.

Moreover, Benefit Corporations are required to prepare an annual report in which they disclose the actions they have concretely implemented during the year aimed at generating common benefit according to what they promised in the bylaws. This represents a strong commitment to achieving a higher purpose as all stakeholders can have access to this report and consequently, it greatly impacts the external reputation of the company, ensuring transparency and accountability.

### 3.2.2 The Italian *Società Benefit*

The Italian Benefit Corporation, or *Società Benefit*, was introduced in 2016 as a response to the growing need for a legal instrument allowing organizations to pursue the common good formally. A key player in the introduction of the Benefit Corporation law has been Nativa s.r.l., a sustainability consultancy company, which in 2013 was the first Italian company to obtain the B Corp certification and in 2016 was one of the first five registered Benefit Corporations in Italy (Ventura, 2023b).

The corporate form of the *Società Benefit* was introduced into the Italian legal system with Law No. 208 of 28<sup>th</sup> December 2015, the so-called *Legge di stabilità 2016*, in Article 1, paragraphs 376 *et seq.* (Riolfo, 2019). According to Law No. 208/2015, Benefit Corporations pursue one or more purposes of common benefit, or *finalità di beneficio comune*, besides the traditional purpose of sharing profits, and operate in a responsible, sustainable, and transparent way toward people, communities, territories, and other stakeholders. The purposes of common benefit are identified in the company's bylaw and aim at generating positive impacts or reducing negative impacts on stakeholders, including employees, clients, and suppliers. Benefit Corporations identify one or more subjects responsible for the execution of the purposes of common benefits.

Moreover, they are required to draw up an annual report related to the execution of these purposes, which must include:

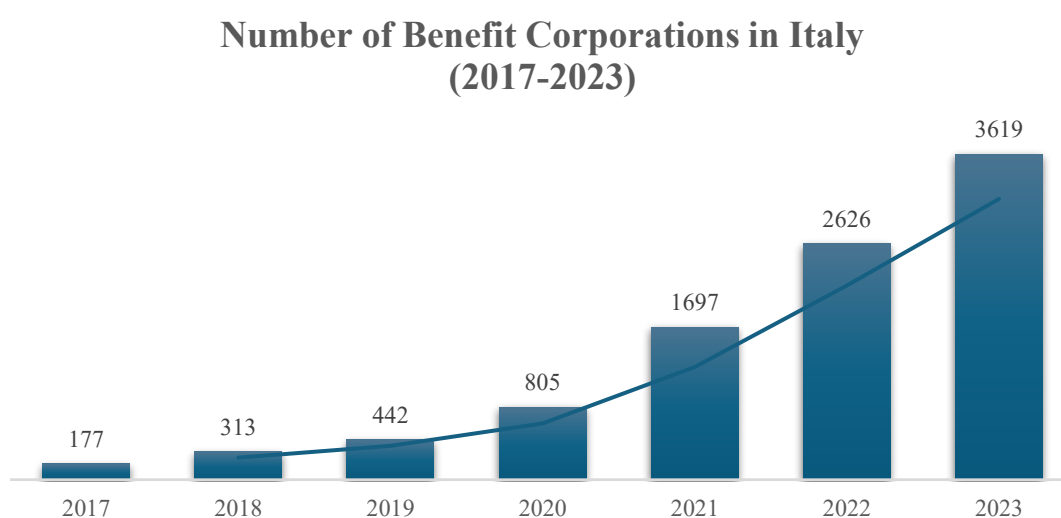
- A description of the specific purposes, the methods, and the actions implemented to pursue the purposes of common benefits.

- An evaluation of the impact generated using a recognized third-party evaluation standard.
- A section describing the new purposes of common benefit to pursue in the following financial year.

The annual report is essential to ensure transparency toward all the stakeholders concerning compliance with the purposes of common benefit identified by Benefit Corporations in their bylaws.

In 2024, Nativa s.r.l., Intesa Sanpaolo, InfoCamere, the Department of Economics and Management ‘Marco Fanno’, the Chamber of Commerce of Brindisi – Taranto and As-sobenefit published the first National Research on Benefit Corporations. According to the Research, by 2024 more than 3,600 Italian corporations have adopted this legal form, and the number shows a positive trend over the years, as shown in Figure 6.

*Figure 6 The Number of Benefit Corporations in Italy (2017-2023)*



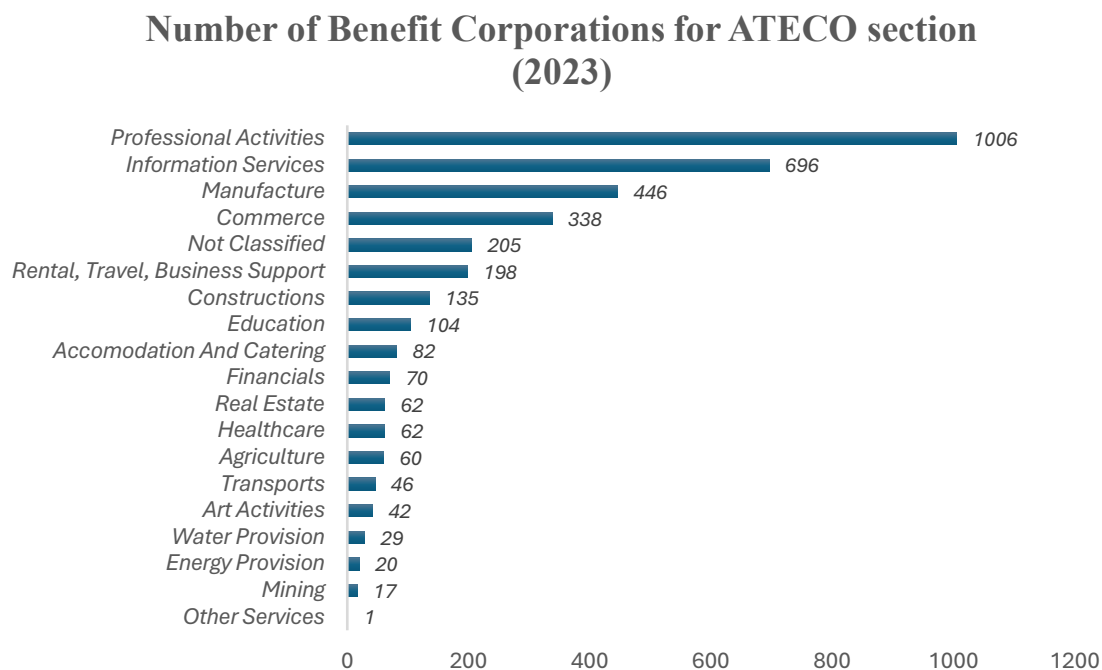
Source. Adapted from Various Authors. (2024a).

The incidence of Benefit Corporations is higher for large enterprises, amounting to 16.83%, followed by medium enterprises with an incidence equal to 7.16%, small enterprises with an incidence of 2.33% and finally micro enterprises accounting for 1.01% of total registered enterprises of the same size.

Concerning industrial sectors, Figure 7 represents the distribution of Benefit Corporations according to the relative industry of belonging. As evident, Benefit Corporations are more

present in professional activities (27.80%), followed by information services (19.23%), and manufacturing (12.32%).

Figure 7 The Number of Benefit Corporations for the relative industry (2023)



Source. Adapted from Various Authors. (2024a).

The huge potential offered by this new corporate form has led to a rapid increase in the incidence of Benefit Corporations on total Italian corporations. While in 2017 Benefit Corporations accounted for 0.006% of the total corporations, by the end of 2023 they represented 0.12%, implying that their incidence has increased by 117% in the last 6 years.

On the one hand, this growth demonstrates the success related to this new corporate legal form, which encourages organizations to formally commit themselves to pursue their sustainable purpose while simultaneously seeking to generate profits. On the other hand, an incidence of 0.12% implies that the road toward sustainable business is still long and a greater effort is required for Italian companies to keep up with the emerging needs of social and environmental sustainability.

### 3.3 How Benefit Corporations attract more talents

An important advantage for companies generated by the adoption of the Benefit Corporation status is represented by an increase in reputation. The current era is characterized



by competition at its peak which mines the long-term stability of every business, even the most successful ones. The average company lifespan has fallen dramatically over the years. The 2021 corporate longevity report by Innosight shows that the average tenure of S&P 500 companies is drastically decreasing from around 35 years in the late 1970s to 20 years in 2020 and is deemed to reach 15 years in the current decade (Viguerie *et al.*, 2021).

In a similar context, marked by high levels of volatility and uncertainty, companies are required to keep up with the changing expectations in the market to remain competitive (Unal and Tascioglu, 2022). As stakeholders increasingly require companies to be committed to sustainability and corporate social responsibility, including this factor in their activities is essential to obtaining legitimacy. A survey conducted by Gartner shows that customers are the first group of stakeholders to pressure companies to invest in sustainable initiatives, followed by investors (Cohn *et al.*, 2022).

In relation to customers, they are willing to pay more for sustainable products and services and are shifting their behaviors toward more sustainable actions. According to a survey conducted by PR Newswire (2023), the percentage of customers willing to pay for sustainable packaging is increasing rapidly, from 74% in 2021 to 82% in 2023. In 2022, 42% of Italian customers declared that over the previous five years, their purchasing behavior and choices changed significantly toward being more sustainability-oriented, and 8% of them revolutionized their way of living to be sustainable (Simon-Kucher and Partners, 2022).

For what concerns investors, they are increasingly considering the commitment to sustainability in their investment decisions. According to Gartner, 85% of investors in 2020 considered ESG elements in their investments, and 91% of banks, 71% of fixed-income investors, and more than 90% of insurers monitor ESG (Venkataramani, 2021).

Overall, these data suggest that companies cannot ignore the growing interest of their stakeholders toward sustainability as it directly impacts purchasing choices and investment decisions. In a similar context, a hybrid organizational form, such as the Benefit Corporation, which acknowledges stakeholders' expectations and formally commits to pursuing sustainability, results in the optimal choice.

The attention toward sustainability and the demand for companies' commitment reached the labor market as well. The survey by Gartner shows that employees represent the fourth

stakeholder group driving companies toward investing in sustainability (Cohn *et al.*, 2022). Potential candidates increasingly expect companies to be sustainable and calibrate the choice of their workplace accordingly. The Employee Engagement Study conducted by Cone Communications (2016) shows some interesting data confirming this statement. In particular:

- 58% of candidates consider the social and environmental commitment when choosing the workplace.
- 55% of candidates would accept a lower salary to work for a socially responsible company.
- 51% of candidates would not work for a company that does not prioritize its commitment toward social and environmental sustainability.

Consequently, being committed to sustainability helps companies to attract and retain talents. Another survey conducted by BCG, Heidrick & Struggles, and INSEAD (2023) on corporate directors shows that talent attraction and retention represent one of the key motivators driving companies to be sustainable. In this regard, B Lab includes talent attraction as one of the main benefits related to the B Corp certification, recognizing the potential of a hybrid model for attractive potential candidates (B Lab Europe, 2021).

The dramatic increase in the job vacancy rate from 1.3% in the first quarter of 2013 to 2.8% in the first quarter of 2024 in the Euro area denotes the struggle of companies to fulfill their labor demand (Eurostat, 2024). In a similar labor market, attracting potential candidates and retaining talents represents a critical challenge to overcome leading companies to increasingly implement employer branding strategies.

The concept of *employer brand* was first introduced in 1996 by Simon Barrow and Tim Ambler in their book entitled ‘The Employer Brand: Bringing the Best of Brand Management to People at Work’ (Dev, 2019). The Chartered Institute of Personnel and Development (CIPD, 2023) defines employer brand as «a set of attributes and qualities, often intangible, that makes an organization distinctive, promises a particular kind of employment experience, and appeals to those people who thrive and perform best in its culture». According to the CIPD, implementing an employer branding strategy allows companies to offer a unique *employee value proposition* to potential candidates and employees, aimed at increasing engagement and ensuring a positive experience for the workforce.

Employer branding shifts the focus from the employer to the employee: the latter is now the one who has the power to choose and select the workplace that better fits its purpose and meets its needs. Consequently, as sustainable orientation increasingly becomes an absolute prerequisite in the choice of the workplace, companies need to integrate sustainability into their employer branding strategies, to fulfill job vacancies. Adopting the Benefit Corporation status plays a crucial role in this sense, as it provides credibility to the company's sustainability commitment reinforcing its unique employee value proposition. One of the worst mistakes companies must avoid is represented by *greenwashing*, defined as «the practice of giving a false impression of the environmental impact or benefits of a product, which can mislead consumers» (European Parliament, 2024). According to the European Commission (2023), 53% of green claims provide vague, misleading, or unfounded information. Companies' commitment to sustainability and the related marketing claims shall be truthful and genuine to represent a competitive advantage. This applies to the labor market as well: the message communicated externally to potential candidates must be aligned with actions and practices implemented internally. Particularly in a highly connected world, *walking the talk* is an absolute prerequisite for assuring and maintaining a good reputation in the labor market. In this context, the annual report required to Benefit Corporations represents a powerful tool for preventing greenwashing practices, allowing stakeholders to verify the truthfulness of their commitment to sustainability and companies to gain more trust.

In conclusion, sustainability represents a crucial leverage to improve a company's reputation. It is demonstrated that a *green reputation* helps companies shape consumers' purchasing choices, investors' decisions, and employees' workplace selection. The Benefit Corporation status allows companies to reinforce their communication related to sustainability, reassuring stakeholders about the truthfulness of their green claims and helping them to reinforce their employee value proposition.

### **3.4 Do Benefit Corporations invest more in Human Capital?**

Benefit Corporations take a further step in the field of human capital toward a more balanced and fairer management, in which the interests and needs of the employees shall be considered on the same level as those of the shareowners. This is confirmed by paragraphs 377 and 378 of Article 1 of Law No. 208/2015, according to which the *Società Benefit*

pursues the common benefit by balancing the shareholder interest and the interests of the stakeholders impacted by the business activity, including employees.

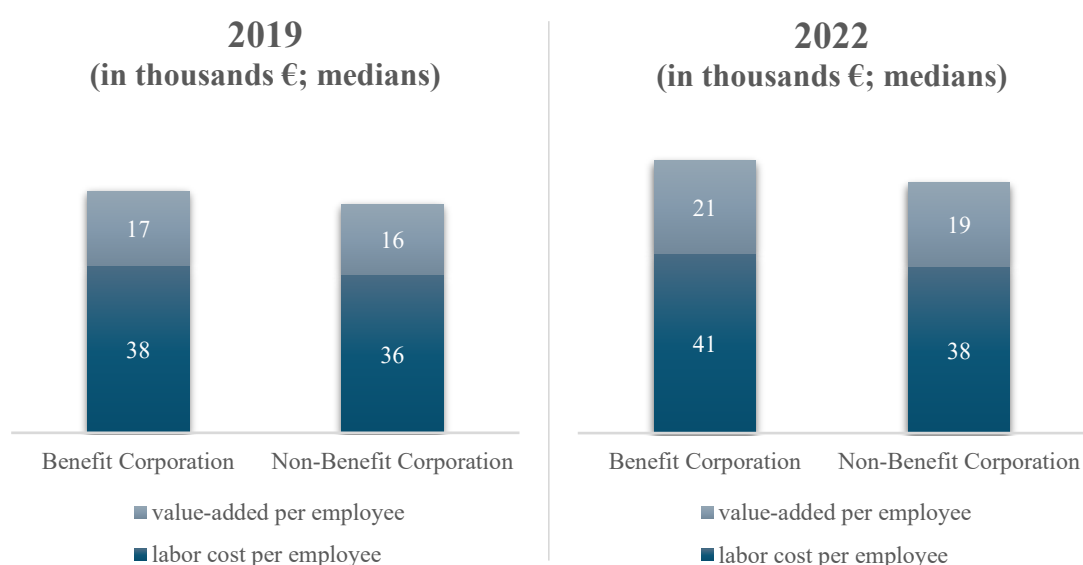
The National Research on Benefit Corporations 2024 shows that Italian Benefit Corporations face higher labor costs, equal in 2022 to € 41,000 per employee, compared to non-benefit corporations, which spent in the same year € 38,000 per employee (Various Authors, 2024a). This implies that Benefit Corporations invest more in human capital and share more value with their employees. Moreover, it demonstrates the authentic interest of these companies in generating societal value and placing their human capital in the first place.

In response to the greater investment, these companies register higher levels of productivity. In 2022, the productivity per employee was equal to € 62,000, compared to € 57,000 of their non-benefit counterparts (Various Authors, 2024a). This implies that the higher investment in human capital is compensated more than proportionally by the gain in productivity.

Moreover, according to the Research, these differentials are rapidly increasing as shown in Figure 8. Indeed, the productivity differential per employee between non-benefit and Benefit Corporations increased from € 3,000 in 2019 to € 5,000 in 2022.

The increase in productivity allows Benefit Corporations to address the higher costs of labor, which increased by € 3,000 between 2019 and 2022, while in their non-benefit counterparts, the labor cost increased only by € 2,000 (Various Authors, 2024a).

Figure 8 Labor cost and value-added per employee 2019 vs 2022



Source. Adapted from Various Authors. (2024a).

In Conclusion, Benefit Corporations are more interested in investing in their human capital and enhancing its whole potential. This represents a gain for companies, as higher investments generate higher levels of productivity. Moreover, the increased investment in human capital translates into greater attention to the needs of employees, leading to specific HRM practices reflecting the high consideration that Benefit Corporations have for their human capital.

### 3.4.1 Managing Human Capital in Benefit Corporation

An interesting figure showing the great attention of Benefit Corporations toward enhancing their human capital is represented by the percentage of Benefit Corporations out of the total number of Italian companies that obtained the *Great Place to Work* certification in 2023. In this regard, 266 Italian companies obtained the certification in 2023, twenty of which were Benefit Corporations, accounting for 7.52% compared with a percentage of 0.12% of Benefit Corporations out of total registered companies in Italy (Great Place to Work, 2024). This implies that despite their low incidence in the total number of enterprises, Benefit Corporations seem to make a difference in generating common benefit within the Italian labor market.

The great attention toward their people, and the higher investments that these companies make in human capital lead Benefit Corporations to develop several initiatives that reflect their interest in enhancing the potential of their employees. These initiatives include promoting work-life balance, guaranteeing equity, diversity, and inclusion breaking down any discrimination, and implementing corporate wellness programs to safeguard employees' overall well-being.

#### ***Work-life Balance***

Several Benefit Corporations have implemented actions to improve the work-life balance of their employees, as this contributes to making work more sustainable. Increasingly, employees seek more time to dedicate to their personal life outside work. The traditional *9-to-17* culture in which employees dedicate most of their daytime to a job that does not satisfy them gives way to a more flexible culture. In this new culture, work is perceived as an integral part of life and represents a dimension in which people can achieve self-realization and grow professionally and even more importantly personally (Catarozzo, 2023).

The need for a balance between work and personal life also emerged from the employer brand research 2024 – Italia conducted by Randstad (2024), which highlights that work-life balance represents the first driver when choosing an employer in Italy, as shown in Table 4.

*Table 4 The five most important drivers when choosing an employer*

	2024	2023	2022
WORK-LIFE BALANCE	62%	60%	65%
PLEASANT WORK ATMOSPHERE	60%	57%	65%
ATTRACTIVE SALARY AND BENEFITS	57%	54%	61%
JOB SECURITY	51%	51%	58%
CAREER PROGRESSION	49%	47%	54%

Source. Adapted from Randstad. (2024).

The COVID-19 pandemic has accelerated this phenomenon, as it *forced* companies to implement full remote and hybrid solutions to limit contagions in the workplace. Since then, hybrid work has become a requisite for many employees, and several companies have kept it as they have seen its potential. According to Catarozzo (2023), these solutions enhance the quality of work in several ways, making them a more sustainable work approach, by:

- Reducing time wasted on the commute to work.
- Reducing stress levels due to work.
- Reducing pollution of the environment due to travel.
- Improving time devoted to self and family.

Consequently, the gain in time to dedicate to employees’ personal lives, the improvement of work and personal life quality, and the cut of pollution generated on the commute to work make this new flexible and hybrid work culture more sustainable and a valuable option for Benefit Corporations to pursue the common good and the best interest of their human capital. This new culture is not limited to remote work but also involves reorganizing the company’s spaces. Indeed, several companies are adopting new areas designed to enhance socialization, sharing, personal relaxation, and isolation. In this way, the workplace is no longer just a *place to work* but a *place to live*, and work itself becomes an integral part of employees’ lives.

### *Equity, Diversity, and Inclusion*

Benefit Corporations contribute to eliminating discriminatory behaviors based on gender, ethnicity, or any other possible characteristic of workers in the labor market. A major concern affecting the Italian labor market is represented by the presence of several pay gaps due to workers' characteristics that go beyond performance or job-related factors. In this respect, the *migrant pay gap* is an important issue that requires great attention. According to the International Labour Organization's report 'The migrant pay gap: Understanding wage differences between migrants and nations', the average migrant pay gap in high-income countries amounts to 12.6%. Italy has the fourth highest migrant pay gap among the countries considered, which has been increasing over the years from 26.7% in 2014-2015 to 29.6% in 2020 (Amo-Agyei, 2020). Moreover, migrant women pay a double wage penalty, as they are also subjected to the gender pay gap. Indeed, even if Italy registers a lower gender pay gap than the European average of 12.7%, Italian women still earn 4.3% less than men hourly on average (Eurostat, 2024).

Several complex reasons lie behind these factors and often involve social and political considerations beyond the reach of Benefit Corporations. However, these companies can make a difference by taking action to address these problems and pursue the common good. This involves implementing more equal and inclusive HRM practices, affecting recruitment and selection processes, compensation mechanisms and rewards, career advancements, and promotions.

Considering recruitment and selection procedures, Benefit Corporations shall avoid any form of unconscious biases driven by racism, ageism, or sexism (Knight, 2017). The 'Sustainability Insights' survey conducted by PageGroup (2022) identifies the major drivers of discrimination in the workplace in European countries, represented in Table 5.

*Table 5 The major drivers of discrimination in the workplace*

DISCRIMINATION DRIVER	% OF RESPONDENTS
<i>Age</i>	<i>34%</i>
<i>Gender</i>	<i>23%</i>
<i>Social Background</i>	<i>22%</i>
<i>Culture and Ethnicity</i>	<i>19%</i>
<i>Religion and Spiritual Beliefs</i>	<i>13%</i>
<i>Disabilities</i>	<i>10%</i>
<i>Sexual Orientation</i>	<i>9%</i>

Source. Adapted from PageGroup. (2022).

These discriminatory factors greatly influence the possibility of a candidate being considered after a job interview and getting a job even if suitable for the specific role.

Besides the evident ethical component deriving from a diverse workforce, it allows companies to hire the best talents and fulfill the skillsets needed as they get access to a greater pool of potential candidates (Tynes, 2022). This generates a strong advantage in the current labor market presenting a level of competition at its peak and high job vacancy rates. A useful tool that is taking place to help companies overcome unconscious prejudices and hiring biases is represented by the so-called *blind recruitment*. This practice consists of anonymizing résumés blocking out all the candidate's personal information which could negatively affect the hiring process, including name, age, gender, ethnicity, and photograph (Hipps, 2022; Kaushik, 2024). This tool helps companies consider all candidates' job applications but is not sufficient to eliminate hiring discrimination. Indeed, candidates could face prejudices even during the job interview or after obtaining a job. For this reason, companies shall inspire an authentic diverse, and inclusive culture internalized by all members of the organization.

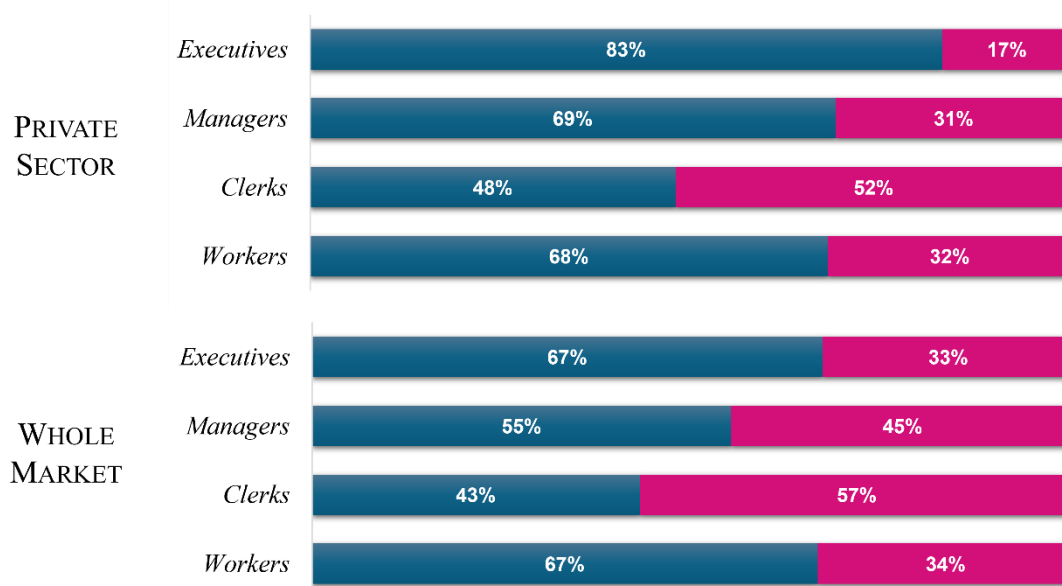
Also, career advancements and promotions are affected by several discriminatory behaviors, which lead to favoring specific employees based on their gender, ethnicity, religion, or age. According to the 'Gender Gap Report 2022' by JobPricing (2022), the Italian labor market is characterized by *vertical gender segregation* meaning that female workers have limited career opportunities compared to male employees, leading to a lower presence of women in executive and managerial positions. In particular, the report shows the employment composition by gender in the private sector and the whole market, which is reported in Figure 9.

Italian female workers represent a minority in managerial positions particularly in the private sector, where their presence amounts to 17% in executive positions and 31% in managerial positions. In the public sector, the situation is more equal leading to a presence of 33% of women in executive positions and 45% in managerial positions in the whole market but vertical segregation is still evident.

In this context, companies willing to pursue the common good, such as Benefit Corporations, shall guarantee equal career opportunities to their employees focusing only on job-related factors and performance. This allows Benefit Corporations to truly leverage the talent of their employees, enhancing the potential of their human capital.



Figure 9 Employment composition by gender



Source. Adapted from JobPricing. (2022).

### Corporate Wellness

According to Harvey (2019, p. 639), corporate wellness involves «aligning the purpose of worker well-being with the economic objective of HRM». Consequently, corporate wellness perfectly aligns with the purpose of Benefit Corporations: balancing profit generation with the pursuit of the common good. Besides the evident gains for the worker deriving from corporate wellness initiatives, the company can also benefit from them. For instance, corporate wellness helps prevent absenteeism and presenteeism in the workplace, resulting in improved economic performance. Absenteeism is defined as recurrent unplanned absences from work due to an employee’s health or other personal reasons, while presenteeism refers to the behavior of attending work despite illness (Shweta and Aditham, 2024; Johns, 2010). These two phenomena greatly undermine employees’ productivity resulting in lower output levels and job quality (Garrow, 2016). Implementing actions to enhance workers’ well-being is essential to prevent these behaviors.

The latest corporate wellness approaches adopt a holistic view of employees’ health considering several elements of workforce well-being including social, mental, and physical health, and financial wellness (Scott and Spievack, 2019).

- *Social health.* Establishing positive social interactions in the workplace is essential to improve employees’ well-being. This helps companies prevent employees’ loneliness and social isolation, which are two elements that negatively impact the physical and

mental health of employees, and consequently, their performance at work (OSG, 2023). Bowers *et al.* (2022) state that lonely employees exhibit higher stress-related absenteeism and turnover intention ratings than non-lonely workers. They identify several job resources that reduce employees' loneliness, including a supportive work environment, social companionship, good work-life balance, and satisfaction with communication.

- *Mental health.* Safeguarding mental health in the workplace improves employees' overall well-being and reduces so-called psychological risks. Psychological risks emerge from critical working conditions, including excessive workloads, lack of communication, and lack of support, resulting in negative impacts on employees' mental health such as stress, burnout, and anxiety (EU-OSHA, 2024). According to a survey conducted by GoodHabitZ (2023), 14% of surveyed Italian employees experienced strong signs of stress or burnout over the previous year. In order to enhance employees' mental well-being, Italian employees believe that employers should invest firstly in improving stress management skills, followed by communication, teamwork, and coaching management and leadership. Moreover, employers should create a safe work environment where employees feel comfortable communicating their management mental health issues.
- *Physical health.* A healthy and safe work environment is an absolute prerequisite for employees' well-being in the workplace. However, many employees still experience the so-called occupational risk, which encompasses occupational injuries, and work-related diseases. This is what emerged from the INAIL annual report, which shows that in 2022 the recognized occupational injuries in Italy amounted to 429.004, and 606 fatal job-related injuries were ascertained in the same year. The recognized work-related diseases instead amounted to around 22.000, and 817 workers' deaths due to work diseases were recognized (Mazzucca, 2023). In order to safeguard their employees, employers should improve working conditions and implement structured workplace health programs. These programs should include health education to warn employees about the risks of poor diet, physical inactivity, alcohol and drug misuse, and tobacco use, and preventive screening programs, particularly for those workers who are more exposed to occupational risks (WHO, 2017; C3, 2011). Workplace health programs provide several benefits for employers, including a 27% reduction in

sickness absenteeism. Moreover, they reduce turnover, improve employee satisfaction, and prevent the occurrence of accidents and injuries (C3, 2011).

- *Financial wellness.* Creating a workplace that prioritizes employee well-being requires employers to consider the financial wellness of their workforce. According to the PwC's 2023 Employee Financial Wellness Survey, finances represent the main source of stress for 57% of employees. Financial stress negatively impacts several areas of employees' health and overall well-being, including sleep, mental health, self-esteem, physical health, and relationships at home. Moreover, it harms employees' engagement and productivity; according to the survey, 44% of financially stressed employees stated that personal financial issues have represented a distraction at work. In order to address employees' financial concerns, employers should develop financial training and coaching programs to help workers make informed decisions about their finances. Moreover, they should provide financial wellness benefits to help employees address short-term financial concerns (PwC, 2023).

### *In sum*

Benefit Corporations invest more in their human capital, translating into higher levels of employee productivity. Higher investment denotes greater interest in these companies toward enhancing the potential of their people, which leads them to implement HRM initiatives aimed at achieving this purpose. In particular, Benefit Corporations believe in the importance of balancing working life and personal life; they are committed to eliminating any discriminatory behavior in favor of a diverse, equal, and inclusive environment; and finally, they aim at enhancing their human capital well-being through actions safeguarding their employees' social, mental, physical, and financial wellness.

## **3.5 Conclusion**

Benefit Corporations represent a completely new way of doing business: they provide a new interpretation of the company's role, which is oriented toward the public good. These companies are the ones that best interpret the concept of purpose-driven organizations. The higher purpose of Benefit Corporations drives their short- and long-term strategies and operations as much as the profit generation goal does. It leads these companies to care more about the common benefit, which is oriented toward all stakeholders, including employees, clients, and suppliers.

This dissertation analyzes in detail the role of the Italian Benefit Corporation, or *Società Benefit*. Introduced in the Italian legal framework in 2016 with Law No. 208/2015, these companies have grown steadily ever since (Riolfo, 2019). Indeed, as of 2024, Benefit Corporations represent 0.12% of all Italian registered corporations, showing a 117% increase in incidence in six years (Various Authors, 2024a).

Despite their still low incidence, these companies are able to make a difference. The Benefit Corporation status is synonymous with sustainability, allowing these companies to address the increasing needs of sustainable business of all stakeholders, and attract the best talent by reinforcing the company's employee value proposition. In this regard, the Benefit Corporation status improves the credibility of the sustainable commitment of companies, allowing them to gain trust and legitimacy.

Benefit Corporations make a difference also in human capital management and consideration. They invest more in their people, which translates into higher productivity levels. The attention to human capital is part of the company's higher purpose. To pursue the common good, Benefit Corporations must implement several initiatives oriented towards enhancing their human capital. These initiatives include safeguarding employees' work-life balance, promoting equity, diversity, and inclusion in the workplace, and implementing corporate wellness programs, to enhance employees' well-being with a holistic approach considering their social, mental, and physical health and financial well-being.

In sum, this chapter analyzed the innovative role of Italian Benefit Corporations, and how the greater investment of these companies in human capital allows them to implement initiatives oriented toward meeting employees' needs and enhancing their well-being. The next chapter analyzes in detail the purposes of common benefit of Italian Benefit Corporations to verify how these companies interpret their commitment toward human capital.

## EMPIRICAL ANALYSIS OF HUMAN CAPITAL IN BENEFIT CORPORATIONS

### 4.1 Introduction

The second part of the National Research on Benefit Corporations 2024 systemically analyzes for the first time the purposes of common benefit of the entire population of Benefit Corporations in Italy, whose data have been extracted from the Company Register database of the Chambers of Commerce (Various Authors, 2024b).

The research represents an important milestone in analyzing the benefit movement in Italy as it allows an understanding of how companies actually interpret their higher purpose and translate it into practice.

The research was conducted applying the international standard *Sustainability Accounting Standards Board* (SASB), which was used to map the purposes of common benefit according to five key areas: Environment, Social Capital, Human Capital, Leadership and Governance, and Business Model Innovation (SASB, 2017).

Regarding the Human Capital dimension, the SASB framework recognizes three general issue categories: Labor Practices, Employee Health and Safety, and Employee Engagement, Diversity, and Inclusion. This chapter analyzes how Benefit Corporations interpret their commitment to sustainability, particularly regarding human capital, and whether their impact varies according to specific company characteristics such as the industrial sector of belonging.

The second paragraph introduces the SASB framework, comparing it with the other major sustainability frameworks and analyzing its five key dimensions. The framework represents the language used to interpret the Benefit Corporations' purposes of common benefit in the National Research on Benefit Corporations 2024.

The third paragraph focuses on the consideration of human capital within Benefit Corporations, examining the purposes of common benefit falling under this dimension and their distribution within the three general issue categories: Labor Practices, Employee Health and Safety, and Employee Engagement, Diversity, and Inclusion.

The fourth paragraph analyzes the frequency tendencies of the purposes of common benefit pertaining to human capital across the industrial sectors. Moreover, the section examines the materiality of human capital related to the specific industry to verify whether companies correctly interpret the impacts of their operations on sustainability.

Finally, the fifth paragraph identifies the specific HRM practices that Benefit Corporations include in their purposes of common benefit to analyze which actions companies implement to handle their human capital commitment.

## **4.2 Introducing the SASB framework**

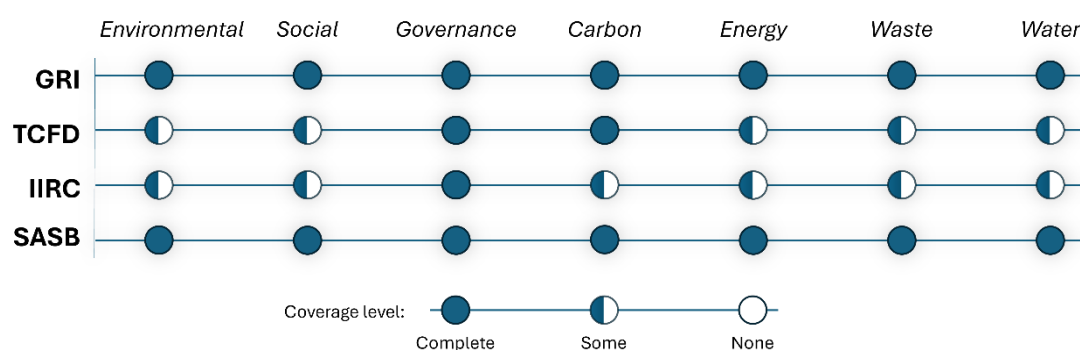
The increasing stakeholders' demand for sustainability-related information from companies has led to the emergence and development of several sustainability accounting frameworks, promoting standardized disclosure of environmental, social, and governance (ESG) information. Sustainability reporting frameworks provide a standardized language through which companies can describe their non-financial information. These are implemented voluntarily without any government regulation (Bose, 2020).

The major sustainability frameworks are the following:

- *Global Reporting Initiative (GRI)*.
- *Task Force on Climate-related Financial Disclosures (TCFD)*.
- *International Integrated Reporting Framework (IIRC)*.
- *Sustainability Accounting Standards Board (SASB)*.

These frameworks cover different aspects of the main ESG metrics, as shown in Figure 10. The most complete sustainability frameworks are the GRI and the SASB frameworks, while others are more specialized in single aspects of corporate sustainability disclosure. Between the major frameworks there is collaboration to avoid duplications and contradictions and promote complementarity. For this reason, they can be implemented in tandem by companies (Bose, 2020).

Figure 10 Level of coverage sustainability frameworks



Source. Adapted from IBM. (2024).

The frameworks constantly evolve toward the direction of simplifying the global sustainability reporting landscape. For this reason, in June 2021, the IIRC and the SASB frameworks merged into the Value Reporting Foundation (VRF). In November of the same year, the International Financial Reporting Standards (IFRS) established the International Sustainability Standards Board (ISSB) intending to build a comprehensive global baseline for sustainability reporting. In August 2022, the VRF consolidated into the IFRS Foundation. The ISSB incorporates the VRF, composed of the SASB and the IIRC frameworks, and elements from the TCFD, allowing companies to simplify the disclosure of sustainability-related information (SASB, 2023).

As shown in Figure 10, the SASB standard is one of the most complete models globally to classify the sustainability-related issues that are most relevant to financial performance in each of the seventy-seven codified industrial sectors. SASB was born in 2011 as an independent non-profit organization. It aimed to help companies and investors develop a common language about the financial impacts of sustainability. As of 2024, the SASB standard has been adopted by thousands of companies from over 170 countries globally (SASB, 2020).

The SASB standard addresses five key sustainability-related dimensions: Environment, Social Capital, Human Capital, Leadership and Governance, and Business Model Innovation.

- *Environment.* This dimension refers to the consideration of a company’s impact on the environment. It involves issues associated with the use of non-renewable resources as inputs for the production process and harmful releases into the environment that negatively impact natural resources (SASB, 2017).

- *Social Capital*. The dimension refers to a company's role within the society in which it operates. It is related to its contribution to generating the common good for society and its key stakeholders, including customers, local communities, the public, and the government (SASB, 2017).
- *Human Capital*. This dimension handles a company's human resource management. Human resources are considered vital assets to delivering long-term value. It considers aspects such as the promotion of a diverse and inclusive workforce, the definition of compensation policies, the establishment of a safe workplace, and compliance with labor laws and standards (SASB, 2017).
- *Business Model Innovation*. This dimension refers to the consideration of environmental, human, and social concerns in a company's value creation. This includes adapting a company's business model to the impacts of sustainability-related issues (SASB, 2017).
- *Leadership and Governance*. This dimension addresses the relationship between a company's operations and the interests of stakeholders, including government and community. It considers issues related to regulatory compliance, risk management, competitive behavior, and conflicts of interest (SASB, 2017).

These dimensions decline into twenty-six general issue categories, including ecological impacts, human rights and community relations, business model resilience, and others (SASB, 2021).

SASB provides also a materiality map indicating the materiality of the general issue categories for each of the seventy-seven codified industries. Materiality refers to the relevance for the specific industry: a category is material for an industrial sector if it is particularly relevant in minimizing the financial risk and improving the impacts on the environment and people in the specific industry. According to this logic, categories such as employee health and safety and labor practices are material in industrial sectors related to transportation, such as airlines, rail, and road transportation, and not in services sectors, such as education or advertising and marketing (SASB, 2021).

#### 4.2.1 Applying SASB: The National Research on Benefit Corporations 2024

Thanks to its comprehensiveness and completeness, the SASB standard represents the most appropriate framework for research purposes. For this reason, it has been adopted



in the Second Part of the National Research on Benefit Corporations 2024 to empirically analyze the entire population of Italian Benefit Corporations.

In particular, the Research analyzes the statutes of all the 3,619 Italian Benefit Corporations registered as of December 31, 2023, in the Company Register database of the Chambers of Commerce. Out of the 3,619 statutes, 422 (11.7%) were not usable for the scope of the Research. Consequently, 3,197 statutes were taken into consideration, from which 18,618 specific purposes of common benefit were identified (Various Authors, 2024b). A research team comprising four master's degree students and three professors from the Department of Economics and Management Marco Fanno, and two members of the Benefit Corporation Nativa S.r.l., categorized the entire population of purposes of common benefit of Italian Benefit Corporations according to SASB. Concerning the methodology, the analytical process followed four phases: preparation of the database for analysis, categorization of the purposes according to the SASB+ framework, assessment of the materiality, and assignment of the overlap score. These are divided into seven essential steps.

#### *Preparation of the Database for Analysis*

- *Unification of information.* In the first step of the analysis, relevant data were extracted from individual statutes in XML format, each containing key information about a specific Benefit Corporation, such as corporate purpose, company name, VAT number, ATECO code, economic sector, and size class. The data were consolidated into a comprehensive Excel database through a Python script.
- *Insertion of identifiers for the purposes of common benefit.* The second phase of the analysis involved a sample review of the corporate purposes of Benefit Corporations to identify the forty most recurring introductory phrases of the purposes of common benefit. This allowed the research team to isolate all the purposes of each Benefit Corporation by removing the text preceding these phrases using a Python script. The research team proceeded to identify manually the purposes of common benefit that were not introduced by one of the recurring phrases. Then, a unique identifier was inserted manually before each single purpose of common benefit in the *Corporate Purpose* field.
- *Breaking down the purposes into individual rows.* Then, each single purpose of common benefit was isolated in distinct rows within the Excel database through a Python script. This allowed the research team to categorize and analyze the purposes better.

### *Categorization of Purposes According to the SASB+ Framework*

- *Assignment of categories.* The first step of the second phase of the analysis involved the generation of an initial hypothesis for categorizing each purpose of common benefit according to the SASB+ framework using a generative AI tool. In particular, OpenAI's GPT-3.5 model was implemented to provide a preliminary automated association. A Python script iteratively made an API call for each purpose of common benefit to OpenAI and recorded the response in the Excel database. The prompt used for the assignment included basic information about the SASB+ categories and was tested and refined to improve the assignments' effectiveness. This enabled the generation of an initial categorization, which was then carefully reviewed.
- *Review of category assignments.* The research team proceeded with a manual review of the categorization of the purposes of common benefit hypnotized by OpenAI to ensure that the assigned categories were accurate and that these correctly reflected the purposes described in the Benefit Corporations' statutes.

### *Materiality Assessment*

- *Assignment of materiality.* In this phase of the analysis, the research team assessed each purpose for its relevance to the specific industrial sector according to the SASB framework. The materiality index was organized as a binary "Yes/No" variable, depending on whether the purpose was material to the company's industrial sector according to the SASB+ framework, and was assigned using Excel.

### *Overlap Score Assignment*

- *Calculation of the overlap score.* In the final phase of the analysis, the research team used a Natural Language Processing (NLP) model through Python's SpaCy library to assign an overlap score for each specific purpose of common benefit. In particular, the overlap score, ranging from 1 (total semantic similarity) to 0 (total semantic dissimilarity), was calculated by semantically comparing the description of each purpose of common benefit with the definition of the assigned category provided by SASB. This enabled the quantification of the degree of similarity between the purposes of common benefit of Benefit Corporations and the descriptions of SASB's categories, and consequently the alignment of the purposes with their category descriptions.

As mentioned in the methodology description, the research team has added to the general issue categories identified by SASB three additional categories to capture properly all the strategies and practices implemented to generate positive impacts on the common good, determining what it refers to as the SASB+. The three additional general issue categories are defined as follows (Various Authors, 2024b):

- *Operative Efficiency*. This category handles the company’s ability to manage business activities that aim to improve sustainability and operational efficiency through technological innovation, resource optimization, and minimization of negative impacts on ecosystems and biodiversity.
- *Diffusion of the Benefit Model*. This category handles the company’s ability to promote and disseminate evolved and future-proof social and economic systems, in particular the Benefit model.
- *Research and Development*. This category handles the company’s investment in research and development as the key to business progress and innovation.

Table 6 represents the SASB+ standard’s dimensions and the related general issue categories used to analyze the purposes of common benefit of Italian Benefit Corporations.

Table 6 SASB+ Standard dimensions and issue categories

SOCIAL CAPITAL	ENVIRONMENT	HUMAN CAPITAL	BUSINESS MODEL INNOVATION	LEADERSHIP AND GOVERNANCE
Human Rights and Community Relations	Water and Wastewater Management	Employee Engagement, Diversity and Inclusion	Product Design and Lifecycle Management	Management of the Legal and Regulatory Environment
Customer Privacy	Air Quality	Employee Health and Safety	Business Model Resilience	Competitive Behavior
Product Quality and Safety	Energy Management	Labor Practices	Supply Chain Management	Business Ethics
Access and Affordability	Operational Efficiency (+)		Materials Sourcing and Efficiency	Critical Incident Risk Management
Selling Practices and Product Labeling	Waste and Hazardous Materials Management		Physical Impacts of Climate Change	Systemic Risk Management
Diffusion of the Benefit Model (+)	Ecological Impacts		Research and Development (+)	Diffusion of the Benefit Model (+)
Data Security	GHG Emissions			
Customer Welfare				

Source. Adapted from Various Authors. (2024b).

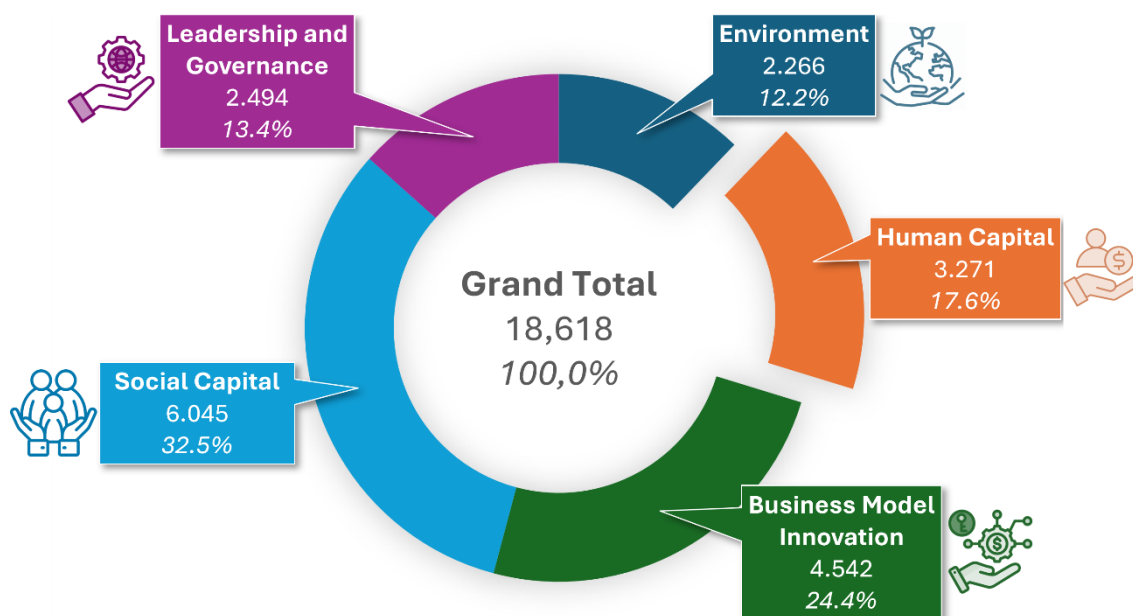
In conclusion, the SASB+ standard represents the language used in the National Research on Benefit Corporations 2024 to analyze the purposes of common benefit of Italian Benefit Corporations. The choice of applying this framework is related to its completeness which allows to capture every practice and strategy implemented by Italian Benefit Corporations to comply with their commitment toward pursuing a higher purpose, which according to SASB declines into five sustainability dimensions: Social Capital, Environment, Human Capital, Business Model Innovation, and Leadership and Governance. Moreover, the materiality map provided by SASB is an important indicator for analyzing companies' awareness of their processes' impact on sustainability performance according to their industrial sector.

### **4.3 SASB's *Human Capital* dimension in Benefit Corporations**

Benefit Corporations invest more in their human capital. As mentioned in Paragraph 3.4, the first part of the National Research on Benefit Corporations 2024 demonstrates that in 2022 Benefit Corporations had a labor cost 7.9% higher compared to non-benefit corporations, showing an overall greater interest of these companies in enhancing human capital (Various Authors, 2024a). To empirically examine the companies' commitment toward human capital, the second part of the Research adopts the SASB+ standard to analyze the purposes of common benefit of Italian Benefit Corporations.

From empirical analysis it emerges that the SASB's *Human Capital* dimension has an incidence of 17.6% on the grand total, making it the third most recurring dimension among the five sustainability areas considered by the framework. In particular, 3,271 purposes of common benefit of Italian Benefit Corporations fall under this dimension. The first dimension for incidence is represented by Social Capital (32.5%), thanks to the Human Rights and Community Relations general issue category which alone accounts for 28.2% of the grand total. This dimension is followed by Business Model Innovation accounting for 24.4% of the total purposes of common Benefit of Italian Benefit Corporations. The most frequent general issue category of this dimension is represented by Business Model Resilience with an incidence of 8.2% (Various Authors, 2024b). Figure 11 summarizes the distribution of the purposes of common benefit within the five SASB's sustainability dimensions.

Figure 11 Distribution of the purposes of common benefit within the SASB's dimensions



Source. Adapted from Various Authors. (2024b).

Considering Human Capital, the SASB framework analyzes three general issue categories: Labor Practices, Employee Health and Safety, and Employee Engagement, Diversity, and Inclusion. The following sub-paragraphs analyze in detail these three categories providing their definition, incidence, and some examples of purposes of common benefit falling under each of them.

### 4.3.1 Labor Practices

SASB provides the following definition of the *Labor Practices* general issue category:

«The category addresses the company's ability to uphold commonly accepted labor standards in the workplace, including compliance with labor laws and internationally accepted norms and standards. This includes, but is not limited to, ensuring basic human rights related to child labor, forced or bonded labor, exploitative labor, fair wages and overtime pay, and other basic workers' rights. It also includes minimum wage policies and provision of benefits, which may influence how a workforce is attracted, retained, and motivated. The category further addresses a company's relationship with organized labor and freedom of association» (SASB, 2021).

The Labor Practices general issue category is related to the most basic requirements companies must guarantee to be sustainable. Indeed, compliance with labor laws and international norms and standards is an essential prerequisite for all companies pursuing the common good, as it ensures the safeguarding of employees' basic human rights. Recalling

Herzberg’s (1968) *two-factor motivation theory*, it can be affirmed that purposes of common benefit afferent to this category fall under the so-called *hygiene factors*, which are dissatisfaction-avoidance factors involving those needs stemming from the human’s animal nature, including security, salary, work conditions, and others. This can be seen as a *tayloristic* approach to human capital management, addressing the most basic needs of the workforce.

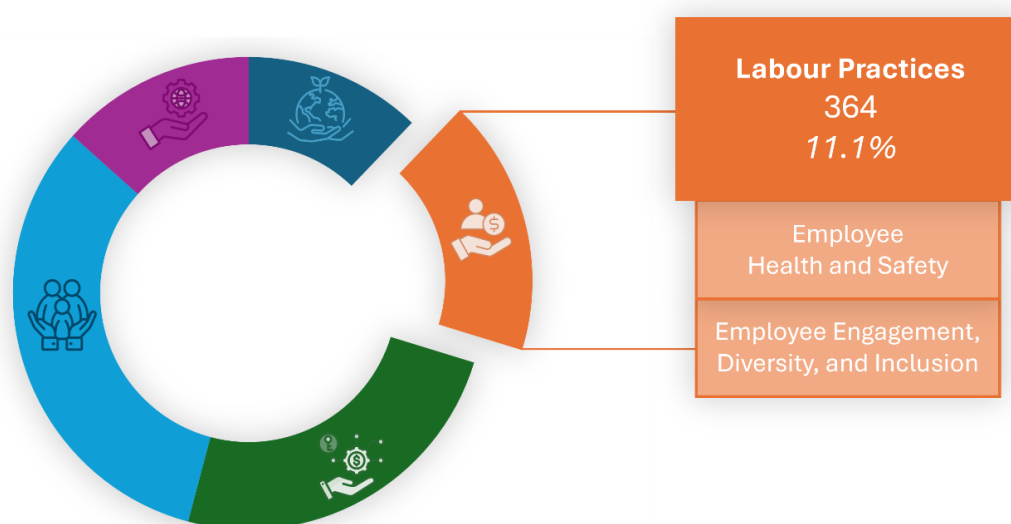
Examples of purposes of common benefit falling under this general issue category are the following (Various Authors, 2024b):

«Operating with integrity, with full respect of fundamental responsibilities in relation to human rights, labor, environment, and fight against corruption»

«Adherence to high-quality standards in the treatment of working personnel of suppliers and collaborators»

Concerning the incidence of this category on the overall Human Capital dimension, Figure 12 shows that Labor Practices accounts for 11.1%, with 364 purposes of common benefit pertaining to this category (Various Authors, 2024b).

Figure 12 Incidence of Labor Practices category



Source. Adapted from Various Authors. (2024b).

Considering SASB’s materiality map, this category is most relevant for twelve industrial sectors, pertaining to the macro-areas of consumer goods, extractive and mineral processing, financials, food and beverage, infrastructure, services, technology and

communications, and transportation. Indeed, companies' compliance with labor standards and norms is particularly relevant in such industrial sectors

### 4.3.2 Employee Health and Safety

SASB provides the following definition of the *Employee Health and Safety* general issue category:

«The category addresses a company's ability to create and maintain a safe and healthy workplace environment that is free of injuries, fatalities, and illness (both chronic and acute). It is traditionally accomplished through implementing safety management plans, developing training requirements for employees and contractors, and conducting regular audits of their own practices as well as those of their subcontractors. The category further captures how companies ensure physical and mental health of workforce through technology, training, corporate culture, regulatory compliance, monitoring and testing, and personal protective equipment» (SASB, 2021).

Similarly to the Labor Practices general issue category, pursuing Employee Health and Safety in the workplace is related to job dissatisfaction avoidance. Indeed, *safety* falls also under the hygiene factors described by Herzberg (1968) in his two-factor motivation theory.

Guaranteeing a safe and healthy work environment free of injuries and fatalities should be a priority for every business, particularly those pursuing the common good.

Examples of purposes of common benefit of Italian Benefit Corporations falling under this general issue category are the following (Various Authors, 2024b):

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«The constant research of tools to improve the health and safety conditions in the workplaces and the socio-economic well-being of workers»

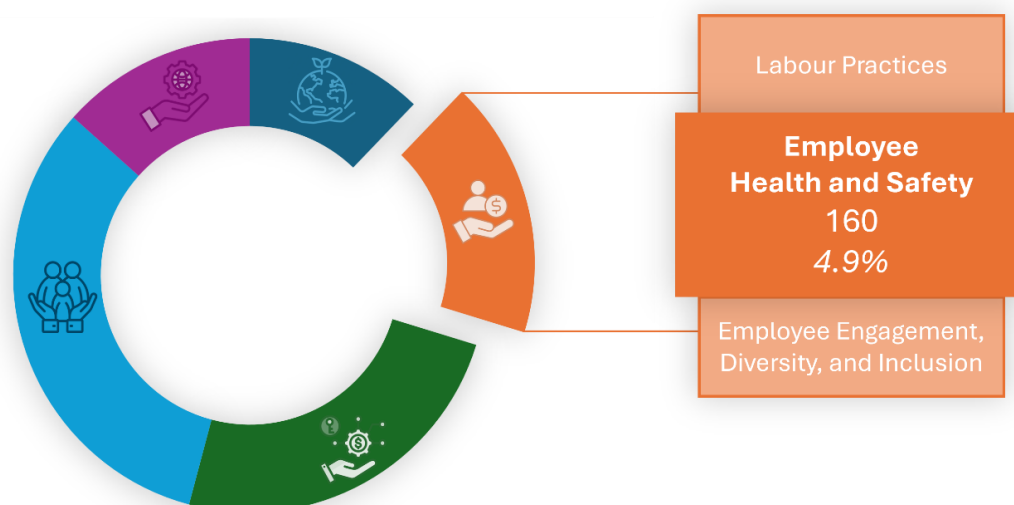
«Commitment, with the aim of promoting employees' health by implementing information and prevention programs through the collaboration with associations or research organizations to strive for an improvement in the quality of life»

«The company is committed to ensuring maximum safety for its workers and collaborators in every circumstance and type of activity»

---

Considering the distribution of purposes of common benefit among Human Capital's categories, Employee Health and Safety exhibits an incidence of 4.9%, with 160 purposes pertaining to this general issue category, as shown in Figure 13 (Various Authors, 2024b).

Figure 13 Incidence of Employee Health and Safety category



Source. Adapted from Various Authors. (2024b).

For what concerns materiality, according to SASB this general issue category is most relevant for twenty-seven industrial sectors, pertaining to the macro-areas of extractives and mineral processing, food and beverage, health care, infrastructure, renewable resources and alternative energy, resource transformation, services, technology and communications and transportation. The materiality in such a wide range of industrial sectors highlights the absolute necessity for businesses to comply with this general issue category.

### 4.3.3 Employee Engagement, Diversity, and Inclusion

SASB provides the following definition of the *Employee Engagement, Diversity, and Inclusion* general issue category:

«The category addresses a company’s ability to ensure that its culture and hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the makeup of local talent pools and its customer base. It addresses the issues of discriminatory practices on the bases of race, gender, ethnicity, religion, sexual orientation, and other factors» (SASB, 2021).

The Employee Engagement, Diversity, and Inclusion general issue category represents the highest form of pursuing the common good within human capital management. The purposes of common benefit pertaining to this category fall under Herzberg’s so-called *motivational factors* as they satisfy employees’ higher needs of self-actualization. This



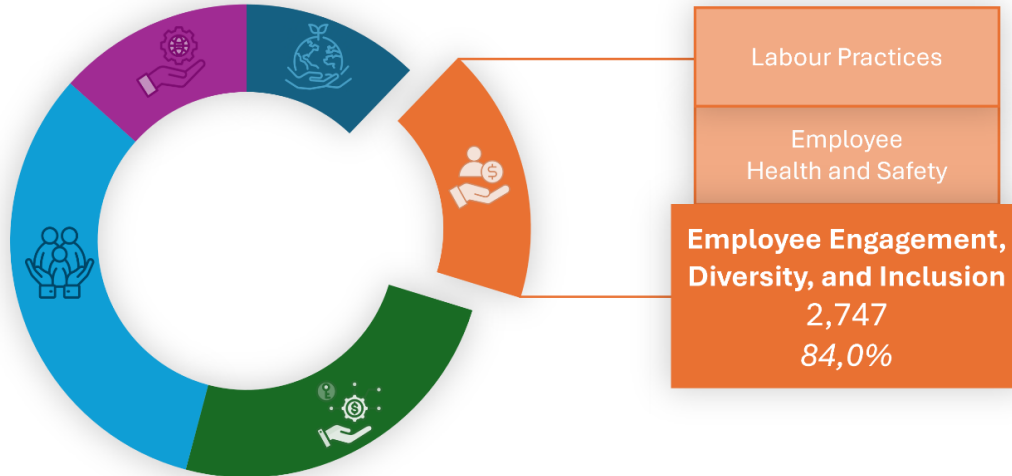
general issue category addresses the needs of employees to be *engaged* with the company culture and to feel welcomed in a diverse and inclusive work environment.

An example of purpose of common benefit of an Italian Benefit Corporation falling under this general issue category is the following (Various Authors, 2024b):

«The company is committed to creating and fostering an environment based on support and understanding, where everyone has the opportunity to develop to their fullest potential within the company, and will operate to ensure that all people are treated with respect and dignity; therefore, the company does not discriminate against employees or candidates on the basis of their race, faith, skin color, physical or mental disability, religion, gender, sexual orientation, sexual identity/expression, nationality, origins, seniority, or age»

As shown in Figure 14, Employee Engagement, Diversity, and Inclusion represents the most commonly recurring general issue category of the Human Capital dimension with an incidence of 84.0% and 2,747 purposes of common benefit falling under this category (Various Authors, 2024b).

Figure 14 Incidence of Employee Engagement, Diversity, and Inclusion category



Source. Adapted from Various Authors. (2024).

Moreover, Employee Engagement, Diversity, and Inclusion is the second most recurring category in the purposes of common benefit of Italian Benefit Corporations, weighing 14.7% of the total (Various Authors, 2024b). This figure demonstrates the high aspiration of Benefit Corporations to make a difference in the labor market, not limiting themselves

to avoiding job dissatisfaction but trying to create a work environment where employees can thrive and feel proud of being part of the reality they work for.

Regarding materiality, according to the SASB materiality map, the Employee Engagement, Diversity, and Inclusion category is most relevant for twelve industries falling under the macro-areas of consumer goods, financials, health care, services, and technology and communications. As evidenced, the Employee Engagement, Diversity, and Inclusion and the Labor Practices categories tend to alternate concerning their materiality within the industrial sectors: where one is material, the other is not. This demonstrates the significantly contrasting nature of the issues addressed by these categories: the first handles employees' highest social needs, while the second addresses employees' most basic economic and biological needs.

#### **4.4 Human Capital and Industrial Sector**

In the second part of the National Research on Benefit Corporations, each company was assigned to one of the seventy-seven industrial sectors codified by SASB. This allows to verify whether a company's purposes of common benefit are material according to its industrial sector of belonging.

The seventy-seven specific industrial sectors are categorized into eleven macro-industries: consumer goods, extractive and mineral processing, financials, food and beverage, health care, infrastructure, renewable resources and alternative energy, resource transformation, services, technology and communications, and transportation (Various Authors, 2024b).

Considering Human Capital, Table 7 shows the distribution of the purposes of common benefit pertaining to the three categories of these dimensions within the eleven macro-industries. As evidenced in the table, the distribution of the purposes of common benefit within the three Human Capital's general issue categories is quite stable, with only one exception represented by the infrastructure macro-category in which Employee Health and Safety has a higher incidence than Labor Practices. In all the other industrial sectors, the sequence is the same: Employee Engagement, Diversity, and Inclusion is the category with more purposes of common benefit, followed by Labor Practices, and finally Employee Health and Safety (Various Authors, 2024b).

Table 7 Distribution of the purposes in human capital within the macro-industries

	N° AND % OF PURPOSES IN LABOR PRACTICES	N° AND % OF PURPOSES IN EMPLOYEE HEALTH AND SAFETY	N° AND % OF PURPOSES IN EMPLOYEE ENGAGEMENT, DIVERSITY, AND INCLUSION	TOTAL N° AND % OF PURPOSES IN HUMAN CAPITAL
CONSUMER GOODS	55 12.3%	18 4.0%	376 83.7%	<b>449</b> <b>100.0%</b>
EXTRACTIVE AND MINERAL PROCESSING	2 40.0%	0 0.0%	3 60.0%	<b>5</b> <b>100.0%</b>
FINANCIALS	9 10.5%	2 2.3%	75 87.2%	<b>86</b> <b>100.0%</b>
FOOD AND BEVERAGE	16 10.3%	8 5.2%	131 84.5%	<b>155</b> <b>100.0%</b>
HEALTH CARE	10 12.8%	7 9.0%	61 78.2%	<b>78</b> <b>100.0%</b>
INFRASTRUCTURE	19 7.4%	28 10.9%	210 81.7%	<b>257</b> <b>100.0%</b>
RENEWABLE RESOURCES AND ALTERNATIVE ENERGY	1 10.0%	0 0.0%	9 90.0%	<b>10</b> <b>100.0%</b>
RESOURCE TRANSFORMATION	21 11.8%	15 8.4%	142 79.8%	<b>178</b> <b>100.0%</b>
SERVICES	153 11.1%	57 4.2%	1,165 84.7%	<b>1,375</b> <b>100.0%</b>
TECHNOLOGY AND COMMUNICATIONS	71 11.8%	20 3.3%	510 84.9%	<b>601</b> <b>100.0%</b>
TRANSPORTATION	7 9.2%	5 6.6%	64 84.2%	<b>76</b> <b>100.0%</b>

Source. Adapted from Various Authors. (2024b).

An interesting element emerging from Table 7 is that some industrial sectors exhibit more purposes of common benefit pertaining to Human Capital than others. In particular, services (1,375), technology and communications (601), and consumer goods (449) are the industrial sectors with the highest frequency of purposes of common benefit falling under the Human Capital dimension (Various Authors, 2024b). Such a frequency distribution suggests that the emphasis that companies place on human capital varies across the industrial sector of belonging.

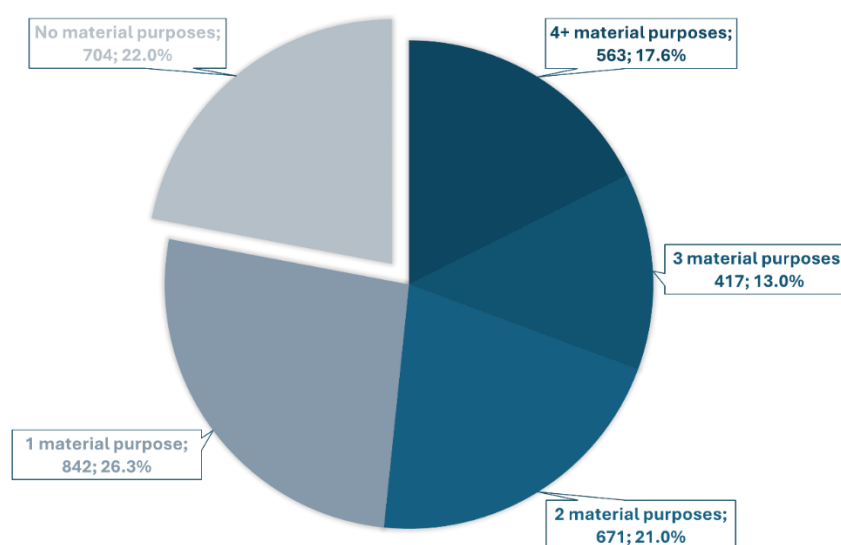
#### 4.4.1 Sectoral analysis of the *Materiality* of Human Capital

SASB's materiality refers to the relevance of general issue categories within industrial sectors. The financial, environmental, and social impacts of a company can greatly vary

according to the different industrial sectors of belonging. For this reason, SASB has defined the materiality map, indicating which categories are most relevant for a specific industrial sector. Materiality represents a useful indicator of companies' awareness about the processes impacting sustainability performance: the more the Benefit Corporation implements specific purposes of common benefit belonging to a material category, the more it is effectively aware.

Overall, the Research highlights that 2,493 out of the 3,197 Italian Benefit Corporations, corresponding to 78.0%, adopted at least one purpose of common benefit which is material according to SASB standard. This figure demonstrates that Benefit Corporations are aware of which factors are particularly critical in the sector in which they operate (Various Authors, 2024b). Figure 15 reports the number of material purposes of common benefit of Italian Benefit Corporations.

Figure 15 Materiality of purposes of common benefit of Benefit Corporations



Source. Adapted from Various Authors. (2024b).

Considering the Human Capital sustainability dimension, the eleven macro-sectors have been classified into three categories according to the materiality of this dimension:

- *Not human capital oriented.* In these macro-sectors only one of the three Human Capital categories is material.
- *Partly human capital oriented.* In these macro-sectors two out of the three Human Capital categories are material.

- *Highly human capital oriented.* In these macro-sectors all three of the Human Capital categories are material.

The eleven macro-sectors have been classified according to this classification as represented in Table 8.

Table 8 Classification of macro-sectors according to human capital's materiality

		LABOR PRACTICES	EMPLOYEE HEALTH AND SAFETY	EMPLOYEE ENGAGEMENT, DIVERSITY, AND INCLUSION
HIGHLY HUMAN CAPITAL ORIENTED	<i>Services</i>	Material	Material	Material
	<i>Technology and Communications</i>	Material	Material	Material
PARTLY HUMAN CAPITAL ORIENTED	<i>Consumer Goods</i>	Material		Material
	<i>Extractive and Mineral Processing</i>	Material	Material	
	<i>Food and Beverage</i>	Material	Material	
	<i>Health Care</i>		Material	Material
	<i>Infrastructure</i>	Material	Material	
	<i>Transportation</i>	Material	Material	
NOT HUMAN CAPITAL ORIENTED	<i>Financials</i>			Material
	<i>Renewable Resources and Alternative Energy</i>		Material	
	<i>Resource Transformation</i>		Material	

Source. Adapted from Various Authors. (2024b).

As shown in Table 8, the highly human capital-oriented macro-sectors are services and technology and communications. These two macro-sectors are those with the highest frequency of purposes of common benefit pertaining to the Human Capital category, as evidenced in Table 7. This confirms the presence of a distribution tendency of human capital purposes highlighting that some industrial sectors prioritize commitment toward human capital more if compared to other industries. Moreover, it indicates that companies belonging to these two industrial sectors well interpret their commitment and are effectively aware of the processes impacting more on their sustainability performance, as they include in their purposes of common benefit categories that are most relevant in their industrial sector.

The services macro-sector encompasses seven specific industrial sectors: advertising and marketing, casinos and gaming, education, hotels and lodging, leisure facilities, media

entertainment, and professional and commercial services. The specific industrial sectors with the highest frequency of purposes of common benefit are professional and commercial services (901 purposes), followed by advertising and marketing (97 purposes) and education (89 purposes).

The technology and communications macro-sector includes six industrial sectors: electronic manufacturing services and original design manufacturing, hardware, internet media and services, semiconductors, software and IT services, and telecommunication services. The specific industrial sectors with the highest frequency of purposes of common benefit are the software and IT services (508 purposes), followed by telecommunication services (2 purposes).

In conclusion, from the analysis of the purpose of common benefit of Italian Benefit Corporations emerge some interesting results. In particular, the distribution of the purposes of common benefit within the three Human Capital categories is quite stable among different industrial sectors: the Benefit Corporations of all industrial sectors prioritize Employee Engagement, Diversity, and Inclusion. Another interesting result emerges from the distribution tendencies of purposes of common benefit pertaining to human capital showing that there are varying levels of emphasis on human capital across industrial sectors: companies belonging to some sectors prioritize more human capital if compared to other industrial sectors.

#### **4.5 Analysis of Benefit Corporations' HRM practices**

Paragraph 3.4.1 provides an overview of the main concerns that companies oriented toward pursuing the common good in human capital management try to address. In particular, the higher investment of Benefit Corporation in human capital translates into actions addressing employees' emerging needs including work-life balance, an equal and inclusive workplace, and overall well-being. After analyzing the purposes of common benefit of Italian Benefit Corporations according to SASB's Human Capital dimension, this paragraph analyses the specific HRM practices addressed by these companies.

In particular, each purpose of common benefit was broken down and manually assigned to one or more HRM practices it addressed. Fifteen HRM practices have been considered to encompass all the practices handled by these companies, which are reported in Table 9. It is important to underline that one purpose of common benefit may include more HRM practices.

Table 9 HRM practices in Italian Benefit Corporations

HRM PRACTICES	DEFINITION
<i>Career Development</i>	Improving employees' career advancement opportunities, promotions, professional growth, and professional achievement
<i>Compensation and Benefits</i>	Guaranteeing fair and decent remunerative mechanisms, handling employees' rewards, benefits, and incentives
<i>Diversity, Equity, and Inclusion</i>	Promoting integration and inclusion in the workplace, particularly focusing on eliminating discrimination based on disabilities, race, gender, social background, and other discriminatory factors
<i>Employee Engagement</i>	Improving employees' satisfaction and participation in the company and aiming to build trust-based relationships
<i>Employee Recognition</i>	Valuing employees, concretely recognizing their talent, competencies, merit, and commitment
<i>Employee Relations</i>	Creating quality and long-term relationships with employees through transparency, clarity, constant dialogue, and feedback
<i>Employee Well-being</i>	Improving employees' overall financial, social, mental, and physical well-being and promoting happiness at and outside work
<i>Health and Safety</i>	Implementing healthy and safe work conditions and promoting healthy lifestyles
<i>HR Compliance</i>	Guaranteeing compliance with workplace operating procedures and preventing any violation of employees' fundamental human rights
<i>Performance Management</i>	Promoting fair and equal employee performance appraisal and promotion processes
<i>Recruitment and Selection</i>	Promoting fair and equal recruitment and selection processes, avoiding any form of discrimination, and fostering access to employment for disadvantaged people
<i>Talent Management</i>	Enhancing employees' potential and creating the best conditions for attracting, growing, and retaining talented people
<i>Training and Development</i>	Promoting the development of employees' potential and competencies through individualized training paths, enhancing individual vocations and aptitudes
<i>Work Environment</i>	Creating a positive, peaceful, and non-frustrating work environment, constantly improving work conditions
<i>Work-Life Balance</i>	Guaranteeing flexibility and conciliation of personal and family life with employee work commitments

Source. Author's elaboration.

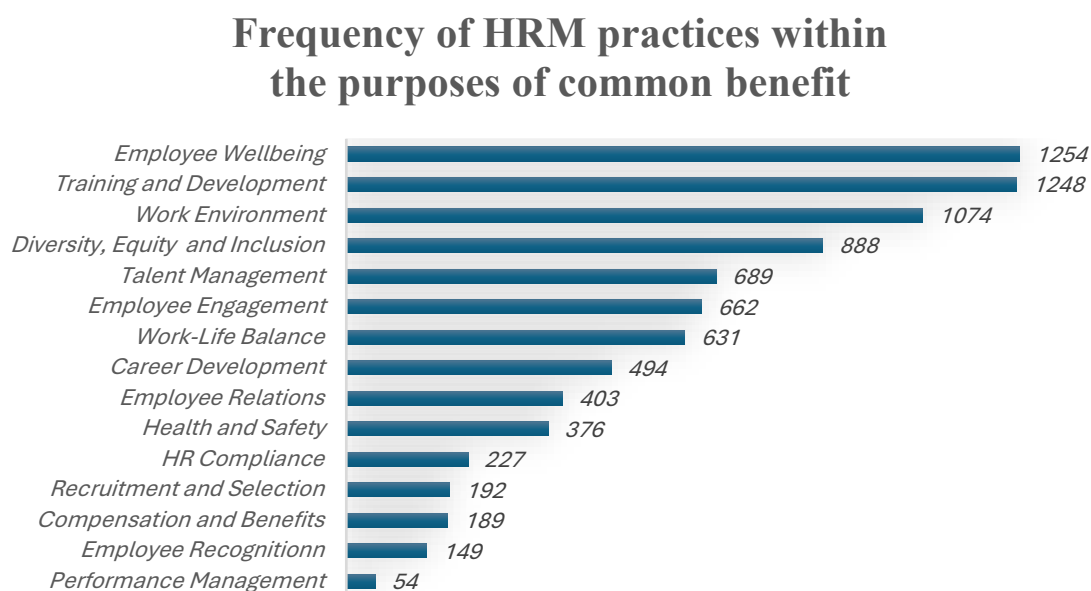
The choice of Benefit Corporations to include these HRM practices within their purposes of common benefit is consistent with what has been stated in Paragraph 3.4.1, namely that the higher investment in the human capital of these companies translates into HRM practices addressing employees' emerging needs related to work-life balance, an equal and inclusive workplace, and overall well-being.

The distribution of HRM practices included in the Human Capital purposes of common benefit resulting from the analysis is represented in Figure 16. The figure shows that the most common HRM practices included in the Benefit Corporations' purposes of common benefit are employee well-being, training and development, and work environment.

Considering the macro-categories of industrial sectors, the distribution of HRM practices is quite stable, with only a few exceptions. In the highly human capital-oriented sectors,

namely services and technology and communications, the hierarchy of the HRM practices is the same, with training and development, employee well-being, and work environment at the top.

Figure 16 Frequency of HRM practices within the purposes of common benefit



Source. Author's elaboration.

These HRM practices represent the actions through which Italian Benefit Corporations concretely interpret their commitment to human capital and contribute to achieving the common good.

### *Employee Well-being*

Examples of purposes of common benefit referring to employee well-being are the following (Various Authors, 2024b):

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«Increasing the personal and professional *satisfaction* and *well-being* of people who interact with the company: employees, customers, and suppliers»

«The creation of a positive work environment, aimed at the *enhancement and well-being* of people, to develop the potential of each person and constantly grow *pride and satisfaction* in working with the company»

---

Employee well-being is the most recurring HRM practice of Italian Benefit Corporations. It is included in 1,254 Human Capital purposes of common benefit characterizing 38.4%



of the total. This figure demonstrates these companies' strong attention to safeguarding and improving employees' overall financial, social, mental, and physical well-being and promoting their happiness in and outside the workplace.

### *Training and Development*

Examples of purposes of common benefit referring to training and development are the following (Various Authors, 2024b):

---

«The promotion of *training paths* that encourage the application of organizational models consistent with the well-being of workers»

«Promoting activities to *train new professionals and develop new skills*»

---

The training and development practice is the second most recurring HRM practice of Italian Benefit Corporations. It is included in 1,248 Human Capital purposes of common benefit characterizing 38.2% of the total. This demonstrates that these companies nurture a strong interest in promoting the development of employees' potential and competencies which translates into designing individualized training paths and consequently enhancing individual vocations and aptitudes.

### *Work Environment*

Examples of purposes of common benefit referring to the work environment are the following (Various Authors, 2024b):

---

«The company is committed to ensuring a *peaceful and stimulating work environment*»

«Maintaining *high quality in the work environment*»

---

Work environment is the third most recurring HRM practice of Italian Benefit Corporations. It is included in 1,074 Human Capital purposes of common benefit characterizing 32.8% of the total. This figure shows these companies' strong interest in creating a positive, peaceful, and non-frustrating work environment. Benefit Corporations are committed to constantly improving work conditions to create a quality workplace in which employees are able to exploit their potential.

### *In sum*

From a deeper analysis of the Benefit Corporations' HRM practices it is possible to understand how these companies concretely interpret and implement their commitment to human capital. From the analysis, it results that Italian Benefit Corporations prioritize employee well-being, training and development, and a positive work environment across almost all industrial sectors.

## **4.6 Conclusion**

The second part of the National Research on Benefit Corporations 2024 represents an important milestone in the analysis of Italian Benefit Corporations' commitment to sustainability. By systematically analyzing all the purposes of common benefit of these companies it is possible to verify how they interpret and meet their commitment.

The language implemented by the research team to analyze Benefit Corporations is the SASB+ framework which puts under the lens five key sustainability dimensions: Environment, Social Capital, Human Capital, Leadership and Governance, and Business Model Innovation (SASB, 2017). This sustainability framework has been carefully selected because of its comprehensiveness which enables to interpret all the actions implemented by the entire population of Italian Benefit Corporations (IBM, 2024).

Considering the focus of this dissertation, the purposes of common benefit of Benefit Corporations falling under the Human Capital dimension account for 17.6% of the total (Various Authors, 2024b). According to the SASB+ framework, these are divided into three general issue categories: Labor Practices, Employee Health and Safety, and Employee Engagement, Diversity, and Inclusion.

The three categories handle different issues related to human capital management that differ in their complexity. On the one hand, Labor Practices and Employee Health and Safety aim to meet the most fundamental needs of employees, such as ensuring healthy and safe working conditions and compliance with labor laws and standards, which are what Herzberg (1968) refers to as the hygiene factors. On the other hand, Employee Engagement, Diversity, and Inclusion represent the highest expression of companies' human capital commitment. This category aims to meet employees' higher needs of esteem, engagement, and inclusion in the workplace, which are what Herzberg (1968) refers to as motivational factors. From the analysis of the purposes of common benefit, it emerges that Italian Benefit Corporations prioritize the latter general issue category, namely

Employee Engagement, Diversity, and Inclusion, which accounts for 84.0% of the total purposes falling under Human Capital (Various Authors, 2024b). This demonstrates that these companies go beyond mere compliance with labor law, aspiring to truly value and enhance their human capital to unlock the true potential of their people.

Moreover, from the empirical analysis of Benefit Corporations' purposes of common benefit, it emerges that some sectors place greater emphasis on the Human Capital dimension than others. In particular, the highly human capital-oriented macro-sectors are services and technology and communications. For these macro-categories of industrial sectors, all the Human Capital's general issue categories are material, meaning that these issues are particularly relevant for these industries. The frequency distribution of purposes of common benefit across the industrial sectors confirms that companies within these sectors seem to place greater emphasis on human capital.

Finally, considering the specific HRM practices included within the purposes of common benefit of Italian Benefit Corporations, these companies prioritize employee well-being, training and development, and a positive work environment, which characterize respectively 38.4%, 38.2%, and 32.8% of the purposes falling under the Human Capital dimension. These represent the actions through which Benefit Corporations concretely interpret and implement their commitment to human capital.

In conclusion, from the empirical analysis of Italian Benefit Corporations' purposes of common benefit emerge several interesting results related to the human capital issues prioritized by these companies, the emphasis placed on human capital from different industrial sectors, and the specific HRM practices included in the purposes of common benefit to implement the common good in relation to human capital. The next chapter deeply analyzes human capital commitment considering companies' specific characteristics, including size, geographical area, and materiality.



## ANALYZING THE DRIVERS OF HUMAN CAPITAL COMMITMENT

### 5.1 Introduction

After analyzing the main results of the second part of the National Research on Benefit Corporations 2024 it is worth expanding the analysis considering additional information on Benefit Corporations. In particular, some specific company characteristics can explain the behavior of Benefit Corporations and their commitment to the five SASB sustainability dimensions.

For this reason, further data were extracted from the Benefit Corporations' statutes, including geographical location, number of employees, and year of incorporation. The preparation of the database used for the analysis followed three steps: extraction of information, selection of relevant information, and unification of information.

- *Extraction of information.* In this step, data were extracted from individual statutes in XML format, each containing key information about a specific Benefit Corporation, such as VAT number, date of incorporation deed, municipality, competent Chamber of Commerce, number of employees, number of office holders, and starting date of activity. The VAT number was extracted to facilitate the identification of each Benefit Corporation. The data were consolidated into a comprehensive Excel database using OpenAI's GPT-4 script.
- *Selection of relevant information.* In this step, the information relevant to the analysis was selected. In particular, the columns containing the starting date of activity and the number of office holders were removed because of insufficient available data. Moreover, three columns have been added to the Excel database: the region, the geographical area, and a column identifying whether the Benefit Corporation was born social

or became social according to its year of incorporation. The region and the geographical area were assigned manually according to the competent Chamber of Commerce.

- *Unification of information.* In the last step, the data of the newly generated Excel database was unified with the original database containing information of all the purposes of common benefit in a comprehensive Excel database through OpenAI's GPT-4 script. In particular, the script instructed OpenAI to associate the information where the VAT numbers matched and discard the VAT numbers where there was no match in the original Excel database. Indeed, as mentioned in Subparagraph 4.2.1, the original database did not include 422 Benefit Corporations due to a lack of data. The information extracted from the original database for the analysis was related to the identification number of each purpose of common benefit, the assigned sustainability dimension and general issue category, the industrial sector, and the size.

From this process an Excel database was obtained, containing all 18,618 purposes of common benefit and the relative identification number, sustainability dimension, general issue category, industrial sector, VAT number, date of incorporation deed, municipality, competent Chamber of Commerce, number of employees, region, geographical area, size and born- versus became-social status.

This chapter explains the results deriving from the analysis of additional information of the purposes of common benefit focusing on their implications on human capital.

The second paragraph analyses the number of employees and consequently, the size of these companies to examine how micro, small, medium, and large enterprises approach their commitment to sustainability, and in particular to human capital.

The third paragraph studies the geographical distribution of Benefit Corporations, analyzing the different commitments to sustainability of companies based in Northern, Southern, and Central Italy, and the Islands.

The fourth paragraph distinguishes between born-social and become-social Benefit Corporations according to the companies' year of incorporation deed to examine the different sustainability commitments and specifically how these companies interpret their human capital commitment.

## **5.2 How company scale influences Human Capital commitment**

From the analysis of the database containing the purposes of common benefit of Italian Benefit Corporations, it is possible to analyze whether the size of these companies is able

to influence companies' commitment to sustainability. In particular, Benefit Corporations can be divided into four size categories: micro, small, medium, and large enterprises. Table 10 represents the distribution of the purposes of common benefit among the four categories. Micro enterprises contain most of the purposes of common benefit of Italian Benefit Corporations (71.3%), followed by small enterprises (18.3%), medium enterprises (7.7%), and large enterprises (2.7%).

Table 10 Distribution of the purposes of common benefit according to the size

	DEFINITION	N° OF PURPOSES OF COMMON BENEFIT
MICRO	≤ 9 employees	13,267 71.3%
SMALL	10-49 employees	3,399 18.3%
MEDIUM	50-249 employees	1,439 7.7%
LARGE	≥ 250 employees	513 2.7%
<b>TOTAL</b>		<b>18,618</b> <b>100.0%</b>

Source. Author's elaboration.

However, this figure does not necessarily indicate that micro enterprises are more committed to sustainability than large ones. Thus, the resulting figure changes when comparing these data with the distribution of all Italian enterprises among the four size categories. This is what emerges from Istat's first results of the Permanent Census of Enterprises 2023. Considering a representative sample of 280 thousand enterprises, 78.9% are micro, 18.5% are small, 2.2% are medium, and 0.4% are large enterprises (Istat, 2023). It means that in proportion to the entire population, large and medium enterprises seem to be more committed to sustainability than micro enterprises.

The reasons behind this figure may be traced back to the know-how and the complexity of the organizational internal structure. Larger companies, characterized by more sophisticated organizational structures, are usually better positioned to embrace sustainable models. Indeed, many of these companies have at their disposal dedicated sustainability departments responsible for overseeing and implementing sustainable initiatives, facilitating the transition toward the Benefit model. In contrast, micro enterprises composed of fewer than nine employees, mainly rely on external accountants for administrative needs, who are often unfamiliar with the Benefit model or lack detailed knowledge about its adoption. Consequently, to facilitate the transition to the Benefit model, an essential step

is to address this knowledge gap and promote the diffusion of this model, not only by educating businesses but also by involving accountants in the process.

From this idea comes the initiative *Roma Impresa Comune* launched in 2024 by Nativa and Roma Capitale. The project aims to accelerate the transition to a sustainable entrepreneurial landscape by accompanying Roman companies toward becoming Benefit Corporations (Nativa, 2024). Facilitating the transition is essential to encourage more businesses to adopt the Benefit model.

Furthermore, several Benefit Corporations have shown a strong commitment to promoting the diffusion of the Benefit model, and this also emerges from the analysis of the purposes of common benefit of these companies. As mentioned in Paragraph 4.2.1, this interest led the research team to include an additional general issue category in the SASB framework, emphasizing the dissemination of the Benefit model. This category resulted in the third most recurring issue addressed by Benefit Corporations, highlighting the relevance of spreading knowledge about the model and guiding businesses in its adoption. For what concerns SASB's five sustainability dimensions, Table 11 shows the distribution of the purposes of common benefit falling under the four size categories among these dimensions. From the analysis, it emerges that the distribution of SASB sustainability dimensions changes according to the company size. Social Capital is prioritized more in micro enterprises; Environment is prioritized more in large enterprises; Business Model Innovation is prioritized more in medium enterprises; Leadership and Governance is prioritized more in micro enterprises; and Human Capital is prioritized more in medium enterprises.

Table 11 *Distribution of the purposes among SASB dimensions according to size*

	SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
<i>Micro</i>	4,542 34.2%	1,548 11.7%	3,219 24.3%	2,125 16.0%	1,833 13.8%	<b>13,267</b> <b>100.0%</b>
<i>Small</i>	955 28.1%	432 12.7%	840 24.7%	725 21.3%	447 13.2%	<b>3,399</b> <b>100.0%</b>
<i>Medium</i>	389 27.0%	206 14.3%	375 26.1%	312 21.7%	157 10.9%	<b>1,439</b> <b>100.0%</b>
<i>Large</i>	159 31.0%	80 15.6%	108 21.0%	109 21.3%	57 11.1%	<b>513</b> <b>100.0%</b>

Source. Author's elaboration.

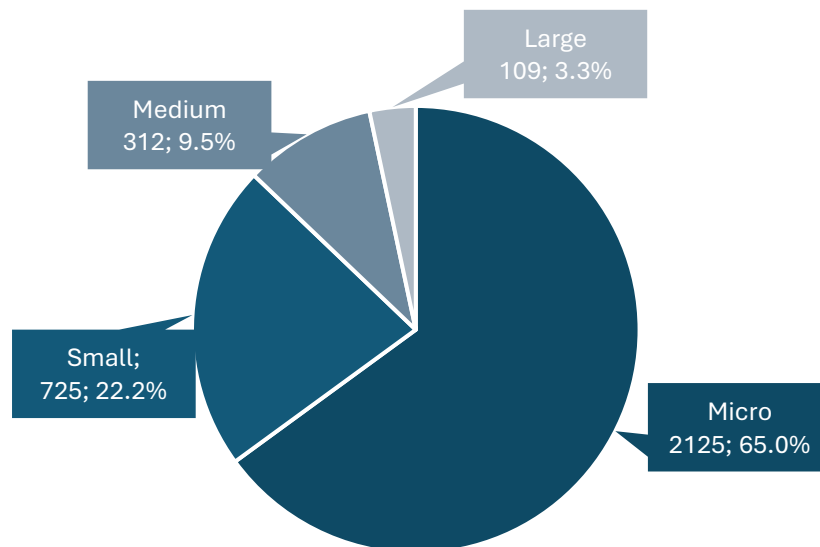


### 5.2.1 Human Capital and the Size Factor

The survey conducted by Unioncamere, Area Studi Mediobanca, and Centro Studi Tagliacarne (2023) on Italian medium enterprises, whose results have been summarized in the report *Medie Imprese Italiane: Capitale Umano 'Fattore Chiave' per la Competitività*, confirms these companies' strong interest in human capital commitment. From the analysis, it emerges that among the five key strategic *capitals* for future development, human capital is for medium-sized enterprises the central element on which to focus the greatest efforts, followed by technical, financial, cognitive, and organizational capital. This interest has led these companies to invest more in their human capital, particularly through wage increases, company benefits, and working time flexibility (Unioncamere *et al.*, 2023).

Going back to the analysis of Italian Benefit Corporations, Figure 17 shows the distribution of the purposes of common benefit falling under the four size categories. The figure shows that the micro size accounts for 65.0% of the total compared to an incidence of 71.3% of the total purposes. Small enterprises account for 22.2% of purposes of common benefit in the Human Capital dimension compared to an average of 18.3%. Medium enterprises weigh 9.5% of the Human Capital purposes of common benefit, compared to an incidence of 7.7% of the total. Finally, large enterprises account for 3.3% of the purposes of common benefit, compared to an average incidence of 2.7%.

Figure 17 Distribution of the purposes according to the size category in Human Capital



Source. Author's elaboration.

Consequently, it can be concluded that larger enterprises exhibit a particular interest in human capital commitment.

Analyzing the Human Capital dimension's general issue categories, it emerges that in all four size categories, Benefit Corporations prioritize Employee Engagement, Diversity, and Inclusion among human capital issues. Concerning the specific HRM practices included in the purposes of common benefit, the hierarchy slightly differs among the categories: micro, medium, and large enterprises prioritize employee well-being, followed by training and development, and work environment; small enterprises prioritize training and development, followed by employee well-being, and finally work environment.

In conclusion, several differences emerge when analyzing the purposes of common benefit of Benefit Corporations of different sizes. While most of the purposes fall under the micro-enterprise size category when considering the incidence of the size categories on the whole population of Italian enterprises, the companies that seem more committed to sustainability are the medium and large enterprises. This applies particularly to human capital, where despite an incidence of 78.9% of Italian micro enterprises, these companies account only for 65.0% of the human-capital-related purposes of common benefit. Instead, despite a low incidence in the total population of medium (2.2%) and large (0.4%) enterprises, these companies account for 9.5% and 3.3% of the total purposes of common benefit related to human capital respectively. This indicates a major human capital commitment from the Benefit Corporations falling under these size categories.

### **5.3 North to South: Geographical distribution of Human Capital**

The analysis of the geographical distribution of Benefit Corporations aims to verify whether this factor represents a discriminant of these companies' commitment to sustainability. In particular, it is useful to examine whether Benefit Corporations located in particular Italian regions and geographical areas are more interested in sustainability compared to others. Table 12 represents the distribution of Benefit Corporations' purposes of common benefit among the five SASB sustainability dimensions according to the Italian region of belonging resulting from the analysis.

Table 12 Purposes' distribution among SASB dimensions according to the Italian region

	SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
Lombardia	2,066 32.5%	798 12.6%	1,405 22.1%	1,168 18.4%	911 14.4%	<b>6,348</b> <b>100.0%</b>
Lazio	669 34.6%	196 10.1%	404 20.9%	342 17.7%	325 16.8%	<b>1,936</b> <b>100.0%</b>
Veneto	540 28.5%	221 11.7%	501 26.5%	390 20.6%	241 12.7%	<b>1,893</b> <b>100.0%</b>
Emilia- Romagna	562 31.2%	250 13.9%	498 27.6%	302 16.7%	192 10.6%	<b>1,804</b> <b>100.0%</b>
Piemonte	453 34.8%	144 11.1%	296 22.7%	241 18.5%	168 12.9%	<b>1,302</b> <b>100.0%</b>
Toscana	316 29.5%	141 13.2%	305 28.4%	178 16.6%	132 12.3%	<b>1,072</b> <b>100.0%</b>
Puglia	296 33.8%	111 12.7%	230 26.3%	127 14.5%	111 12.7%	<b>875</b> <b>100.0%</b>
Campania	216 36.1%	87 14.6%	126 21.1%	93 15.5%	76 12.7%	<b>598</b> <b>100.0%</b>
Sicilia	192 33.7%	54 9.5%	159 28.0%	83 14.6%	81 14.2%	<b>569</b> <b>100.0%</b>
Friuli-Venezia Giulia	120 30.9%	37 9.5%	100 25.8%	77 19.9%	54 13.9%	<b>388</b> <b>100.0%</b>
Trentino Alto-Adige	103 29.6%	51 14.7%	116 33.3%	39 11.2%	39 11.2%	<b>348</b> <b>100.0%</b>
Marche	113 33.3%	48 14.2%	94 27.7%	51 15.0%	33 9.7%	<b>339</b> <b>100.0%</b>
Abruzzo	67 30.0%	29 13.0%	65 29.1%	34 15.3%	28 12.6%	<b>223</b> <b>100.0%</b>
Liguria	63 29.7%	22 10.4%	69 32.5%	33 15.6%	25 11.8%	<b>212</b> <b>100.0%</b>
Umbria	76 36.4%	27 12.9%	40 19.1%	46 22.0%	20 9.6%	<b>209</b> <b>100.0%</b>
Calabria	67 38.3%	14 8.0%	42 24.0%	29 16.6%	23 13.1%	<b>175</b> <b>100.0%</b>
Sardegna	66 42.3%	21 13.5%	43 27.6%	13 8.3%	13 8.3%	<b>156</b> <b>100.0%</b>
Basilicata	34 36.2%	8 8.5%	29 30.9%	11 11.7%	12 12.8%	<b>94</b> <b>100.0%</b>
Molise	22 34.9%	6 9.5%	17 27.0%	12 19.1%	6 9.5%	<b>63</b> <b>100.0%</b>
Valle d'Aosta	4 28.6%	1 7.1%	3 21.4%	2 14.3%	4 28.6%	<b>14</b> <b>100.0%</b>

Source. Author's elaboration.

The analysis of the location of Benefit Corporations' purposes of common benefit shows that some regions exhibit more purposes than others. In particular, Lombardia, Lazio, and Veneto alone contain more than half of all the purposes of common. Considering the five SASB's sustainability dimensions, Social Capital prevails in almost all Italian regions, except for Trentino Alto-Adige and Liguria, which prioritize Business Model Innovation. To simplify the analysis and to provide further insight into the geographical distribution of the purposes of common benefit, the latter have been categorized into four macro-areas according to the region of belonging:

- *North*. This area contains companies located in Emilia-Romagna, Friuli-Venezia Giulia, Liguria, Lombardia, Piemonte, Trentino Alto-Adige, Valle d'Aosta, and Veneto.
- *Center*. This area contains companies located in Marche, Lazio, Toscana, and Umbria.
- *South*. This area contains companies located in Abruzzo, Basilicata, Calabria, Campania, Molise, and Puglia.
- *Islands*. This area contains companies located in Sardegna and Sicilia.

According to this classification, the purposes of common benefit of Italian Benefit Corporations are distributed as shown in Table 13.

Table 13 Purposes' distribution among SASB dimensions according to geographical areas

	SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
<i>North</i>	3,911 31.8%	1,524 12.4%	2,988 24.2%	2,252 18.3%	1,634 13.3%	<b>12,309</b> <b>100.0%</b>
<i>Center</i>	1,174 33.0%	412 11.6%	843 23.7%	617 17.4%	510 14.3%	<b>3,556</b> <b>100.0%</b>
<i>South</i>	702 34.6%	255 12.6%	509 25.1%	306 15.1%	256 12.6%	<b>2,028</b> <b>100.0%</b>
<i>Islands</i>	258 35.6%	75 10.3%	202 27.9%	96 13.2%	94 13.0%	<b>725</b> <b>100.0%</b>

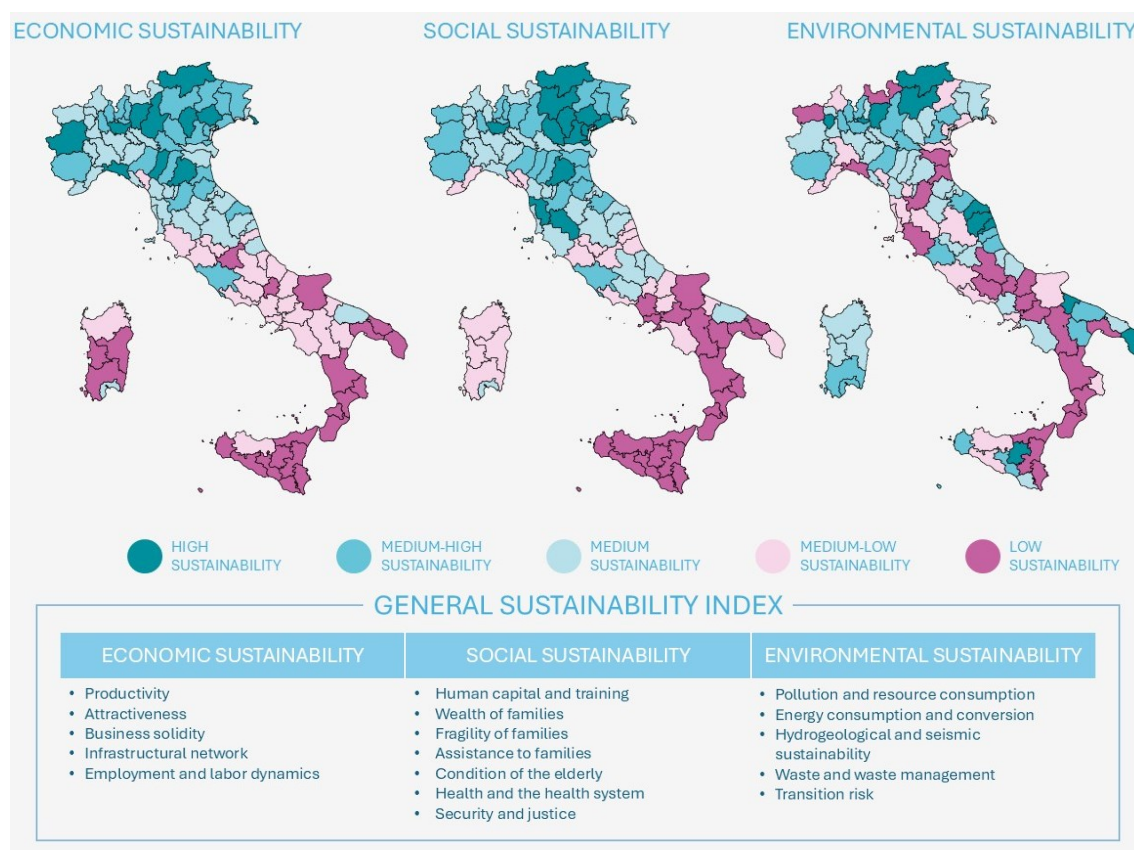
Source. Author's elaboration.

Northern Italy contains most purposes of common benefit of Italian Benefit Corporations, accounting for 66.1%. It follows Central Italy which weighs 19.1%, Southern Italy which accounts for 10.9%, and Islands with 3.9% of the total.

This figure is consistent with what emerges from the *Rapporto Italia Sostenibile 2022* by Cerved which compares the four Italian geographical areas using a general sustainability index, synthesizing economic, social, and environmental sustainability in seventeen components. The report depicts the Italian sustainability map, which highlights the presence of an important north-south divide in terms of sustainability, as shown in Figure 18.

The figure highlights that economic and social sustainability are strongly correlated, as the geographical regions that are able to generate more employment and wealth can better mitigate social issues. The environmental sustainability index instead does not replicate the North-South divide, showing more heterogeneity (Cerved, 2022).

Figure 18 Italian sustainability map by Cerved



Source. Adapted from Cerved. (2022).

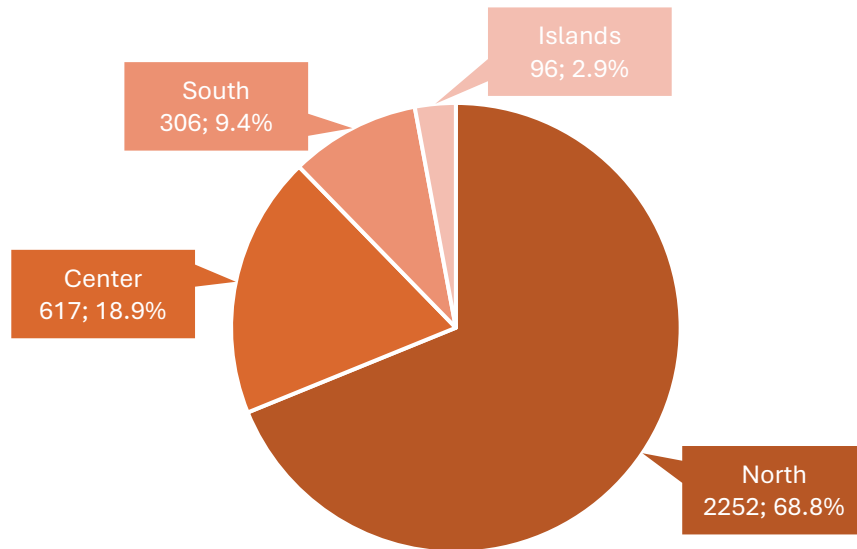
### 5.3.1 The geography of Human Capital commitment

Focusing on Human Capital, the commitment varies according to the geographical area in which Benefit Corporations are located. The purposes of common benefit of Italian Benefit Corporations are distributed among the four geographical area as shown in Figure 19. As evident, the strong North-South divide is confirmed by the distribution of the purposes of common benefit of Italian Benefit Corporations.

Human Capital represents the SASB sustainability dimension with the highest North-South divide in the purposes of common benefit, with 68.8% and 9.4% of the purposes coming respectively from North and South, compared to 65.8% and 11.2% in Business Model Innovation, 67.3% and 11.3% in Environment, 65.5% and 10.3% in Leadership and Governance, and 64.7% and 11.6% in Social Capital. This highlights that Northern Benefit Corporations seem more committed to human capital enhancement.

In relation to the specific issues addressed by the different geographical areas, all four regions prioritize the Employee Engagement, Diversity, and Inclusion general issue category, followed by Labour Practices, and Employee Health and Safety.

Figure 19 Geographical distribution of Human Capital purposes of common benefit



Source. Author's elaboration.

Employee Engagement, Diversity, and Inclusion has the highest frequency in the North, weighing 85.9% of the Human Capital purposes of common benefit; Labour Practices has the highest frequency in the South, accounting for 17.6% of the Human Capital purposes; and Employee Health and Safety exhibits the highest frequency in the Islands, weighing 8.3% of the purposes. Considering that Employee Engagement, Diversity, and Inclusion is the highest expression of the Human Capital dimension, the North seems again more committed to making a difference and truly enhancing the human factor.

Considering the specific HRM practices included within Benefit Corporations' purposes of common benefit among the different areas, it emerges that the North prioritizes training and development, followed by employee well-being, and work environment. The Center and the South prioritize employee well-being followed by training and development, and work environment. Finally, the Islands prioritize employee well-being, followed by training and development, and talent management.

In conclusion, the analysis of the geographical distribution of the purposes of common benefit highlights important divides between Northern and Southern Italian regions. This particularly affects the Human Capital SASB dimension, suggesting a major commitment from Northern Italy toward the enhancement of human capital. This is also demonstrated by the fact that Northern purposes are more focused on issues related to Employee

Engagement, Diversity, and Inclusion than other geographical areas, indicating a major interest in this sustainability dimension.

#### 5.4 Born social or grew to care? A comparison of Human Capital commitment

Analyzing the age of Benefit Corporations represents another valuable insight into explaining these companies' behaviors and commitment to sustainability.

Starting from the date of incorporation deed, it is possible to divide Benefit Corporations into two macro categories, identifying two different statuses:

- *Born Social*. This category contains the Benefit Corporations that were incorporated from 2016.
- *Become Social*. This category contains the Benefit Corporations that were incorporated before 2016.

The choice of the year 2016 as a threshold is linked to the fact that in that year the Benefit Corporation framework was introduced in the Italian legal system.

From the analysis of the purposes of common benefit according to this status, it emerges that most of the purposes, specifically 65.0%, fall under the born-social category, as shown in Table 14. This figure suggests that most recently incorporated Benefit Corporations are more committed to sustainability.

Table 14 Purposes' distribution among SASB dimensions distinguishing between born versus become social

	SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
<i>Born Social</i>	4,128 34.1%	1,504 12.4%	2,881 23.8%	1,979 16.4%	1,613 13.3%	<b>12,105</b> <b>100.0%</b>
<i>Become Social</i>	1,917 29.4%	762 11.7%	1,661 25.5%	1,292 19.8%	881 13.5%	<b>6,513</b> <b>100.0%</b>

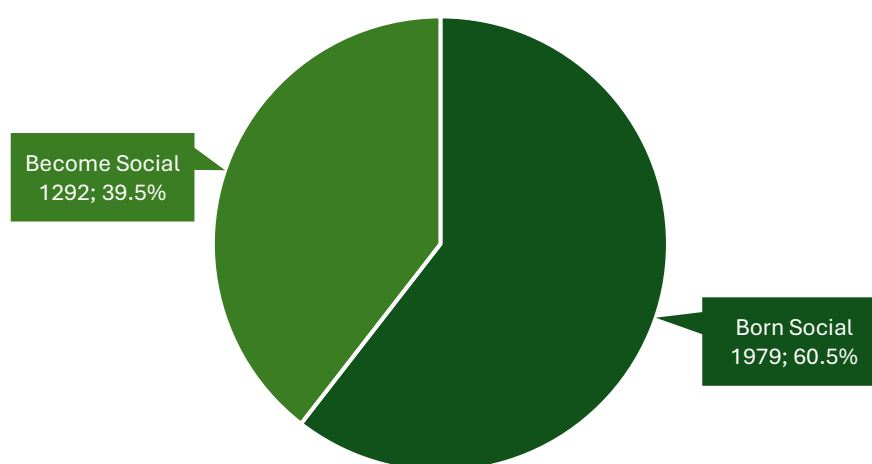
Source. Author's elaboration.

This result is explained by the historical context and the cultural shift toward sustainability that occurred in the last decade, which radically affected the company's interest in sustainability-related issues. Indeed, companies incorporated more recently, and specifically after the introduction of the Benefit Corporation legal framework, are founded with sustainability as a core principle, because of the increasing global awareness of environmental, social, and governance issues. In older companies, instead, sustainability may not

have originally represented a priority, requiring more time to be assimilated. Another possible justification behind this gap lies in the fact that several Benefit Corporations incorporated after 2016 were *born* Benefit, meaning that they avoided undergoing the statutory transition, which may represent an obstacle. These companies start with a structure and corporate culture that is already aligned and compliant with the Benefit Corporation regulations. In general, it can be affirmed that starting from scratch and building is simpler than modifying an existing cultural or statutory setup. Overall, these factors greatly facilitate the transition to or the adoption of the Benefit model in born-social companies.

Considering the distribution of the purposes of common benefit among the SASB sustainability dimensions, Social Capital, and Environment exhibit a higher incidence within the born-social category. At the same time, Business Model Innovation, Human Capital, and Leadership and Governance have a higher incidence in the become-social category. Focusing on the Human Capital dimension, the purposes of common benefit of Italian Benefit Corporations are distributed among the two status categories as shown in Figure 20.

Figure 20 Distribution of Human Capital purposes among born and become social categories



Source. Author's elaboration.

From Figure 20, it emerges that Human Capital purposes falling under the born-social category account for 60.5% of the total, while those falling under the become-social category weigh 39.5%. This suggests that in the Human Capital dimension, the become-



social category weighs more than the average incidence of this category among all the purposes of common benefit equal to 35.0%.

Considering the Human Capital issues addressed by the two categories, both prioritize Employee Engagement, Diversity, and Inclusion, followed by Labour Practices, and finally Employee Health and Safety. In relation to the specific HRM practices included in the purposes of common benefit, the born-social category prioritizes employee well-being, which accounts for 37.4% of the Human Capital purposes, followed by training and development accounting for 36.9%, and work environment, weighing 30.6%. The become-social category prioritizes training and development accounting for 39.5% of the Human Capital purposes, followed by employee well-being weighing 39.2%, and finally, work environment which accounts for 36.0% of the total Human Capital purposes.

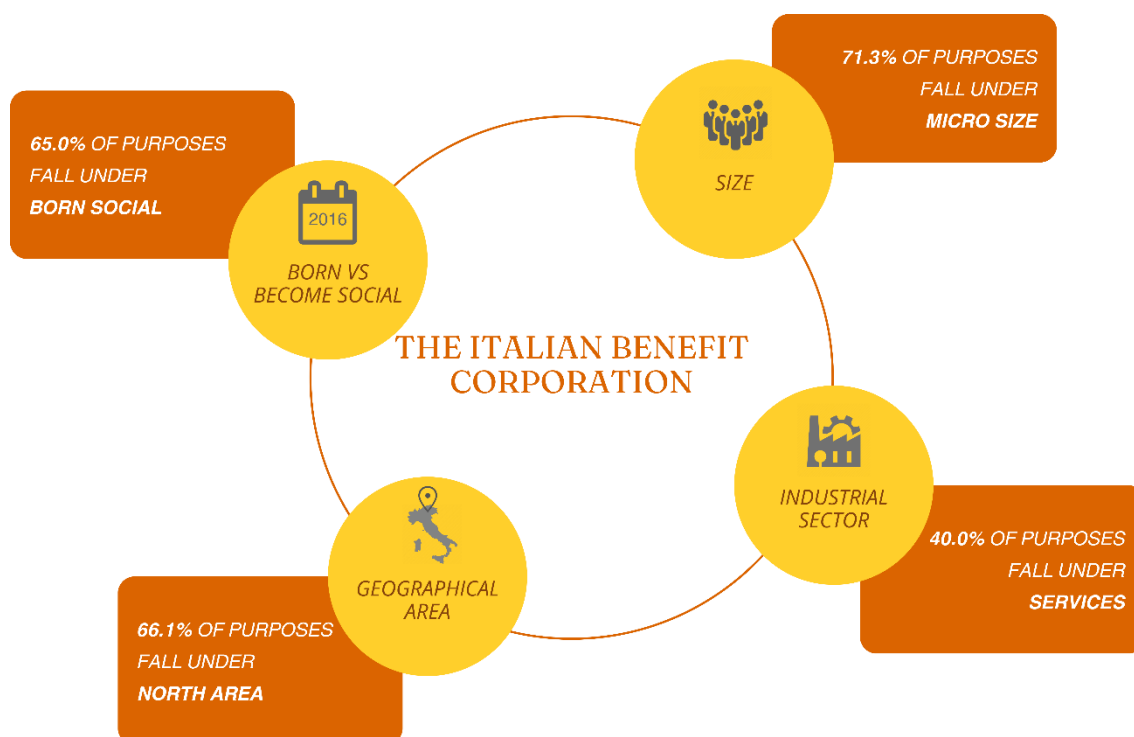
In conclusion, from the analysis of the year of the incorporation deed of Benefit Corporations, some differences emerge between the born-social and the become-social statuses. In particular, the born-social category exhibits a higher incidence of the purposes of common benefit, suggesting that the Benefit Corporations falling under this category are more committed to sustainability. This is determined by the cultural shift toward sustainability that influenced the way in which companies perceive this important dimension and the related issues. When considering Human Capital only, the divide is less marked, but the born-social category still encompasses most of the purposes of common benefit pertaining to this dimension. No relevant differences emerge concerning the specific issues addressed by these categories.

## **5.5 The *identikit* of the Benefit Corporation**

The Italian landscape of Benefit Corporations is diverse and heterogeneous. However, it is possible to detect some recurring patterns when analyzing these companies' specific characteristics. Summarizing the results obtained from the analysis of the purposes of common benefit considering companies' size, geographical location, and year of incorporation, it is possible to outline the *average* Benefit Corporation. In this regard, Figure 21 summarizes the key characteristics of the average Italian Benefit Corporation.

The emerging figure is a micro-sized enterprise incorporated after 2016, located in Northern Italy, and operating in the service sector.

Figure 21 The typical Italian Benefit Corporation



Source. Author's elaboration.

More specifically, it is possible to identify several Benefit Corporations' profiles integrating their specific characteristics according to their geographical area, size, and incorporation year.

### *Northern Benefit Corporations' profile*

Integrating the Northern Benefit Corporations' characteristics related to size and incorporation status, the resulting distribution of the purposes of common benefit is represented in Table 15. In particular, the micro-size category is the most frequent in the North, accounting for 69.7% of the purposes of common benefit. Consequently, the frequency of this size category in the North is lower compared to its frequency in the whole population, equal to 71.3%.

Considering the distinction between born- and become-social Benefit Corporations, the born-social category prevails in the North, accounting for 62.9% of the purposes of common benefit. Considering the size, the born-social category exhibits a higher frequency in the micro-size category, accounting for 80.9% of the purposes. Instead, in the small, medium, and large size categories, the become-social category prevails, weighing respectively 74.2%, 84.5%, and 91.1%.

Table 15 Northern Benefit Corporation's profile

		SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
MICRO	<i>Born Social</i>	2,345	865	1,671	1,148	918	<b>6,947</b>
	<i>Become Social</i>	526	169	392	298	252	<b>1,637</b>
	<b>Total</b>	<b>2,871</b>	<b>1,034</b>	<b>2,063</b>	<b>1,446</b>	<b>1,170</b>	<b>8,584</b>
SMALL	<i>Born Social</i>	181	84	145	136	72	<b>618</b>
	<i>Become Social</i>	489	207	456	366	259	<b>1,777</b>
	<b>Total</b>	<b>670</b>	<b>291</b>	<b>601</b>	<b>502</b>	<b>331</b>	<b>2,395</b>
MEDIUM	<i>Born Social</i>	45	30	23	33	18	<b>149</b>
	<i>Become Social</i>	213	109	223	188	78	<b>811</b>
	<b>Total</b>	<b>258</b>	<b>139</b>	<b>246</b>	<b>221</b>	<b>96</b>	<b>960</b>
LARGE	<i>Born Social</i>	10	9	6	5	3	<b>33</b>
	<i>Become Social</i>	102	51	72	78	34	<b>337</b>
	<b>Total</b>	<b>112</b>	<b>60</b>	<b>78</b>	<b>83</b>	<b>37</b>	<b>370</b>

Source. Author's elaboration.

Focusing on Human Capital, the Northern purposes of common benefit mirror the size-category distribution in the whole population: micro enterprises contain most of the purposes, followed by small, medium, and large companies. However, there is a lower micro-large divide than the average divide of the whole population: the frequency of the micro-size category (64.2%) is lower than the average frequency (65.0%), while the frequency of the large-size category (3.7%) is higher than the average frequency (3.3%).

The born-social category prevails for the Northern Human Capital purposes. However, the born-become social divide is less marked in this geographical region, with a 58.7%-41.3% divide in the North and a 60.5%-39.5% in the total Human Capital purposes.

### Central Benefit Corporations' profile

Table 16 contains all the characteristics of Benefit Corporations' purposes of common benefit located in the Center including their size and incorporation status.

Concerning size, the micro-size category is the most common in the Central area, accounting for 69.9% of the total purposes of common benefit. This frequency is below the average frequency of this size category in the entire population, equal to 71.3%.

Table 16 Central Benefit Corporation's profile

		SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
MICRO	<i>Born Social</i>	733	237	456	315	316	<b>2,057</b>
	<i>Become Social</i>	156	27	114	69	62	<b>428</b>
	<b>Total</b>	<b>889</b>	<b>264</b>	<b>570</b>	<b>384</b>	<b>378</b>	<b>2,485</b>
SMALL	<i>Born Social</i>	60	32	48	35	21	<b>196</b>
	<i>Become Social</i>	124	65	125	127	55	<b>496</b>
	<b>Total</b>	<b>184</b>	<b>97</b>	<b>173</b>	<b>162</b>	<b>76</b>	<b>692</b>
MEDIUM	<i>Born Social</i>	6	2	6	3	0	<b>17</b>
	<i>Become Social</i>	72	36	79	62	43	<b>292</b>
	<b>Total</b>	<b>78</b>	<b>38</b>	<b>85</b>	<b>65</b>	<b>43</b>	<b>309</b>
LARGE	<i>Born Social</i>	3	0	0	1	0	<b>4</b>
	<i>Become Social</i>	20	13	15	5	13	<b>66</b>
	<b>Total</b>	<b>23</b>	<b>13</b>	<b>15</b>	<b>6</b>	<b>13</b>	<b>70</b>

Source. Author's elaboration.

Distinguishing between born- and become-social Benefit Corporations, the born-social category prevails in the Center, accounting for 64.0%. Concerning the size category, the born-social status exhibits a higher frequency in micro enterprises, accounting for 82.8%. Instead, in the small, medium, and large enterprises located in the North, the become-social category prevails, weighing respectively 71.7%, 94.5%, and 94.3%.

Analyzing the Human Capital dimension, the purposes of common benefit of the Central area follow the size-category distribution of the whole population, with micro enterprise containing most of the purposes, followed by small, medium, and large companies. In relation to the micro-large divide, both the frequencies of the micro- and large-enterprise categories are below the average: the micro-size category (62.2%) is below the average frequency (65.0%), and the frequency of the large-enterprise category (1.0%) is much lower than the average (3.3%).

The born-social category prevails in Central Human Capital purposes. However, the born-become social divide is less marked in this geographical area compared to the average divide, with a 57.4%-42.6% divide compared to a 60.5%-39.5% affecting the total Human Capital purposes.

### Southern Benefit Corporations' profile

Table 17 reports all the characteristics of Benefit Corporations' purposes of common benefit located in the South geographical area, including companies' size and incorporation status.

Table 17 Southern Benefit Corporation's profile

		SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
MICRO	<i>Born Social</i>	503	168	364	190	176	<b>1,401</b>
	<i>Become Social</i>	62	24	54	32	26	<b>198</b>
	<b>Total</b>	<b>565</b>	<b>192</b>	<b>418</b>	<b>222</b>	<b>202</b>	<b>1,599</b>
SMALL	<i>Born Social</i>	34	16	12	26	11	<b>99</b>
	<i>Become Social</i>	40	20	41	22	22	<b>145</b>
	<b>Total</b>	<b>74</b>	<b>36</b>	<b>53</b>	<b>48</b>	<b>33</b>	<b>244</b>
MEDIUM	<i>Born Social</i>	3	1	0	4	3	<b>11</b>
	<i>Become Social</i>	36	19	26	13	11	<b>105</b>
	<b>Total</b>	<b>39</b>	<b>20</b>	<b>26</b>	<b>17</b>	<b>14</b>	<b>116</b>
LARGE	<i>Born Social</i>	16	3	4	17	3	<b>43</b>
	<i>Become Social</i>	8	4	8	2	4	<b>26</b>
	<b>Total</b>	<b>24</b>	<b>7</b>	<b>12</b>	<b>19</b>	<b>7</b>	<b>69</b>

Source. Author's elaboration.

Considering the size factor, the micro-enterprise category is the most recurring, accounting for 78.9% of the total purposes of common benefit. Consequently, the frequency of the micro-size category in the South is above the average frequency of the entire population, corresponding to 71.3%.

The born-social status prevails in the Southern purposes of common benefit, accounting for 76.6%, which is above the average frequency considering all the purposes, equal to 65.0%. Including the consideration of the size factor, the born-social status prevails in the micro- and large-size categories, accounting for 87.6% and 62.3% respectively. Instead, in the small and medium enterprises located in the South, the become-social status exhibits a higher frequency, weighing respectively 59.4% and 90.5%.

Considering Human Capital, the Southern purposes of common benefit slightly differ from the size-category distribution of the whole population, with the micro category

containing most of the purposes, followed by small, large, and medium companies. In this geographical area, both micro-sized enterprises and large-sized enterprises are above the average: the micro-size category accounts for 72.6% compared to an average of 65.0%, while large-sized enterprises account for 6.2% of the Human Capital purposes of common benefit, which is greatly above the average of the entire Human Capital purposes, equal to 3.3%, suggesting that in this geographical area, large companies are more committed to Human Capital compared to other regions.

The born-social category prevails for Southern Human Capital purposes. The born-become social divide is strongly marked in this region compared to the average divide, with a 77.5%-22.5% divide compared to a 60.5%-39.5% affecting the total purposes of Human Capital.

### *Islands' Benefit Corporations' profile*

Considering the characteristics of the Benefit Corporations located in the Islands related to size and incorporation status simultaneously, the resulting distribution of the purposes of common benefit is represented in Table 18.

Table 18 *Islands' Benefit Corporation's profile*

		SOCIAL CAPITAL	ENVIRONMENT	BUSINESS MODEL INNOVATION	HUMAN CAPITAL	LEADERSHIP AND GOVERNANCE	TOTAL
MICRO	<i>Born Social</i>	176	52	134	59	67	<b>488</b>
	<i>Become Social</i>	41	6	34	14	16	<b>111</b>
	<b>Total</b>	<b>217</b>	<b>58</b>	<b>168</b>	<b>73</b>	<b>83</b>	<b>599</b>
SMALL	<i>Born Social</i>	12	2	9	4	5	<b>32</b>
	<i>Become Social</i>	15	6	4	9	2	<b>36</b>
	<b>Total</b>	<b>27</b>	<b>8</b>	<b>13</b>	<b>13</b>	<b>7</b>	<b>68</b>
MEDIUM	<i>Born Social</i>	1	3	3	3	0	<b>10</b>
	<i>Become Social</i>	13	6	15	6	4	<b>44</b>
	<b>Total</b>	<b>14</b>	<b>9</b>	<b>18</b>	<b>9</b>	<b>4</b>	<b>54</b>
LARGE	<i>Born Social</i>	0	0	0	0	0	<b>0</b>
	<i>Become Social</i>	0	0	3	1	0	<b>4</b>
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>4</b>

Source. Author's elaboration.

The micro-size category is the most prevalent in the Islands, accounting for 82.6% of the purposes of common benefit. Consequently, this size category is more frequent in the Islands compared to the whole population where it weighs 71.3% of the purposes.

Focusing on the distinction between born- and become-social statuses in this area, the born-social category prevails, accounting for 73.1% of the purposes of common benefit. Including the size factor, the born-social category exhibits a higher frequency in the micro-size category, accounting for 81.5% of the purposes. Instead, in small, medium, and large-sized enterprises, the become-social is more frequent, weighing respectively 52.9%, 81.5%, and 100.0%.

Putting attention on the Human Capital dimension, the Islands' purposes of common benefit replicate the size-category distribution of the entire population: micro enterprises prevail, followed by small, medium, and large companies. Moreover, the micro-large divide is more accentuated than the average divide: the frequency of the micro-size category (76.0%) is higher than the average frequency (65.0%), while the frequency of the large-size category (1.0%) is below the average (3.3%).

The born-social category prevails for the Islands' Human Capital purposes. The born-become social divide is greater in this geographical region compared to the average, with 68.8%-31.2% in the Islands and a 60.5%-39.5% divide for total Human Capital purposes.

### *In sum*

Converging the data of the analysis of Benefit Corporations' characteristics, including geographical area, size, and year of incorporation, several interesting results emerge. In particular, the micro-size category prevails in all geographical areas. Moreover, the born-social status is the prevailing category among all four areas. However, the born-social category prevails particularly in the micro-size category, while all other size-categories exhibit a higher frequency of the become-social category, except in the South, where the born-social category prevails also in the large size.

In relation to the micro-large divide, this is particularly relevant in the Islands' area and less marked in the North. Considering the born-become-social divide, this is particularly marked in the South and the Islands, and less relevant in the North and the Center.

## 5.6 Conclusion

The analysis enlarged with additional information on Benefit Corporations is aimed at verifying whether some specific company characteristics are able to explain their commitment to sustainability, with a particular focus on the Human Capital dimension.

As expected, some remarkable results emerge from this analysis. In particular, the 18,618 purposes of common benefit are unevenly distributed among the four size categories, micro, small, medium, and large. In particular, most of the purposes fall under the micro-size category, which might indicate a major commitment from these companies to sustainability. However, it is important to consider that these companies represent also the most prevalent in the Italian contest, accounting for 78.9% of the total Italian enterprises (Istat, 2023). Consequently, in proportion to their incidence in the overall entrepreneurial landscape, large and middle enterprises appear more committed to sustainability than small and micro enterprises. This is particularly true when focusing on the Human Capital dimension, where despite an incidence of 78.9% of Italian micro enterprises, these companies account only for 65.0% of the human-capital-related purposes of common benefit. Instead, despite a low incidence in the total population of medium (2.2%) and large (0.4%) enterprises, these weigh 9.5% and 3.3% of the total Human Capital purposes respectively (Istat, 2023). Consequently, it can be concluded that Benefit Corporations falling under these size categories exhibit major human capital commitment.

Other interesting results emerge from the analysis of the distribution of the purposes of common benefit among the four geographical areas, North, Center, South, and Islands. Indeed, a strong incidence in the North emerges, which accounts for more than half of the purposes alone. This suggests greater interest from these companies in their commitment to sustainability. The North-South gap is particularly relevant in the Human Capital dimension, where it amounts to 68.8%-9.4% underlying the strong misalignment of commitment. Moreover, the Employee Engagement, Diversity, and Inclusion issue category shows the highest frequency in the North, while the Labour Practices category exhibits the highest frequency in the South, highlighting again a difference in the Human Capital commitment according to the geographical location of Benefit Corporations.

Finally, from the analysis of the year of incorporation deed of Italian Benefit Corporations, it emerges that the so-called *born-social* companies, namely those incorporated after the adoption of the Benefit Corporations framework in the Italian legal system in 2016,



seem more committed to human capital. The reason may be related to the cultural change that has occurred in the last decade, marking an important difference in the way in which businesses consider sustainability. Indeed, this element is perceived as a core value at the basis of a company's foundation, while in the previous decade, it was not always considered a priority. This divide applies also to the Human Capital dimension but with a lower relevance.

The resulting picture of the *average* Benefit Corporation emerging from the analysis is a micro-sized company in Northern Italy operating in the services sector that was incorporated after 2016.

In order to further promote the adoption of the Benefit model and encourage businesses in this transition, it will be essential to improve the knowledge and expertise surrounding its implementation. This can be achieved by providing targeted education and resources to businesses and professionals, empowering them to embrace the model and make the transition toward a more regenerative business possible.



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