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**B-CORP CERTIFICATION AND
ORGANIZATIONAL DESIGN
STRUCTURES, PROCESSES & MANAGERIAL PRACTICES**

Supervisor prof. Paolo Gubitta

Candidate
ID Number

Alessandro Landini
1136623

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To my family

I would like to thank all the people that have accompanied me during my experience at Padua University.

Special thanks to

Professor Paolo Gubitta, whose guidance and mentorship has permitted the realization of this thesis

My friends, for all the beautiful moments spent together

My parents, who have always supported me.

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

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Firma

A handwritten signature in blue ink, appearing to read "Alessandro Lombini".

INDEX

INTRODUCTION & SUMMARY	1
1. CHAPTER	5
B-CORPS AND SOCIETÀ <i>BENEFIT</i>: THE INTERNATIONAL FRAMEWORK AND THE ITALIAN SCENARIO	5
1.1 Introduction.....	5
1.2 The origin of the B-Corp Movement	6
1.3 The B-Corp Movement in the World.....	8
1.3.1 A new legal form to be committed to people and planet – the Benefit Corporation	8
1.3.2 The present – A Worldwide Community committed to change the world	9
1.4 History the B-Corp movement in Italy	9
1.4.1 The first B-Corps in Italy	9
1.4.2 Introduction of the legal form of <i>Società Benefit</i> in the Italian jurisdiction	10
1.4.3 The present situation – Italy as leader in the international scenario	11
1.5 Differences and commonalities among <i>B-Corps</i> and <i>Società Benefit</i>	11
1.5.1 The B-Corp Certification	11
1.5.2 The characteristics of the <i>Società Benefit</i>	13
1.5.3 Benefit Corporations as a guarantee of long-term commitment.....	15
1.5.4 Focus on differences and commonalities	16
1.6 Conclusion	18
2. CHAPTER	21
MEASURING B-CORPS IMPACT: FROM <i>STRATEGY</i> TO <i>ORGANIZATION</i>	21
2.1 Introduction.....	21
2.2 Effects of <i>B-Corp Certification</i> on business model and strategy	23
2.3 Effects of <i>B-Corp Certification</i> on organizational design	29
2.4 Governance – Mission, Accountability and Transparency	30
2.5 Workers.....	32
2.5.1 Compensation – Distributional Equity inside and outside organizational boundaries.....	32
2.5.2 Benefit, Corporate Welfare and Flexibility - How to improve employee’s work life balance	34
2.5.3 Training and Education – Benefits for Individuals, Organizations and Society.....	35
2.5.4 Work Ownership – Features that make it a feasible option for B-Corps.....	37
2.5.5 Management and Workers Communication – Benefit of a two-way communication.....	38
2.6 Community	38
2.6.1 Suppliers, Distributors and Local Involvement – Creation of “for benefit networks”	38
2.6.2 Job Creation and Diversity Inclusion – Advantages and challenges of heterogeneity	40
2.6.3 Civic Engagement and Giving – Collaboration between profit and non-profit.....	42
2.7 Environment – The Life Cycle Assessment (LCA).....	43
2.8 Customers – Serving those in needs	43
2.9 Conclusion	44

3. CHAPTER.....	47
ITALIAN B-CORPS AND SOCIETÀ BENEFIT FORM ADOPTION: AN EMPIRICAL ANALYSIS	47
3.1 Introduction.....	47
3.2 Methods and Procedures.....	48
3.2.1 Data collection.....	48
3.2.2 Introduction to the analysis.....	49
3.3 Results.....	50
3.4 Discussion.....	59
3.4.1 Company profiles.....	59
Two company profiles.....	59
Accessibility to B-Corp certification with respect of size and sector.....	59
3.4.2 Environment.....	60
Focus of Manufacturing B-Corps effort on environmental sustainability of processes.....	60
Service Firms and environmental policies.....	60
3.4.3 Workers.....	61
Focus of Service B-Corps on sustainable HR practices.....	61
Service Firms and Smart working.....	61
3.4.4 Governance, Community and Customers.....	61
Governance.....	61
Community and Customers.....	62
3.5 Suggestions for future researches.....	62
3.6 Conclusion.....	63
4. CHAPTER.....	65
ITALIAN B-CORPS PROCESSES, MANAGERIAL PRACTICES AND BUSINESS NETWORKS.....	65
4.1 Introduction.....	65
4.2 Methods and Procedures of data collection.....	65
4.3 Environment.....	66
4.3.1 Selection of raw materials and production process reshaping.....	66
4.3.2 Digitization of processes in order to reduce paper consumption.....	68
4.4 Workers.....	72
4.4.1 Redesign spatial and temporal boundaries of work.....	72
4.4.2 Focus on soft skills in the employees training process.....	74
4.5 Governance.....	79
4.5.1 Organizational decision making processes.....	79
4.5.2 Inter-organizational decision making processes.....	81
4.6 Conclusion.....	86
5. CHAPTER.....	89
THE NEW FORM OF SOCIETÀ BENEFIT: TRENDS EMERGING FROM DATA COLLECTION.....	89
5.1 Introduction.....	89
5.2 Methods and Procedures of data collection.....	90
5.3 Empirical findings.....	92
5.3.1 The legal form of Italian <i>Società Benefit</i>	92
5.3.2 Geographical distribution of Italian <i>Società Benefit</i>	92
5.3.3 Life cycle of Italian <i>Società Benefit</i>	94
5.3.4 Size of Italian <i>Società Benefit</i>	95
5.3.5 Sectors of Italian <i>Società Benefit</i>	97

5.4	Creation of Geographical Communities	98
5.5	Industrial sectors – knowhow and trust as key values	99
5.6	Company dimensions and age: start-ups phase or “size ceiling”?	100
5.7	Conclusion	101
6.	SOURCES.....	105
	REFERENCES	105
6.1	Scientific articles and books	105
6.2	Newspapers.....	111
6.3	Websites.....	112

TABLES, BOXES & FIGURES

Figure 1	Economic Business Model Canvas.....	25
Figure 2	Environmental Life Cycle Business Model Canvas	25
Figure 3	Social Stakeholder Business Model Canvas	26
Figure 4	BIA Questions and the Environmental Life Cycle Business Model Canvas	28
Figure 5	BIA Questions and the Social Stakeholder Business Model Canvas.....	28
Figure 6	B Impact Assessment Score Graph.....	53
Figure 7	Environment Score Graph	54
Figure 8	Workers Score Graph	55
Figure 9	Customer Score Graph.....	56
Figure 10	Community Score Graph	57
Figure 11	Governance Score graph.....	58
Figure 12	Digitization trends along the value chain.....	69
Figure 13	Geographical distribution of Società Benefit.....	93
Figure 14	Geographical distribution of Società Benefit with the B-Corp Certification.....	94
Figure 15	Foundation date of Società Benefit.....	95
Figure 16	Foundation date of Società Benefit with B-Corp Certification.....	95
Figure 17	Size of Società Benefit.....	97
Figure 18	Size of Società Benefit with B-Corp Certification.....	97
Table 1	Legal entities that can adopt the form of Società Benefit	14
Table 2	Components of Economic Business Model Canvas	26
Table 3	Environmental Life Cycle Business Model Canvas	27
Table 4	Social Stakeholder Business Model Canvas	27
Table 5	Correlation between B-Corps characteristics.....	51
Table 6	Mann-Whitney-Wilcoxon Tests about Revenue Distribution.....	51
Table 7	Correlation between B-Corps Characteristics and BIA results	52
Table 8	Mann-Whitney-Wilcoxon Tests about total BIA Score distribution	52
Table 9	Mann-Whitney-Wilcoxon Tests about total Environment Score distribution	53
Table 10	Mann-Whitney-Wilcoxon Tests about total Workers Score distribution.....	54
Table 11	Mann-Whitney-Wilcoxon Tests about Customer Score distribution.....	55
Table 12	Mann-Whitney-Wilcoxon Tests about Community Score distribution	57
Table 13	Mann-Whitney-Wilcoxon Tests about Governance Score distribution	58
Table 14	B-Corps in action: how B-Corps put certification in practice.....	66
Table 15	Policies that reshape production processes and raw materials	67
Table 16	Policies that redefine work time and place	72
Box 1	Corporate Accountability and Transparency – The co-optation according to Selznick’s theory	32

CASE STUDIES

Case Study 1 OMAL SPA	70
Case Study 2 Dermophysiologique Srl SB	71
Case Study 3 Nativa Srl SB	76
Case Study 4 Mondora Srl Società Benefit	78
Case Study 5 NWG Energia Srl Società Benefit	80
Case Study 6 B-Corp Business Network inside and outside Italian boundaries	82

INTRODUCTION & SUMMARY

RESEARCH QUESTIONS – Does the *B-Corp Certification* organizational impact depend on the sector in which a company operates? Do B-Corps concentrate their organizational efforts to enhance social and environmental sustainability on the critical impact areas that are peculiar of the sector in which a company operates? Does the institutionalization of a sustainability-committed approach toward the legal transformation into a *Società Benefit* enhance governance structure by fostering accountability and transparency within the decisional processes?

THE PURPOSE OF MY DISSERTATION - The purpose of my dissertation is to study the effects of *B-Corp Certification* on companies' organizational structures, processes and managerial practices. The firms that decide to obtain this certification do not leave the for-profit approach, but enlarge the group of beneficiaries of the value created through their business activities, including stakeholders as well as shareholders. The *B-Corp Certification* is provided by the non-profit organization B Lab, which use the following words in order to describe the B-Corps phenomenon:

«Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B-Corps are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy. ... The B-Corp community works toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high quality jobs with dignity and purpose. By harnessing the power of business, B-Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment. B-Corps form a community of leaders and drive a global movement of people using business as a force for good» (B Corporations Official Website bcorporation.net).

Before obtaining the certification, a company is evaluated through the B Impact Assessment (BIA), a questionnaire that measures the social and environmental impact of the activities of a firm through different areas of evaluation. In order to obtain the required score organizations have to implement and formalize sustainable practices, track impact metrics and involve their business partners along the industry value chain in the creation of a positive impact for the society.

The orientation toward sustainability that brings a company to *B-Corp Certification* is the same behind the adoption of Benefit Corporation legal form, which implies the introduction in the firm's statute of the intent to pursue general public benefit together with profits. Benefit Corporation form is another result of B Lab's activity and effort, and Italy has been the first country outside US to include it in its legislation in 2016, through the introduction of *Società Benefit*.

CHAPTER 1 - B-CORPS AND SOCIETÀ BENEFIT: THE INTERNATIONAL FRAMEWORK AND THE ITALIAN SCENARIO - The chapter describes the origin of the B-Corps movement and the diffusion of B-Corps and Benefit Corporations in the international scenario as well as in the Italian one. B Lab has been able to create a worldwide network of more than 2.500 B-Corps, and Italy is the fastest growing B-Corp community in Europe. Italian company legislation includes also the possibility to adopt the *Società Benefit* legal status. The differences and commonalities between certified B-Corps and *Società Benefit* are also analysed. To become a B-Corp is necessary to obtain a certification. It requires very high standards of environmental and social performances but it is a reversible choice. *Società Benefit* status implies the amendment of the object clause and of the articles of association, and is more difficult to revert.

CHAPTER 2 - MEASURING B-CORPS IMPACT: FROM STRATEGY TO ORGANIZATION - The chapter explains how the guidelines set within the B Impact Assessment impact on B-Corps' strategy and organizational design. Those guidelines are carefully analysed through an accurate analysis of the content of the B Impact Assessment questionnaire in each one of the five impact area evaluated (Governance, Workers, Community, Environment and Customers).

The answers provided during the B Impact Assessment may help a company to formalize its own business model, especially if these answers are organized within a framework that can communicate them in a faster and more effective way. One useful tool in this sense is the Triple Layered Business Model canvas model, presented in 2016 by Joyce and Paquin. Moreover, the *B-Corp Certification* influences some important organizational aspects as mission, governance structure, HR policies and production process.

CHAPTER 3 - ITALIAN B-CORPS SIZE, SECTOR AND SOCIETÀ BENEFIT FORM ADOPTION: AN EMPIRICAL ANALYSIS - The chapter is based on the empirical observation of Italian B-Corps, through the creation of a database that collects information about size, sector and *Società Benefit* status of the companies registered in the Official B Corporation website bcorporation.net. Through statistical and graphical analysis, it has been possible to investigate the correlation among the variables taken into consideration as well as the correlation between the same variables and the total and partial results obtained in the B Impact Assessment. From the emerging results is possible to conclude that *Società Benefit* status is more diffused among the smaller B-Corps and that the B-Corps operating in the manufacturing industry tend to be bigger than their homologues operating in the service sector. The total B Impact Score obtained by the companies observed is not correlated with *Società Benefit* status, size and sector. These variables are anyway correlated with the composition of the BIA score and the distribution of the points obtained among each section of the questionnaire. Every impact area has an outperforming company profile, whose characteristics are positively correlated with a good score.

CHAPTER 4 - ITALIAN B-CORPS PROCESSES, MANAGERIAL PRACTICES AND BUSINESS NETWORKS - The chapter is based on the empirical observation of Italian B-Corps through the analysis of documents and reports. The information collected has been used to present some common practices implemented to enhance B-Corps' environmental impact, human resource management and governance structure.

CHAPTER 5 - SOCIETÀ BENEFIT: MAIN TRENDS EMERGING FROM DATA COLLECTION - The chapter describes the information collected in database about Italian *Società Benefit*, created with the collaboration of a research team involved in the MOBIS project, which introduces North-Eastern SMEs to B-Corps. The focus of the analysis has been on com-

pany's legal form, geographical distribution, foundation date, size and industry. A particular attention has been paid to the *Società Benefit* that have also obtained the *B-Corp Certification*. The main trends emerging from the analysis regard the creation of two very important geographical communities within the provinces of Milan and Rome, the diffusion in industries where knowhow and relationships based on trust are key values and the prevalence of microenterprises recently founded within the population analysed.

B-CORPS AND *SOCIETÀ BENEFIT*: THE INTERNATIONAL FRAMEWORK AND THE ITALIAN SCENARIO

1.1 Introduction

August 1st has been the Earth Overshoot Day for 2018. This date, calculated every year by the research organization Global Footprint Network, represents the day of the year in which humanity reaches the consumption of natural resources that the planet can regenerate within a year.

The Overshoot Day would fall in May if every person consumed as the people living in the biggest European Economies (Germany, France, United Kingdom and Italy) or in Japan, and in March if the standard global resource consumption was the one of US and Canada.

The environmental issue is not the only one present in the current global development model. The 2018 Global Right Index Report of the International Trade Union Confederation, the world's largest trade union federation, has underlined a restriction on free speech and an increase of violent attacks against the defenders of workers' rights. The path toward decent working conditions and democratic rights has registered a slow-down, while inequality has increased. According to the data provided by United Nations in 2018, 152 millions of children are nowadays victims of child labour.

Those who criticize the current economic system argue that is impossible to conciliate for profit enterprises with a sustainable development path, since firms only operate in order to maximize the value for shareholders without considering the social or environmental negative externalities generated by their action.

A growing worldwide community of for profit firms seems to disprove this generalized pessimistic attitude toward business practices. These firms have moved from a share-

holder centric vision to a more holistic one, where the company is responsible for the maximization of the stakeholders' wealth as well as the shareholders' one. Those firms are strongly committed toward employees, communities and environment. The *B-Corp Certification*, which ensures the compliance toward the highest standard of social and environmental sustainability, is the proof of this commitment. In some countries is even possible to adopt a new legal form and become a Benefit Corporation by amending object clause and articles of associations in order to include the pursuit of common benefit among the company's purposes.

This chapter describes more in depth the global B-Corp Movement, the characteristic of the *B-Corp Certification* and the new legal form of the Benefit Corporation (and of its Italian version *Società Benefit*).

The first part of the chapter, composed by the first three paragraphs, describes more in depth the B-Corp Movement, coordinated by the non-profit organization B Lab.

The first paragraph narrates the origin of the movement, while the second presents the worldwide development and situation of this worldwide community. The third paragraph offers an overview of the Italian Scenario, where in 2016 has been introduced the new legal form of *Società Benefit*.

The second part of the chapter, composed by the fourth paragraph, studies the commonalities, differences and complementarity of the two instruments of the B-Corp Certification and of the *Società Benefit* legal form, as well as the guarantee of a long term commitment ensured by the latter.

1.2 The origin of the B-Corp Movement

The B-Corp movement is a global network of enterprises committed to have a positive impact on the world. Its focal point is the non-profit organization B Lab, whose aim is to drive this paradigm shift in doing business. The movement was born in United States, and B Lab is headquartered in Pennsylvania.

In order to understand the reasons that lead to the creation of B Lab is necessary to go back to 1993, when Jay Coen Gilbert founded in Pennsylvania the basketball footwear company AND1. AND1 was a successful company that aligned growth and attention to people and environment through a triple bottom line approach. In 2001, the company was the second basketball shoe brand in US, with more than 250 million dollars of revenues and many social and environmental programs in place. AND1 promoted sport

practice among employees, granted generous parental leave benefits, donated 5 percent of its profit to local charities that supported local community and monitored working conditions among suppliers.

Unfortunately, this situation was not destined to last forever. The company had soon to face a dip in sales due to the increasing competition in the retail shoe industry. The company experienced its first round of employee layoffs and the management team decided to sell it. The acquisition took place in 2005, when the ownership was transferred to American Sporting Goods Inc. The new owners abandoned the triple bottom line approach to focus solely on profit, dismissing many of the initiatives previously put in place.

Gilbert was not happy about the epilogue of the AND1 sale. His friend and colleague Bart Houlahan, who covered the position of CFO, COO and president of AND1, shared with him the same feelings. Anyway, they were not disillusioned and they still wanted to have a positive impact on the world.

In the meanwhile, Andrew Kassoy, a long-time friend of Gilbert and Houlahan who works in private equity business, developed a strong interest in the social entrepreneurship. This interest was strengthened by his work as board member Echoing Green (a venture capital firm concerned about social change) and Freelancers Union Insurance Company (that provides affordable health insurance and other financial services).

To achieve their common goal Gilbert, Houlahan and Kassoy decided to found B Lab, a non-profit organization that helps people to «use business as a force of good». The first official day of full time work at B Lab has been the 5th of July 2006, renamed as Inter-Dependence day by the organization.

This name is due to the B-Corp “Declaration of Interdependence”, that we report from the B Corporations Official Website bcorporation.net

«We envision a global economy that uses business as a force of good. This economy is comprised of a new type of corporation – the B corporation – Which is purpose driven and creates benefit for all stakeholders, not just shareholders. As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place mattered.

That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.

To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations».

The mean used by the B Lab to drive the systemic change desired in business is the creation of a community of Certified B Corporations, also called B-Corps. The certification shows that those organizations «meet the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability». These characteristics are measured through the B Impact Assessment (BIA).

The first version of the B Impact Assessment was created in September 2006, while the first B-Corps were certified in June 2007.

1.3 The B-Corp Movement in the World

1.3.1 A new legal form to be committed to people and planet – the Benefit Corporation

In 2010, the B Lab efforts and lobbying activity have provided a new way to become a purposeful organization that doesn't have profit as the only objective.

This new instrument is represented by the new legal entity of Benefit Corporation. Benefit corporations are a new form of businesses that commit to pursue not only profits but also a positive impact on people and planet. Their statutes must include an explanation of the intention to pursue the «general public benefit» («a material positive impact on society and the environment» measured against a third party standard) and permits to specify one or more «specific public benefits» (Esposito, 2013).

The Benefit Corporations must provide annual reports, specifying how they are respecting social and environmental standards, and their directors have «...the fiduciary duty to weight, pursue and consider the triple-bottom line consequences of their decisions» (Stecker, 2016).

Since the state laws are the ones that create this new legal entity, the Benefit Corporation is not an option that is available worldwide for social committed businesses. Moreover, the different legislations can provide different standards of accountability and transparency as well as other small differences in the provisions that discipline the Benefit Corporations statute and operations.

The creation of Benefit Corporations has blurred the boundaries between profit and non-profit sectors through the use of businesses as forces to do good, becoming a standard in the field of social enterprise (Stecker, 2016).

The first law about Benefit Corporations has passed in the state of Maryland in 2010. Until 2016 this legal form was only limited to some federal state in United States, where is nowadays present in 34 states (data adjourned to 5th of July of 2018 from B Corporation Official Website benefitcorp.net).

At the beginning of 2016 Italy was the first country outside US to include Benefit Corporations under its legislation under the name of *Società Benefit*, followed by Columbia in April of 2018 (Nativa, 2018).

1.3.2 The present – A Worldwide Community committed to change the world

Today more than 2500 companies of all dimensions compose the worldwide community of B-Corps, coordinated by B Lab (data collected from B Corporations Official Website bcorporation.net on the 4th of July 2018). These firms, operating among more than fifty countries in 130 industries, share the common goal to change the world through their business activities.

Among B-Corps, we can count some powerful international brands, as Danone North America and Ben & Jerry in the food industry, Patagonia in the clothing industry and Natura in the cosmetic industry (the Brazilian multinational has become in December 2014 the First Publicly-Traded B-Corp).

The same desire to have a positive impact on people and environment characterize also a huge number of certified SMEs all over the world.

As regard the legal form of Benefit Corporation, it is revealing itself as a promising instrument, since it has been adopted by thousands of firms of different dimension in US (data collected from benefitcorp.net on the 5th of July 2018) and by more than 200 firms in Italy (Nativa,2018).

1.4 History the B-Corp movement in Italy

1.4.1 The first B-Corps in Italy

Italy is a country with an important tradition of enlightened entrepreneurs, who have tried and still try to align a profit seeking approach with the attention to stakeholders

and community. Some famous examples are the ones of Gaetano Marzotto, Adriano Olivetti, Leonardo Del Vecchio and Brunello Cucinelli. Moreover, a great number of SMEs maintain a strong and often-intergenerational connection with their own territory and its inhabitants.

This background seems to be coherent with the vision enhanced by B Lab and carried on by the B-Corps. Indeed, in 2013 the consulting firm Nativa has become the first Italian certified B-Corp. Nativa defines itself as a «Purpose Driven Design & Innovation Company» and is the B Lab county partner for Italy, so it is the focal point of the Italian B-Corps network. It was born in 2012 with a statute that replied the ones of Benefit Corporations in US (Nativa, 2018).

Another important pioneer in the Italian context has been the historical company Fratelli Carli, producer and seller of top quality Ligurian olive oil and olive oil related products. Fratelli Carli was the first Italian manufacturing firms that obtained the B-Corp Certification in 2014.

1.4.2 Introduction of the legal form of *Società Benefit* in the Italian jurisdiction

Italy is a key country in the international scenario of the B-Corps movement and has become the first country outside US to introduce the legal tool of the Benefit Corporation, defined as *Società Benefit* by the Italian Legislator.

The Italian Parliament approved the *Società Benefit Bill* on the 22nd December of 2016: the law entered into force from the 1st of January 2016, together with the Stability Law for 2016.

The first signer of *Società Benefit Bill* is Senator Mauro Del Barba. He stated that

«...We have achieved this result through a phenomenal cooperation between a diverse coalition of politicians, policymakers, businesses and law experts, both national and international».

As the B Lab Italian county partner and coordinator of Italian B-Corps community, Nativa has been a fundamental component of the abovementioned coalition.

Indeed is not a case that the consulting firm has been awarded as the “Most Valuable Player 2016 Global” by the world community of the B-Corp.

1.4.3 The present situation – Italy as leader in the international scenario

In its Impact Report about 2017 (published in April 2018) Nativa identifies Italy as the fastest growing reality B-Corp community in Europe, indicating the country as a virtuous example in this field.

According to the data provided by Nativa, there are more than 80 B-Corps and more than 200 *Società Benefit* operating in Italy.

A deeper analysis of the characteristics of the Italian B-Corps and *Società Benefit* will be conducted on empirical basis in the following chapters.

1.5 Differences and commonalities among *B-Corps* and *Società Benefit*

1.5.1 The B-Corp Certification

A B-Corp is a for profit entity certified by B-Lab. In order to obtain the certification a company has to «meet the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability» (B Corporations Official Website bcorporation.net).

These standards are measured through the B Impact Assessment, which is the «weighted sum of all environmental, economic and social impact of a company» (Nativa, 2018).

The assessment questionnaire is composed by five areas (Nativa, 2018):

- Governance
- Workers
- Community
- Environment
- Customers

The B Impact Assessment is structured in order to help companies to build a better business for workers, community and environment (B Impact Assessment Official Website, bimpactassessment.net). It also offers to businesses the possibility to compare their answers to the ones of thousands of other businesses and provides some «best practice guides» and «Improvement case studies». Also Companies that are not B-Corps

use B Impact Assessment: according to the data provided by Nativa in 2018, more than 70 thousand businesses measuring their sustainability policies through this tool.

In order to become a B-Corp is necessary to go through a three-step process:

- The first step consists in completing the B Impact Assessment, earning a review minimum score of 80 points out of 200 points. This score represents a great result according to the B Impact Assessment standards, and the rationale behind the threshold is that the company has to excel in multiple areas in order to achieve the *B-Corp Certification* (B Impact Assessment Official Website, bimpactassessment.net).
- The second step consists in the validation of the B Impact Assessment result with B Lab and in the legal roadmap necessary to protect the mission of the company. The aims of legal requirements, specified for different countries, are explained by the B Corporations Official Website bcorporation.net:
 - «1. Give legal protection to directors and officers to consider the interests of all stakeholders, not just shareholders, when making decisions
 2. Create additional rights for shareholders to hold directors and officers accountable to consider these interests
 3. Limit these expanded rights to shareholders exclusively».
- The third step is the signing of the B-Corp Declaration of Interdependence and the B-Corp Agreement, making the certification official.

Starting from the 1st of July 2018, B Lab has changed the duration of certification from two to three years. Every year the 10% of the Certified B-Corps are randomly selected in a Certification Evaluation. The annual certification fees is tied to the annual sales of the B-Corp.

Since the BIA measures the past year practices and policies of a company, start-ups with a shorter life can earn temporary Certification Pending designation that lasts for twelve months.

The Pending B-Corps have access to B-Corp Community and can expose the Certification Pending Logo. They have to meet the aforementioned legal requirements, sign the Pending Certification Term Sheet and pay the Pending Certification fee.

1.5.2 The characteristics of the *Società Benefit*

The first misunderstanding to avoid is to think to *Società Benefit* as to non-profit organizations.

A *Società Benefit* is «a company which combines the goal of profit with the purpose of creating a positive impact for society and the environment and operates in a transparent, responsible and sustainable way». (Official Website of *Società Benefit* www.societabenefit.net).

This means that a *Società Benefit* has to include in its object clause a common benefit that it wants to pursue. The company action in this way will not be only driven by profits but also by the purpose(s) of common benefit stated in its articles of association. According to the law a common benefit is the creation of positive effects (or the reduction of negative ones) on «individuals, communities, territories and the environment, cultural and social heritage, entities and associations as well as other stakeholders» (Italian Stability Law for 2016, comma 376 and 378).

The businesses that choose this new legal form have to take into account the interest of all stakeholders together with the ones of their shareholder.

This double consideration of interests is included in directors' duties.

The company has also to choose one or more individual to cover the position of impact manager(s). The role of the impact manager is to pursue the common benefit and reports the consequent activities with completeness and transparency.

In this sense, the status of *Società Benefit* requires the publication of an Annual Benefit Report in the company website (if it exists). The same report has to be attached to the annual financial statement.

According to the Article 5 of the approved *Società Benefit Bill* the annual report shall include:

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

The Annual Report has not the only function to show to external actors what the firm does to preserve the environment or improve the society. It is also an important instrument for directors, providing them information useful to meet their duties, and for shareholders, that can use the same information to exercise their rights in a better way. All kinds of for profit firms can become a *Società Benefit*, either they are “società di persone” (with a structure similar to the partnership) or “società di capitali” (with a structure similar to the one of corporation). *Società Benefit* is an available possibility also for cooperatives (intended as the form of “società cooperativa”). Anyway, in our study we will focus on the effect of this new tool on for profit firms.

Table 1 *Legal entities that can adopt the form of Società Benefit*

LEGAL ENTITY	SOCIETÀ BENEFIT
Società semplice	Yes
Società in nome collettivo	Yes
Società in accomandita semplice	Yes
Società per azioni	Yes
Società a responsabilità limitata	Yes
Società in accomandita per azioni	Yes
Società cooperative	Yes
Società consortile	Yes
Cooperative sociali	No
Imprese sociali	No
Startup innovative	Yes
Società tra professionisti	It depends from the single case

Source: Official Website of *Società Benefit* www.societàbenefit.net

According to comma 379 of the Italian Stability Law for 2016, the economic operators that adopt this legal form can add at the end of their name the formula *Società Benefit* or *SB*. The adoption of this denomination is facultative and not compulsory.

Today the adoption of the legal form of *Società Benefit* does not provide any fiscal advantage. If on the one hand tax exemption or fiscal incentives could give competitive advantages to *Società Benefit* and increase their diffusion, on the other hand is also important to consider the risk of opportunistic behaviours that could arise from this situation.

The absence of a differentiated fiscal regime can be seen in a certain sense as a guarantee of real committed and mission-oriented *Società Benefit*, since there is not the possi-

bility for businesses to save tax costs simulating a façade purpose to pursue the common benefit.

1.5.3 Benefit Corporations as a guarantee of long-term commitment

All the jurisdictions that have introduced Benefit Corporations (we are including right now also *Società Benefit* in this definition) pursue similar objectives.

This new legal forms indeed protects the firms' mission when they raise capitals or change leadership and ownership, establishing a long term commitment to social and environmental sustainability. This long-term commitment is granted by the presence in the object clause and in the articles of association of the purpose to follow stakeholders' interests as well as shareholders' ones. The commitment to follow also stakeholders' interests provides more flexibility when is necessary to evaluate potential sale and liquidity options. In this way, the probability to maintain a purpose driven approach after an eventual IPO increases.

The promoters of the Benefit Corporation form indeed wanted to avoid other situations similar to the one faced by the owners and founders Ben&Jerry when they sold their company.

Ben&Jerry Homemade Inc. is an iconic brand in the world of socially committed enterprises that operates in the ice-cream market.

The two charismatic founders of the company, Ben Cohen and Jerry Greenfield, defined their double bottom line approach (that balance the seeking for progressive social goals with acceptable social returns for investors) as «double dip» (Page and Katz, 2010).

In 2000 the owners of the company felt compelled to sell the company to the highest bidder (the multinational company Unilever) disregarding the potential effect of the acquisition on the mission of the company, in order to avoid the risk to face eventual legal problems due to the avoidance of the principle of the shareholder's wealth maximization.

The issue is not about the conduct of Unilever (that is today one of the multinational companies more interested to the reality of the B-Corp Movement) after the acquisition, but about the possibility to take into consideration interests that are others from the one of the ownership during an offer on acquisition.

According to some scholars the state law of Vermont, where Ben&Jerry was incorporated, would have permitted to socially oriented owners to resist to takeovers that risked to affect the pro-social mission of the company (Page and Katz, 2010; André, 2015).

Anyway, despite the presence of these protections, Michelle Stecker individuated in 2016 at least two reasons that may have influenced the behaviour of Ben&Jerry's owners:

- The first is that the vision taught in the law schools and diffused by attorneys and media is still the one according to which corporations must always maximize shareholders' wealth.
- The second is that there are not precise rules indicating to directors and officers how much they may deviate from the shareholder wealth maximization.

These issues come from a very old dispute among scholars about the conception of enterprise nature and directors duties, a dispute framed in the 1930s by the Professor Adolph Augustus Berle and the Professor Edwin Merrick Dodd.

The focus of the discussion is about whether the director actions must be motivated only by the maximization of the shareholders' wealth (as stated by Berle) or if the directors own duties also over the stakeholders (as stated by Dodd) (Hiller and Shackelford, 2018). The two different thesis are respectively defined as «shareholder value» and «stakeholder value» (Palmieri, 2017).

The introduction of the Benefit Corporations has in this sense a double effect. On the one hand, it shields directors and officers that want to preserve the social mission of a firm from lawsuits (Stecker, 2016); on the other hand it affirms the concept that businesses can consider a set of interests broader than the only one of its shareholders.

1.5.4 Focus on differences and commonalities

The Italian scenario shares with the US the tendency to confuse the B-Corps with the recently introduced *Società Benefit* (or with Benefit Corporation in the US).

This confusion is justified by the lot of commonalities between the two realities, which are certainly connected but which present also important differences.

As previously stated, B-Corps are businesses that have obtained a certification from B-Lab while *Società Benefit* have adopted a new legal form which entails the inclusion of the pursuit of the common benefit in the object clause and in the articles of association.

This commitment is more binding than the one generated by a certification, since in order to return to operate as an ordinary traditional for-profit business a *Società Benefit* as to change its object clause.

The performance of the B-Corps is verified and certified by B-Lab, through the B Impact Assessment, whereas the one of *Società Benefit* is self-declared.

As regards the time horizon of the social and environmental commitment, the *B-Corp Certification* lasts for three years, differently from the adoption of the legal form of *Società Benefit*, which is permanent.

If on the one hand the B-Corps have access to services and support from B Lab and can use the brand and logo of Certified B-Corp, on the other hand *Società Benefit* can put the formula *Società Benefit* or *SB* at the end of its name.

The commonalities, aside a strong identification in the same values, are the obligation for company directors to consider the impact of their choices on all the stakeholders and the publishing of a public report about social and economic performance assessed against a third party standard (Official Website of *Società Benefit* www.societabenefit.net).

A *Società Benefit* is not obliged to obtain the *B-Corp Certification*: this choice make sense since the social and environmental standard set by the B Lab in order to obtain this certification are rigorous, and the most of Italian *Società Benefit* are very small or very young companies.

Even if sincerely socially and environmentally committed this firms may lack, at least in the first time, the managerial and organizational skills necessary in order to develop the best practices necessary to overcome the threshold of 80 points in the B Impact Assessment (even if this threshold is tailored for company dimensions, industry and geographical location).

On the other side, an Italian B-Corp that is not yet a *Società Benefit* has to adopt this legal form by the 1st January 2020 or by two years from its certification in order to maintain the latter (normative adjourned to 9th of July 2018 from the Official European B Corporation website bcorporation.eu).

The time gap between becoming a B-Corp and the necessity to transform into a *Società Benefit* in order to maintain the certification can be seen as a trial period.

There may be indeed companies that want to join the B Lab vision about environmental and social sustainability but are worried about a binding choice as the one of the legal transformation, which is very difficult to revert since it requires the amendment of the articles of associations and of the object clause. For these companies the *B-Corp Certification* is in a first moment a more feasible instrument to follow their purpose. This option has indeed lower exit costs in term of complexity: if they do not want to make the legal transformation or to sustain again the impact assessment within the required deadlines, they simply loose a certification. If on the other hand during their permanence in the B-Corp Movement they reinforce their opinion about the necessity of a more sustainable way of doing business and about the effectiveness of the B Lab means to reach this end they can proceed with the transformation into a *Società Benefit*.

According to B Lab the choices of becoming a B-Corp and a *Società Benefit* are complementary, and when both are taken they permit to have «the most advanced corporate model that guarantees long term missions and the measurement of social and environmental impact performances».

1.6 Conclusion

From 2006 B Lab has been able to create a heterogeneous network of more than 2.500 companies of every dimension, sector and country that includes worldwide known brands as Danone and Patagonia as well as local SMEs. This variegates community share the common purpose of «using business as a force of good», conciliating profit with a positive impact of people and planet.

B Lab use two different means in order to drive the systemic change:

- The *B-Corp Certification*, obtained after the evaluation of social and environmental performance through the B Impact Assessment;
- The new legal form of Benefit Corporation, which includes in its statute the commitment to the pursuing of a common benefit in addition to profit. This legal form is available in the majority of US state as well as in Italy (where it is named *Società Benefit*) and in Columbia.

With the adoption of the legal form of *Società Benefit* Italy has been the first state country outside US (where the scope of this kind of legislation is at states level) to include the form of Benefit Corporation in its law.

This result has demonstrate the centrality of Italy within the international scenario of the B-Corp movement. The country partner B Lab for Italy is Nativa, a consulting firm based in Milan that represents the focal point of the network created by Italian B-Corp and *Società Benefit*. Nativa has been the first Italian certificated B-Corp and has transformed itself into a *Società Benefit* when the new law has been approved.

Certified B-Corps and Benefit Corporations are often confused in Italy and US, where also the latter form is in force.

Even if the values behind the choice of becoming a Benefit Corporations are the same of the ones required in order to obtain the *B-Corp Certification*, the two instruments created in order to enhance a sustainable way of doing business have substantial differences.

The B-Corp is a certification. It requires very high standards of environmental and social performances but it is a reversible choice, since if the company stops to meet the requisites it simply stops to be a certified B-Corp. In order to become a B-Corp a firm has to possess managerial and organizational skills necessary to obtain a positive evaluation about its governance, HR practices, sustainable management of production processes and relationship with suppliers, customers and community.

Benefit Corporation is a legal form that requires the amendment of the object clause and of the articles of association. The transformation into a Benefit Corporation implies a long term commitment to sustainability very difficult to revert, since abandoning the legal form would require a complex operation as a new amendment of the object clause and of the articles of association.

This is the reason why the Benefit Corporation is a very powerful instrument in order to protect the company mission, values and sustainable practices in the case of a possible future acquisition.

The Italian *Società Benefit* are not obliged to obtain the *B-Corp Certification*, even if the B Lab says that this would permit to the most advanced corporate model in term of measurement of social and environmental performances as well as long term protection of a mission oriented to provide benefits for people and planet.

On the other hand, the Italian B-Corps have to adopt the legal form of *Società Benefit* within few years from their certification if they want to maintain it.

It seems reasonable to consider the time before the legal transformation deadline as a trial period in which the companies can assess their real level of commitment and adhesion to the leading principles and practices of the B-Corp community.

MEASURING B-CORPS IMPACT: FROM *STRATEGY* TO *ORGANIZATION*

2.1 Introduction

The B Impact Assessment is the tool used by B Lab in order to evaluate the social and environmental performance of a company and consequently assign the *B-Corp Certification*.

The first version of B Impact Assessment has been created in 2006, synthesizing the best practices in socially responsible businesses and the version for the small companies of the Global Reporting Initiative reporting standards (B Corporations Official Website, www.bcorporation.net).

Nowadays the B Impact Assessment integrates more measurement standards in order to generate a weighted sum of all environmental, economic and social impact of a company (Nativa, 2018).

Two important standard measures involved in the B Impact Assessment composition are the abovementioned Global Reporting Initiative (GRI) Standards and the Impact Reporting and Investment Standard (IRIS).

The GRI Standards forms a modular, interrelated structure in order to represent the «global best strategy for reporting on a range of economic, environmental and social impacts» (Global Reporting Initiative).

IRIS is an initiative of the non-profit organization Global Impact Investing Network (GIIN), whose aim is to foster investments that generate a positive social and environmental impact together with a financial return. This is the reason why IRIS metrics indicate the social, environmental and financial performance of an investment.

In order to measure «What Matters» (as stated by one of the B Lab slogans) the B Impact Assessment takes into consideration the following five areas of impact (B Lab):

- *Governance*: includes a company's mission, ethics, accountability and transparency.
- *Workers*: takes into consideration topics related compensation and benefits, training, health and safety, share of ownership in the hand of the employees and flexible approach toward personal and family needs.
- *Community*: includes topics related to diversity, job creation, supplier relations, charity/community services and local involvement.
- *Environment*: measures a company's overall environmental stewardship, including facilities, use of resources, emissions, supply chain and distribution channels.
- *Customers*: this area of impact is evaluated only for companies that offer products or services designed to address a particular social problem for their customers, as for example health services or educational products.

The structure of the assessment has the double purpose to provide a standardized methodology and to take into consideration at the same time the peculiarities of each company (www.b-analytics.net). This is the reason why the questionnaire is tailored to geography, sector and size of a business (www.b-analytics.net).

There are two categories of questions: the ones that regard the Operational Impact and the ones about the Impact Business Model. B Lab intends as Operational Impact «the performance of a company's key business operations such as the company policies and environmental performance» and as Impact Business Model «the design of a company that creates a specific positive benefit/outcome for one or more of its stakeholders».

The questions about Operational Impact cover four impact areas (Governance, Workers, Community, Environment), whereas the ones about Impact Business Model regard all the five areas, including also Customers.

This chapter aims at analysing more in depth the five areas of evaluation of a B-Corp social impact, in order to understand the consequences that this certification has on organizations and on their strategy.

The first two paragraphs will describe in general terms how the guidelines contained in the B Impact Assessment's questions can influence firms' strategy, business model and organizational design.

Each of the following paragraphs will focus on one specific area of the assessment contained in the B Impact Assessment, trying to understand how the approaches encouraged are related with organizational theories and what are the policies that have to be implemented in order to maximize the creation of the value for all the stakeholders of a business.

The rationale of this analysis is to understand the effects of *B-Corp Certification* on structures, processes and managerial practices.

The theoretical findings will be later compared with the empirical ones exhibited in the next chapters.

2.2 Effects of *B-Corp Certification* on business model and strategy

B-Corps adopt a triple bottom line approach, where the pursuing of profits come together with a positive impact on people and environment.

The B Impact Assessment is a powerful tool that permits to make explicit the economic, social and environmental performance of a purpose-driven company, but it is not the only one.

In the last years researchers have highlighted the possibility to adopt a business model perspective in order to foster sustainable innovation (Boons and Lüdeke-Freund, 2013 and Boons et al., 2013).

The concept of business model is strictly related with the one of strategy, even if the two terms are not synonymous. Strategy's aim is to differentiate the company from the competitors by «choosing a different set of activities to deliver a unique mix of value» (Porter, 1996), while business model is a conceptual framework that helps to link the firm's strategy with its activities (Richardson, 2008).

A business model is a model that «describes the rationale of how an organization creates, delivers and capture value» (Osterwalder and Pigneur, 2009). This kind of tool underlines three pillars of sustainable innovation (Boons et al., 2013):

- The necessity to base the relationship with clients on exchange of value.
- The necessity to consider the firm as a part of larger system, in which customers and suppliers are essential parts.
- The necessity to balance costs and rewards for every actors included in the system.

These three concepts are perfectly in line with the B Impact Assessment philosophy, which considers B-Corps as responsible for the compliance to sustainability standards along their supply chain and for the impact produced on external stakeholders (customers, suppliers, community members) as well as on internal ones.

The adherence to this mind-set is a necessary condition in order to obtain and maintain the *B-Corp Certification*, since in order to reach the required score in the B Impact Assessment a company has to assess the impact of every single policy and process.

If a B-Corp has not yet formalized its business model it can do it by carefully analysing the answers provided in the B Impact Assessment, where it could find all necessary information, while the questionnaire would provide a feedback for the companies that want to check if their actions are coherent with an already defined business model.

Anyway, if on the one hand the B Impact Assessment is an excellent tool in order to encourage a firm to define its own business model, the revision of every single question may not be the most practical approach in order to communicate or synthesize this model.

A good solution could be to transfer the contents elaborated to answer to B Lab's questioner in a framework that can communicate them in a faster and more effective way.

This framework can be for example the Triple Layered Business Model canvas model, presented in 2016 by Joyce and Paquin.

The Triple Layered Business Canvas Model adds to the original canvas model two new layers, namely the social layer (Social Stakeholder Business Model Canvas) and the environmental layer (Environment Life Cycle Business Model Canvas).

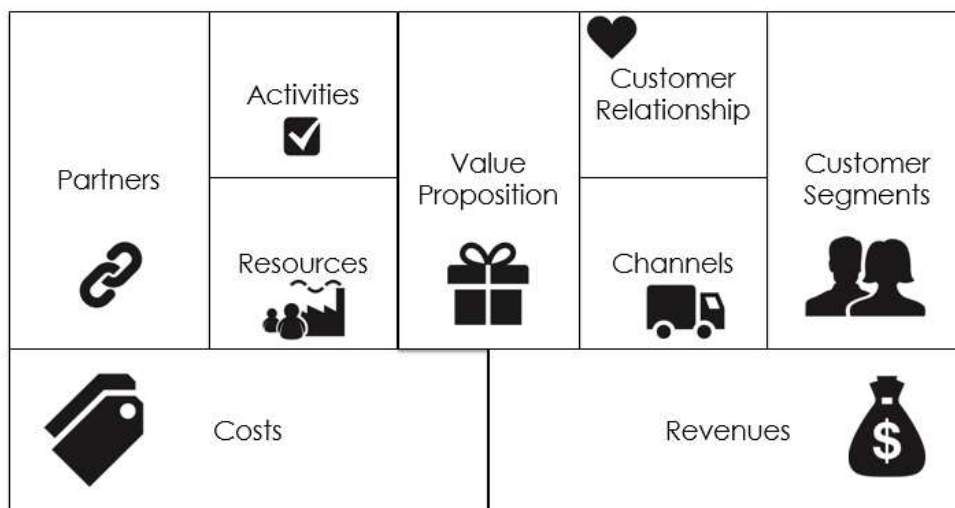
The structure of the two new layers added is similar to the one of the original canvas model. Every layer is composed by nine building blocks, as showed in *Figure 1*, *Figure 2* and *Figure 3*.

The position of each building block on the respective layer is not casual. The Triple Layered Business Canvas Model Framework is in fact designed in order to ensure both horizontal and vertical coherence within the business model.

The horizontal coherence regards the alignment of key actions and relationships within the nine building blocks of each layer, while the vertical coherence is about the alignment of each layer component with the corresponding components in the other two layers.

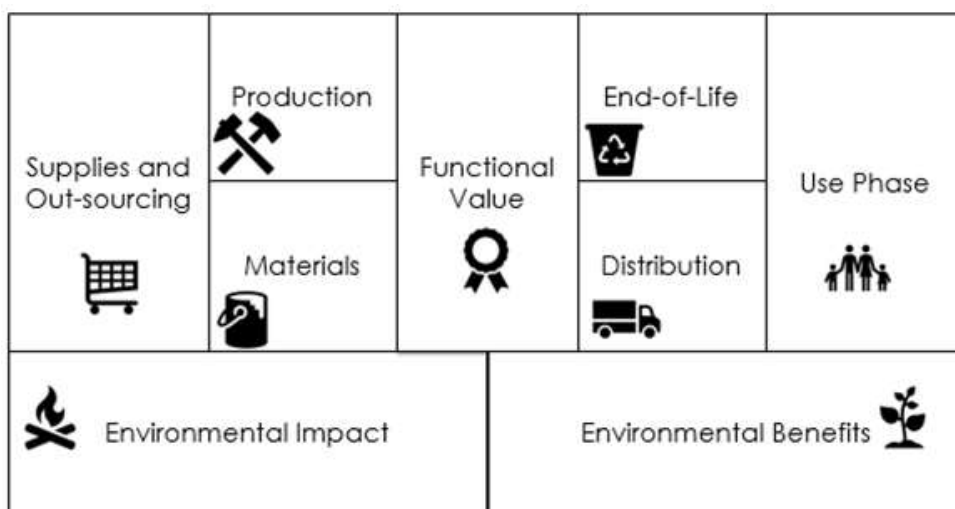
The corresponding components are the ones that have the same positions within the visual framework previously presented in Figure 1, Figure 2 and Figure 3 (for example, the corresponding components of the economic building block “Partners” are the environmental building block “Supplies and Outsourcing” and the social building block “Local Communities”).

Figure 1 Economic Business Model Canvas



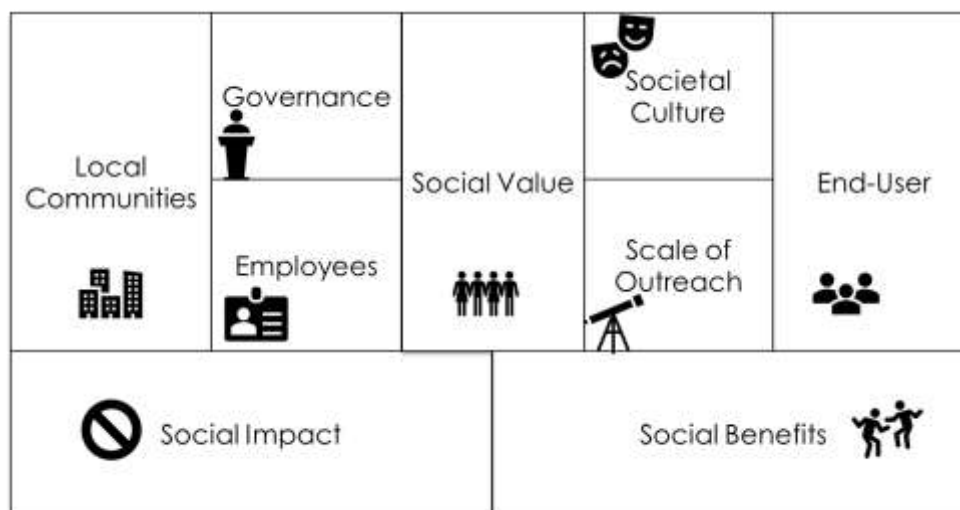
Source: Joyce and Paquin, 2016

Figure 2 Environmental Life Cycle Business Model Canvas



Source: Joyce and Paquin, 2016

Figure 3 Social Stakeholder Business Model Canvas



Source: Joyce and Paquin, 2016

The vertical coherence among corresponding components shows a holistic perspective of value creation, which integrates economic, environmental and social value creation (Joyce and Paquin, 2016).

Table 2, Table 3 and Table 4 provide a brief description of each components of all the three layers.

One of the strength of Canvas Layers is that they are visual tools, which permit to bring into focus all the key components of a business model simultaneously.

Table 2 Components of Economic Business Model Canvas

ECONOMIC BUSINESS MODEL CANVAS	
Partners	The network of suppliers and partners that make the business model work
Activities	The most important things a company must do to make its business model work
Resources	The most important assets required to make a business model work
Value Proposition	Bundle of products and services that create value for a specific customer segment
Customer Relationships	Relationships a company establishes with specific Customer Segments
Channels	Company's interface with customers
Customer Segments	Different groups of people or organizations an enterprise aim to reach and serve
Costs	All costs incurred to operate a business model
Revenues	The cash a company generates from each Customer Segment

Source: Osterwalder and Pigneur, 2009

Table 3 Environmental Life Cycle Business Model Canvas

ENVIRONMENTAL LIFE CYCLE BUSINESS MODEL CANVAS	
Supplies and Out-Sourcing	Material and production activities necessary for functional value but not considered "core"
Production	Actions undertaken to create value
Materials	Bio-Physical stocks used to render the Functional Value
Functional Value	Focal Outputs of a service or product
End-of-life	Moment when the client chooses to end the consumption of Functional Value
Distribution	Physical means by which the organization ensures access to its Functional Value
Use Phase	Impact generated by the client using the core service or product (e.g. energy requirement)
Environmental Impacts	Ecological costs of organization's action
Environmental Benefits	Ecological value created by the organization

Source: Joyce and Paquin, 2016

Table 4 Social Stakeholder Business Model Canvas

SOCIAL STAKEHOLDER BUSINESS MODEL CANVAS	
Local Communities	Social relationships built with business partners and their local communities
Governance	Organizational structure and decision-making policies
Employees	Employees' role as a core organizational stakeholder
Social Value	Aspect of the mission which focuses on creating benefits for stakeholders and society
Societal Culture	Potential impact of an organization on society as a whole
Scale of Outreach	Depth and breadth of the relationship an organization built with its stakeholders
End-User	The person who "consumes" the Value Proposition
Social Impacts	Social costs generated by the organization
Social Benefits	Positive social value creating aspects of the organization's action

Source: Joyce and Paquin, 2016

The usability that comes from this characteristics permits to have an overview of the key components included in a sustainability-oriented business model, in which the research of competitive advantage is integrated with a positive impact on environment and society.

The areas of impact evaluated by the Impact Assessment overlap the building block of the Social and Environmental Canvas Layers, as showed in *Figure 4* and in *Figure 5*, where some of the questions included in the questionnaire are integrated within the layers of the business model.

Figure 4 BIA Questions and the Environmental Life Cycle Business Model Canvas

Supplies and Out-Sourcing	Production	Social Value	End-of-life	Use Phase
Has the company formally engaged with suppliers to reduce the environmental impact of their activities	Has an energy assessment of the corporate run facilities been done in the last three years?	Which of the following product or service descriptions apply?	Tell us more about how your product or service reduces waste output	Tell us more about how your product or service reduces energy and/or water use
	Materials What is the % of recycled, biodegradable or environmentally preferred materials in product (including packaging)?		Distribution What % of company supplier vehicles are clean or low-emission vehicles?	
Environmental Impacts		Environmental Benefits		
Does your company monitor and records its greenhouse gas (GHG) emissions?		By what % have your greenhouse emissions been reduced on a per capita basis over the last fiscal year?		

Source: our elaboration based on Joyce and Paquin 2016, the B Impact Assessment made by Method Products Inc, 2013 and the B Lab Self-Assessment, 2011

Figure 5 BIA Questions and the Social Stakeholder Business Model Canvas

Local Communities	Governance	Social Value	Societal Culture	End User
What % of company's expenses (excluding labor costs) was spent with independent suppliers local to the company's headquarters?	Does the company have a formal process to share financial information (except salary info) with its full time employees?	How do company's product serve the customers?	Does employee training include instruction about company's environmental and/or social mission?	Does your product/service benefit underserved populations, either directly or by supporting organizations that directly serve them?
	Employees What % of your company's expenses (excluding labor) was spent with independent suppliers local to the company's headquarters or relevant production facilities?		Scale of outreach Has the company worked within its industry to develop social and environmental standards for your industry?	
Social Impacts		Social Benefits		
Does your company also measure and manage the negative or unintended outcomes generated by its business model?		Are there key performance indicators or metrics that your company tracks on at least annual basis to determine if you are meeting your social or environmental objectives?		

Source: our elaboration based on Joyce and Paquin 2016, the B Impact Assessments made by Method Products Inc, 2013 and Jason Wiener P.C.,2017 and the B Lab Self-Assessment, 2011.

The choice to put only one question for each Canvas Building block has been determined by graphical needs: anyway, every building block of Social and Environmental Canvas Layer can be analysed through a complete and exhaustive set of questions included in the B Impact Assessment.

Summarizing the answers provided in the B Impact Assessment into the three canvas layers could be an effective solution in order to have an overlook of the whole model implemented. Through the visual scheme provided by the business model it would be also easier to check the vertical and horizontal coherence of the economic, social and environmental rationale behind the company operations, external relations and strategy implemented.

2.3 Effects of *B-Corp Certification* on organizational design

The *B-Corp Certification* introduces a new way of doing business, that reshapes the relationship between the firms which adopt this model and the actors present in the environment as customers, suppliers, local communities and other companies operating in the industry.

The approach to external stakeholders is oriented to long-term sustainability, on the economic as well as on the social and environmental point of view

B-Corp Certification does not limit anyway its effects to the relationship between the certified businesses and the environment in which they operate, but acts as a factor of change within organizational boundaries, reshaping internal structures, roles, processes and relationships.

An accurate analysis of the content of the B Impact Assessment reveals the effect of B-Corp best practices on the fundamental variables that influence organizational design.

The definition of the organizational design here adopted is:

«the translation of the entrepreneurial idea into relatively stable structures, roles, procedures, symbols and meanings capable to attract the necessary resources and to provide the performance expected from the actors and the institutional environment» (Costa, Gubitta and Pittino, 2013).

The B-Corp Certification influences:

- the company mission;
- the governance structure, that has to favour accountability and transparency;
- the HR policies, that have to ensure workers well being and satisfaction;
- the production process, that has to be designed and monitored in order to guarantee a sustainable social and environmental impact;
- the material resources used to carry on operations.

2.4 Governance – Mission, Accountability and Transparency

The mission statement of a company represents the purposes of an organization; it is «the organization answer to why we exist» (Mirvis, Googins and Kinnicutt, 2010).

Looking at this definition it seems easy to understand why the B Lab is interested to the mission statement of a company that is trying to obtain the *B-Corp Certification*.

A company that desires to enter in the B-Corp movement should have a precise idea about why it operates and exists.

Therefore, the B Impact Assessment asks if the mission includes a commitment toward social and environmental responsibility.

The mission statement is one of the visible elements (Schmiedel, vom Brocke, and Recker, 2015) that compose the Organizational Culture of a company. Starting from the connection between the mission and the organizational culture, the four scholars Katarina Babnik, Kristijan Breznik, Valerij Dermol and Nada Trunk Širca have done a quantitative analysis of mission statements' keyword on a sample of 222 Slovenian companies. The findings of the research, published in 2014, have highlighted the existence of five mission statements' content dimensions:

- Concern for stakeholders (some of the keywords are: environment, safety, health, responsibility, work, people, concern, stakeholders)
- Orientation toward stability (some of the keywords are: training, adjustment, needs, professionalism ,performance)
- Orientation toward cooperation and innovation (some of the keywords are: creativity, innovation, partner, knowledge)
- Orientation toward development and growth (some of the keywords are: development, strategy, sales, Europe, largest)
- Customer orientation (some of the keywords are: satisfaction, quality, products, company)

If we look at the keywords used in order to identify the first content dimension (environment, safety, health, responsibility, work, people, concern, stakeholders) is very interesting the overlap between this content dimension and the ideal mission statement of a Certified B-Corp. This is perfectly coherent with the description provided for the organizations whose mission statement in the first content dimension. Indeed these organ-

izations are described as focused on concern, care and responsibility. This supportive approach is both internally and externally oriented.

A socially responsible company does not limit itself to include the needs of stakeholders in the written mission statement, but also acts in order to put these principles into practice. This is the reason why in the B Impact Assessment is also asked whether there Board of Directors or another government body review social and environmental performances, at least annually.

The evaluation of this performance is generally run through KPIs or metrics used by B-Corps in order to understand if they are meeting their social and environmental objectives. The results of the analysis are then included in the annual report published by B-Corps in order to describe their impact. The targets set for the year are compared with the actions taken.

From this perspective, the *B-Corp Certification* could be an occasion to improve the mastery of some managerial practices, as the use of performance indicators and the process mapping. If on the one hand these practices are generally used in big and structured businesses, on the other hand they may be not present in many SMEs, which represent the majority of B-Corp movement.

The organizations have also to strengthen their internal and external communication skills, in order to spread their mission among both the employees and the stakeholders outside the organizational boundaries. Without their efforts, the social and environmental goals included in the mission will remain only some good purposes written on the paper. Moreover, managers should be evaluated «on writing on their performance with regard to corporate social and environmental targets».

A final question about the mission posed by the B Impact Assessment regards the actions taken in order to maintain the social and environmental mission of the company over time, regardless of eventual changes in ownership. This aim is also the one that prescribes the transformation of Italian B-Corps into *Società Benefit* after the 1st January 2020 (or after 2 years from the certification if the date follows the previous deadline).

Box 1 Corporate Accountability and Transparency – The co-optation according to Selznick's theory

In order to measure the accountability of a company the B Impact Assessment asks the company governing bodies' form and characteristics. The questions regard several aspects as the existence of the Board of Directors or other governing bodies, the frequency of their meetings, the presence of independent members, the existence of an Audit Committee and the oversight of executive compensation. The questionnaire also asks whether a company has worked within its industry in order to develop common social and environmental standards.

A very interesting question is the one about the inclusion of stakeholders in the governing bodies of the company. The underlying suggestion is probably to include stakeholders in the company governance in order to increase the positive impact generated by the business.

The presence of stakeholders into the Board of Directors or other governing bodies can increase their possibility to express their needs and requests. Anyway is also true that this kind of policy can also have different objective, as described by Philip Selznick in its article "Foundations of the Theory of Organization", published in 1948 by the American Sociological Review.

According to Selznick the inclusion of employees (or other stakeholders) in the governance of a company is a typical example of co-optation. Selznick describe the co-optation as:

«... the process of absorbing new elements into the leadership or policy determining structure of an organization as a means of averting threats to its stability or existence».

The outcomes of this process are very different in the two cases of formal and informal co-optation. In the case of formal co-optation, the elements co-opted into organizations have not the real power to reshape the structures and policies. What is shared is not the power itself but the responsibility of power, giving legitimacy to the organization without changing its values and goals.

The situation is different in the case of informal co-optation, where is the substance of power that is shared and where structure and policies can be effectively shaped, generating a commitment toward the interest of co-opted elements. According to Selznick this power is possessed by individuals or interest groups that have the possibility to enforce demand and not by «people as a whole».

We have mentioned the theory of this prestigious author in order to stress the importance of understanding the reasons that incentive a company to include stakeholders in its governance structures. This awareness allows a clear distinction between the organizations that really pursue the stakeholder values (according to the values enhanced by the B-Corp movement) and the ones that are only trying to gain consent without embracing a real commitment.

Another fundamental issue covered by B Impact in order to identify the companies really committed to stakeholders' need is the evaluation of corporate transparency.

The questions about transparency include control mechanisms and disclosure policies adopted by the company about financial information, social and environmental performance and customer protection.

2.5 Workers

2.5.1 Compensation – Distributional Equity inside and outside organizational boundaries

The first concern expressed by the B Lab in the B Impact Assessment regards the compensation of employees. This is comprehensible, since a living wage is necessary to satisfy the needs that Maslow (1954 in Costa and Gianecchini, 2013) described as physiological.

Ensure a living wage to all employee is of course a necessary but not sufficient condition in order to be a people-oriented company.

Another important item to consider in this sense is the degree of distributional equity within the compensation policies enacted, looking both outside and inside the boundaries of the organizations.

In order to measure the distributional equity within a market a company should look to the comparison between the wages payed to its employees and the ones paid by other firms that operate in the same industry. A good wage level prevents the loose of best talented employees, who could move to competitors if they feel that their work is not properly rewarded.

On the other hand, in order to measure the internal distributional equity B Impact Assessment asks:

«What multiple is the highest compensated individual paid (inclusive of bonus) as compared to the lowest paid full time worker?».

This approach aims to solve one of the ethical interrogatives of contemporary capitalism, represented by the enormous compensation gap between CEO and workers. According to the data provided by the American Union AFL-CIO about S&P 500 Index companies, the ratio between the average compensation of a CEO and the one of a non-supervisory worker in 2017 has been of 361 to 1.

A compressed payroll policy that caps the ratio between the highest and the lower compensation within a company bears both risks and opportunities.

The main risk is to lose the possibility for the B-Corps to benefit from the work of brilliant talented top managers. This is the reason why a socially committed company as Ben & Jerry abandoned this policy in 1994.

The main opportunity regards the creation of a climate of trust and unity among the employees (Honeyman 2014). The reduction of the compensation gap within the organizations is likely to increase the perception of distributional equity within the organization, increasing employees' satisfaction and sense of belonging, with high probabilities of a positive effect on performance and engagement. The world leading natural and organic food supermarket Whole Foods Market has set for many years a salary cap equal to 19 times the average worker's pay (it was 14 times before 2006, when it was raised in order to make compensation of executives more competitive in market place). According to the words of the founder John Mackey (in Honeyman, 2014) that policy brought «a

sense of solidarity throughout the organization». The Whole Foods Market peculiar compensation policy ended up with the acquisition of the company by Amazon in 2017. The final aspect of the B Lab investigation about compensation policies regards the participation of the non-executive full time employees to the company's bonus plan.

The spread of the bonus coming from company results among all the actors that have contributed to the annual performance of the firm is perfectly coherent with the B-Corp culture, oriented to cooperation and harmony among the stakeholders.

A bonus connected to a collective result as the company performance incentives cooperation among employees (but also the risk of free riding if not supported by a strong organizational communication that enhance the commitment to the company mission or by effective control systems), differently from a bonus connected to individual performance, that may enhance competition among colleagues.

2.5.2 Benefit, Corporate Welfare and Flexibility - How to improve employee's work life balance

The B-Corp movement includes among its objectives the improvement of people's quality of life.

This objective implies a great attention of B-Corps to their employees' work life balance. To facilitate the achievement of a satisfactory work life balance B-Corps have to adopt an integrated system of HR policies composed by benefits, corporate welfare and temporal and geographical working flexibility.

Among these benefits and welfare measures, the ones that facilitate employees' family life are considered as central. In this sense is worth to mention how the B Impact Assessment investigates not only the number of days of paid maternity, but also the numbers of day of paid paternity. This attention signals a shift from a cultural paradigm that saw the mother as the only or main responsible of children care.

This new sensibility is stronger and more consolidated in some countries, as the Scandinavian ones, while in others it is still in an early stage of development, like in Italy.

Empirical studies have confirmed the positive effect of family-supportive HR policies on employees' turnover reduction (Baughman, DiNardi and Holtz-Eakin, 2003; Ngo, Foley and Loi, 2009) and organizational climate's improvement (Ngo, Foley and Loi, 2009).

Flexibility regards both the time and the place of work, and helps employees to manage their life outside the company.

The B Impact Assessment suggests the introduction of part-time and flex-time work schedules as well as practices as telecommuting (working from home one or more days per week) or job sharing (where two workers share a unique job). As regards the career development and promotion policies, the questionnaire evaluates the possibility offered to employees and managers who ask for the previously mentioned flexible instruments and the support offered to the employees that aim to make lateral moves within the organization, changing their career direction.

Flexibility practices do not only increase the job performances of the employees that use them, but also of the ones that recognize these practices as available (Bal and De Lange, 2015). On the one hand, people aware of the possibility to use flexibility can have greater control on their work demands, gaining in this way the opportunity to invest in their work and achieve high performance standards. On the other hand, flexibility gives the possibility to employees who use it to have the ability and the opportunity to perform their jobs.

According to the studies conducted by Bal and De Lange (2015) the effect of flexibility on engagement is particularly strong among younger workers.

The advantages coming from flexibility are also accompanied with some organizational challenges, connected with the reshaping of coordination and control mechanism, jobs design, spread of organizational culture and information exchange. (Manoochehri and Pinkerton, 2003; Costa and Gianecchini 2013).

2.5.3 Training and Education – Benefits for Individuals, Organizations and Society

B-Corps have to offer training and education possibilities to their workers, managing these practices with fairness and inclusiveness (Winkler and Portocarrero, 2018).

Forming people has a positive impact not only for the organization, but also for the people themselves and for the whole society. This is perfectly in line with the objectives and the philosophy of the B-Corp movement.

Herman Aguinis and Kurt Kraiger (2009) have analysed the benefits coming from training at personal, organizational and societal level through a multidisciplinary and global

perspective and a review of previous literature. Their results are summarized in the following lines.

- Training improves the performance of individuals and teams. The performance is increased directly through the fostering of innovation and the acquisition of tacit skills, adaptive expertise, technical skills and self-management skills. Other consequences of training that contribute indirectly to improve the performance are the employees' empowerment and the improvement of communication, planning and task coordination within teams.
- Training improves the outcome of organizations in terms of profitability, effectiveness and productivity. A more skilled and qualified workforce implies more effective and efficient processes, with a positive effect on quality and quantity of the outcome and on cost reduction. Positive effects are also registered with respect of decrease in turnover and enhancement of organization's reputation and social capital.
- Training increases the level of human capital of the society, which is related to greater economic prosperity.

In order to provide these benefits training has to be coherent and connected with the other Human Resource Management practices implemented by the company.

There are many occasions to observe a well defined and coherent approach toward People Management in the guidelines indicated by B Impact Assessment.

In this sense, two important factors of synergy that may enhance the positive effects of training and education programs are the spread of a strongly mission driven and mission committed organizational culture that stimulates employees' engagement and the emphasis on the internal career path of the employees.

On the one hand, the motivation to learn is positively affected by organizational commitment and by the awareness that a worker has about the contribution given by her or his job to the organization's mission (Kontoghiorghes, 2004). On the other hand is very important to valorise the skills of the people who took advantages from tuition reimbursement, in order to avoid their exit from the organization after the investment sustained for their education.

2.5.4 Work Ownership – Features that make it a feasible option for B-Corps

B Lab sees the access of employees to company's ownership as positive phenomenon that has to be encouraged. For this reason, the share of the ownership of a company that belongs to employees contributes to the B Impact Assessment valuation. It is worth to observe how companies that are fully owned by employees like America's oldest flour company King Arthur Flour and the craft brewery New Belgium brewery obtained an outstanding score in the impact area "Workers". According to recent studies (Blasi, Freeman and Kruse, 2016; Kruse, 2016) the use of forms of compensation as employee stock ownership, profit and gain sharing and broad based stock options tends to increase employees' participation in decisions and information sharing and to reduce labour-management conflict through conformity of incentives among the parties. The same research shows as this kind of proprietary structure has also a positive effect on workplace culture and, if connected with other policies aimed to empower employees, permits a reduction of voluntary turnover and an increase in financial performance.

The B-Corps seems also to possess right features in order to overcome the main issues connected to worker ownership.

The main challenges coming this kind of proprietary structure are in fact represented by the free-riding problem, since the rewards coming from individual effort are shared with other employees, and by the excessive exposition of workers to financial risk if ownership represents an important part of their wealth and substitutes other pays and benefit (Kruse, 2016).

B-Corps have the rights instruments to overcome the free riding thanks to the intrinsic motivation coming from working in a business committed to people and environment.

At the same time the guidelines about compensation set the B Impact Assessment seems to suggest to B-Corps to adopt a compensation structure where employees ownership represents an integration of the standard pay and benefits rather than a substitute of them, avoiding in this way to undermine the employees' economical security.

Stock ownership among employees is quite common in the US (Costa and Gianecchini, 2013) while in Europe it tends to be present in large companies and in countries with developed capital markets (Kruse, 2016). This datum is important for the European B-Corp movement, that is mainly composed by SMEs and has an importance presence also in countries where capital market are not so developed, as for example Italy.

2.5.5 Management and Workers Communication – Benefit of a two-way communication

Communication between management and workers is important in order to create a work environment based on the principles of transparency, trust and engagement.

The communication that the B Impact Assessment suggests to implement is a two-way communication. On the one hand, the company should provide to all employees both explanation of organizational policies and metrics and performance feedback. On the other hand, employees should be asked about their degrees of satisfaction and engagement and should have access to formal methods to let them raise complaints or issues without fear of reprisal. Another suggested element is the presence of a figure with the role of mediator in labour-management conflicts.

Asking to employees a feedback about their condition is an important occasion for organizations in order to demonstrate commitment to people. Sometimes the attention received by employee is itself a powerful incentive capable of improving their morale, as discovered by Mayo (1945, in Gianecchini, 2013) during the experiments conducted in the Western Electric's factory Hawthorne Works before the Second World War and as confirmed by a more recent study about US federal workforce (Jung and Lee, 2015).

At the same time receiving feedback on performance allows employees «...to reinforce positive actions and correct insufficient or disruptive behaviours» (de Janasz, Dowd and Schneider, 2012).

2.6 Community

2.6.1 Suppliers, Distributors and Local Involvement – Creation of “for benefit networks”

The responsibility of B-Corps over the impact on people and environment is not limited to the operations carried on within organizational boundaries.

One of the messages passed by B Lab is that every B-Corp is also responsible for the behaviours of its partners along the supply chain. The questionnaire seems to indicate as an ideal supplier a local firm that respects specific social and environmental criteria evaluated according to third-party standards and certifications. Certifications and third-party standards already possessed by suppliers should not prevent a B-Corp from the monitoring of its partner and from the establishment of a Supplier Code Conduct. A virtuous B-Corp should provide also training and technical assistance to small-scale sup-

pliers, in order to improve their efficiency or productivity. The relationships with suppliers has to be long term oriented.

The sharing of social and environmental responsibility along the supply chain and the trust derived from the development of long term relationships facilitates the creation of networks of firms where the aligned vision about sustainability plays an important role as a form of non-hierarchical coordination of economic activities.

The shared vision may favour the entrance within the network of other B-Corps operating in the same sector or the transformation of more existing members of the network into B-Corps.

This adhesion to the B-Corp movement along the supply chain is easier if the organizations that represents the focal point of the network due to size, visibility, added value generated or access to information is already a B-Corp.

In this kind of “for benefit networks”, the positive impact toward people, community and environment is generally ensured by both informal and formal mechanisms of coordination.

Informal mechanisms are generated by a common sensibility about sustainability.

Formal mechanisms regard certifications acquired on the base of compliance to third party standard or the adhesion to code of conducts established by the focal company within the network.

An example of this kind of mechanism within a “for benefit networks” is represented by the codes implemented by the Italian B-Corp Fratelli Carli.

Fratelli Carli has divided its suppliers in four different categories on the base of products and services provided, and has elaborated a sustainability code for each one of these categories. There is the “Codice dell’Olio” for the 200 small and micro producers of extra virgin olive oil, the “Codice della Bontà” for the 50 suppliers operating in the sector of specialty food and packaging, the “Codice della Bellezza” for the 15 suppliers of the natural cosmetics brand *Mediterranea* and the “Codice delle Consegne” for the consignors.

In 2016, one of the Fratelli Carli’s suppliers in the specialty food sector, *Pasticceria Filippi*, has obtained the *B-Corp Certification*. *Pasticceria Filippi* has also exploited the information that Fratelli Carli provided to their suppliers about strategic value, manage-

rial practices and evaluation technique necessary to pass from a «for profit» to a «for benefit» approach (Gubitta, 2018).

This example demonstrates how in this networks information about best sustainability practices spreads among the organizational boundaries, that become in this sense more blurred, enacting mechanisms similar to the ones of open innovation.

The creation of networks among firms that share industrial sector, information, technology or resources used or cultural values is often favoured by geographical proximity, as in the case of the industrial districts typical of Italian economy.

The B Impact Assessment asks also to the firm its level of local involvement in term of suppliers chosen, workforce used and market served.

It is presumable to think that whether the owners of a company are located in the same territory where the firm runs the majority of its operation they will have an additional reason to consider the impact of the company's activity on the life on the community. At the same time if also the customers of the company live in the same they can use their negotiation power, which comes from their purchase choices, in order to orient the firm's action toward social and environmental sustainability.

Another advantage of a local approach is that it is easier to monitor the conformity of their policies with the principles that inspire the B-Corp Movement. Moreover, the geographical proximity with suppliers of physical goods permits to reduce the environmental (and economical) costs of delivery.

2.6.2 Job Creation and Diversity Inclusion – Advantages and challenges of heterogeneity

The B Impact Assessment asks also the contribution given by a company to the creation of new jobs, with a special attention to the opportunities offered to some categories that are often disadvantaged in the job market (as for example people with disabilities, people coming from low-income area or people belonging to ethnical minorities).

B Lab evaluates also companies' gender equality policies and inclusive approach toward disadvantaged categories. This evaluation is conducted through questions regarding the composition of company workforce, ownership and governance structure. The B Impact Assessment asks about the implementation of policies that give preference to suppliers owned by women or individuals from underrepresented populations.

Introducing heterogeneity in a team or in an organization presents both advantages and challenges.

According to Cox and Blake (1991) diversity of perspectives and less emphasis on conformity to norms of the past should improve the level of creativity and create broader and richer base of experience that can enhance problem solving skills and decision making process. The same authors suggest that the flexibility introduced in order to manage diversity can make the organization fit to react to environmental changes.

This flexibility may regard for example a new approach to the definition of work schedules as well as the possibility of working from home for people that have difficulties to move to the job place.

We can appreciate the coherence that characterizes the B Lab guidelines, which indicate similar policies in the area of assessment regarding workers.

Another important advantage of an organization that accepts diversity comes from the possibility to access to a larger recruitment pool in order to attract talents.

As every important shift of paradigm, the passage from a homogenous to a heterogeneous organization is not a simple or costless process.

If it is true that the extreme standardization of procedures and behaviours is not any more sustainable in order to manage a workforce that is everyday more variegated (Costa and Gianecchini 2013), it is also important to bear in mind that the necessity of managing heterogeneity can increase coordination and communication costs.

Colleagues that come from different backgrounds may conflict if not properly prepared to a multicultural and differentiated environment.

Moreover, reverse discrimination may occur if opportunities are devoted only to certain groups (Ravazzani, 2016), with a consequent shrinking of the recruitment pool for this positions.

The issues presented show how the management of diversity in an organization is a very complex and delicate task, which encompasses a broad sphere of activities aimed to redesign organizational culture and communication, recruitment processes, training programs, performance appraisal, work schedules, compensation and benefits and promotion policies (Cox and Blake, 1991).

The word diversity itself risks to be misleading, since it assume the differentiation from a norm that can be used as a benchmark for work characteristics: it would probably bet-

ter to speak about variety, a term that reflects how everyone's unique characteristic represent a richness for the whole organization if properly integrated (Costa and Gianecchini, 2013).

2.6.3 Civic Engagement and Giving – Collaboration between profit and non-profit

Even if the B-Corp movement is composed by for profit companies, its social sensibility and values are similar to the ones of non-profit realities.

For this reason, the B Impact Assessment asks the contribution given by the B-Corp to non-profit organizations in term of donations and Community Service Programs.

Community Service Programs have the objective to encourage a culture of volunteerism among the employees. B Lab indicates also different tools in order to reach this purpose, suggesting to B-Corps to:

- Inform employees of volunteer opportunities.
- Allow employees paid time off during regular working hours to volunteers.
- Offer paid leave specifically to pursue volunteerism.
- Develop and Coordinate company activities worldwide.
- Give awards to employees for community services.
- Incentive the participation of executives in Non-profit Boards.

Over the years many worldwide known companies have been involved in social community service, through the organization of large-scale one-day service events (Timberland), the financing of the charities where company's employees act as volunteers (Starbucks) or the establishment of prestigious awards for employees who are more committed to volunteerism (Ups).

It is important to underline how the adoption of policies that encourage volunteerism toward employees are not necessarily in contrast with profit maximization.

Social community programs represent in fact an important occasion to increase productivity and gains for a company, since they provide the following benefits (B Lab, 2008):

- Teamwork building
- Occupational skill development
- Employee Commitment toward company
- Enhancement of companies values of leadership and service

- Creation of new business relationships
- Positive Public Relations for the company

2.7 Environment – The Life Cycle Assessment (LCA)

The B Impact Assessment dedicates one section to the environmental impact generated by the economic activities of the businesses evaluated.

This questions permit to B-Corps to become aware about the environmental impact of their business model, processes and practices. The full awareness of the actual situation is the important first-step in order to improve, starting a sustainable-innovation route.

We have showed in *Figure 4* how it is possible for a B-Corp to build an environmental canvas layer starting from the answers provided to B Lab in the impact area regarding environment.

The Environmental Life Cycle Business Model Canvas is based on a life cycle perspective of environmental impact (Joyce, Paquin, 2016).

Life Cycle Assessment (LCA) is «a methodological framework for estimating and assessing the environmental impacts attributable to the life cycle of a product» (Rebitzer et al., 2004). The Life Cycle Assessment evaluates all the relevant phases of the life cycle of a product, from the raw material extraction to the ultimate disposal and the eventual recycling, and considers the impact of every phase on environment, human health and resources used.

The comprehensive scope of this tool prevents problem shifting among different production phases, regions or environmental problems (Finnveden et al, 2009).

Life Cycle assessment forces the company to acquire a deeper knowledge of its products, since every stage of its life has to be carefully observed.

In his book “Let my people go surfing: The Education of a Reluctant Businessman” Yvon Chouinard, founder of Patagonia Inc., describes how the monitoring of the whole production process of the clothes has increased the awareness of the characteristics of the product itself among producers and designers, with a beneficial effect in term of sales.

2.8 Customers – Serving those in needs

The Customers area of impact evaluates companies that offer products and services dedicated to address a particular social problem.

The B Lab measures how the business model of those companies is suited to support customer needs in a particular area considered as socially relevant.

The customer needs chosen in this sense by B Lab are (Nativa, 2018):

- Health
- Basic Services
- Education
- Arts, Media & Culture
- Economic Empowerment

The B Impact Assessment investigates also if and to which extent the company business model focuses on providing products or services to underserved individuals and community or to people with a low income.

Serving poor people or other categories that had not previously access to product and service is not in contrast with a for profit approach. These people indeed represent also a new market where a company enters, a market with different needs and priorities.

As for the entrance in every other different market, a firm has to adapt its value proposition in order to be successful.

An interesting example in this sense is the philosophy of frugal innovation, embraced in past years by many multinational companies in order to enter in developing markets.

Bhatti and Ventresca (2013) has defined frugal innovation as «means and ends to do more with less for more people». Frugal innovation imposes the reshaping of innovation processes, strategies, research methods, business objectives and organizational learning routines: the final aim is not to reply a low-cost version of the products sold to rich markets, but to provide a unique value proposition that fits the needs of the new addressed target (Nakata, 2012).

2.9 Conclusion

The B Lab provides through B Impact Assessment a set of guidelines in order to orient business activities toward social and environmental sustainability.

The companies which desire to obtain *the B-Corp Certification* have the possibility to understand through the questionnaire proposed if they need to reshape their organizational design to address the purpose of «using business as a force of good», as stated in the B-Corp Declaration of Interdependence.

The best practices proposed by B Lab impacts on different aspects of an organization. The first aspect that emerges from our analysis is that an organizational culture characterized by concern for stakeholders and inclusive approach toward diversity is the one that best meets the philosophy of the B-Corp movement.

This concern for stakeholder implies also the suggestion to include employees in the ownership structure of a company, as well as the involvement of workers and other stakeholders in the company governance. The governing bodies of a B-Corp must guarantee transparency through the implementation of control mechanisms and disclosure policies about social and environmental performance of the firm.

This means that the *B-Corp Certification* may represent the right occasion to introduce the use of performance indicators and of process mapping tools among the company's managerial practices.

One practice that could be coherent with the B-Corps policies is the Life Cycle Assessment, which implies the assessment of the environmental impact of every stage within the product life cycle.

An organizational aspect that has a particular relevance in the guidelines set by B Lab is the one of people management. The HR practices of a B-Corp should make the firm the «best for its workers» (Winkler and Portocarrero, 2018). A B-Corp has to ensure a fair compensation to its employees, respecting some criteria of distributional equity among them. People-oriented policies include also flexibility about time and place of work and a strong system of benefits and corporate welfare in order to improve the work life balance of employees. Education and training programs permit the personal and professional development of workers, and constructive and transparent two-way communication between employees and management allows the creation of a work environment characterised by engagement, harmony and mutual trust.

The principles established by B Lab redefine also the relationship between a company and the subjects outside organizational boundaries. A B-Corp is responsible of the conduct of all its partners along the supply chain. This shared responsibility may favour the collaboration among companies with a similar sensibility about social and environmental problems, with the possible creation of “for benefit networks”. The forms of collaboration directed to improve the conditions of territory and communities where enlightened firms operate are not limited to suppliers and distributors: the B Impact Assess-

ment gives a positive evaluation to the companies that help the non-profit sector by enhancing a culture of volunteerism among their workforce.

ITALIAN B-CORPS AND *SOCIETÀ BENEFIT* FORM ADOPTION: AN EMPIRICAL ANALYSIS

3.1 Introduction

We have seen in the previous chapters the five areas of impact evaluated by B Lab in order to assess the social and environmental impact of a business.

We will continue our analysis in this chapter, trying to understand whether the total and partial scores obtained in the BIA are correlated with B-Corps characteristics as size, sector or adoption of *Società Benefit* form.

Even if the evaluation processes sustained in order to become a B-Corp takes into account the differences among business in terms of industry, size and location, it could be possible that the firms operating in some specific sectors may have more possibilities to implement some sustainable processes or managerial practices if compared with the others.

The above-mentioned policies could regard for example the introduction of sustainable production processes, the implementation of flexible working time schedules or the creation of a strong relationship with the community where the company operates.

Our findings are based on the information collected about Italian B-Corps, through the methods and procedures described in the next paragraph.

The chapter continues with the description of the statistical and graphical analysis performed and the illustration of the results obtained from it.

The following paragraphs before the conclusion represent a discussion about the output coming from our quantitative study, and includes suggestions for future researchers.

3.2 Methods and Procedures

3.2.1 Data collection

In order to collect the data used to run the analysis we have followed the procedure described in this paragraph.

- We have created a database that contains all the 71 Italian B-Corps listed within the Official B Corporation website bcorporation.net (on date 10th of August 2018) , collecting from the same source also the partial and total score obtained by each certified firm in its most recent B Impact Assessment score.
- Since this dissertation aim is to focus on for profit B-Corps and *Società Benefit* we have decided to not consider in our analysis 6 B-Corps within the 71 previously mentioned since they are non-profit realities as for example cooperatives, consortia or imprese sociali (an Italian legal form available for non-profit enterprises).
- We have continued our data collection processes focusing on the 65 for profit B-Corps B Impact Assessment score, legal status, industry and size. Combining the information in the company description provided by the Official B Corporation website bcorporation.net with by the data contained in another database, that will be analysed in Chapter 5, we have individuated in this way 29 *Società Benefit* within the 65 for profit B-Corps. We have also included the sectorial definition provided by the Official B Corporation website bcorporation.net for each B-Corp (2 Agriculture/Growers, 17 Manufacturing, 34 Service with Minor Environmental Footprint, 7 Service with Significant Environmental Footprint and 5 Wholesale/Retail).
- The last information included in the database has been the one about the last available Annual Revenue and the number of Employees of each company, according to the database AIDA (data collected on the 10th of August 2018). These two data were available for 58 firms, that have become the sample used in order to run the analyses performed in the. The remaining 7 for profit B-Corps were indeed recently founded companies or firms whose legal form was different to the ones belonging to “società di capitali”, and it has not been possible to obtain those data.

The sample of 58 firms observed in order to run the statistical analysis present these characteristics:

- *Società Benefit* Status : 26 *Società Benefit* within the sample

- *Sector*: 2 Agriculture/Growers, 17 Manufacturing, 28 Service with Minor Environmental Footprint, 6 Service with Significant Environmental Footprint and 5 Wholesale/Retail
- *Size*: 27 Microenterprises (here less than 10 employees and annual revenue smaller than 2 million euro), 18 Small Enterprises (here less than 50 employees and annual revenue smaller than 10 million euro), 9 Medium Enterprises (here less than 250 employees and annual revenue smaller than 50 million euro) and 4 bigger companies.

3.2.2 Introduction to the analysis

One of the key challenges that the B-Corp Movement will have to face regards the ability to involve more big multinationals companies within its network.

If we look at the Italian scenario, only 4 among the certified B-Corp companies included in the Official B Corporations website list overcome the dimensional cut-off of 50 million of annual revenues. The biggest B-Corps is indeed the insurance company Assimoco, with 250 million of annual revenues, followed by Fratelli Carli Spa and Davines Spa. These data underline how in the Italian scenario there are not very big multinational corporations that have decided to become *certified B-Corps*, as happened in US with Danone North America or in Brazil with Natura Cosméticos SA.

In order to try to understand whether the B Impact Assessment score is influenced by company size we have built six graphs using the data about 58 Italian B-Corps' B Impact Assessment Score (the ones within the 71 observed that satisfy the double requisite of being a for profit reality and of availability of financial data in the database AIDA).

On the Y axis of every graph is a score obtained in the B Impact Assessment evaluation: in the *Figure 6* we have taken into consideration the whole B Impact assessment score, while in *Figure 7*, *Figure 8*, *Figure 9* and *Figure 10* we have observed the score obtained in every single impact areas. On the X axis we have put the last available annual revenue's (datum expressed in thousand euros) natural logarithm. We are anyway aware of the fact that the dimension of a company may not be the unique fact capable of influencing the B Impact Score. This is the reason why we have also introduced in our database two dummy variables, which signal whether the B-Corp studied is also a *Società Benefit* and a Service firm. The dummy variables have been considered equal to 1 for *Società Benefit* and service firms, and 0 in the cases when the respective conditions

where not respected. This double distinction among the analysed B-Corps has also been included in the graphical analysis.

Whenever one of the 58 companies were not evaluated in one particular impact area it has been eliminated from that graph. This particular case has interested the analysis of the Impact Area of *Workers* (since 4 companies result without any employee) and the *Customers* Impact Area, which is reserved only to companies which operate in specific sectors (this area has been evaluated for only 36 companies among the ones included in the database).

We have used the subsample of 58 companies also to run some statistical analysis. We have indeed calculated and tested the correlation among companies' characteristics as size (through the abovementioned natural logarithm), adoption of the *Società Benefit* form and belonging to the service sector as well the as the correlation between this characteristics and the results obtained by the B-Corps in the B Impact Assessment. We have used t test to understand whether the correlation between two variables has statistical significance.

In order to strengthen the conclusion reached through the data obtained from the correlation as well as through the analysis of the graphs we have run some Mann-Whitney-Wilcoxon Tests. Those tests have been run dividing the B-Corps analysed in two different populations according to one characteristic (as for example the adoption of the form of *Società Benefit*) and establishing whether the two populations' distributions are identical. We have chosen this non-parametric test because it can be used in the case of small or semi-quantitative/ordinal sample (Nachar, 2008).

3.3 Results

As already stated in the *Introduction & Summary*, the aim of our analysis is to investigate the correlation among between the B-Corps' variables (size, sector and Società Benefit Status) and the score obtained in the different impact areas included in the B Impact Assessment. We will focus in particular on the following questions:

- Does the B-Corp Certification organizational impact depend on the sector in which a company operates?

- Do B-Corps concentrate their organizational efforts to enhance social and environmental sustainability on the critical impact areas that are peculiar of the sector in which a company operates?
- Does the institutionalization of a sustainability-committed approach toward the legal transformation into a Società Benefit enhance governance structure by fostering accountability and transparency within the decisional processes?

The data about correlation in *Table 5* show how within the sample studied service firms tend to be smaller than the others certified B-Corps. The same data permit us to conclude that the 26 *Società Benefit* included in analysis tend to be smaller than the other B-Corps. On the contrary, the empirical study seems to suggest that the choice to adopt the *Società Benefit* form is not correlated to the sector in which a company operates.

The hypothesis about the presence of a dimensional gap between *Società Benefit* and other B-Corps as well as between service firms and other companies present in the sample have been confirmed, with different level of confidences, by the two Mann-Whitney-Wilcoxon Test's outcome summarized in *Table 6*.

Table 5 Correlation between B-Corps characteristics

Correlation between B-Corps Size, Società Benefit status and Sector			
	LN Revenues	Società Benefit	Service
LN Revenue	1		
Società Benefit	-0,30351**	1	
Service	-0,30614 **	0,038208	1
Observations	58		

*p-value < 0,1, **p-value <0,05

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Table 6 Mann-Whitney-Wilcoxon Tests about Revenue Distribution

Mann-Whitney-Wilcoxon Tests about Annual Revenue (in thousand euros) distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a Società Benefit	0.05747	Yes (confidence level of 90%)
Operating in Service Sector	0.00345	Yes (confidence level of 99%)

*null hypothesis: identical distribution of the two population divided by the discrimination criterium

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

The *B-Corp Certification* has been already presented as a certification mainly diffused among SMEs. Anyway, this statement may not properly describe the size of many Italian B-Corps, for whom the definition of microenterprise may be more representative than the one of SME. If on the one hand in fact the average annual revenue within the

sample is of 13,7 million euros, on the other hand the huge percentage of extremely small enterprise brings to a median annual revenue of 1,3 million and 29 firms over 58 have less than 10 employees (AIDA, 2018).

The data about correlation between B-Corps characteristics and the result obtained about in B Impact Assessment do not underline any significant correlation between the total score obtained in the BIA and the companies' characteristics taken into analysis, as it is possible to observe in *Table 7*

Table 7 Correlation between B-Corps Characteristics and BIA results

Correlation between B-Corps characteristics and BIA results				
	LN Revenue	Società Benefit	Service	Observations
BIA Score	-0,03982	0,03401	0,14532	58
Environment Score	0,38056**	-0,20193	-0,50122**	58
Workers Score	0,04677	-0,10493	0,36834**	54
Customers Score	-0,34124**	0,04104	0,36111**	36
Community Score	-0,26575**	0,29148**	0,22068 *	58
Governance Score	0,30393**	0,58364**	0,34334 **	58

*p-value < 0,1, **p-value <0,05

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

This conclusion is coherent with the results of the Mann-Whitney-Wilcoxon Tests presented in *Table 8*, and can be observed also in *Figure 6*.

Table 8 Mann-Whitney-Wilcoxon Tests about total BIA Score distribution

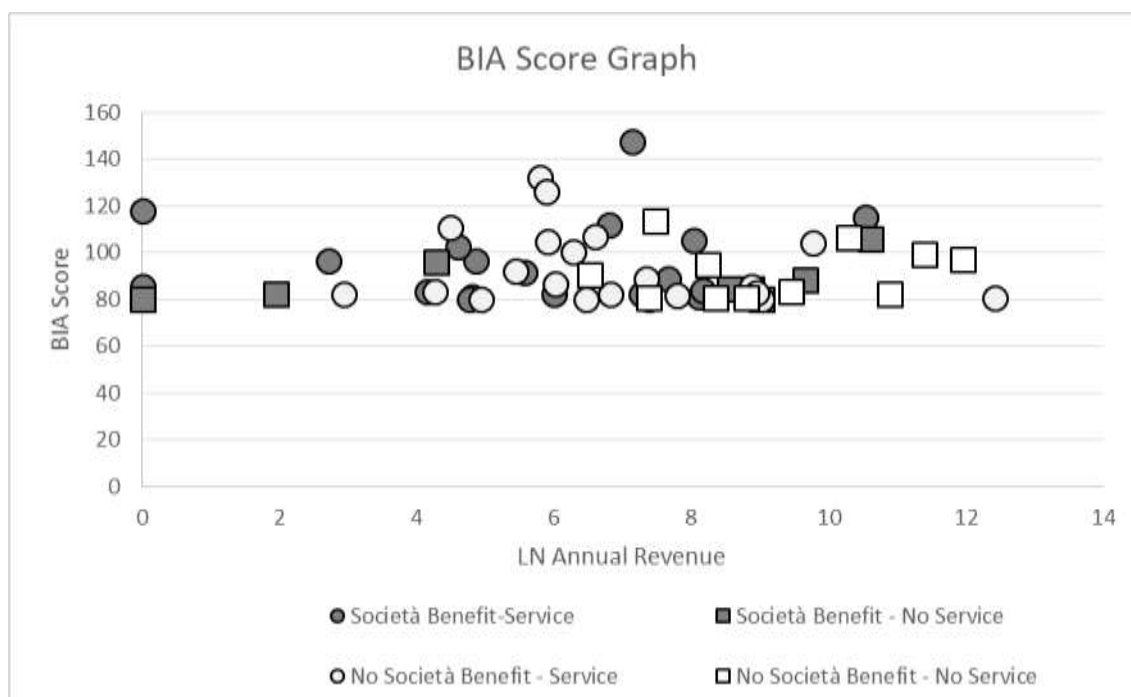
Mann-Whitney-Wilcoxon Tests about total BIA Score distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a Società Benefit	0.7843	No
Operating in Service Sector	0.4121	No
Being A Microenterprise**	0.9876	No

*null hypothesis: identical distribution of the two population divided by the discrimination criterium

** here a firm that has less than 10 employees and whose annual revenue is smaller than 2 million euro

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 6 B Impact Assessment Score Graph



Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 6 does not underline any positive or negative trend that can associate the dimensions of the firm with the total score obtained in the B Impact Assessment. We can anyway observe how the top performer B-Corps are Service companies, while this sector peculiarity disappears under the cut-off score of 120. Unfortunately, the three service companies that have outreached this threshold are not enough to make any statistical inference. Again, the results of Mann-Whitney-Wilcoxon Tests in Table 8 are in line with the scenario presented through the analysis of correlation.

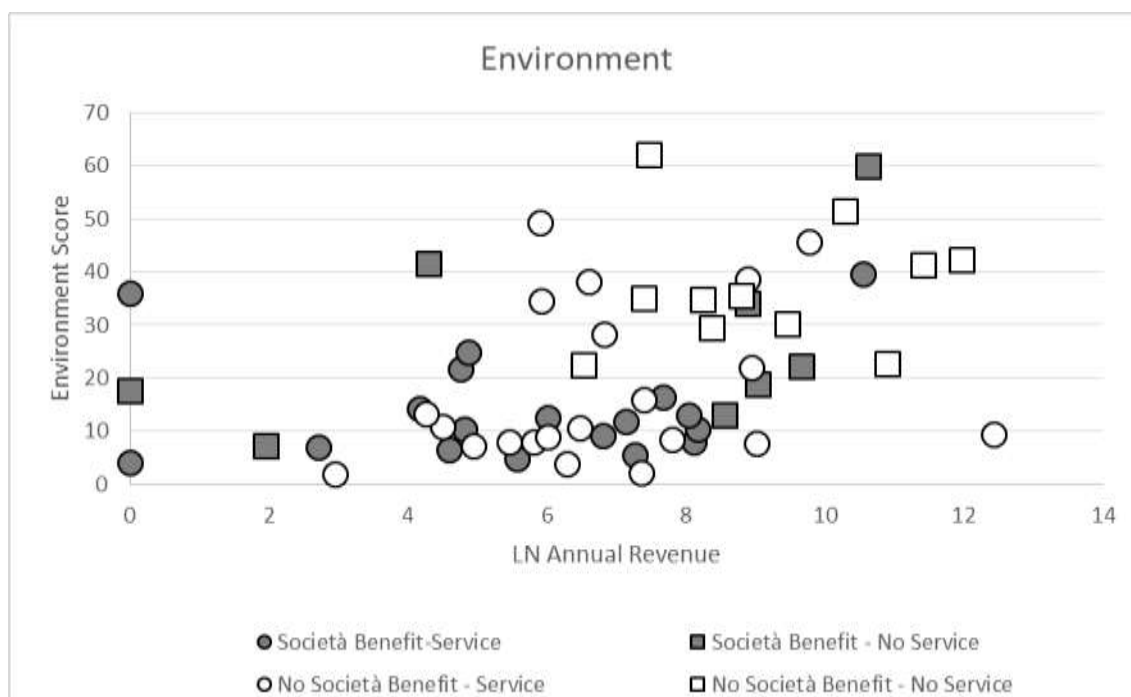
Table 9 Mann-Whitney-Wilcoxon Tests about total Environment Score distribution

Mann-Whitney-Wilcoxon Tests about total Environment Score distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a <i>Società Benefit</i>	0.17870	No
Operating in Service Sector	0.00015	Yes (confidence level of 99%)
Being A Microenterprise**	0.00100	Yes (confidence level of 99%)

*null hypothesis: identical distribution of the two population divided by the discrimination criterium
 ** here a firm that has less than 10 employees and whose annual revenue is smaller than 2 million euro

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 7 Environment Score Graph



Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

The fact that the total B Impact Assessment score of a B-Corp is not correlated with firms' dimension, sector or *Società Benefit* form does not mean that these variables are not correlated the partial scores obtained in each impact area.

As regards the scores obtained within the Environment section, we can observe in *Table 7* a clear negative correlation with the variable Service. It seems that the environmental policies of the firms that operate in agriculture and manufacturing tend to receive a better evaluation from B-Lab, at least in the Italian scenario. In addition, there is a positive correlation between the size of the firm and the score obtained in the Environment area: this second correlation, even if significant (as showed in *Table 9*), is not as high (in absolute value) as the sectorial one.

Table 10 Mann-Whitney-Wilcoxon Tests about total Workers Score distribution

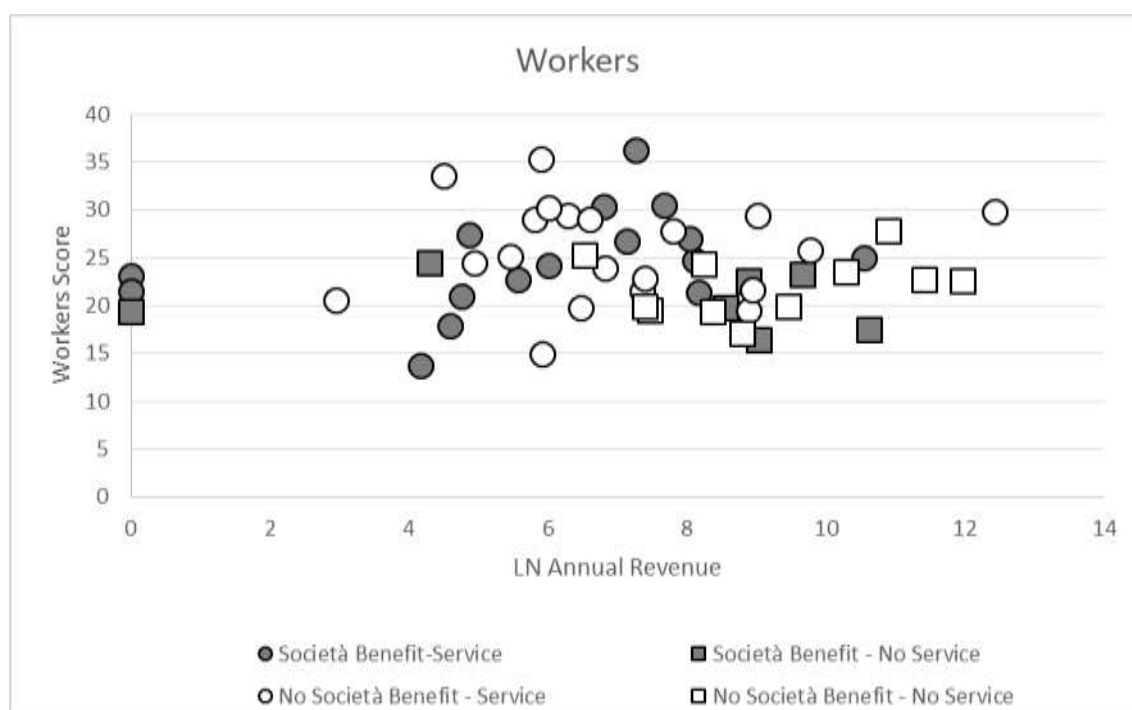
Mann-Whitney-Wilcoxon Tests about total Workers Score distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a <i>Società Benefit</i>	0.46240	No
Operating in Service Sector	0.00445	Yes (confidence level of 99%)
Being A Microenterprise**	0.66180	No

*null hypothesis: identical distribution of the two population divided by the discrimination criterium

** here a firm that has less than 10 employees and whose annual revenue is smaller than 2 million euros

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 8 Workers Score Graph



Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

If on the one hand manufacturing companies appear as more performant than their service homologues in the environmental policies assessment, on the other hand the situation is reverted when we look at the scores obtained in Workers impact area. It is indeed possible to observe in *Figure 8* how all the best performer in the human resource policy related section of the BIA are service companies. The graphical analysis is coherent with the statistical one, determined by the positive correlation between the dummy Service and the Workers Score in *Table 7* and by the Mann-Whitney-Wilcoxon Tests in *Table 10*.

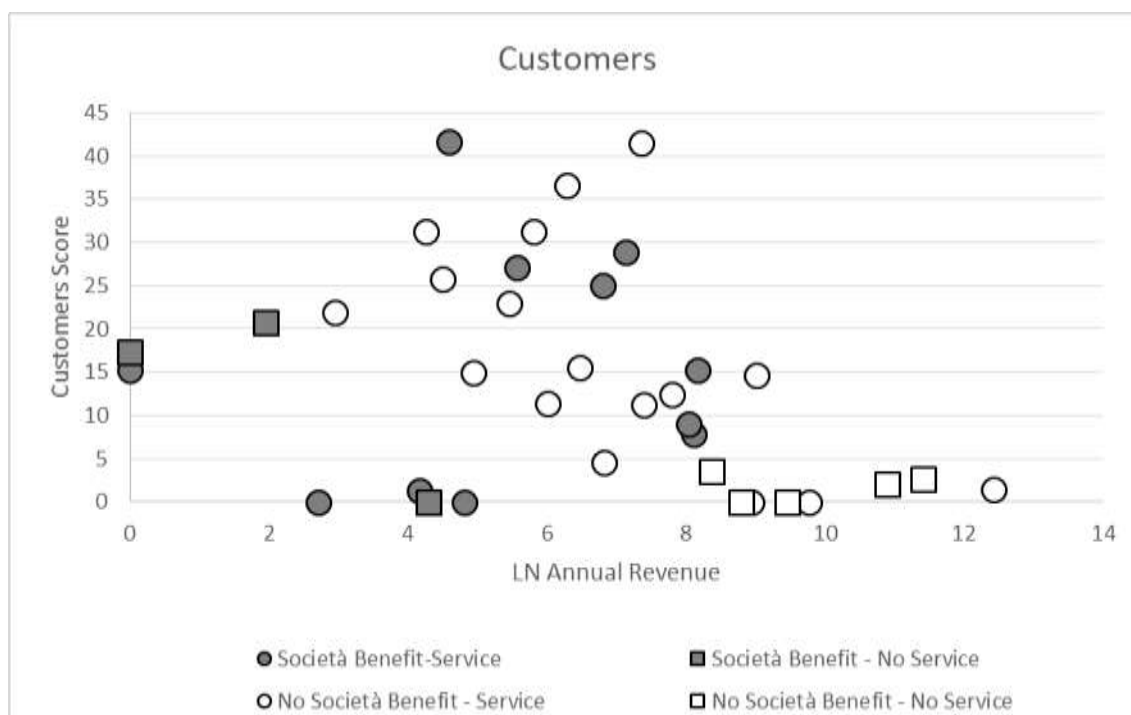
Table 11 Mann-Whitney-Wilcoxon Tests about Customer Score distribution

Mann-Whitney-Wilcoxon Tests about Customers Score distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a <i>Società Benefit</i>	0,83230	No
Operating in Service Sector	0,04102	Yes (confidence level of 95%)
Being A Microenterprise**	0,00869	Yes (confidence level of 99%)

*null hypothesis: identical distribution of the two population divided by the discrimination criterium
 ** here a firm that has less than 10 employees and whose annual revenue is smaller than 2 million euro

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 9 Customer Score Graph



Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Service companies have better results also in the Customers area assessment, even if in *Figure 9* we can observe how this advantage is limited to firms where the value LN Annual Revenue is smaller than 7,5, so for microenterprises with no more than 1,6 million of annual revenue. The positive correlation between Customer Score and Service variable as well as the negative correlation between Customer Score and LN Annual Revenue variable is also showed in *Table 7*, while the test results in *Table 11* certifies how the size and sector are related to the evaluation obtained in this section of the BIA.

It is anyway necessary to underline an important factor that suggests prudence in the analysis of Customers results. This cautious attitude comes from the very low number of observation used to compose the sample, that has been restricted with respect of the already small one used for the other impact areas.

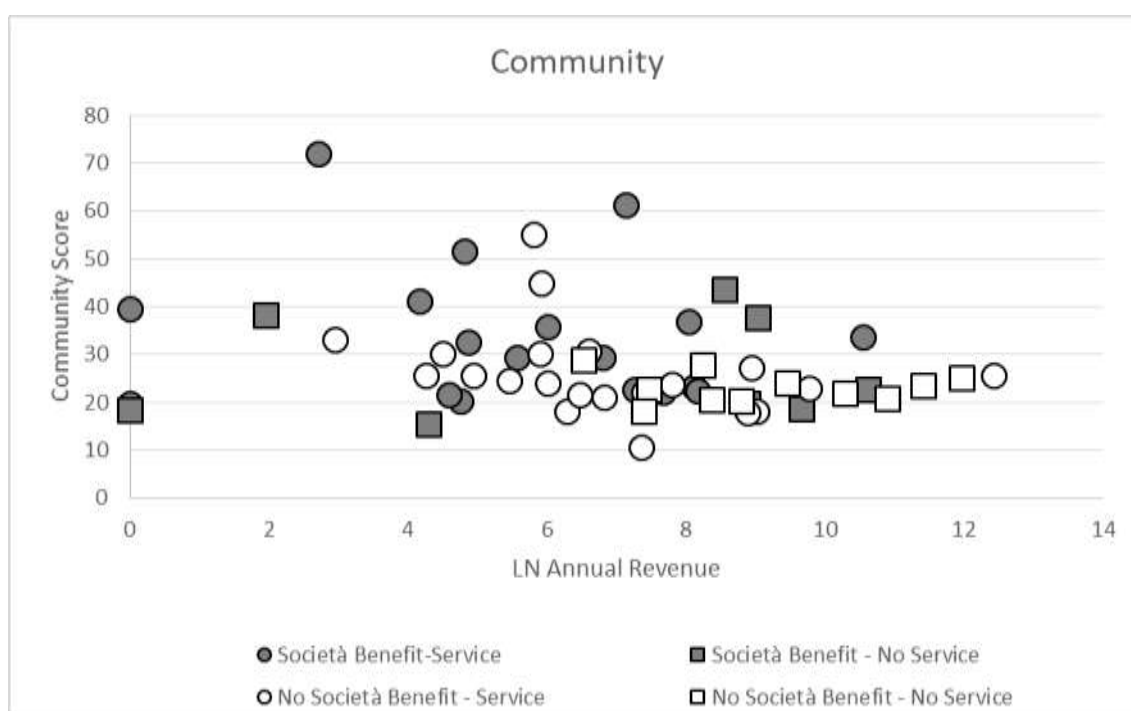
Table 12 Mann-Whitney-Wilcoxon Tests about Community Score distribution

Mann-Whitney-Wilcoxon Tests about Community Score distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a <i>Società Benefit</i>	0,12540	No
Operating in Service Sector	0,06349	Yes (confidence level of 90%)
Being A Microenterprise**	0.07054	Yes (confidence level of 90%)

*null hypothesis: identical distribution of the two population divided by the discrimination criterium
 ** here a firm that has less than 10 employees and whose annual revenue is smaller than 2 million euros

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 10 Community Score Graph



Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Community Score is the only impact area score that presents a statistically significant correlation with all the three variables used in order to describe B-Corps dimension, industry and legal form. The correlation between Community score and LN Annual Revenue variable is negative, while being a service firms as well as being a *Società Benefit* is positively correlated with the result obtained in this part of the questionnaire proposed by B Lab. If on the one hand all the three variables included in our statistical analysis result to be significantly correlated with the Community, the Mann-Whitney-Wilcoxon Tests in *Table 12* allows us to certificate (with a confidence level of 90%) the different distribution of Community Score only among companies that operates in different sectors or that have different size.

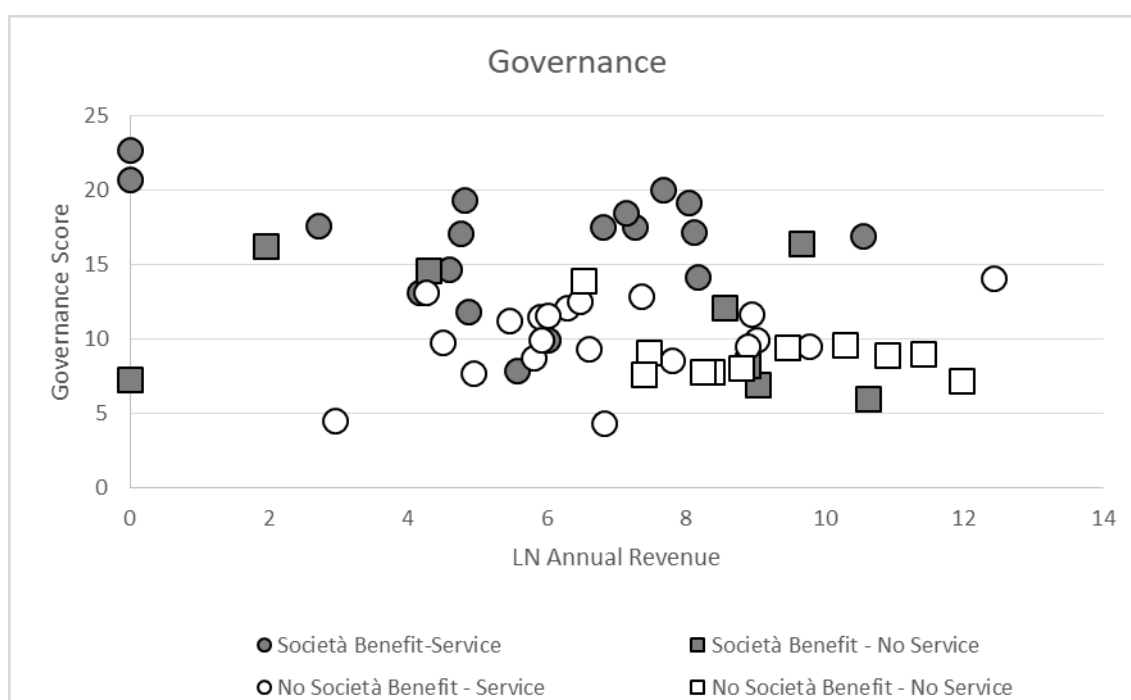
Table 13 Mann-Whitney-Wilcoxon Tests about Governance Score distribution

Mann-Whitney-Wilcoxon Tests about Governance Score distribution		
Discrimination Criteria	p-value	Reject null hypothesis *
Being a <i>Società Benefit</i>	6,9E-05	Yes (confidence level of 99%)
Operating in Service Sector	0,00278	Yes (confidence level of 99%)
Being A Microenterprise**	0,31460	No

*null hypothesis: identical distribution of the two population divided by the discrimination criterium
 ** here a firm that has less than 10 employees and whose annual revenue is smaller than 2 million euros

Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Figure 11 Governance Score graph



Source: Elaboration of our database about the results obtained in the B Impact assessment by the Italian B-Corps

Analysing the correlation coefficients regarding Governance Score, the last impact area analyzed, we find a very strong positive correlation with the variable of *Società Benefit*, as showed in Table 7. The correlation between the *Società Benefit* Status and the Governance Score has the highest absolute value among the observed ones.

In this impact area B-Corps that are also *Società Benefit* outperform their omologues that have only obtained the sustainability certification. This trend is clear looking at Figure 11, where we observe how the majority of *Società Benefit* have obtained more than 15 points, a result that has not been reached by any of the firms that are only certified B-Corps.

This difference among the B-Corps that are also *Società Benefit* in Governance Score distribution is confirmed by the results of the Mann-Whitney-Wilcoxon Tests summa-

rized in *Table 13*, as well as the difference between B-Corps operating in service sectors and the others. The Governance Score is indeed also positively correlated with the Service variable

3.4 Discussion

3.4.1 Company profiles

Two company profiles

Looking at the database, the two typical kinds of Italian B-Corps that emerge are the service microenterprises and the bigger manufacturing companies (which remain anyway for the large majority within the SMEs' dimensional category). This is of course a trend, which presents also some exceptions: the biggest company in the sample, Assimoco Spa, is a service firm, and there are some cases of non-service microenterprises.

The *Società Benefit* status is not correlated with B-Corps' sector, but is more diffuse among smaller B-Corps than among the bigger ones.

Accessibility to B-Corp certification with respect of size and sector

The total evaluation obtained from the B Lab questionnaire does not result as correlated with any of the B Corps' variables taken into consideration. This absence of correlation is coherent with the vision proposed by B Lab of a tailor made B Impact Assessment, that takes into account the sectorial, dimensional and geographical (not included in our analysis since all the B-Corps included in the sample have the same nationality) features of firms that decide to measure their impact. Anyway, as regard dimension is important to notice that our data do not permit us to detect an eventual bias that could affect the evaluation of very big corporations, since they are not present among Italian B-Corps. In order to understand the existence of this possible bias it would be necessary to build an international sample of B-Corps, or to wait until the B-Corp Italian movement will be able to include some big multinational companies within its network. If on the one hand the B-Corps size, sector and *Società Benefit* Status are not related to the whole BIA obtained, on the other hand is true that the composition of the overall score (so the single score obtained in each area) changes together with the change of the interested B-Corps' profile. Every impact area has an outperforming company profile, whose characteristics are positively correlated with a good score. Since as previously seen also

dimensional characteristics and sector belonging are correlated, in the majority the impact areas where service companies are more performant are also the ones where smaller firms tend to obtain the higher score: this is anyway not a general rule, and there are cases where this assumption is not true.

3.4.2 Environment

Focus of Manufacturing B-Corps effort on environmental sustainability of processes

In the Environment impact area, the assessment provided by B Lab is positively correlated with company dimensions and negatively correlated with the dummy variable Service. This is not surprising, since non-service B-Corps operate in the field of manufacturing and agriculture, whose production processes tend to have a higher environmental impact with respect to the one of the majority of service B-Corps. The higher is the environmental footprint of a company activity, the more numerous are the possibilities to activate policies that control and improve its environmental effect. The Life cycle assessment tool (described in *paragraph 2.7* of this dissertation) can be applied more easily to a tangible product than to an intangible one, and the impact of this tool will be probably higher in the first case.

Service Firms and environmental policies

The capability of generating a positive impact through a careful selection of raw materials or through the ideation of a recyclable or reusable product is not easy to reply for an IT or a consulting firm (at least by directly acting on their own production process). This reasoning is not valid for a limited number of B-Corps that operate in particular sectors characterised by a relevant environmental footprint, as the one of energy. Those companies are anyway a small minority within the sample: their results are not enough to switch the sign of the correlation coefficient, and their number is too small to allow a separate analysis. The dichotomous sectorial division comes indeed from the small size of the sample studied. With a bigger database (that may include a wider geographical scope (as the European one or even the worldwide one) it would be possible to implement a more detailed sectorial classification. Every firm can anyway implement some environmental friendly policies: we will describe for example the

attempt made by some B-Corps to reduce paper consumption through process digitization in the *paragraph 4.3*.

3.4.3 Workers

Focus of Service B-Corps on sustainable HR practices

In the Workers area the only firm's characteristic correlated to the result obtained is the sector: service firms tend to do better than their homologues which operate in other sectors. The service firms are indeed people-based companies, that needs to maintain and motivate their skilled workers in order to preserve and enhance the know-how inside their organizational basis. The value proposition of this firms are indeed often strongly influenced by the human variable, as for example in the case of consultancy firms, that represent an important component of the B-Corps' network.

Service Firms and Smart working

One component of HR policies where service firms could be advantaged is the one of smart working and flexible work approach.

Smart working is in fact easier to implement in the industries where the production processes does not require a physical intervention on a tangible material that has to be transformed.

A survey done by the employment website Infojobs by interviewing Italian enterprises has showed how according to the 49% of the respondent smart working practices will become a common practices for service companies by 2020, while only the 21% thinks that this diffusion will regard all the companies without any sectorial discrimination (Corriere Comunicazioni, 2018).

3.4.4 Governance, Community and Customers

Governance

In the Governance area the score obtained is positively correlated with both the variables LN Annual Revenue and Service, even if only the second datum is confirmed by the Mann-Whitney-Wilcoxon Test. The belonging of a firm to the service sector is not anyway the variable that presents a stronger correlation with Governance area. The most relevant discriminant between the B-Corps that have obtained an outstanding performance and the others is represented by the *Società Benefit* status, whose positive

correlation with the B-Corp performance is the highest in absolute value among the ones presented in *Table 7*. This result is not a surprise: the status of Società Benefit ensures the long term horizon of company mission against possible future changes in ownership and introduces rigorous policies with the aim to foster accountability (through the introduction of the figure of Benefit Director within the organization) and transparency (through the creation and publication of an annual Benefit Report).

Community and Customers

The *B-Corp certification* has a strong influence on the relationship between a company and its external stakeholders. This is particularly true for the above-mentioned profile of the service microenterprise, which results as the more performant one in Community as well as in Customers BIA impact area.

Is important to notice how BIA considers also the degree of involvement of a company in its community through the percentage of suppliers, customers and workers who belong to the local community in which the firm operates. This kind of local involvement is stronger among smaller firms than among bigger ones.

As for Community impact area, also for Customers impact area the partial score is positively correlated with the variable Service and negatively correlated with B-Corps' dimension. The Customers area evaluates the companies which satisfy particular needs (Health, Basic Services, Education, Arts, Media & Culture, and Economic Empowerment), with a preference to the firms that design their offer in order to encounter the demand of disadvantaged people. The needs included in the list are mainly provided by service firms, and the reference to disadvantaged segments of population as the main customers served may favour small realities, strongly embedded in local communities, that work with specific niches of clients.

3.5 Suggestions for future researches

During our statistical analysis, we have limited our study to the observation of the correlation coefficients and to the implementation of non-parametric tests in order to understand whether the presence or the absence of a determinant criterion creates the difference in the distribution of a determinant datum between the two artificially created populations. Unfortunately, the size of our sample has not allowed us to try to demonstrate through statistical models the cause-effect relations between the different variables. We

have also to be aware that our sample is not randomly built, since it includes only the B Corps that were present in the B Corporation Official Website and the ones whose dimensional data were available in the AIDA Database. Those companies may possess some peculiarities that could differentiate them from other B Corps in term of size, age or legal forms. Our sample includes anyway the majority of Italian B-Corps (about the 70%, according to the data presented by Nativa on May 2018). Another interesting suggestion for future researchers may be to build, if it will be possible, a database that includes not only the companies that have obtained the *B-Corp Certification*, but also all the ones that have completed the B Impact assessment. In this way, it would be possible to understand the characteristics that determine the social and environmental impact of a company without limiting the analysis to a sample of outperforming companies that have obtained a certification of excellence. The considerations made in this chapter could be extended in this way to all the business interested in improving their sustainability, and not only to the ones that, according to the B-Lab words, are already recognized as «the best for the world».

3.6 Conclusion

One of the B Lab goals is to make the *B-Corp Certification* an available option for all the firms, without any distinction on the bases of the size or the industry. This intention is coherent with the absence of correlation between the size or the sector in which the Italian B-Corps operate and the total score obtained in the B Impact Assessment.

Significant correlations coefficients have been on the contrary found between companies' dimensional and sectorial variables and the evaluation obtained in some impact areas.

A correlation also exists between Italian B-Corps' size and sector: service firms tend to be smaller than the other components of the sample studied.

One of the objectives of B-Lab is the promotion of the adoption of the form of *Società Benefit* also among the certified B-Corps, as demonstrated by the rule that makes this passage mandatory in order to maintain the certification in the medium term. As already stated for size and sector, we have not found a statistically significant correlation between the *Società Benefit* status and the score obtained in the total BIA Score. Anyway, the *Società Benefit* in the sample, which tend to be smaller than the other B-Corps, have clearly outperformed the other firms in the Governance area.

It is reasonable to think to the result obtained by *Società Benefit* in the Governance area as the natural consequence of the obligations introduced by this legal form in terms of long term protection of the mission, introduction of transparency practices and definition of organizational roles that ensure accountability.

As regards the correlation between the sector in which a B-Corp operates and the partial score obtained within each B Impact Assessment area, we have found that manufacturing and agricultural B-Corps tend to orient their sustainability policy toward environment. On the other hand, service firms seems more concentrated on Workers, Community and Customers area.

Manufacturing and agricultural firms' production process may have indeed a critical impact on the environment if not well governed. Moreover, in some specific industries a well-structured a sustainable production process may foster customers' trust in the product and/or cost efficiency. On the other hand for service firms workers know-how the relationship with community and customers are fundamental intangible assets.

Future researchers may enrich this analysis by enlarging the sample to the firms that have answered to the B Impact Assessment questionnaire, without limiting the focus on those ones that have achieved the score required in order to obtain the *B-Corp Certification*.

ITALIAN *B-CORPS* PROCESSES, MANAGERIAL PRACTICES AND BUSINESS NETWORKS

4.1 Introduction

The objective of B Lab is not to merely distinguish the sustainable companies from the other companies through a title: the organization goal is instead to contribute to redesign the way in which business is conducted. We have already seen in *Chapter 2* how the B Impact Assessment indicates precise guidelines that cannot be ignored by a company that desires to obtain the B-Corp Certification. These guidelines, together with the creation and coordination of a worldwide community of firms that interact and shares knowledge and best practices, qualify B Lab as an active actor of change and not as a simple evaluator of others' effort.

In this chapter, we will analyse empirically the effects of *B-Corp Certification* on organizations in terms of processes, managerial practices and external relationships. Our findings will be based on the information collected about Italian B Corps, through the methods and procedures explained in the next paragraph.

After the explanation of the methodology adopted, the chapter will describe the best practices implemented by Italian B-Corps in order to foster the sustainability of their environmental policy, human resource management practices and governance structure.

4.2 Methods and Procedures of data collection

We have collected from B-Corps websites documents as company presentations, sustainability reports and Benefit Reports in order to find common policies implemented. We have been able to find 27 documents, regarding sustainability policies implemented between 2016 and 2018.

Most of the documents were published when the companies were already B-Corps. When this was not the case, the document was considered as valid if the B-Corp had already declared within the document the intention to obtain the certification: in this case is indeed possible to infer a relation between the sustainable practices implemented and the certification itself.

The most relevant results of the analysis conducted on B-Corps' document are summarized in *Table 14*.

Table 14 B-Corps in action: how B-Corps put certification in practice

DRIVER	ACTIONS
Environmental sustainability	Selection of raw materials and production process reshaping Digitization of processes in order to reduce paper consumption
Workers-oriented People Management	Redesign of spatial and temporal boundaries of work through smart working and flexible working schedules Focus on soft skills in the employees training process
Governance	Reshaping of managerial goals system and introduction of new figures responsible of social and environmental performance Creation of an inter-organizational network of firms where B-Corps share the best practices implemented to foster sustainability and develop business partnerships

Source: Elaboration of the information found within Italian B-Corps' reports and websites

4.3 Environment

4.3.1 Selection of raw materials and production process reshaping

We have seen in *paragraph 3.3* how B-Corps operating in manufacturing and agriculture tend to have a higher partial B Impact assessment score within the Impact Area Environment.

The environmental sustainability of the operations and of the raw materials used along the production processes is indeed often a critical issue for these firms.

The documents show how manufacturing and agricultural B-Corps select raw materials and reshape their production processes in order to minimize the negative externalities that comes from polluting activities, which may affect internal stakeholders (workers) as well as external ones (community and customers).

We show in *Table 15* some of the best practices implemented by B-Corps in order to reduce the impact of their activities.

Table 15 Policies that reshape production processes and raw materials

B-CORP	INDUSTRY	EMPLOYEES	PRACTICES IMPLEMENTED
Antica Erboristeria Spa	Haircare	10-50	Increase of the number of certified organic products (Impact Report for the year 2017). Use of measures to preserve water resources (Impact Report for the year 2017).
D-Orbit Spa	Space Industry	10-50	Adoption of water consumption reduction technologies within the production process (Impact Report for the year 2016).
Fratelli Carli Spa	Gastronomy	250-500	Use of packaging coming from natural sources that can be recycled (Benefit Report for the year 2017-2018). Use of certified biological agricultural products (Benefit Report for the year 2017-2018)..
Omial Spa	Mechanical Components	50-100	Reduction of energy consumption and materials in stocks thanks to the introduction of a productive plexus able to process the metal bar through to the final product (Sustainability Report for the year 2017).
Paradisi Srl	Mechanical Components	10-50	Use green energy produced from renewable resources in order to carry on the industrial activity (Integrated Report for the year 2017).
Pasticceria Filippi Srl Società Benefit	Gastronomy	10-50	Constant monitoring of the origin of raw materials used within the production process (Impact Report for the year 2017).
Perlage Srl	Wine Production and Sales	10-50	Certified biological production process (Company presentation, 2016).
Sorriso e Salute Srl	Dentistry	10-50	Use of metal-free material (when possible) and research of alternative materials (Company website www.sorrisoesalutechioggia.it , 2018)
Wami Srl SB	Mineral Water	10-50	100% recyclable packaging (Impact Report for the year 2017)
Zordan Srl SB	Luxury Furniture	50-100	Recycling and reuse of the waste materials coming from the production process (Impact Report for the year 2016)

Source: Elaboration of the information found within Italian B-Corps' reports

Redesign value chain activities in order to enhance environmental sustainability may have also other advantages, that go beyond the fulfilment of common benefit and that enter in the sphere of the economical result pursued by a company.

In the industries where the product has a potential impact on customers' health (as for example Food and Beverage industry, Medical industry or Body Care industry) the avoidance of polluting raw materials or production processes is important to enhance clients' trust in the products offered.

On the other hand, in the industries where energy consumption or raw materials represent an important part of the cost sustained by a firm the rationalization of consumption may be an important driver in order to reach cost efficiency.

4.3.2 Digitization of processes in order to reduce paper consumption

The analysis of the best practices implemented by Italian B-Corps has outlined how these firms pay a special attention to avoid waste of materials within the development of their business processes. Some of these practices are industry specific, while some others can be universally adopted. A path that every environmentally responsible firm can start is the one that brings to the digitization of documents in order to enact paperless processes.

The activity of an enterprise requires a great numbers of documents that a few decades ago would be necessarily printed on paper: some examples are invoices, internal and external written communications, advertising material and work orders. The necessity of paper consumption is not anymore a truth, after the shift in the technological paradigm that has brought to the computerization.

The digitization is not only a tool that improves the impact on the environment through the reduction of paper waste. It also brings important advantages in terms of information access, conservation and flow inside and outside organizational boundaries (toward customers, suppliers or other subjects) (Orantes-Jiménez, Zavala-Galindo and Vázquez-Álvarez, 2015).

The digitization of processes can be a challenging objective for SMEs, which represent the majority of the Italian B-Corp Network and generally do not possess a structured IT function.

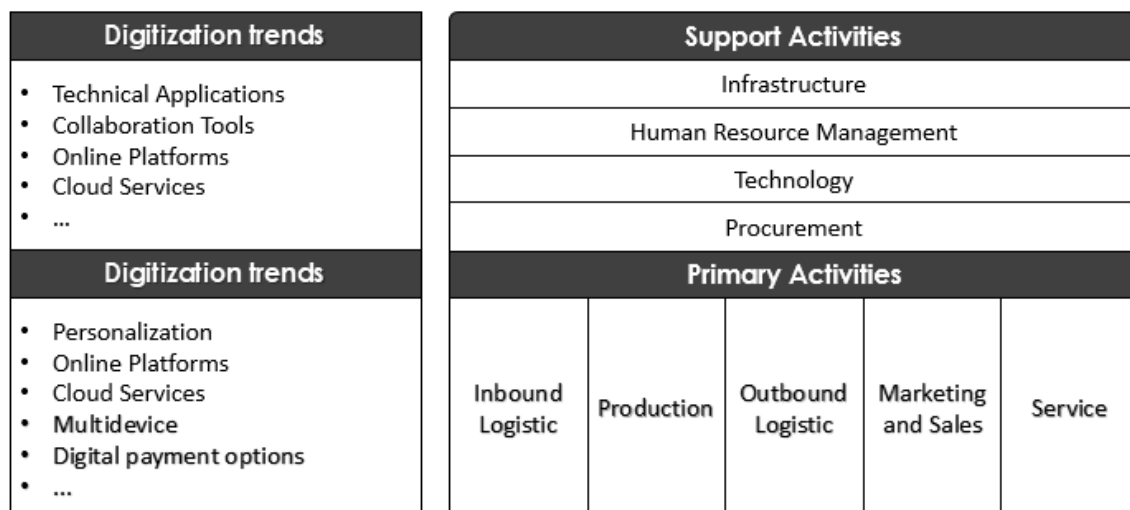
The steps that a small firm should follow in order to successfully exploit the potential of this technological and organizational transformation are the following (Frey, 2016):

- Analysis and reorganization of processes.
- Choice of hardware and software.
- Definition of data management, with particular attention to security issues.
- Evaluation of the financial sustainability of the project and benefit-costs analysis.
- Personnel training programs and customer communication initiatives in order to favour the acceptance of the new model among internal and external stakeholders.

Since digitization can encompass both the primary and the supporting activities of the Porter's Value Chain (as showed in *Figure 12*) is important for SMEs to focus on the activities to whom a digital approach can bring the most important added value (Richards and Jäger, 2016). In this way, it would be possible to maximize the return of the

necessary investment in time, material resources and skills acquisition that has to be sustained in order to successfully overcome the transition.

Figure 12 Digitization trends along the value chain



Source: Richards and Jäger, 2016

In order to describe the trend toward paperless processes and digitization we will focus on the best practices implemented by two Italian B-Corps, OMAL Spa and Dermophisialogique Srl SB.

In the *Case Study 1* we present the actions carried on by the manufacturing company OMAL Spa, based in the province of Brescia.

The OMAL case outlines how digitization brings important benefits in the document management ensuring a correct exchange of information within the organization as well as an effective and efficient communication with customers and suppliers. The electronics documents can be simultaneously sent to the recipient, reducing to zero their shipping time as well as the risk to be lost or physically damaged during the loss.

At the same time, if properly implemented the electronical storage presents significant advantages in terms of time and space saved as well as in the avoidance of human error in the classification of a document. In addition, a paperless process has the advantage to avoid the risk of physical deterioration or loss during documents shipping.

Looking at OMAL case, we can also observe how a paperless approach introduces innovation in company's processes. The substitution of traditional work orders in paper format with the new electronics one has implied the redesign of the workstations, which

have been equipped with PCs, and of the skills required to operators in order to decode the instruction necessary to perform their job.

Case Study 1 OMAL SPA

Company presentation: OMAL Spa is a B-Corp that produces valves and actuators for fluid control in industrial processing applications. The company is based in Rodrego Saiano, in the province of Brescia. According to the Sustainability Report published by the company for the year 2017 the company Customer Sales in the same period amounted to 27, 7 million (52% of which comes from international customers). According to the report the personnel is composed by 93 employees.

Document Management: «Document management is divided into active documents and passive documents. Active document covers all the documents that our management produces, including: purchase orders, sales orders, delivery notes, invoices. An electronic copy of these documents is generated, can be sent to customers/suppliers and is automatically archived. Passive documents cover all the documents that the management receives from the outside, including: requests for orders, supplier offers, various faxes. Historically these documents were printed and archived physically. The passive document allows these to be electronically archived with the consequent possibility of research. If the documents arrive in electronic form (mail) there is no need for a hard copy, if they arrive on paper, they are scanned and a specific software is responsible for attaching them to the corresponding sections.

Each order has then attached and electronically filed all the documents, active and passive, which it generated» (OMAL, 2018).

Unprinted orders: «Workstation operators have always received work orders and instructions in paper format. By equipping all workstations with PCs, the company is now able to send the orders to the operators in electronic format generated by the active document. Together with the orders, it is possible to provide the operator with a whole series of information ranging from a simple technical drawing with all necessary instructions to multimedia files. The complete entry into force of this system is scheduled for 2018» (OMAL, 2018).

Source: OMAL Spa Sustainability Report for the year 2017, 2018

In its Sustainable Report for the year 2017 OMAL has declared that:

«...the digitisation of business processes and related documents and records...promote the sharing of information through the corporate intranet with a reduction in data acquisition times, and the improvement of their management and of the times and methods of storage and use».

The second case study proposed is the one of the *Società Benefit* and Certified B-Corp Dermofisiologica Srl *SB*, a small enterprise operating in the skin care industry.

Dermofisiologica Srl *SB* has redesigned its external communication process, digitizing the material sent to agents and clients as well as the one reserved to press and digital media. In order to face this change the firm's press office has been provided with the access to the cloud service Dropbox.

A cloud service offers a vast set of possibilities: data storage, programs execution, email system management and ERP externalization. Through the cloud is possible to access to documents in every place and in every moment, but is very important to take into ac-

count the security issues related to the cloud system protection from cyberattacks as well as the passage of data ownership to the service provider.

Case Study 2 Dermophysiologique Srl SB

<p>Company Presentation: Dermophysiologique Srl <i>SB</i> is a <i>Società Benefit</i> and certified B-Corp located in Caronno Pertusella, in Varese province. Dermophysiologique operates in the segment of professional cosmetics, creating and offering products and methods of treatments that respect the natural physiology of the skin. According to the last data provided by the database AIDA the annual revenue of the companies amounts to 3,5 million of euros, while the personnel is composed by 11 employees.</p> <p>Digitization of communication materials for agents and clients (beauty centres): All the communications to agents and beauty centres, previously printed, have been digitized and are now sent by email. The conjunct effect of digitization and of communications about the negative effect of paper waste has brought to the savings of over 100.000 A4 printed papers, with a consequent decrease of energy and CO2 necessary for printing and shipping the materials. The press office has now access to a specific Dropbox folder in order to download materials and images. The contents downloaded can be transmitted in electronic form to the representatives of the press and of the digital media, avoiding the use of pony express. (Dermophysiologique, 2018)</p> <p>Advertising Digitization: Dermophysiologique has created, in partnership with the proximity-marketing platform AdMove, a geolocalized Advertising service. This service aims to sensitize the beauty centres to the replacement of paper forms such as flyers and pages printed advertising with digitized communication forms such as banners and posts on web and on social networks. The adoption of digital communication tools is also promoted through a monthly mailing list system. In 2017 7 beauty centres have redesigned their communication, shifting from paper materials to digital tools. (Dermophysiologique, 2018)</p>

Source: Dermophysiologique Srl *SB* Impact Report 2017, 2018 and AIDA database, 2018

These last two considerations represent the reasons why, in order to minimize the risks, a small enterprise has to evaluate carefully which are the data and processes that have to be externalized in the cloud (Richards and Jäger, 2016).

The digitization effort sustained by Dermophysiologique in order to favour paperless processes is not limited within the firm's organizational boundaries.

Coherently with the approach promoted by the B-Corp network, the firm is trying to expand the adoption of sustainable practices among their business partners. In the specific case Dermophysiologique has activated, thanks to a partnership with the AdMove, a geolocalized digital advertising campaign in order to convince its clients to replace printed advertising with digital tools. Thanks to this initiative, also sustained by a monthly mailing list system, 7 beauty centres have adopted a digital communication strategy.

4.4 Workers

4.4.1 Redesign spatial and temporal boundaries of work

While designing its HR practices, a B-Corp has to consider the possible tools that can be used in order to facilitate its personnel in the pursuit of a satisfactory work life balance.

In order to do this the Italian B-Corps analysed have implemented different practices, that aims to improve the quality of the life of their workers, allowing them to dedicate time to the people they care as well as to their hobbies and interests.

In *Table 16* we focus the attention only on the practices that redesign spatial or temporal conception of work within the organization.

Table 16 Policies that redefine work time and place

B-CORP	INDUSTRY	EMPLOYEES	PRACTICES IMPLEMENTED
Ars. Srl	Insurance Services	0-10	From 1 to 2 days of smart working available within the week for all the employees that have this need (Impact Report for the year 2017). The new project "Ore in libertà" introduces additional regularly paid hours of leave that have to be devoted to relax and personal hobbies (Impact Report for the year 2017).
D-Orbit Spa	Space Industry	10-50	D-Orbit team members are empowered to define their working schedule around their needs (Impact Report for the year 2017). D-Orbit offers the possibility to work remotely (telecommuting) to accommodate family and personal needs (Impact Report for the year 2017).
Focus Lab Srl	Sustainability Consulting	0-10	Every employee has access to: 20 hours of flexible time 64 hours of smart working 60 hours of time bank (Impact report for the year 2016).
Nativa Srl SB	Sustainability Consulting	0-10	Nativa embraces a strong, almost total flexibility about the work time and the place to work. Everyone can manage his or her schedule, work time and vacations in accordance with the others. The aim of this approach is to facilitate the employees in their family life as well as in the pursuit of their hobbies (Impact report for the year 2017).
Perlage Srl	Wine Production and Sales	10-50	Perlage allows flexible work time (Company presentation, 2016).

Source: Elaboration of the information found within Italian B-Corps' reports

The above mentioned practices are strictly connected to the concept of smart working, defined as:

«a new managerial philosophy based on restitution to people of flexibility and autonomy in the choice of working spaces, timetables and tools to be used accompanied by a greater responsibility on results» (Smart Working Observatory of Politecnico di Milano).

In order to adopt this new approach is necessary to redefine organizational culture and managerial styles. Is indeed necessary to move to a definition of work based on objectives instead that on the working time and to redesign the relationship between managers and workers, since the control allowed by physical proximity in the office has to be replaced by trust (Crespi, 2018).

Using the categories theorized by McGregor (1957) the smart working is in line with the «Y theory» of management, that considers workers as capable to reach organizational objectives thanks to their motivation, their creativity and their capability to innovate.

It is reasonable to say that the climate of reciprocal trust within the member of an organization fundamental to the success of smart working policies is easier in a B-Corp than in an ordinary firm. This statement derives from the organizational purposes of the B-Corps, which do not limit their objectives to the maximization of the shareholder wealth but include also the employees among the beneficiary of the value created by the firm. In the case of the workforce this inclusion may be realized through policies in favour of workers suggested by the B Impact Assessment (as example company's bonus plan, measures of corporate welfare offering services and benefits to employees and programs of training and education). If a worker knows that he or she will benefit from the good result obtained by the company, it will be more difficult on a rational point of view that he or she will exploit in an opportunistic way the temporal and spatial flexibility. Another factor that should reduce the agency problem is the great effort made by B-Corp in order to spread organizational culture within their members, making them aware of the beneficial impact of their work also on the community where they live and on the environmental condition that they will leave to the next generation.

In addition, the great attention given by B-Corps to workers' training and education is functional to enhance their capability to work independently. In our analysis, we have observed how these training programs do not limit themselves to the core activities included in the worker's job description, but include often also the acquisition of transversal competencies and soft skills that enhances self-management.

In order to introduce the spatial flexibility, allowing employees to work remotely, is necessary to build a technological infrastructure that can foster digital collaboration, composed by instruments as cloud services and mobile devices.

The practice of working from remote is defined as telework or telecommuting, two terms that are generally used as synonyms in the research field (Harker Martin and MacDonnel, 2012).

A broad definition of the phenomenon can be:

«work conducted from a location other than the conventional work site whilst connected to the firm's computer systems by means of information and telecommunications technology (ICT)» (Aguilera et al., 2016).

The telework reduces the physical and economical costs necessary to move to the workplace and allows the flexible allocation of activities as well as the inclusion within the workforce of people that have difficulties to move (as parents with small children or people with other family members to assist) (Costa, Gubitta and Pittino, 2013).

According to the data provided by Smart Working Observatory of Politecnico di Milano 1 day of remote working within the working week permits to save in one year 40 hours of travelling time for the workers and 135 of CO₂ for the environment. The same data show how the implementation of a well-structured model of smart working can increase the productivity of an employee of the 15%.

The Smart Working Observatory studies have also outlined how in 2017 the 36% of Italian big enterprises have launched structural projects focused on smart working policies, against the 7% of SMEs.

This situation suggests how the SMEs B-Corps (that represent the vast majority of the Italian B-Corp movement) could assume a leadership position in the development of these practices, providing a virtuous example to the ordinary business of similar size.

4.4.2 Focus on soft skills in the employees training process

We have already observed in the second chapter of this dissertation how the training and education policies should be fundamental elements in the B-Corp workers-centred Human Resource approach.

This statement has been confirmed by our empirical analysis conducted on the available documents published by Italian B-Corps.

11 of the 27 firms analysed have included in their reports plans about training and formation. The descriptions of these plans have different levels of accuracy, that vary from the definition of the amount of hours dedicated to training to a more complete description of the skills that the company intends to develop, of the initiatives that will be implemented and of the beneficiaries of this initiatives.

Since planned training programs may be the norm in big and structured organizations, this datum has to be considered looking at the size and the organizational complexity of the B-Corps that form our sample. Only 6 among the 27 B-Corps that have created the reports analysed have more than 50 employees, and the proportion does not increase if we look to the ones that have planned in some way their training programs (only 2 out of 11 reach the mentioned cut off).

These dimensions generally do not imply a structured HR function. From this point of view, the organizational effort made by the B-Corps in order to ensure the workforce development acquires more importance, signalling how these companies demonstrate a particular attention to the training of their employees.

A worker's growth path may not include only the acquisition of the technical skills required in order to perform the core activities that form its job description. These hard skills are necessary, but may be not sufficient in order to be a good performer (and a satisfied employee).

This is the reason why 5 of the training plans observed include references to the development of soft skills and transversal competencies.

Soft skills include intrapersonal skills as self management as well as interpersonal skills as teamwork, differently from hard skills, which regards technical abilities like working with equipment, data and software (Laker and Powell, 2011).

As we did with paperless process implementation, we will concentrate on two case studies that narrate the training plan developed by two Italian B-Corps in order to enhance the development of soft skills among their workforce.

The *Case Study 3* analyses the initiatives implemented by the coordinator of B-Corp movement in Italy, the consulting company and B Lab Italian Country Partner Nativa Srl SB.

Case Study 3 *Nativa Srl SB*

Company description: Nativa Srl *SB* is a certified B-Corp and a *Società Benefit*. It is the Italian B Lab country partner, and coordinates numerous initiatives related to the B-Corp movement. Nativa is based in Milan and operates in the field of sustainability consulting, helping its partners to combine business success with a positive impact on people and planet. According to the data provided by the database AIDA for the year 2017 the company's annual revenue is near to one million euros, while the employee working for the firm are 5. The core team indicated on the website is composed by 17 members, without distinction between founders, partners, employees or other kind of collaborators.

People valorisation and development: One of the objectives of Nativa for the year 2017 was to enhance the personal and professional development of the member of its team, through the participation to courses, conferences and other kind of experiences. Every person had the possibility to choose the activities that he or she prefers. In its Impact report for the year 2017 Nativa has considered this objective as partially reached, with a percentage of 70%. The company has indeed registered a strong involvement and participation rate within the team, but would like to offer to everyone more possibilities to follow also passions that are not strictly connected with its job activity. (Nativa, 2018).

Leadership and teamwork: One of the objectives of Nativa's training policies regards the introduction of the figure of Team Coach in order to foster teamwork and leadership skills among the members of the B-Corp. In the Impact report for the year 2017 this project results as planned, but not yet implemented. (Nativa, 2018).

Source: Nativa Srl *SB* Benefit Report for the year 2017, 2018 and AIDA database, 2018

Nativa's approach to the valorisation and development of its members seems to be oriented to people's empowerment. The members of Nativa's team have indeed the possibility to select the activities that they consider more useful to their development.

Today work environment is characterized, especially in knowledge intensive and technology intensive sectors, by dynamicity, complexity and continuous innovation.

This kind of environment has reshaped the relationship between workers and managers: the employees nowadays are often required to provide solutions to problems and get responsibilities instead of execute pre-planned tasks established by the managers as in the traditional workplace (De Janasz, Dowd and Schneider, 2012).

By leaving to the team members the possibility to choose a part of their development path according to their preference and personal characteristics Nativa demonstrates the trust in their capacity to be the good manager of themselves, and encourages the assumption of responsibilities and the ability to take decisions independently. This trust is important to motivate the people, who will also have the possibility to dedicate part of their working time to their interest and passions, with a presumable positive effect on their motivation and morale.

The choice to emphasise empowerment of every employee and collaborator is explicitly declared in the company Impact Report for the year 2017 also with regard another objective stated by Nativa for 2018, that implies the reorganization of processes in order to

reallocate responsibilities and identify new roles. The empowerment of every team member will be necessary due to the reshaping of the founder role with regard to commercial activities, partnership, research activities and team support. Responsibilities about the project realization as well as commercial results will be distributed within the team.

In order to be effective an empowerment plan requires employees that present the necessary soft skills necessary to self-organize their work and to collaborate properly with their colleagues.

The two soft skills that Nativa has decided to potentiate for the year 2017 are among the ones that can make the differences between a very good performer and an average or bad performer within the working environment. These two soft skills are leadership and teamwork.

Leadership is fundamental to ensure organizational success since it enhances performance by «transforming vision into significant actions» (De Janasz, Dowd and Schneider, 2012).

At the same time, the necessity to develop teamwork skills is fostered by an environment where the organizations have to deal with the complexity of the activities and with the increasing diffusion of forms of collaboration that are developed inside as well as out-side organizational boundaries (Costa, Gubitta and Pittino, 2014).

Nativa has planned to introduce the figure of Team Coach within the organization to improve the skills of leadership and teamwork among its people.

A definition of Team Coaching is:

«direct interaction with a team intended to help members make coordinated and task-appropriate use of their collective resources in accomplishing the team's work» (Hackman and Wageman, 2005).

An effective coach can also foster “coaching culture” within the organization, teaching also to the managers the art of coaching employees (King and Eaton, 1999).

A study conducted on 97 teams working in a Canadian public safety organization has showed how the spread of a leadership style that encompasses behaviours typical of team coaching increases the support for innovation (Rousseau, Aubé and Tremblay, 2013). The actions used in order to identify a team coaching oriented leadership style are «setting clear expectations, providing recognition, identifying team weaknesses, giving suggestions, and stimulating problem solving». Rousseau, Aubé and Tremblay explain also how team coaching has both a direct and an indirect positive effect on innova-

tion: the direct effect comes from the encouragement provided to team members in order to find new ways of doing things, while the indirect effect passes through the increase of people's commitment to team goals.

Team working and leadership are two fundamental soft skills, but are not the only ones that can improve individual and organizational performance.

In *Case Study 4* we will speak about another soft skill as stress management through the experience of the software and advisory company Mondora. While team working and leadership are two interpersonal skills, which are explicated in the relationship with other individuals, stress management is an intrapersonal skill, which regards the ability of a person to manage its feelings and behaviours.

Case Study 4 Mondora Srl Società Benefit

Company description: Mondora Srl *Società Benefit* is an Italian software development company. Mondora is a certified B-Corp, and according to the data provided by the database AIDA its annual revenue for the year 2017 was of 3 million euros, while the company's workforce results to be composed by 43 employees.

Wellness plan: In its Impact Report for the year 2017 Mondora has described its purposes in order to improve its Wellness plan for employees in the year 2018.

The company will introduce a new service of psychological consultancy in order to prevent stress, and will organize meetings with a philosopher in order to speak about important themes as work, ethic and self-organization.

Source: Mondora Srl *Società Benefit* website mondora.com and AIDA, 2018

The initiative planned by Mondora in order to enhance its employees' wellness in the year 2018 includes the introduction of a physiological consultancy service that aims to prevent stress among the workforce. The initiatives ideated by organizations in order to avoid stress among employees are referred to the bad stress, called distress, and not to the good one, defined as eustress.

Eustress is the controlled level of stress that acts as an incentive to achieve objective and targets, while distress is the overwhelming stress that diminishes performances and risks also to lead to burnout (Brulé and Morgan, 2018).

Since distress damages organizations through decreased performance, low morale, resistance to teamwork and higher employee turnover it is useful to organize stress management programs, which generally fall into one of the following categories (De Janasz, Dowd and Schneider, 2012):

- Employees Assistance Programs (EAPs) that offer professional professional counselling services to employees;
- Stress Management Training (SMT) programs, which include workers training in stress reduction skills as mediation, relaxation procedures and stress awareness and relaxation.
- Stress Reduction Intervention (SRI) programs that include goal setting and regular feedback.
- Health Promotion Programs (HPPs), which inform employees about physical and mental benefits coming from a healthier lifestyle, and often include medical screening fitness programs.

The Mondora plan for 2018 can be ascribed to the category of Employees Assistance Programs, but also the other abovementioned categories include practices that are diffuse among B-Corps.

As regard Stress Reduction Intervention, we can notice how an approach oriented to goal setting and feedback providing is intrinsic in the B-Corp nature. This approach comes from the necessity to establish clear and defined objectives and to monitor activities and processes in order to assess the impact of company operations in the different area of assessment provided by the BIA. At the same time, Health Promotion Programs in favour of workers have been reported in the 10 of the documents analysed about sustainable policies implemented by Italian B-Corps.

4.5 Governance

4.5.1 Organizational decision making processes

A sustainability-committed business approach has to be supported by a coherent decision making process, that has to take into account the pursuit of common benefit embraced by the firm and to measure it through the right indicators. The governance of the firms has to be characterized by accountability, with a precise definition of the people in charge of the sustainable policies that has to enacted, and from transparency, with the possibility for stakeholders to be informed by the company's conduct.

We have seen in *paragraph 3.3* how among the B-Corps the companies that are also *Società Benefit* tend to obtain a better evaluation in the Governance area of the B Impact Assessment.

This datum underlines the fact that formalization of a for Benefit approach into a legal framework as the one of the *Società Benefit* determines the adoption of a governance structure oriented to the implementation of sustainable policies.

As we have already said, two key obligations for the *Società Benefit* are the designation of a Benefit Director, that clearly establishes who is in charge of the sustainability aspect within the company's decision making process, and the publication of the annual Benefit report, that ensures transparency about company's choices.

In order to observe the governance structure of a *Società Benefit* that has also the *B-Corp Certification* we will present in *Case Study 5* the case of NWG Energia Srl *Società Benefit*, based in Prato and operating in the Energy industry.

Case Study 5 NWG Energia Srl Società Benefit

Company Description: NWG Energia Srl *Società Benefit* is an Italian company operating in the Energy industry. NWG Energia *Società Benefit* is a certified B-Corp, and according to the data provided by the database AIDA its last available annual revenue was of 38 million euros, while the company's workforce results to be composed by 28 employees.

Company Mission: "We give a concrete possibility of choice to the people that want to use only renewable energy sources. We create a long term environmental advantage for our planet, sustaining local communities and collaborating with them. We sustain educational projects in schools, in order to make future generations aware to the fact that they can save the planet with their actions, by using always and only renewable energy" (NWG Energia, 2017).

Governance Model: The figure in charge of the role of Benefit Director is the president Massimo Carullo. This designation has been done by the Board of Director with the rationale of providing a guarantee of a balance between the interest of the shareholders and the one of the stakeholders. Moreover this choice ensure the presence of a Benefit Director who has the necessary authority to properly perform its job. Moreover, the company has implemented, as a consequence of the transformation into a *Società Benefit*, new performance monitoring processes and new data collection tools. The firm has also planned to introduce a managerial goals system, that will take into account the for benefit performance together with the financial one.

Source: NWG Energia Srl *Società Benefit* Impact Report for the year 2016,2017 and AIDA, 2018

The *Case Study 5* contains two important details that allow to reflect about how the *Società Benefit* status impact on company governance.

The first important information is about the choice of the president of the company in order to cover the Benefit Director, and the motivation given by the firm in order to explain this decision. NWG Energia Srl *Società Benefit* has indeed declared the necessity to choose a person with the ability to find a synthesis of the complex system of interests that a *Società Benefit* has to address and necessary authority to perform this role. The

previous explanation is a clear signal of the fact that for NWG Energia Benefit Director has a real rather than a fictional importance within the company decision making process.

The second important information is the one about the planned implementation for the of a new managerial goals system, that will integrate financial and social performance.

The integration of the two kind of performance shows indeed as for *Società Benefit* social and financial goals are not only both presents, but are integrated. *Società Benefit* are not traditional for-profit firms which limit themselves to devolve part of their profit to social and environmental causes: this new kind of companies consider rather social and environmental sustainable practices as an integrating part of the strategy that lead them to generate profits.

4.5.2 Inter-organizational decision making processes

According to a recent study, in Italy operate more than 80 B-Corps (Nativa, 2018). As part of a common network these companies participate to initiatives in which the ways of run a sustainable business are discussed and promoted. As Italian B Lab country partner Nativa organizes every month a collective videoconference in which B-Corps analyse a topic of common interest. The network dimension is not limited within national boundaries, but embraces all the B-Corps around the world. One recent important international initiative promoted by the B-Corp Movement has been the 2018 B-Corp Summit in Amsterdam. These initiatives give the possibility to companies to know each other. Mutual knowledge allows the share of best practices implemented to foster sustainability but is also a good occasion to develop business partnerships among firms. The certification in this sense provides a guarantee of a third party standard about the sustainability and quality of the counterpart's products or services and processes, reducing the uncertainty within the exchange. The formal guarantee coming from certification comes together with the informal guarantee that arises from the common view about the way of conducting a socially and environmentally sustainable enterprise, which entails a fair distribution of the value created among the different actors along the supply chain. A final guarantee is ensured by the reputational costs of opportunistic behaviours that derive from the belonging to a community of enterprises, among which there may be other potential customers or suppliers.

In the specific Italian case the incentive to collaborate among B-Corps can be also fostered by the main sectors in which Italian B-Corps operate.

In the list of Italian B-Corps provided by the B-Corporation Official Website 16 companies provide consultancy or IT services.

These two kind of B2B service providers may have an interesting market in a community of companies that continually strive to improve their processes and organizational structure in order to reach the excellence in the field of sustainability. Moreover, a B-Corp can offer to them a direct experience and knowledge of this business approach that may lack to a company external to the network.

Therefore, it seems not surprising that Consulting and IT B-Corps play an important role within the commercial relationship network arisen within the Italian B-Corp Community. We have tried to partially represent this network in *Case Study 6*, after a research conducted on Italian B-Corps' websites, and consulting services result to be the base of the majority of the relations found among Italian B-Corps . We have also included in the list the partnerships founded with foreign B-Corps, which may represent an important occasion for SMEs Italian B-Corps to expand their markets, increasing the awareness about their brands outside the national boundaries.

The two wine producers Salcheto Srl and Perlage Srl, whose wines were served at B-Corp Summit 2018 served in Amsterdam, have capitalized this occasion.

Case Study 6 B-Corp Business Network inside and outside Italian boundaries

Italian B-Corps Business Network
Arkage and Nativa Srl SB: the sustainability consulting firm Nativa is a client of Arkage, the first Italian post-digital communication agency, which is part of Artattack Group Srl. The two companies have collaborated several times. Arkage has realized together with Nativa the Benefit Report for the year 2016 of Positive Impact Srl SB, of which Nativa is cofounder and co-owner. Arkage and Nativa have also launched together the joint venture Nüborn, an evolution studio specialized in values-based communication projects.
De Micheli Lanciani Motta Psicologi del lavoro associati and LAM Consulting Srl SB: the consulting company LAM Consulting Srl SB is partner of the consulting and business psychological services firm De Micheli Lanciani Motta Psicologi del lavoro associati.

<p>Focus Lab Srl and Palm Spa: the ecological pallet producer Palm Spa is a client of the sustainability consulting firm Focus Lab Srl.</p>
<p>Good Point Srl and Alessi Spa: the design factory Alessi Spa is a client of the consulting firm Good Point Srl. Good Point Srl has collaborated with Alessi Spa in the projects “Buon Lavoro- La fabbrica per la città” and “Extra Ordinary CSR”.</p>
<p>Idee Green Srl and Greenapes Società a Responsabilità Limitata Società Benefit: the publishing firm Idee Green Srl is one media partner of the digital platform for sustainability engagement greenApes.</p>
<p>Impact Hub Srl and Marioway Srl SB: the firm Marioway Srl SB, which produces innovative electric wheelchairs, is one of the alumni of the start-ups incubator Impact Hub Srl.</p>
<p>Impact Hub Srl and Treedom Srl: the green branding and green marketing firm Treedom Srl has been one of the start-ups that has worked with the start-ups incubator Impact Hub Srl.</p>
<p>Nativa Srl SB and Antica Erboristeria Spa: Antica Erboristeria Spa, specialized in haircolour and haircare products with plant extract-based formulas, works together with the sustainability consulting firm Nativa Srl SB.</p>
<p>Nativa Srl SB and Davines Spa: Davines Spa, which produces haircare and skincare products, works together with the sustainability firm Nativa Srl SB.</p>
<p>Nativa Srl SB and D-Orbit Spa: D-Orbit Spa, which develops smart satellite disposal systems for spacecraft and launcher stages, works together with the sustainability consulting firm Nativa Srl SB.</p>
<p>Nativa Srl SB and Fratelli Carli Spa: Fratelli Carli Spa, which works in the fields of olive oil, Food and Beverage and cosmetics, works together with the sustainability consulting firm Nativa Srl SB. In 2016, Nativa has offered to Fratelli Carli its services during the redefinition of the Fratelli Carli’s supply chain policies through the supplier code “Codice della Bontà”.</p>
<p>Nativa Srl SB and Zordan Srl SB: the firm Zordan Srl SB, which produces luxury turnkey furniture, has worked together with the sustainability consulting company Nativa Srl SB during the design of the new Zordan’s headquarter in 2016.</p>
<p>Pasticceria Filippi Srl Società Benefit and Fratelli Carli Spa: the confectionery producer Pasticceria Filippi Srl Società Benefit is a supplier of Fratelli Carli Spa, a histori-</p>

<p>cal olive oil company that has expanded its business to other products of Food and Beverage and to cosmetics. Pasticceria Filippi is a supplier within the Food and Beverage Fratelli Carli's supply chain, denominated "Filiera della Bontà".</p>
<p>Positive Impact Srl SB and Nativa Srl SB: the sustainability consulting firm Nativa Srl SB is cofounder and co-owner of Positive Impact Srl SB, specialized in events and conferences organization.</p>
<p>Treedom Srl and Davines Spa: Davines Spa, which produces haircare and skincare products, is a client of the green branding and green marketing firm Treedom Srl.</p>
<p>WAMI Srl SB and Facile Aiuto Srl SB: the social activity facilitator Facile Aiuto Srl SB has chosen as partner of the course "Balla con me" and of the the magazine and Web Tv "L'educazione" the mineral brand Wami-Water with a Mission.</p>
<p>Yoroom and De Micheli Lanciani Motta Psicologi del lavoro associati: the coworking space Yoroom of FirstFloor Srl <i>Società Benefit</i> is present in the consulting and business psychological services firm De Micheli Lanciani Motta Psicologi del lavoro associati suppliers for the years 2016, 2017 and 2018. The suppliers' code of De Micheli Lanciani Motta Psicologi del lavoro associati indicates the preference for B-Corps as suppliers when the quality of products or services offered is equal to the ones of ordinary business.</p>
<p>Relationships between Italian and foreign B-Corps</p>
<p>Green Media Lab e Patagonia Inc.: the Californian company Patagonia, worldwide known for its outdoor clothes, is a client of the media relation and digital company Green Media Lab, owned by the Sportmaker Srl Group.</p>
<p>Kickstarter PBC and LORF SB SRL: the firm LORF SB SRL, that provides in-person connection services, has launched a crowdfunding on Kickstarter's platform in order to finance one social project dedicated to improve autistic people's quality of life.</p>
<p>Nativa Srl SB and Croqker B.V.: Croqker is a digital platform where people can ask or offer their time and talent to provide and receive different kinds of services. Croqker is born in Netherland, but is available in different European countries. Nativa Srl SB is co-founder and co-owner, together with the dutch company Croqker B.V., of Croqker Italia Srl SB, which manages the Italian platform of Croqker.</p>
<p>Perlage Srl and B-Corp Summit 2018: the wine producer Perlage Srl has been partner of the B-Corp Summit 2018 in Amsterdam.</p>

Positive Impact Srl SB and Singularity University: Positive Impact Srl SB, specialized in events and conferences organization, hosts the SingularityU Italy Summit with the authorization and curatorial oversight by Singularity University, based in California.

Salcheto Srl and B-Corp Summit 2018: the wine producer Salcheto Srl has been partner of the B-Corp Summit 2018 in Amsterdam.

Source: Elaboration of the information found within Italian B-Corps' reports and websites

Their example may be replied in the future by other firms. Some of the B-Corps listed in the Official B Corporations website operates along Food and Beverage value chain, where is possible to exploit the reputational advantage provided by Made in Italy, and all of them excluded Fratelli Carli Spa can be considered SMEs.

As regard the relationships among B-Corps within the national boundaries, the role of the B-Lab country partner Nativa as a key actor in Italian B-Corps Network is confirmed looking at the 17 business relations described in *Case Study 6*. The sustainability consulting firm indeed is involved in 7 of the 17 relationships described, and collaborates with some of the more famous B-Corps Italian Brands, as Fratelli Carli and Davines. The centrality of Nativa within the Italian Community comes from the knowhow regarding the implementation of sustainable processes and the design of sustainable buildings as well as the visibility provided by its institutional role possessed within the B-Corp Community, two factors that are probably correlated.

Until now, we have presented in the reasons that may incentive the collaboration between two companies that are already certified B-Corp when they start to work together. There is also the possibility of an alternative path behind the relationships observed between two firms that are now B-Corps, which implies the transformation of one of the two partners in a B-Corp after the beginning of the business relationship.

Working with a certified B-Corp makes indeed partners and suppliers aware of the existence of an international network of firms that conciliate the pursuit of profit with a positive social and environmental impact. Moreover, the companies that work with B-Corps have often the possibility to observe the practices, processes and structures implemented in order to foster sustainability, acquiring a knowledge that may be useful whenever they would decide to reply them.

Implementing sustainable policies may be indeed fundamental for B-Corps partners and supplier to maintain the business relationship, since certified companies are also responsible of the whole impact of their supply chain according to the B Impact Assessment. One case of certification obtained after the beginning of a commercial relationship is the one of Pasticceria Filippi Srl *Società Benefit*, suppliers of the B-Corp Fratelli Carli Spa. The business relation between the two companies has been included in *Case Study 6*'s list, while the policy implemented by Fratelli Carli in order to foster sustainability along its supply chain has been described in the subparagraph 2.6.1 of this dissertation.

4.6 Conclusion

The empirical observation of Italian B-Corps data and reports outlines the presence of common practices and procedures implemented in order to enhance the sustainability of business activities.

From the analysis of the company documents emerges a great attention paid by the B-Corps to the selection of sustainable raw materials and to the reshaping of the production processes in order to reduce the impact of their activities on the environment.

A careful selection of materials and the avoidance of polluting production process could give an important competitive advantage in order to gain trust among customers in the industries that offer products with an important impact on health (as for example Food and Beverage industry, Medical industry and Body Care industry). Moreover, the optimization of energy and raw materials consumption could represent important drivers toward efficiency in the industries where these kind of production costs are relevant.

If on the one hand the rationalization and selection of sustainable raw materials regards manufacturing and agricultural firms more than service on the other every firm can apply some kind environmental policies.

An important decision that can be taken by companies operating in all the industries in order to reduce waste of materials within their business processes is represented by the digitization of processes, which brings to a paperless working environment.

The adoption of this solution does not limit its advantages to firms' environmental impact, but ensure also, if properly implemented, a substantial improvement in data and information acquisition, management, storage and sharing.

In the field of Human Resource Policies B-Corps promote spatial and temporal work flexibility, through smart working and telecommuting, as well as the implementation of

training programs. Some of the companies studied do not limit their attention to the acquisition of technical skills by the workforce, but make also make also important efforts to encourage the development of their employees' soft skills.

We have seen in *paragraph 3.3* how the B-Corps that are also *Società Benefit* the Governance Area are the ones that obtains the best results as regards the implementation of governance structure oriented to for benefit goals. Now in this chapter the *Case Study 5* about NWG Energia Srl *Società Benefit* permits us to highlight two important aspects of the *Società Benefit* governance structures as the presence of the Benefit Director and the reshaping of managerial goal system.

Thanks to the renewal of the governance structure B-Corps that are also *Società Benefit* aim to look at sustainable practices as a driver of profit rather than as a trade-off choice. The *B-Corp Certification* is also a good occasion in order to share best sustainable practices and begin new business relationship with other members of B Lab's network, as proved by the numerous relations among the members of B-Corp Community inside and outside the Italian boundaries.

THE NEW FORM OF SOCIETÀ BENEFIT: TRENDS EMERGING FROM DATA COLLECTION

5.1 Introduction

Today in Italy there are more than 80 B-Corps and more than 200 *Società Benefit* (Nativa, 2018).

We have illustrated in the previous chapters of the dissertation the differences and the commonalities between a certified B-Corp and a *Società Benefit* as well as the influence of the *Società Benefit* status on B-Corps' social and environmental performance.

The empirical analysis made in *Chapter 3* has indeed showed how B-Corps that have adopted the *Società Benefit* status tend to obtain a better score in the Governance Area due to the provision about accountability and transparency included in the *Società Benefit Bill*.

Moreover, is important to remind that according to B-Lab Italian Certified B-Corps have to adopt in a few years the *Società Benefit* form in order to maintain the certification, and that the two networks of socially committed companies refer to the same institutional focal points (B lab itself and for the Italian community its country partner Nativa).

The future and the present of certified B-Corps in the Italian scenario seems to be strictly interconnected with the one of *Società Benefit*. This is the reason why we have dedicated this last chapter to the description of Italian *Società Benefit* network, paying a particular attention to the *Società Benefit* that are also Certified B-Corps.

The chapter starts with a paragraph that describes the methods and procedures used in order to build the database that permit us to perform our analysis, and continues with

the description of legal entity, geographical distribution, date of constitution, size and sectors of *Società Benefit* and B-Corp analysed.

The database has been built with collaboration of a research group of the Department of Economics and Management of Padua University involved in the MOBIS project, which introduces North-Eastern SMEs to B-Corps.

Among the 210 *Società Benefit* analysed 30 are also B-Corps, whereas 4 of them resulted as Pending B corps at the time of the data collection.

The data obtained permit to make some considerations about this newer instrument introduced by B Lab in order to support the development of mission driven companies.

The fourth paragraph analyses the creation of two main geographical communities in the provinces of Rome and Milan, while the fifth focus on the key values that rare fundamental success factors within the sectors in which *Società Benefit* form is more diffused.

The last topic discussed regards the possible existence of a size ceiling that makes *Società Benefit* form as an available option only for SMEs and Microenterprises, and the possible relation between this issue and the age of *Società Benefit*, whose majority is composed by firms of recent constitution.

5.2 Methods and Procedures of data collection

We have started by a research by name on AIDA (on date 24st of May 2018), a database that contains comprehensive information about Italian companies. The first research has been done through the parameter of the name, inserting the five inputs connected to the possible denomination of a *Società Benefit*:

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

After that, we have put together all the results and we have proceeded through the following data-adjusting process:

- Elimination of the duplicates.

- Elimination of the companies that contained research inputs in the name without any causal connection with the *Società Benefit* status (some examples are “Costruzione S.Bernardino Srl”, “Benefit e Salute Spa”, “Società Sbarchi e Imbarchi” or the cases where the acronym SB indicated the name of places or people).
- Check on the Official Register of *Società Benefit* (where the company registration is on voluntary basis) adjourned to 3rd of July 2018 (Official Website of *Società Benefit* www.societabenefit.net) for the companies that appear in the list without containing any of the research inputs used. These companies have been maintained only whether present in the Official Register.
- Check for the companies with a *SB*, *S.B* or *S.B.* denomination not perfectly coherent with the one stated as coherent by the Official Website of *Società Benefit*. The formula chosen to indicate the legal status of *Società Benefit* must be put at the end of the company name. Elimination of the companies that do not respect the correct denomination and are not present in the Official Register.
- Addition to the database of the companies present in the Official Register not resulting from the database in AIDA (or that had been added in the meanwhile to the database, since many of the companies have a very recent foundation). To understand if these companies have been added in the meanwhile to the AIDA database it has been done a specific research, using when possible ID numbers as VAT number and Civil Code number and where not possible the company name. The information about companies (province, annual sales, number of employees, date of constitution, sector/industry through the ATECO 2007 code classification used by ISTAT) have been taken from AIDA when they were available. Not all the data were available for all the companies. If there were small differences in the company denomination present in the AIDA database and the one present in the Official Register (e.g. “XYZ srl” vs “XYZ srl *Società Benefit*”) the denomination maintained has been the AIDA’s one (after having verified that the two denominations effectively referred to the same company).
- Addition to the database of the following *Società Benefit*: “Beyond Società a Responsabilità Limitata Benefit”; “De-Lab Srl *Società Benefit*”; “Syntech Srl *SB*” and “Z.E.F. S.r.l. *Società Benefit*”.

- Search for the ATECO 2007 code classification on the websites www.informazione-aziende.it and www.atoka.io , that possess two databases about Italian companies, when this datum was not present in AIDA.
- Check on the B-Corps list available on the B Corporations Official Website www.bcorporations.net (adjourned to the 26th of June 2018) and where possible on the companies' official websites (last access on 28th of June 2018) in order to understand if the *Società Benefit* selected are also B-Corps or Pending B-Corps.

5.3 Empirical findings

5.3.1 The legal form of Italian *Società Benefit*

The great majority of the *Società Benefit* analysed (182 over 210) adopt the form of “Società Responsabilità Limitata”(Srl) , an Italian limited-liability form that is mostly used for SMEs and start-ups. Srl provides a more flexible structure and lower capital requirements if compared with the “Società per Azioni” (Spa), a form used by public corporations listed on the stock exchange or by larger private enterprises.

As we will see in the next paragraphs this result is perfectly coherent with the characteristics of the companies that are present in the database. Among the other 28 *Società Benefit* 9 are cooperatives (included one that has also the *B-Corp Certification*). From now on we will not consider anymore those 9 *Società Benefit* since in our analysis we intend to focus on the for-profit realities.

5.3.2 Geographical distribution of Italian *Società Benefit*

We possess information about the location of 198 among the analysed for-profit companies that have chosen the *Società Benefit* legal form.

Most of the *Società Benefit* are located in the North of Italy (138 companies), with a stronger presence in the Northwest (Valle d’Aosta, Piemonte, Lombardia and Liguria) than in the Northeast (Trentino Alto Adige, Veneto, Friuli Venezia Giulia and Emilia Romagna).

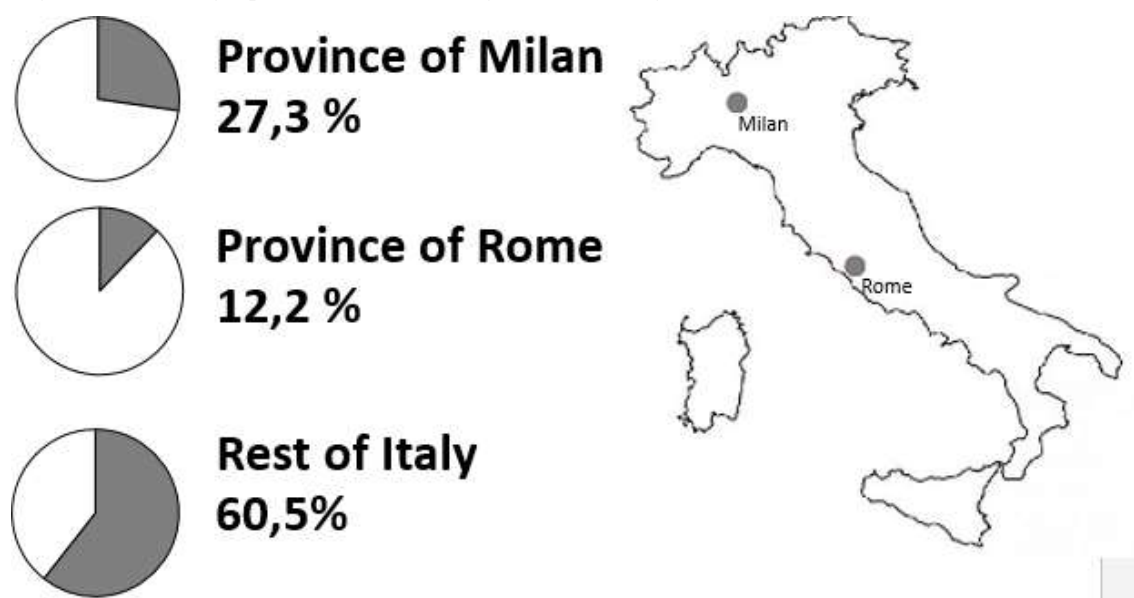
This datum is determined by the leadership role assumed by the province of Milan, where we register the presence of more than the 25% of the population taken into consideration.

The province of Rome assumes a similar centralizing function in the Centre (since it includes 24 of the 38 companies observed in this area, composed by Toscana, Marche, Umbria and Lazio).

The South with its 22 companies is the area with the smaller population observed. We have included Abruzzo, Molise and the two insular region on Sardegna and Sicilia among the regions of the South (together with Campania, Puglia, Basilicata and Calabria).

The 29 *Società Benefit* that have obtained the *B-Corp Certification* follow a location trend similar to the one of the global population observed. Indeed 17 of them are present in the North, 7 in the Centre and 4 in the South.

Figure 13 Geographical distribution of *Società Benefit*



Source: elaboration of the our database built with the information found in AIDA and in the Official Register of *Società Benefit*.

Figure 14 Geographical distribution of *Società Benefit* with the B-Corp Certification



Source: elaboration of the our database built with the information found in AIDA and in the Official Register of *Società Benefit*.

5.3.3 Life cycle of Italian *Società Benefit*

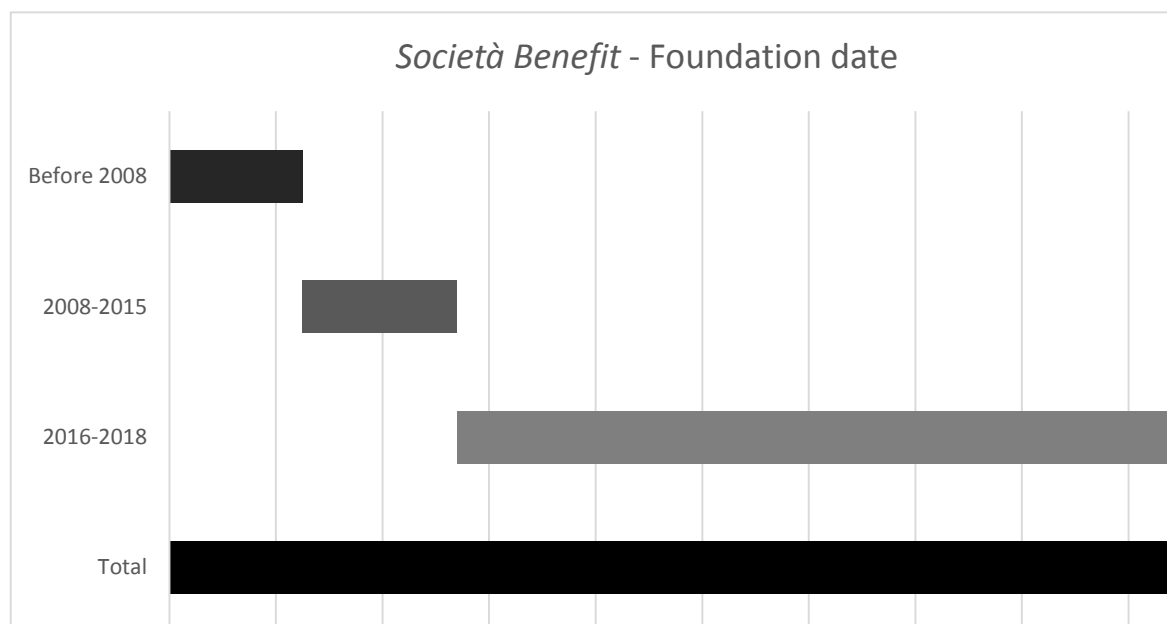
We have access to the date of constitution of 189 among the for-profit *Società Benefit* analysed. 26 of this 189 firms are also B-Corps.

It is very significant to notice that 135 of these companies were born after the 1st January 2016 (23 of them in 2018). Only 25 companies have been founded before the 2008, and only 12 firms have already reached their 20th year of life.

The scenario is different if we concentrate only on the *Società Benefit* that has also obtained the *B-Corp Certification*. Indeed this niche is characterized by firms that are quite older, with one third of the companies founded before the 2008 and with only 5 companies born after the 1st January 2016. This result seems to suggest that it takes time to develop the best practices in the management of people and processes, and that these best practices are important in order to increase the probability to have access to the *B-Corp Certification*.

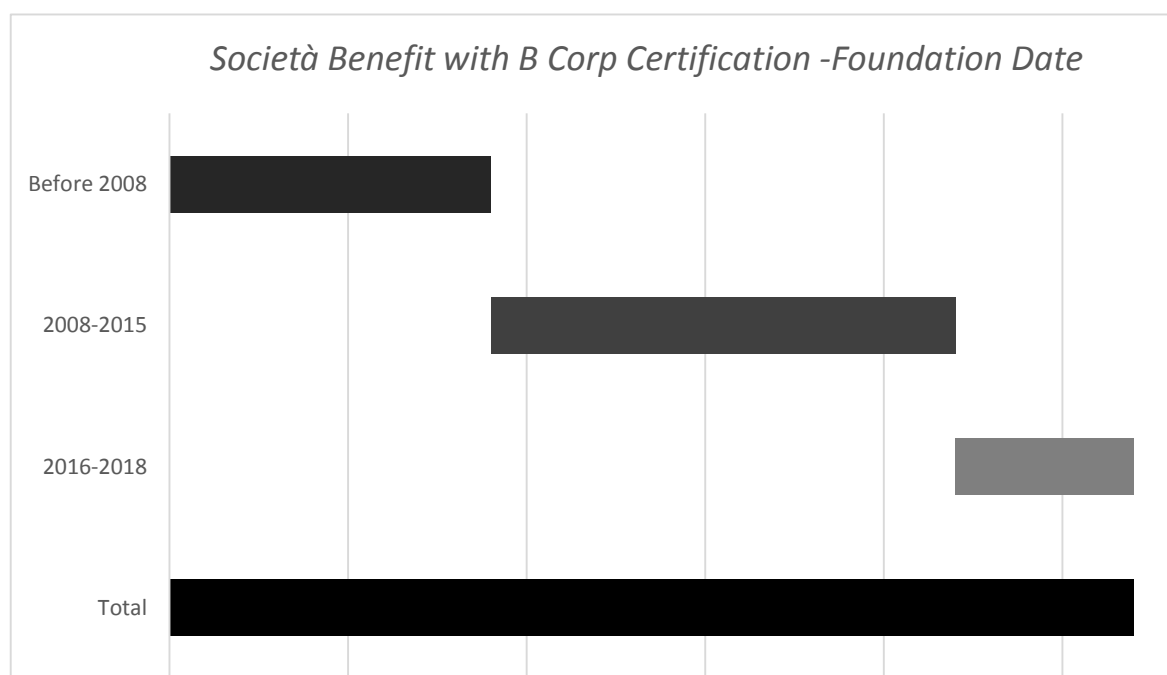
We register also the presence of four companies (born between the end of the 2016 and the 2017) that resulted as Pending B-Corps at the time of the data collection.

Figure 15 *Foundation date of Società Benefit*



Source: elaboration of the our database built with the information found in AIDA and in the "Official Register of Società Benefit".

Figure 16 *Foundation date of Società Benefit with B-Corp Certification*



Source: elaboration of the our database built with the information found in AIDA and in the "Official Register of Società Benefit".

5.3.4 Size of Italian Società Benefit

The information about the size of the companies analysed has been the more difficult to collect. Anyway, we possess the data about both the number of employees and the an-

nual revenue (according to the last financial statement available at the time of the research) of 83 firms. Among this 83 companies there are again 26 B-Corps.

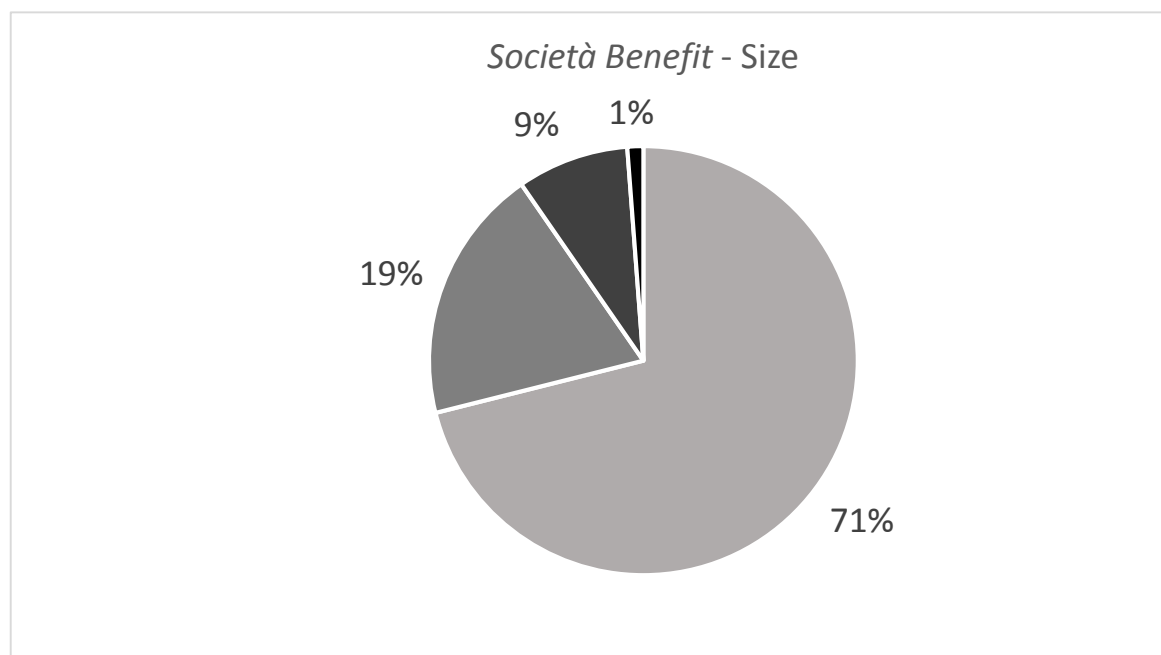
We have classified the firms dividing them in Micro-Enterprises, Small Enterprises and Medium Enterprises. Only one firm has exceeded the cut off parameters that define the Medium Enterprises, but its annual revenue belongs to a similar order of magnitude (72 million of euros against 50 million).

In the definition of the dimensional categories, we have adopted as a guideline the European Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises. Therefore, we have defined the following parameters and obtained the following results:

- We considered as a Microenterprise an enterprise with a number of employees smaller or equal to 10 and annual revenue smaller or equal to 2 million euros. Among the 83 firms observed in this section, the majority (59, of which 15 are B-Corps) belongs to this category. It is also plausible to think that the database AIDA used in order to extract the information about the revenues and employees provides less information about employees and revenues for microenterprises (especially for start-ups, since revenues are taken from the last financial statement published). This means that the percentage of microenterprises over the total population of *Società Benefit* may be even higher than the one that results from this data, corresponding to the 71%.
- We consider as a Small Enterprise an enterprise with a number of employees smaller or equal to 50 and annual revenue smaller or equal to 10 million euros. 16 firms belong to this category, of which 8 are B-Corps.
- We consider as a Medium Enterprise an enterprise with a number of employees smaller or equal to 250 and annual revenue smaller or equal to 50 million euros. Only 7 firms belong to this category (3 of them are B-Corps), and only one exceeds this dimensions.

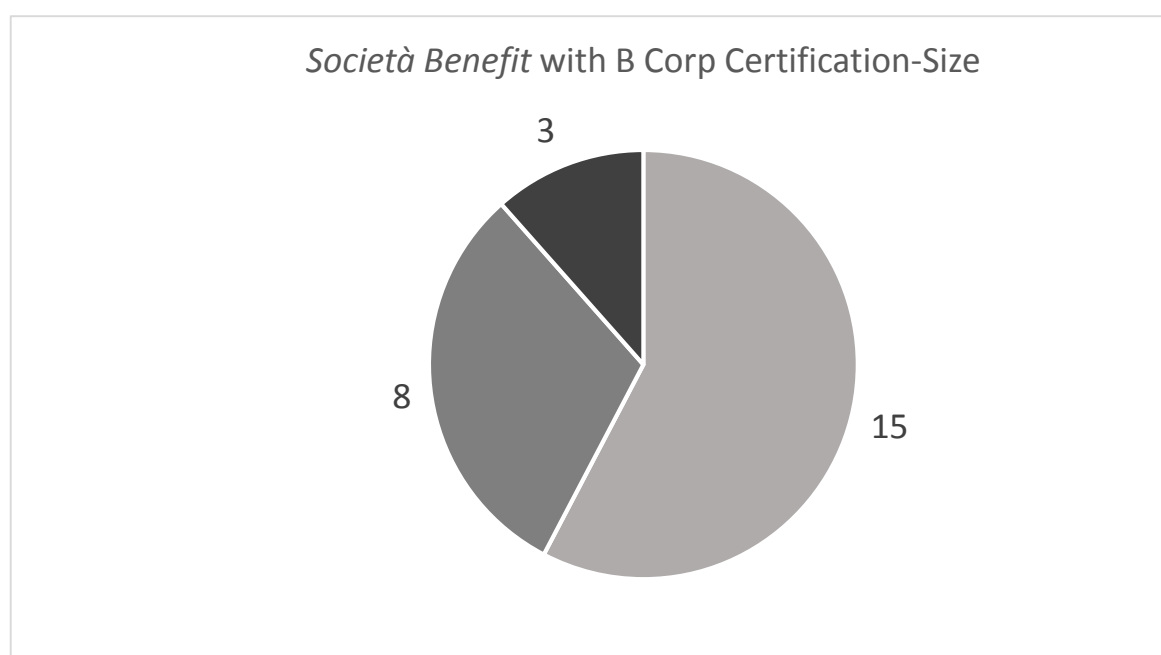
The mean of annual revenue is of 3.4 million euros, but it raises to 5.1 million if we considered only the *Società Benefit* that are also B-Corps.

Figure 17 Size of Società Benefit



Source: elaboration of the our database built with the information found in AIDA and in the Official Register of Società Benefit.

Figure 18 Size of Società Benefit with B-Corp Certification



Source: elaboration of the our database built with the information found in AIDA and in the Official Register of Società Benefit.

5.3.5 Sectors of Italian Società Benefit

In order to understand in which sector operates the company analysed we have used the ATECO 2007 code created by ISTAT.

We have access to the ATECO 2007 code of 183 *Società Benefit*. We put together more ATECO codes in order to build up different areas of economic activity. Here we present some of the results that we have obtained.

- Consultancy, Professional Services and Support Services (ATECO 2007 codes 70---, 73---, 74---; 82-----): 58 companies, of which 5 are B-Corps.
- IT services (ATECO 2007 codes 62---, 63---): 18 companies, of which 6 are B-Corps.
- Food and Beverage value chain (ATECO 2007 codes 01---, 10---, 463---, 472---, 56---): 17 companies, of which 4 are B-Corps.
- Training and Education (ATECO 2007 codes 85---): 11 companies, of which one is a B-Corp.
- Technology and Engineering (ATECO 2007 codes 71---, 72---): 11 companies, of which one is a B-Corp.
- Medical service and assistance (ATECO 2007 codes 86---, 87---, 88---): 10 companies, of which one is a B-Corp.

5.4 Creation of Geographical Communities

It is important to notice two great communities of *Società Benefit* that are present in Italy: the biggest one is located in the province of Milan, with 54 companies; the other one is in the province of Rome, with 24 companies. These two communities represent together more than one third of the population observed. Even taking into consideration the fact that Rome and Milan are the biggest cities in Italy this is a significant datum. According to the data provided by Rome Chamber of Commerce about the 31st of December 2016, the province of Rome hosted the 8% of the Italian companies (against the 12,1% of the for profit *Società Benefit* in our database) and the one of Milan the 6,1% (against the 27,3% of the for profit *Società Benefit* in our database).

Società Benefit are a new kind of organizations. This means that they have to face the difficulty to be the first-movers in the environment, also called «liability of newness» (Stinchcombe, 1965 in Sing, Tucker and House, 1986). In order to pursue their triple bottom line mission *Società Benefit* have to reshape their internal role and processes, to remodel their external relations, to learn their role as social actors and to obtain legitimacy in the environment. Some examples of these new challenges are represented by

the introduction of an impact manager or by the necessity to produce an impact relation, which implies a monitoring of the company's internal processes and of the company policies toward workers, suppliers and other stakeholders.

In this sense this networks of *Società Benefit* characterized by geographical proximity can help the sharing of the best practices and information among the different organizations. The collaboration within the network is guaranteed in this case by the common values and belief shared by the organizations involved.

The areas of Milan and Rome are not casual, not only because they host the two biggest Italian cities. These areas are characterized by the presence of a great number of firms operating in the areas of economic activity previously defined as “Consultancy, Professional Services and Support Services” and “IT services”, that are the more present in our database. Those areas of economic activity include 28 companies among the 54 located in the province of Milan and 10 companies among the 24 located in the province of Rome.

In the case of Milan another important element could be the geographical proximity of community with Nativa, the Italian country partner of B Lab that acts as a focal point within the *Società Benefit* and B-Corps Italian community.

5.5 Industrial sectors – knowhow and trust as key values

Our analysis underlines how the industry sectors in which *Società Benefit* are more present are the ones that require a deep knowhow or a strong relationship of trust among the actors present along the value chain.

As regards the knowhow intensive industries some examples are the consulting industry or the IT industry. As regard the trust and relations intensive ones we can mention the *Società Benefit* that works in the Food and Beverage industry or the ones that works in the medical service industry.

Those results seem to be coherent with the *Società Benefit* characteristics.

For a company that works in a knowledge intensive firm is fundamental to attract, train and retain the best talented workers.

According to the 2018 Deloitte Millennial Survey, «...young workers are eager for business leaders to be proactive about making a positive impact in society—and to be responsive to employees' needs». Moreover, the policies of workforce training and development and the attention to employees' work life balance typical of a triple bottom

line approach, which takes in consideration also people aside profits, are also a fundamental tool to maintain a qualified workforce, that if not satisfied would have the possibility to find other opportunities outside the company.

The status of *Società Benefit* can be also a competitive advantage in those industries where the relationships based on trust are fundamental. The adoption of this form indeed signal a particular attention to people and environment. The commitment to this value can reassure a customer that is buying food about the use of harmful pesticide or the client of a medical clinic about the quality of patient care.

5.6 Company dimensions and age: start-ups phase or “size ceiling”?

Most of the *Società Benefit* analysed are very young and very small companies. The majority of them have less than three years of life and no one reach the threshold of 100 million euros of annual revenues. The average annual revenues, 3,4 million euros, are even far behind the 10 million.

There is certainly a relation between this two data: the firms need time to develop, even in a dynamic era where their life cycle time is shrinking.

The dimensional issues, already presented for the B-Corps described in *Chapter 3*, is even more evident in the case of *Società Benefit*. In this sense is interesting to notice how the *Società Benefit* that are also B-Corps tend to be smaller than the firm that are only B-Corps but bigger than the *Società Benefit* that has not obtained the *B-Corp Certification*.

Are those data sufficient in order to classify *Società Benefit* as a form limited to start-ups and SMEs?

This is not the intention of B Lab, which thinks that any size company can «use business as a force of good». Moreover, it is not the situation in the US, where the biggest benefit corporation is Laureate Education, with over 4 billion US dollars in annual revenues. Laureate Education, that become a Benefit Corporation in October 2015, is incorporated in the state of Delaware and has been the first Benefit Corporation to go public after the listing of NASDAQ in February 2017.

Anyway also in US Benefit Corporations are forms mainly used by privately owned SMEs, despite of some exceptions as the one of Laureate Education. The same is true for B-Corps, even if we have also here some important exceptions as the certification of

Danone North America or the Brazilian multinational Natura, which operates in the cosmetics and personal care products industry.

In its research made in 2017 about B-Corps and Benefit Corporation, the consulting firm KKS Advisors has defined three types of barriers that preclude the access of big market players to the *B-Corp Certification* and to the Benefit Corporation (and its Italian version *Società Benefit*) legal form:

- Practical barriers: it is more difficult and costly in term of time and resources to certify or evaluate global companies with complex value chains.
- Institutional barriers: Legal, transparency and performance requirements are often too challenging for multinationals (e.g. there are billions of data to be processed in order to measure performance).
- Systemic barriers: Corporate laws and cultural norms are oriented to short-term financial results and shareholder returns.

In order to solve this issues B Lab has established a Multinationals and Public Markets Advisory Council (MPMAC), composed by representatives of public companies as Danone and Natura as well as investors, academics, lawyers, corporate governance experts and thought leaders.

5.7 Conclusion

The picture that comes out from our database highlights the following characteristics of the Italian *Società Benefit* population:

- The vast majority of the firms analysed are “Società a Responsabilità Limitata”, a legal form mainly used by SMEs and start-ups
- The North is the area of Italy with the highest presence of *Società Benefit*. Two big communities of *Società Benefit* are located in the province of Milan (54 for profit *Società Benefit*) and in the province of Rome (24 for profit *Società Benefit*).
- The population of firms studied is a very young one: more than an half of the *Società Benefit* observed were born after the 1st of January 2016.
- The majority of Italian *Società Benefit* is composed by Microenterprises. The higher annual revenue among the ones available amounts to 72 millions, while the average value is 3.4 million.

- The sector where the form of *Società Benefit* is more diffused according to the results is the one of “Consultancy, Professional Services and Support Services”. An important presence is also registered in the fields of IT, Food and Beverage, Technology, Engineering and Medical Services.

Is important to underline that the *Società Benefit* that are also certified B-Corps present a peculiarity with respect of the others: they are on average at a more advanced stadium of their life cycle. If we consider only *Società Benefit* which are also B-Corps we observe that one third of them have been founded before 31st December 2008 and only 4 after 1st January 2016. This datum can be interpreted as a signal of the time required in order to master the best practices about people and process management necessary in order to achieve the social and environmental necessary to obtain the *B-Corp Certification*. Only few firms are able to acquire the necessary expertise and consolidate sustainable organizational routines in the first years of their life.

All the *Società Benefit*, regardless their date of constitution, have embraced a new way of doing business that implies to revisit their organizational design as well as their relationship with the environment and their role as social actors. In this situation, it could be helpful to have the possibility to rely on a community composed by other *Società Benefit* located in the same geographical area. The physical proximity increases indeed the possibility to share information about best practices implemented, with a collaborative approach that comes from the common values shared.

In Italy we have registered the presence of two big communities of *Società Benefit*, located respectively in the area of Milan and in the one of Rome. There are many reasons that can explain the concentration of *Società Benefit* within this two area of the country. Milan and Rome are the two biggest Italian cities, with an important number of firms operating in sectors with a significant presence of *Società Benefit* as Consultancy and IT. Milan also hosts an “institutional presence” that regulates this new form of business: the B Lab country partner Nativa Srl *Società Benefit*.

The analysis conducted on the database shows also how the *Società Benefit* mainly operate in industrial sectors where a deep and innovative knowhow or a strong relationship of trust with key stakeholders represent key competitive advantages.

The commitment that the *Società Benefit* have toward its employee is everyday more important in order to attract and retain talented young people, that according to recent

studies are also interested to the sustainability practices implemented by the company in which they work. Be an attractive workplace for young talents is fundamental in the knowledge intensive sectors as Consulting or IT.

Moreover, the values declared and coherently applied by *Società Benefit* may have the function to reassure the customers about the avoidance of practices that could damage their health or the environment: this is crucial for the example in the Food and Beverage market and in the health care industry.

The last point touched in our analysis is the one about the size of the Italian *Società Benefit*. The majority of the database observed is composed by microenterprises, and no one of the *Società Benefit* reaches the threshold of 100 million of annual revenue.

The average annual revenue is 3,4 million of euro if we consider all the *Società Benefit* for which we have available data, and raise to 5,1 million if we observe only the ones that have also obtained the *B-Corp Certification*. The fact that many *Società Benefit* are in its first years of life is an important factor in order to partially explain the data about *Società Benefit* dimensions, but it is not enough to raise questions about the adaptability of this form to big companies.

This question is applicable also to US Benefit Corporation and to *B-Corp Certification* worldwide. Indeed, despite some important exceptions (as Laureate Education for Benefit Corporations and Danone North America for B-Corps).

A recent research of the consulting firm Kks has identified practical, systemic and institutional barriers that may obstacle the access of big multinationals companies to the Benefit Corporation form and to the *B-Corp Certification*.

B Lab has established the Multinational and Public Markets Advisory Council (MPMAC) in order to overcome these barriers and strengthen the pursuit of its mission: permit to every firm, irrespectively of its dimension, to enter in the community of the companies that «use business as a force of good».

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