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Benefit Corporation

A Sustainable Business Model for the Creation of Shared Value

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Abstract

This work aims to present the Benefit Corporation as a sustainable business model that pursues not only economic and monetary goals, but also aspires at generating a positive impact on the society and the environment.

The first chapter presents the concept of Corporate Social Responsibility since its origin, outlining its evolution until the end of the 20th century.

The second chapter investigates the different meanings and delineations that Corporate Social Responsibility assumes since the early 2000s, introducing the concept of Shared Value and the design of new sustainable business models.

The third chapter introduces the Benefit Corporation and the B Corp Certification, analyzing in detail the regulations and legislation in this regard. The phenomenon of the Benefit Corporation and the B Corp Certification is then studied first from an international point of view, and then in the Italian context.

Finally, the fourth chapter, through the analysis of the Italian company Davines SPA, aims to bring a concrete example of a Società Benefit and Certified B Corp that managed to combine positive economic, social and environmental performances, in line with the notion of Shared Value Creation.

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Chapter 3 – The Benefit Corporation

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Introduction

"Our vision is that one day all companies will compete to be not just best in the world but also best for the world, and as a result society will enjoy a more shared and durable prosperity."

B Lab

The current economic and social context has brought to light numerous challenges to be addressed. The issue of climate change, the growing income inequality, the emergence of new economic powers and the shift of influence between governments and companies are just some of the challenges the world is facing in 2020. The recent crisis caused by Covid-19 outbreak has demonstrated how the different countries of the world are increasingly interlinked, showing a globalization that has reached a tipping point and a capitalism no longer able to respond to the needs of society.

On the other hand, we find ourselves in a time of great opportunities. We have never lived in such a prosperous era, in which poverty levels are at their lowest, and the indices of education, democracy and longevity are at the highest of all times.

In this climate of uncertainty, there have been several calls to action promoted by governments, non-profit and international organizations. Among these, the United Nations Agenda 2030 for Sustainable Development launched in 2015, a plan of action for people, planet and prosperity. The Agenda aims to address the numerous current social and environmental challenges, thanks to a collaborative alliance between governments and all the stakeholders worldwide. This universal Agenda is composed of 17 macro objectives (Sustainable Development Goals) and 169 targets, aimed at the implementation of sustainable development with a balance of its three dimensions: economic, social and environmental.

In this context, the role of business is increasingly controversial. Companies have traditionally been viewed as entities whose main purpose was to generate profit and maximize the shareholders' value, and which contribution to the society was to create prosperity and job opportunities. In recent years however, business has begun to be seen more and more as a major cause of these changes, creating a significant decline in the trust that society places in corporations. Thanks to technological and social innovations, today's consumers have at their disposal an immense amount of data and information, causing greater awareness in their purchasing decisions and in the numerous social changes taking place.

The UN Global Compact, in collaboration with Accenture, published in 2014 a survey conducted on 30,000 people worldwide on the expectations and perceptions of the population towards business and companies. The study sheds light on an overall picture of distrust on organizations, where 72% of respondents believe that business is failing to deliver on society's expectations. This climate of low levels of trust is also confirmed by those who are an integral part of the economic world, as 67% of the 1,000 CEOs interviewed claimed that business is not doing enough to meet sustainability challenges. Furthermore, the great influence attributed to the role of companies within society is confirmed, as respondents' expectations on business are almost identical to those of governments. In fact, 86% of people interviewed expect governments to directly improve their quality of life and 85% expect the same from corporations.

The greater awareness of the population has caused an ever-greater increase in the demand for responsibility and accountability

from organizations. The concept of *Corporate Social Responsibility* originated in the second half of the twentieth century, when for the first time scholars began to question the role of the businessman within society. Since that moment, the notion has undergone various evolutions and declinations, creating a debate around the traditional Neoclassical conception of business.
The current model of capitalism has turned out to be too narrow and inadequate to address the changing revolutions in society, and there are several studies and discussions around the formulation of new business models no longer merely aimed at producing profit, but rather at generating *Shared Value*, which concerns the creation of economic value in a way that contributes to the creation of value also for society and the environment (Porter & Kramer, 2011). Governments and non-profit organizations are no longer sufficient to drive the change necessary to safeguard our planet, a revolution that must happen now and that cannot wait any longer. Companies must be an integral part of this changing process and must regain the trust of the civil society, creating collaboration between all stakeholders, with the aim of fostering sustainable development.

The trend of corporate sustainability has grown incredibly in recent years, increasing sensitivity to the issue and demand for responsibility by consumers. This has also produced negative results, such as the phenomenon of Greenwashing, through which organizations increase their brand reputation even if not creating real social and environmental benefits. At the same time, this era of strong changes has caused the emergence of new business models based on the creation of shared value and the idea that companies must play an active role in addressing the challenges the world is facing. These models are characterized by a solid consideration of the needs and interests of all stakeholders and not only, as was traditionally the case, those of the shareholders. Companies can no longer exempt themselves from taking into account consumers, suppliers, the community in which they operate, the environment and all the entities that influence or are influenced by it in their operations and decision-making.

Among the emergence of new business models, there is also that of the Benefit Corporation and Certified B Corp.

Benefit Corporations are hybrid organizations that aim not only to create economic value, but also to generate a benefit on society and the environment. This type of model is presented as an evolution of traditional CSR, where the *dual mission* becomes an integral part of the company's business model. This new form of hybrid organization has its roots in the B Corp Certification, launched by the non-profit organization B Lab in 2006. Since that time, the B Corp community has grown enormously, counting up to now 3,564 companies present in 74 countries around the world. The model initially launched by B Lab led to the proliferation of the new legal form of Benefit Corporation. Italy was the first European country, and the only one so far, to introduce the Benefit Corporation legal framework in 2016 through the Stability Law, giving life to the so-called Società Benefit, which today numbers about 500 units on the national territory.

The Benefit Corporations aspire to build the B Economy, where companies balance purpose and profit, and compete to be the best *for* the world, with the aim of creating shared value sustainable in the long run.

This work aims to present the Benefit Corporation as an emerging hybrid model for sustainable development and the creation of shared value, demonstrating how attention to the planet and society and a dual mission in the core business of companies could foster the economic performance rather than narrow it.

To do so, the first chapter analyzes the concept of Corporate Social Responsibility, investigating the evolution it has undergone over time in its traditional conception.
The second chapter introduces the principle of shared value and the consequent design of new hybrid business models, oriented towards innovation and sustainability in the long term.
The third chapter deals with the description of the Benefit Corporations from their origin, analyzing their legal framework and the characteristics that the phenomenon has assumed, first from an international point of view and later in the Italian territory.
Finally, the fourth chapter aims to concretize the previous analysis through the study of the Italian company Davines SPA, which is a B Corp and a Società Benefit, investigating its economic, social and environmental performance. The study of the company performances will seek to examine how the implementation of sustainability programs and the objective of creating a common benefit could represent an opportunity and an added value for the organization, rather than a constraint.

Chapter 1
THE EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

1.1 The Origin of Corporate Social Responsibility

In recent years, Corporate Social Responsibility has become a key topic in the analysis of the interactions between business and society. The origins of the CSR concept date back to the second half of the 1900s, since when the term has undergone several evolutions and developments.

In 1953 Howard R. Bowen published the book *Social Responsibilities of the Businessman*, in which he explored for the first time the important role of the corporations in the society and the necessity for them to be ethical and responsible. Bowen (1953) was the first scholar to delineate a definition for CSR, which he described as "the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society".

Bowen was the forerunner in explicitly introducing the idea that business should deliver value also for the society, creating a starting point for future evolutions, and for this reason he has been considered over time as the "Father of Corporate Social Responsibility" (Carroll, 1999).

During the 60s, the concept of CSR has enormously evolved and developed. A great contribution to the topic has been given by Keith Davis (1960), who highly focused on his studies on the *social power of*

businessmen, which is defined as the capability to influence the environment and the community in which he operates.
According to Davis (1969), "the social responsibilities of businessman need to be commensurate with their social power" and on this line of thinking, he introduced the so-called *Iron Law of Responsibility* (1973), which states that that "society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it". Business plays a fundamental role within society. Companies have the power to influence movements within civil society and also have significant power in economic and monetary terms. For this reason, the business cannot exempt itself from acting in transparently and responsibly way towards the community, on pain of the loss of trust on the part of civil society.
Moreover, he asserted that the CSR begins when the law ends, stating that is not enough for a firm to just follow regulations and policies to be considered a good corporation, but is even more relevant to take into account its negative externalities on the environment and the community in which it operates. Given the significant power and influence that the business owns in the society, it cannot just comply with laws and regulations, but instead should take a greater responsibility according to ethic and morality.

Another significant contributor to the topic was McGuire, who published a book in 1963 entitled *Business and Society* in which introduced for the first time the concept of *corporate citizenship*, claiming that companies should take an interest in politics and in the wellbeing of the community in which they work. Companies must operate as good citizens and act following the civic sense, and therefore not limiting their actions to the constraints dictated by the law but following a sense of responsibility and morality towards their community.

Finally, another important author who contributed to the debate in the 1960s is Clarence C. Walton, who in his book *Corporate Social Responsibilities* (1967) identified different aspects of the role of the corporation in the society and highlighted the importance of including voluntarism as opposed to coercion in the social responsibilities of corporations, asserting that firms must take into account to not have any monetary return for the projects implemented but to just act for philanthropic purposes. The author, therefore, introduced the conception that business must not act only following a principle of profit maximization but instead must consider the value of its role within the society and perform accordingly, responding to the needs and interests of the surrounding community.

The dialogue around the topic fostered during the 70s, also due to the emergence of several social, environmental, consumers and women movements which asked for the recognition of civil rights and a strong commitment in this regard also by corporations.

With his book *Business in Contemporary Society,* Harold Johnson (1971) introduced the *conventional wisdom* through which he defined a *socially responsible firm* as "one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its shareholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities and the nation". This represents a huge step forward for the evolution of corporate social responsibility since for the first time the stakeholders are explicitly taken into account in companies' operations.

The theory formulated by Johnson highlights the need for organizations to consider in their strategic decisions all the entities that are influenced by, or influence it, not focusing only on maximizing the value of shareholders.

Moreover, Johnson considers the company as operating in a specific sociocultural context in which it should address emerging issues. A socially responsible enterprise “seeks multiple goals rather than only maximum profits. A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his well-being but also in that of the other members of the enterprise and that of his fellow citizens” (Johnson, 1971).

On the same line, George Steiner (1971) refers to the corporation as essentially an economic institution but with “responsibilities to help society achieve its basic goals and does, therefore, have social responsibility”. In this sense, Steiner asserts that the company, although it is an economic entity that must seek the creation of profit, cannot hide the important role it plays within the society and therefore cannot avoid contributing to its progress.

During the second half of the 20th century, the dialogue around the issue evolved enormously, without however reaching a single and unique definition of the notion of corporate social responsibility.

In 1979 Archie B. Carroll gave its contribution to the dialogue with a new definition of CSR composed on four main elements: economic, legal, ethical and philanthropic.

To better elaborate on this formulation, Carroll explicated that firstly businesses have an economic responsibility because the firm is the basic economic unit in the society and for this reason is the primary source of goods, labor and wealth. Considering economic responsibility when talking about CSR may seem unusual, but what society requires from companies is to produce goods and be able to sustain themselves, thus requiring profit production. Furthermore,

any company that fails to generate profit and therefore to finance itself will never be able to achieve its social and sustainable objectives; for this reason, economic responsibility lies at the basis of all the others.
The legal responsibility represents the second element of the definition because the corporation is expected to operate in accordance with laws and regulations.
The third factor is identified in the ethical commitment that society demands from corporations, even though not required by law.
Finally, with the term discretionary expectations Carroll would like to delineate voluntary and philanthropic actions that managers and businesses could assume, but not really requested in a specific manner by the community, so considered as left to the free choice and judgment of organizations.

Elaborating on the concept, in 1991 Carroll presented the so-called *Carroll's Pyramid of Corporate Social Responsibility* composed of the four elements mentioned above. At the bottom of the pyramid the author positions the economic responsibility of the company, that is to generate profits and is the foundation for the other ones; in the second step are presented the legal responsibilities, that represent the boundaries of laws and regulations according to which the corporation must operate; in the third place is positioned the ethical responsibility, so the moral obligation for the firm to do what is morally correct and not harming the society or the environment, eliminating negative externalities; finally, at the top of the pyramid are situated the philanthropic responsibilities, that are desired from the society and considered as voluntary for the business to contribute to the well-being of the community in which it functions and act as a good citizen (*figure 1.1*).

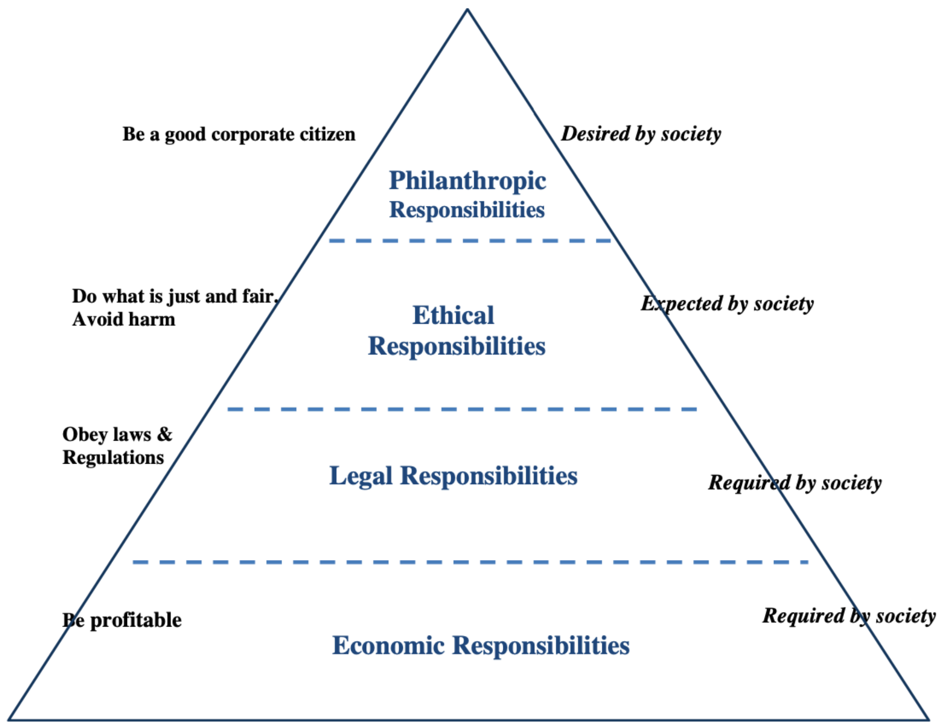


Figure 1.1: *Carroll's Pyramid of CSR*, Carrol (1991)

The pyramid was conceived to be considered as a whole and not in single divided components. This means that companies in their decisions and actions must respond to all four responsibilities synergistically. The *Carroll Pyramid* is ultimately to be considered a sustainable corporate framework, as it takes into consideration the stakeholders of the company and considers long-term objectives, focusing not only on what is required to organizations by society, but also what is expected by it.

During the same decade, Sethi (1975) used a slightly different approach, assuming a three-step scheme to describe the adaptation of corporate behavior to changes in society.

The three-state approach ideated by Sethi is composed of the following steps: social obligation, social responsibility and social responsiveness.

Social obligation refers to all the duties that a company has, based on the various market or legal constraints present; social responsibility refers to those constraints imposed by social norms, values and moral obligations expected by the society and social responsiveness represents the ability of corporations of preventing and anticipating the needs of the community, considering long-term objectives in the operations and decisions.
Sethi's theory (1975) introduced the concept of *social responsiveness*, that is the ability and the need for companies to consider their social responsibility actions in the long run, integrating sustainability in corporate operations even more deeply.
The theory postulated by the scholar marks an evolution of the concept of corporate social responsibility, as it not only requires corporations to respond to the needs of society through their own operations, but states that organizations must have the ability to prevent those needs, giving an active and vital role to businesses within the community in which they operate.

The dialogue around the topic of corporate social responsibility has found numerous contributors and supporters over the years, but at the same time, it has also led to the formation of an extremely critical current on this regard.
One of the main exponents against the concept of CSR could be identified in Milton Friedman, who argued in a famous article on *The New York Times Magazine* (1970) that the "social responsibility of business is to increase its profits" and not to address the issues of the society. According to the economist, only operating in a completely free-market system could solve the main challenges the society is facing and the only responsibility of business toward the community is to maximize profits and shareholders' value. Friedman's considerations are mainly based on the Neoclassical ideology

according to which the only goal that companies must work towards is to generate profits and increase the shareholders' value. Following this line of thought, the only role that companies play within the society is represented by profit and the only contribution they can make to it is to increase their efficiency to maximize the economic return.

During the 1980s the focus moved from formulating new definitions of CSR to fostering the research on different themes linked to the topic, increasing the scope of the dialogue and the importance it holds in a social and economic context. One of the main issues of debate is represented by the uncertainty about the possibility of the coexistence of profit generation and responsibility, which is to investigate whether acting in a sustainably and responsibly can damage the economic return.

In 1984 Peter Drucker presented the innovative conception that responsibility and profitability can coexist in a business model, and moreover that CSR can be converted by companies into a business opportunity rather than a constraint. The relevance of Drucker's theory, in particular for the future evolution of the topic, lies mainly in the assertion that not only acting responsibly and pursuing long-term objectives does not cause a loss of profit to the company, but that it can also represent an economic opportunity and added value for the corporation. Drucker (1984) claimed that "the proper social responsibility of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth". Drucker marks a revolution and the transition from a CSR considered as a moral obligation or an expectation of society to companies, to a responsibility considered as a strategic occasion, capable of creating added value for the company on the market.

Along this line, the idea that CSR should be considered as an integral part of the business and source of competitive advantage, instead of a series of responsibilities imposed or required by the society, started to take hold.

In the same decade, the dialogue on CSR has given rise to the formulation of new concepts and theories, including *Corporate Social Performance*, introduced by Carroll (1979), who formulated the so-called *Three-Dimensional Conceptual Model of Corporate Performance*. According to the author, the corporate social performance is the result of three different dimensions that are: corporate social responsibility (CSR1), composed of the four factors analyzed before; the corporate social responsiveness (CSR2), that is the proactiveness of the company toward social issues; and the social issues, that should be clear and specified areas of interest in which achieve measurable goals (*figure 1.2*).

The main purpose of the model is to guide and help managers in understanding the different elements of social responsibility and highlight how these should not be considered independent from the economic ones, but rather closely interconnected. The framework must be pondered by companies as a guide for implementing social performance programs as efficiently as possible and a useful planning and problem-solving tool (Carroll, 1979).

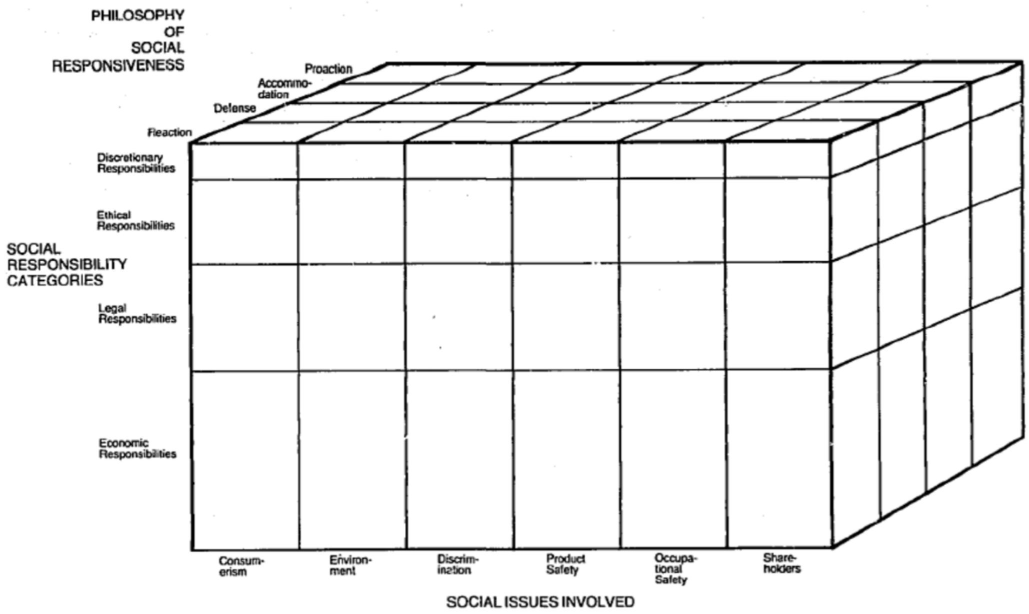


Figure 1.2: *Corporate Social Performance Model*, Carroll (1979)

The framework proposed by Carroll has the peculiarity of considering both a micro-level dimension, represented by interactions between the firm and its environment and a macro-level dimension, retaining the social responsibility as a starting point for the social programs and operations.

With the knowledge of Corporate Social Performance Model, scholars tried to designate the entirety of the efforts of corporations in meeting society's needs, finding a new framework thanks to which analyze and diagnose the interactions and objectives between business and society.

A very interesting aspect of the model is represented by the various social issues taken into consideration by the author: consumerism, environment, discrimination, product safety, occupational safety, shareholders. The six different dimensions taken into consideration can be considered a good representation of the stakeholders that must be considered from a social performance perspective, and in which the shareholders have the same value as the other ones.

Wartick and Cochran (1985) further elaborated on the model proposed by Carroll and highlighted how it shows "the underlying interaction among the principles of social responsibility, the process of social responsiveness, and the policies developed to address social issues", showing how the different dimensions could be incorporated into the framework, exploring and considering the connections among them. The authors added to the dimensions of the model a new one, called Social Issue Management, which aim is to minimize controversial situations that could arise for the company and to find systematic and interactive solutions caused by changes in the surrounding environment. This new dimension is composed by three main areas:

1. Public Issue Management
2. Strategic Issue Management
3. Social Issue Management

The three areas refer to different matters, in particular the first one discusses legal concerns, the second one is about factors that influence the strategy of the corporation and the last one considers moral and ethical values connected to the society. The Social Issue Management is presented by the authors as a process in which occurs three main phases: the identification of the issue, the analysis and the elaboration of the solution.

The model has been further developed during the 1900s by Donna J. Wood, who criticized the framework for being too narrow. According to Wood (1991), the term performance does not concern interaction but the achievement of a result. The author implemented the model focusing on the principles-processes-performance logic, within which the principles were recognized with those of corporate social responsibility, the processes referred to social responsiveness, and finally, identified the performance as the set of policies, programs and impacts related to corporate social relations. One of the main innovations proposed by Wood is to consider the three elements of the model principles-processes-results simultaneously, analyzing their interactions and links that can lead to good results deriving from bad principles, or good principles achieved through inefficient processes and vice versa.

1.2 The Stakeholder Theory

The evolution of the discourse around the corporate social responsibility during the last decades of the XX century brought to the formulation of the Stakeholder Theory.

The term *stakeholder* was introduced for the first time in 1963 in a document of the Stanford Research Institute, meaning "groups without whose support the organization would cease to exist", referring originally to shareowners, employees, customers, suppliers, landers and the society in general.

The term was then further developed by Freeman (1984), who postulated the stakeholder theory in his book *Strategic Management: A Stakeholder Approach*. Freeman explicitly asserted for the first time that companies should take into account in their operations not only the shareholders, but also anyone involved in their processes and activities, or anyone who is affected by or affects it.

At the core of the theory there is the assumption that a corporation, in order to record positive results, should deliver value for all of its stakeholders. The stakeholder theory is clearly in contradiction to the shareholder theory supported by Nobel Prize-winning economist Milton Friedman (1970), that states that in capitalism the primary objective of corporations is to generate profits and deliver value only for its shareholders. According to this view, the responsibility of corporations is just towards its shareholders and all the other individuals influenced by the company should not be taken into account.

The stakeholder theory highlights the importance of taking into consideration the environment in which the company is operating in order to deliver value in the long run. Employees, vendors, suppliers, the community, governmental bodies, customers, owners are just few of the entities involved and affected by the activities of a firm and, citing the author, “a company can’t ignore any of its stakeholders and truly succeed” (Freeman, 1984).

With the publication of the stakeholder theory, we begin to legitimize the idea that a company is an open system, deeply interconnected with the society through different entities, and which cannot therefore refrain from taking into consideration the influence that its operations have on society and vice versa. Studies on stakeholders, their interactions with the company and the context in which it operates, began to flourish significantly following Freeman's theory.

According to Clarkson (1995), the stakeholders of a company can be divided in two groups: primary and secondary stakeholders. The primary stakeholders are those directly involved in the activities of the firm, such as consumers, employees, owners and suppliers and those essential at the existence of the company.

On the other hand, the secondary stakeholders are “those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival” (Clarkson, 1995). The secondary stakeholders group comprehends for example the media and some special interest groups, that can influence the public opinion toward the operations of the corporation. They are not essential at the existence of the company, but they can highly influence the public opinion in respect to it, creating a beneficial contribution or a negative one to the corporation (*figure 1.3*).

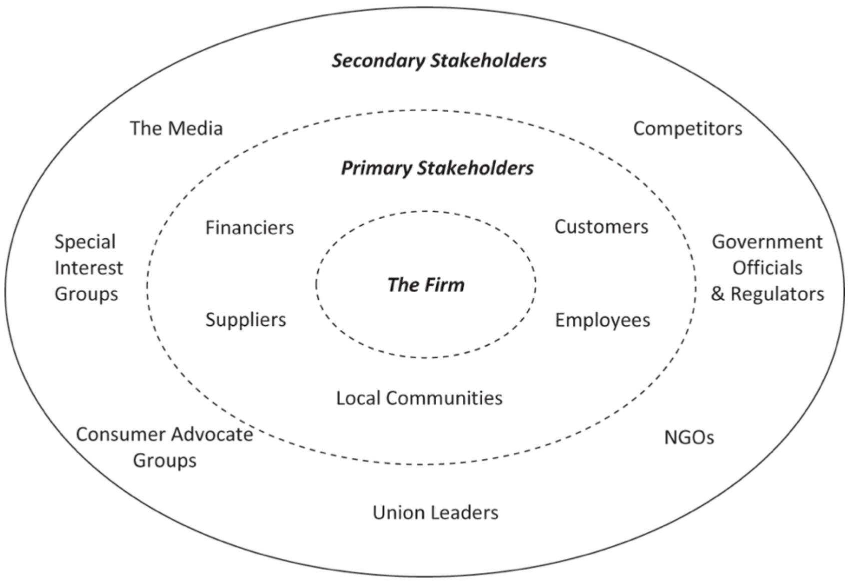


Figure 1.3: *Primary and Secondary Stakeholders*, Freeman (2018)

Another classification of the stakeholders has been proposed by Freeman (1983), who categorized them in external and internal, according to the different environments of the corporation. Internal stakeholders are those working inside the organization such as employees and managers, while the external have interactions with the company but are not purely working in it, such as suppliers, customers, media and so on (*figure 1.4*).

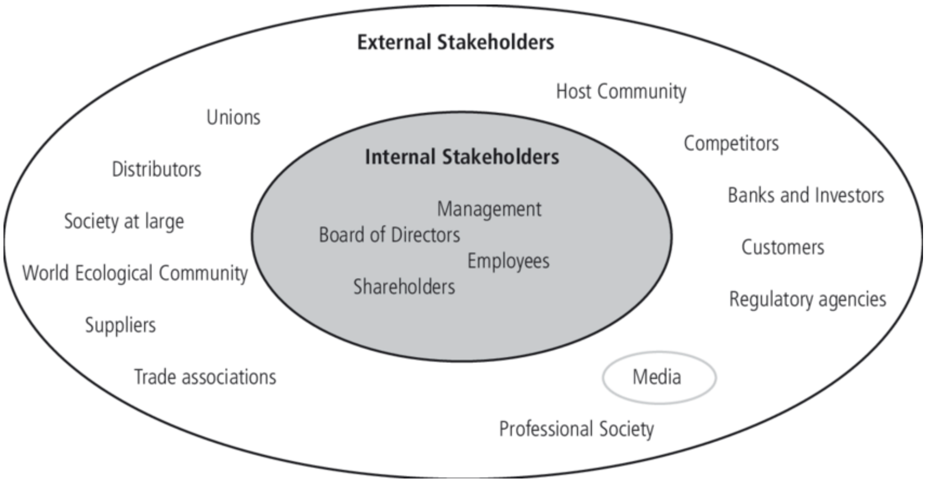


Figure 1.4: *Internal and External Stakeholders*, Mark-Herbert (2003)

It is important to stress for a manager that each stakeholder is fundamental in creating value for the company and achieving success. Business cannot ignore the interests and needs of the individuals and entities in the environment in which it functions.
At the core of the stakeholder theory there isn't just the analysis of the needs and expectations of stakeholders but also the examination of the relationships between them and the corporation (Freeman, 2010).

In 1995 Donaldson and Preston proposed to classify the different possible uses of the theory depending on three scenarios: descriptive/empirical, instrumental and normative.
According to the authors, the stakeholder theory is primarily descriptive. In fact, it has been used to describe what a company is and the various interactions and interests that can arise and develop during its processes.
The theory should be considered instrumental instead, as it builds a framework which allows to examine and analyze the different connections between stakeholder management practices and the achievement of corporate objectives. The focus in this case is to

demonstrate that companies that practice stakeholder management achieve superior economic performance in the long run.

Finally, the two authors consider the normative aspect as the main core of the theory, and that requires acceptance of the following assumptions:

1. The stakeholders are individuals or entities that have interests in the company, which in turn has an interest in interacting with them.
2. All interests of the stakeholders have an intrinsic value, to be considered per se and not for ulterior motives.

These three different but related scenarios presented are represented by the two authors as three concentric circles, where the core is embodied by the normative aspect (*figure 1.5*).

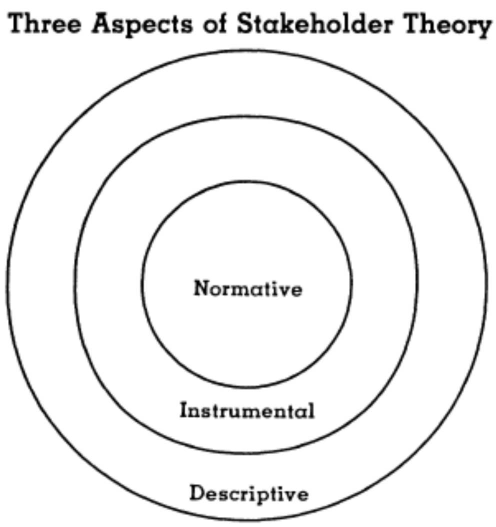


Figure 1.5: *Three Aspects of Stakeholder Theory*, Donaldson and Preston (1995)

The external shell of the theory is the descriptive, which presents and outlines the interactions that are existing in the external context. The descriptive aspect is supported by its instrumental and predictive value; in fact, certain results can only be obtained thanks to the

implementation of certain processes. Finally, both external circles are supported by the normative aspect of the theory, that is that all the interests of the stakeholders have intrinsic value.
Stakeholder theory must also be considered as managerial, as it not only describes the different connections and interactions between companies and anyone who has an interest in them, but suggests structures, attitudes, and procedures to be followed to maximize those relationships. Finally, stakeholder management requires recognition and attention to all possible interests present in order to set company procedures, strategic decisions and organizational structures (Donaldson & Preston, 1995).

1.3 Blended Value Proposition

Traditionally, for-profit corporations were considered as entities which aim was to generate economic value and the objective of non-profit organizations was supposed to be creating social value. In the reality, it turns out that no-profit organizations generate economic value and for-profit entities have a social impact (Emerson, 2005).
According to Emerson (2003), all the organizations have the potential to create economic, social and environmental value and "the core nature of investment and return is not a trade-off between social and financial interest but rather the pursuit of an embedded value proposition composed of both". Given the inadequate existing frameworks and understanding of investments and returns, Emerson proposed in 2003 to develop and implement a series of tools and measurement systems to track the performance of a Blended Value Proposition (BVP) that maximizes social, environmental and economic value within every single firm.

In order to create a system able to maximize the blended value is fundamental to move beyond the traditional idea that pursuing economic performance is separated from pursuing positive social impact.

In contrast with the Investment/Return framework, the Blended Value Proposition rationalizes that both social and economic functions should be addressed to maximize value for all the stakeholders. According to the author, already all the companies produce the so-called Blended ROI, which is "the tool by which one assesses the returns generated by the application of social capital in this integrated marketplace" (Emerson, 2003).

From a BVP perspective, there is no compromise between the production of social, economic and environmental value, but collaboration and a competition for the production of blended value.

The concept of blended value acquires enormous importance in a context of business sustainability, since for the first time it is explicitly theorized that the creation of economic value and the creation of social value should no longer be considered a zero-sum equation, but rather an approach that creates intrinsic value.

1.4 Triple Bottom Line Approach

The concept of Blended Value Proposition is strictly connected to the theory formulated by Elkington in 1994 called The Triple Bottom Line. In finance, with the term bottom line usually economists refer to profits or losses recorded at the bottom line of every statement of revenues or expenses.

Elkington introduced for the first time in 1994 the term Triple Bottom Line indicating the need for corporations to seek not only economic results, but also social and environmental ones that the author described with the phrase “people, planet and profit”.

The TBL is a fundamental concept in a sustainability discourse, stating that a corporation can be considered as sustainable only if it seeks simultaneously social, economic and environmental value. It is not enough just to be environmental-friendly as a company but at the same time having negative working conditions for the employees or the contrary.

In order to create a value which can be considered sustainable in the long-run and respectful of the interests of all the stakeholders, companies must blend the seek for the social, environmental and economic value synergistically (*figure 1.6*).

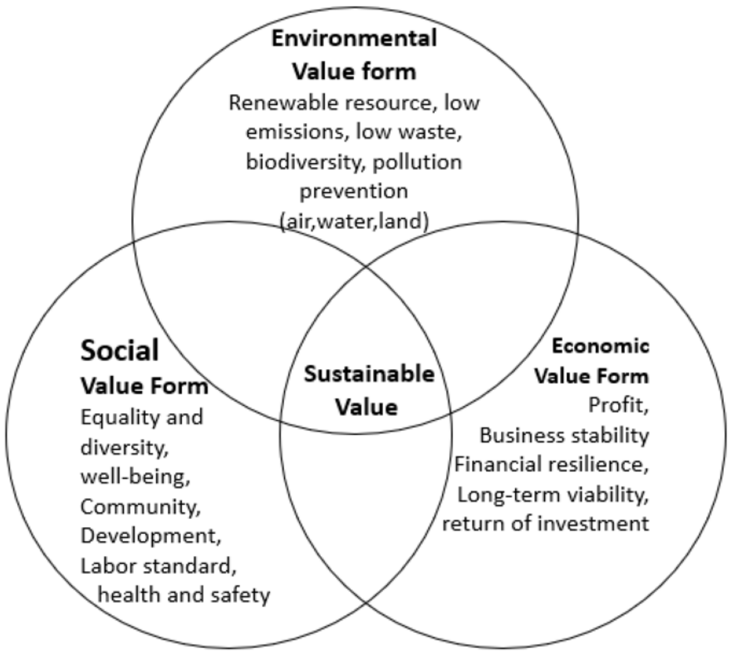


Figure 1.6: *Sustainable Value*, Braccini and Margherita (2019)

Over the years, the use of the term Triple Bottom Line has effectively entered the business sustainability literature. In an article published in the Harvard Business Review in 2018, Elkington retraces the meaning that the concept has matured over time. The main problem that the author has encountered is the fact that over time the TBL has been reduced to a simple reporting and accounting tool. But as Elkington (2018) recalls, the concept of TBL was coined from the beginning to be something more, that is, a critical thought towards the capitalist system that is less and less sustainable in the long run, and therefore a call to business to produce new structures and innovative systems that truly integrate within them a search for tangible objectives towards 3P simultaneously.

Chapter 2
SUSTAINABLE BUSINESS MODELS AND SHARED VALUE CREATION

2.1 A New Approach to Corporate Social Responsibility

Following the strong debate and dialogue that developed during the 1900s on the question of corporate social responsibility, in the early 2000s various scholars perceived the relevance of this matter for the future. Various emerging social and environmental issues have drawn society's attention to the role that world leaders and business must play in the fight against the challenges of the new millennium, increasingly questioning the responsibility of companies and the impact they can bring to society.

A great contribution to the topic has been given by Porter and Kramer, according to which the evolution of the concept of CSR had put the basis for the formulation of a new approach to business. In the preceding decades, to support their thesis, the proponents of corporate social responsibility have used four main arguments: moral obligation, sustainability, license to operate and reputation.

The moral aspect means for companies to act as good citizens. Sustainability refers instead to the attention and care towards the environment and the community. The license to operate, on the other hand, relates to the assumption that in order to do business, a company must have an implicit or explicit permission from the government, society and all stakeholders. Finally, reputation is often one of the reasons for companies to implement CSR programs, also aimed at improving their brand image.

These four factors have been useful for developing a discussion around the CSR theme, but they are not enough to guide companies in a long-term sustainable change process. The result is therefore in most cases a set of programs of philanthropic activities not really interconnected and for this reason not able to create real progress for society and for the company.

In their paper *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility* Kramer and Porter (2006) underlined how business and society need each other: in order to be successful, corporations need a healthy society in which operate. A good level of education, good health and low inequalities are essentials for the good functioning of corporations. Moreover, good laws, government regulations and policies make it easier for companies to produce value and finally, a healthy community produces good consumers and expanding demand products and services. On the other hand, the community needs efficient companies operating in it. Porter and Kramer (2006) underlined that "no social program can rival the business sector when it comes to creating the jobs, wealth, and innovation that improve standards of living and social conditions over time".

This point of reflection proposed by the two scholars is of vital importance for the evolution of the concept of responsible and sustainable business as it sheds light on the mutual need that exists between society and business, which are often seen on the contrary as two rival entities. The main assumption of Porter and Kramer is in fact that for the purposes of any analysis, the starting point must be the relationship of mutual dependence between business and society. To produce social, environmental and economic value, businesses and civil society should focus more on the intersections between them instead on their conflicts.

In order to integrate business and society and guide the business strategy of corporations, Porter and Kramer (2006) proposed in their paper to a series of action to be taken:

- **Identifying the points of the intersections.**

There are two different forms of dependence between a corporation and the society: inside-out and outside-in linkages.

The inside-out linkage means that companies, during their processes, affect society. Every activity in the value chain of a corporation impacts the community in some respects, creating positive or negative consequences on society. The different impact of corporations on the community also varies over time, due to the changing standards in the society so, in order to be sustainable and efficient in the long run, leaders should be able to anticipate those new trends. The scholars suggested a series of aspects companies need to take into consideration in their analysis. The study of a company's value chain must be used as a starting point for planning a CSR activity agenda, identifying the positive and negative impacts that these actions produce. In fact, the use of the value chain for strategic planning allows companies not only to respond to external stimuli or needs, but to anticipate changes and create an agenda that effectively produces the greatest possible social benefit. Finally, the value chain is a useful framework for evaluating and examining the positive and negative social impacts that the different business operations cause (*figure 2.1*).

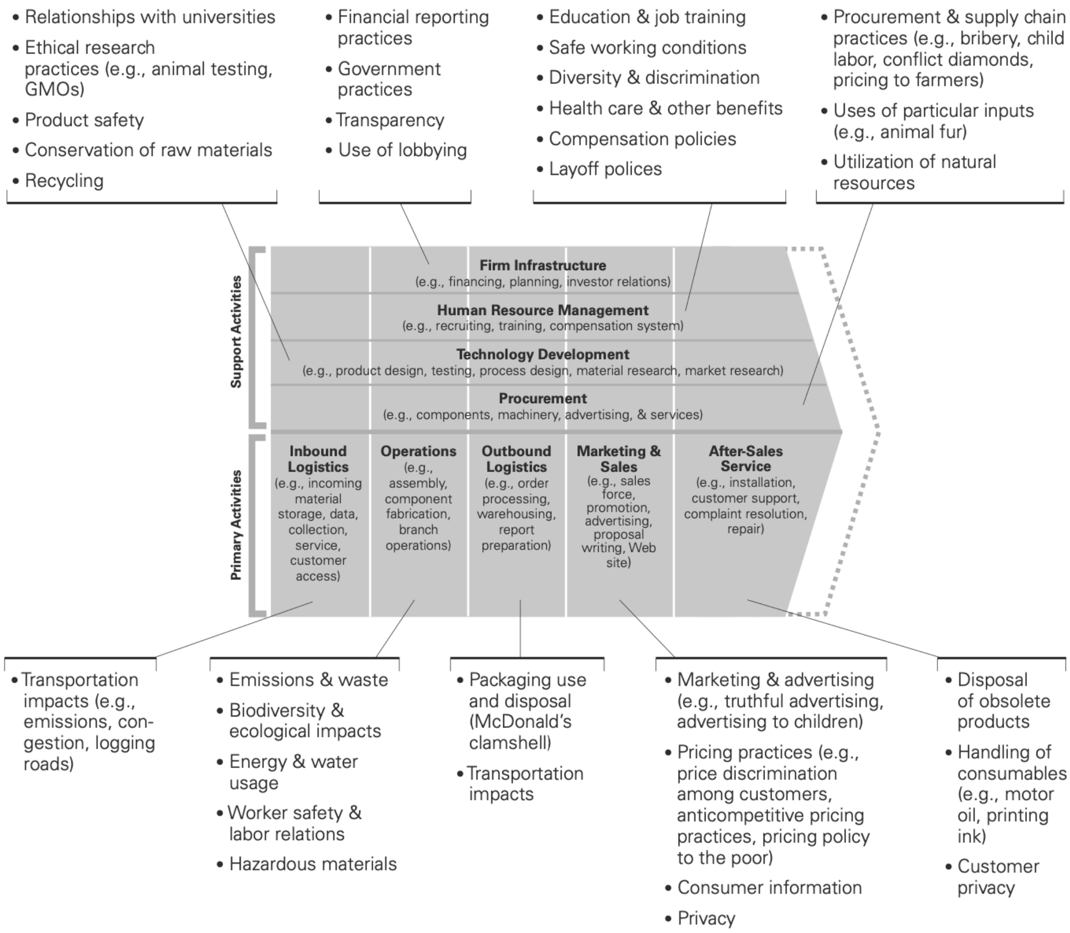


Figure 2.1: *Inside-Out Linkages*, Porter and Kramer (2006)

On the other hand, the outside-in linkages consider the fact that also the external social conditions affect the operations and processes of organizations. Social conditions impact the competitive environment in which the companies operate.

The analysis of the competitive context could be then classified in four different areas: the first is the quantity and quality of inputs; second, policies and rules; third, the characteristics of the local demand; fourth, the local availability of supporting industries.

As we can see from *figure 2.2*, the four factors are strictly dependent on the community and the environment in which the corporation functions. The quantity and quality of the inputs depends on the presence of qualified human resources, the access of the population to high-level education institutions, efficient administrative infrastructure and so on. The competitive context also highly influences the activities of the firm, depending on the regulations and transparency on the market. The local demand condition is another factor of analysis and is influenced by the purchasing power of consumers and the characteristics of their needs. Finally, the related and supporting industries have strong repercussions on the availability of local suppliers and on the quality and convenience of their proposals.

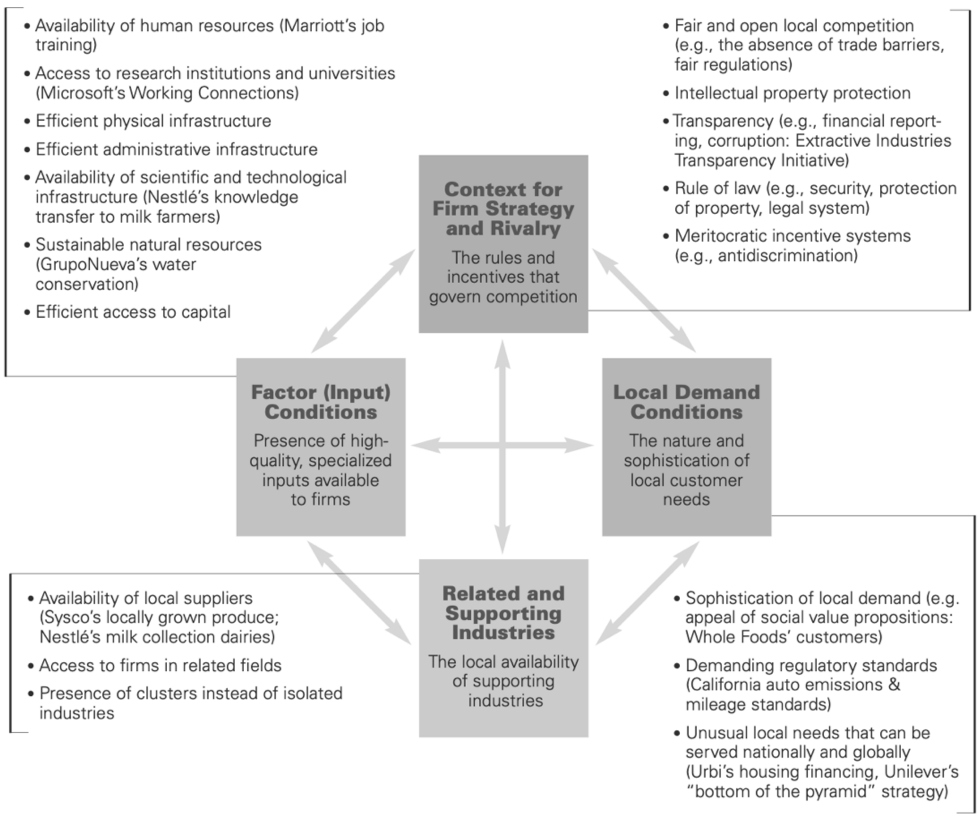


Figure 2.2: *Outside-In Linkages*, Porter and Kramer (2006)

- **Choosing which social issues to address.**

Each company should select the social issue to address that better fits with its operations and characteristics. The social issues in question could be classified in three main categories: generic social issues, that are not directly influenced by the company processes and do not have effects on it; value chain social impacts, which are highly influenced by the processes of the corporation; social dimension of competitive context, thus factors in the external environment that have impacts on the competitive drivers of the company (*figure 2.3*).

In the decision of which social issue to address, companies must analyze and investigate within each of the three classes the different questions and rank them based on the maximum possible benefit that they can deliver, depending on the company's capabilities, resources and characteristics.

Prioritizing Social Issues

Generic Social Issues	Value Chain Social Impacts	Social Dimensions of Competitive Context
Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness.	Social issues that are significantly affected by a company's activities in the ordinary course of business.	Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness in the locations where it operates.

Figure 2.3: *Prioritizing Social Issues*, Porter and Kramer (2006)

- **Creating a corporate social agenda**.

The main purpose of the process is to create a corporate social agenda that goes beyond the society's expectations of the company, and that succeeds in finding the right opportunities to produce economic and social value synergistically.

The agenda in question must be responsive towards the stakeholders, but at the same time, it must be a virtuous example of strategic CSR. *Responsive CSR* comprehends two main elements: acting as a good corporate citizen and avoid negative externalities of business processes. Concerning the first aspect, a positive commitment of corporations for the community can benefit both the company and the society at the same time. The second factor concerns the operations of the corporation and the protection of the civil society and the environment in each step of the value chain. To improve this process, many organizations have adopted a series of measurement systems which are then compared to international standards. According to the authors, this is a good starting point but a proactive and tailored measurement tool for each corporation is needed.

Strategic CSR is about finding the best opportunities in order to produce shared value and it comprehends bot inside-out and outside-in dimensions. In this sense, the success of the society and the one of the corporations are in synergy and mutually necessary.

- **Integrating inside-out and outside-in practices**.

In order to achieve the greatest economic and social impact, innovation in the value chain and investments in a competitive context must be fully integrated. In this way, CSR processes will be an integral part of the corporate business.

- **Creating a social dimension to the value proposition.**

To create a good strategic CSR, companies should incorporate a social dimension in their value proposition, integrating the social impact in their strategic decisions. In their paper, the authors proposed the example of Whole Food, which has reinforced the social dimension in each aspect of the value chain, developing a unique value proposition. In this sense, integrating the social dimension in the value chain represents an enormous competitive advantage for corporations.

To conclude on the topic, the authors suggested that companies have the skills and know-how to be able to create a benefit for society while maximizing economic and financial activities. Reasoning in terms of CSR as a set of separate philanthropy programs is not enough. It is therefore necessary to integrate within the corporate strategies and decisions a perspective of creating shared value and social impact, following a structured approach that allows companies to examine the social issue they can address, which best suits their resources and business capabilities.

2.2 Creating Shared Value

In recent years, business has been addressed as one of the main causes of society's failures and increasing inequalities. The end of the twentieth century marked a period of drastic change, shedding light on increasingly evident social and environmental challenges to be faced, increasing the awareness and knowledge of public opinion in this regard, which asks more and more firmly to companies and governments to take responsibility. This situation has led to an even deeper rift between civil society and the business world.

Elaborating on the contemporary condition, in their paper *Creating Shared Value*, Porter and Kramer (2011) argued that "companies must take the lead in bringing business and society back together". According to the authors, there is an increasing belief that companies must act in an ethically and several actions have been taken by corporations in that regard. At the same time, the scholars suggest that an effective framework for guiding these efforts is still lacking and most companies "remain stuck in a social responsibility mindset in which societal issues are at the periphery and not at the core" (Porter and Kramer, 2011).

Business must recombine economic success with social progress, creating economic value that can also produce benefits for the society addressing and forecasting its needs. Economic success can be an important means for meeting the necessities of the community, increasing prosperity, creating jobs, improving health and efficiency. But the recent years have seen a conception of capitalism too narrow, focused only on profit maximization and not forward-looking.

For all the reasons cited above, Porter and Kramer (2011) argued that the main objective of companies must shift from profit maximization to the creation of *shared value*.

The Neoclassical Theory has shaped the idea that, in order to maximize profits, social and environmental considerations are constraints that the company has to bear. But in a shared value perspective, also the needs of society, and not only the economic ones, shape the market. The weaknesses present in the community could be a cost for companies, so address them is a win-win strategy. Moreover, innovation and technology must be considered as essential in addressing those issues, finding not to be a cost to the company but an added value to the corporation and a competitive advantage.

The concept of shared value theorized by the two economists does not mean a redistribution of value but represents an expansion of the economic and social value already present.

In order to better explain the meaning, the scholars proposed the example of Fair Trade, which is mostly about redistributing and not expanding value. Some studies of cocoa farmers in Cote D'Ivoire in fact, suggested that while Fair Trade could increase their income by 10-20%, a shared value approach could increase it by 300%.

The concept of shared value can be defined as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress" (Porter and Kramer, 2011).

Porter and Kramer (2011) suggested that shared value can be created in three distinct ways: reconceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations. In this view, increasing value in one area can create the opportunity to increase value also in the other ones.

- **Reconceiving products and markets.**

In past years businesses have lacked meeting the real needs of society and customers. The demand for products and services that meet societal needs is increasing and it represents for businesses, especially in developing economies, a great opportunity to innovate and create shared value.

The areas in which addressing societal needs can bring a competitive advantage to companies are several and in particular in developing countries, in which is possible to create some opportunities for enhancing the creation of economic value also benefitting the community.

For companies, the starting point for creating shared value is to identify and analyze all the needs, benefits and harms to the society that are related to the firm's productive activities.

- **Redefining productivity in the value chain.**

The value chain of corporations is inevitably affected by and affects the society, the environment and the community in which they function. There is an increasing consensus on the possibility to enhance productivity and efficiency in the value chain through innovation and technology, responding to environmental and societal issues. The shared value thinking is transforming the value chain through the following aspects: energy use and logistics, resource use, procurement, distribution and employee productivity.

These factors should not be considered as independent from each other, but mutually reinforcing

- **Enabling local clusters development.**

A crucial point in the shared value dialogue is to enable the development of local clusters, which are geographic concentration of firms, businesses, suppliers, infrastructure, in a particular field. These clusters should include not only corporations but also institutions, trade associations, schools and universities. All of these factors are mutually proactive, and the success of one of them concurs to the success of the others. The cluster thinking is essential at the development and efficiency of the economy in several regions, enhancing a more open and transparent market in which the environment and workers are not exploited.

The concept of shared value therefore opens up to new forms of capitalism that are more inclusive and sustainable in the long run. As Porter and Kramer recall, not all profits are equal. The creation of profit that also benefits the surrounding society allows greater social advancement, which in turn generates greater economic growth for companies.

Certainly, the creation of shared value collects in itself all the premises of the CSR, that is, adhering to international ethical, social and environmental standards, but it goes beyond this. The integration of the creation of shared value within corporate strategies and practices will lead to a general expansion of global economic growth, creating new social opportunities and long-term sustainable value and results.

In the process, the borders between profit and non-profit will be blurred, giving rise to new hybrid forms of business, and the synergies between business and civil society will be crucial.

The processes of shared value creation will be mutually reinforcing, creating benefits both for the corporations, the society and the environment.

2.3 Corporate Social Innovation

Various issues and criticisms have developed around the theme of corporate and business sustainability. One of the most critical aspects of corporate social responsibility is the fact that it often fails to create structural changes that can produce benefits even in the long run. One of the protagonists on this topic is the *Corporate Social Innovation*, which through research and development practices aims to achieve sustainable models through the implementation of technologies and structural innovations.

The term *social innovation* was first coined during the 1960s and can be defined as new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations. These innovations are considered both good for society and capable of enacting greater societal involvement in the provision of social services (Grisolia and Ferragina, 2015).

To be truly considered a social innovation, these solutions must have a structural impact, therefore: to be relevant, compared to the size of the problem they face; widespread, in terms of the size of the public of potential beneficiaries; and long-term, which means long-lasting (Caroli, 2017).

When discussed at a corporate level, we are referring to *Corporate Social Innovation* (CSI), an initiative that aims to create both economic and social value, fostering innovation systems and changing business strategies in order to increase competitive advantage (Dionisio and Raupp de Vargas, 2020).

Following a structured approach, the various social innovation initiatives must be able to achieve also economic sustainability in order to be considered relevant even in the long term. The company is therefore a promoter of social innovation both when it builds innovations to increase the social and environmental sustainability of its activities, and when it implements new sustainability models with third parties, creating new social opportunities (Caroli, 2017).
To be a structural innovation, corporate social innovation must be able to achieve a certain economic strength that allows it to generate resources at least equal to those used.
The economic strength of a social innovation can derive from several factors: the innovation has a value recognized by the market greater than its cost, as in the case of ideas that can solve or minimize common social or environmental issues. Economic strength is also present in those innovations that make some companies' production processes and operations more effective and efficient, for example by reducing their social and environmental footprint. Another case may be an initiative that generates a public good that private entities are inclined to finance. Finally, an innovation has economic strength when its implementation allows a reduction in the use of public resources (Caroli, 2017).

Social innovation for companies can also relate to the *stakeholder engagement*, therefore the relationships with other actors and the degree of integration of the interests and influences of stakeholders in the company's sustainability processes. In this sense, innovation lies in integrating stakeholders into strategic choices and corporate governance, giving greater importance to sustainability processes on a social and environmental level (Caroli, 2017).
In general, the three main areas in which innovation processes at the company level can also produce social innovation are: how the

company creates and manages relations with stakeholders, the corporate business model and the production processes and the outcomes of the business operations (products and services). The three areas are interconnected, and the ability of companies must be to produce synergies that can create sustainable social benefits and competitive advantage also in the long term (Caroli, 2017).

Corporate social innovation is strictly related to CSR but differs from it in some respects (Mirvis et all., 2016): first of all, CSI represents a strategic investment for companies instead of a philanthropic intent; secondly, CSR requires money contribution from companies while CSI is more about research and development activities relevant for the society; then, CSR stipulates contracts with civil society while CSI tries to establish a deeper and sustainable long-term relationship between the various actors of the society, both inside and outside the company; finally, CSI aims to create new sources of revenues and benefit instead of just looking for good corporate reputation.

There are four particular kinds of knowledge that are relevant for the implementation of corporate social innovations (Mirvis et all., 2016): first, corporations need knowledge about the supply chain and the market in which they operate; second, firms need to understand how to produce social innovation in an unknown context and how to collaborate with partners; third, companies need social connections with local communities and associations; finally, several firms explicitly engage in CSI with the aim of meet societal and environmental needs, increasing the motivation in acquiring deeper knowledge exchange at that regard.

According to Herrera (2015), the process of embedding Social Innovation at a corporate level comprehends five stages, combining CSR implementation and business innovation, which are:

assessment, design, development, systematization and institutionalization and scaling up (*figure 2.4*).
The term assessment refers to the active gathering of information, which is fundamental in order to stimulate innovative ideas to be designed in the second stage. In the development stage take place the testing and prototyping, then the results of the pilot systematize the innovation and finally, the institutionalization ends though embedding and scaling up along the organization.

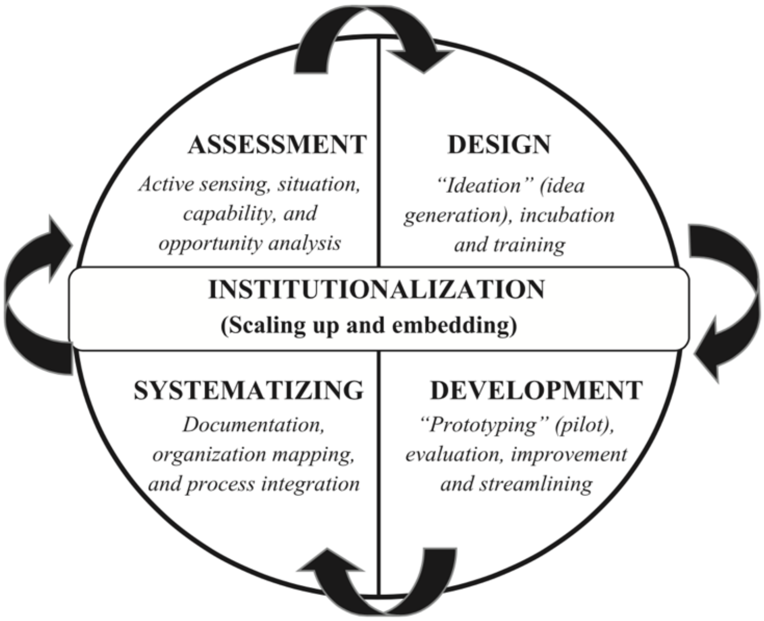


Figure 2.4: *Social Innovation Process*, Herrera (2015)

Regarding the institutionalization phase of social innovation, the relative framework comprehends three key aspects (Herrera, 2015): strategic alignment, institutional elements that enable social innovation and clarity in intent. The strategic alignment comprehends social and environmental issues and integrates both market and non-market factors through the business context, that takes into consideration the corporate footprint, the stakeholders and strategic considerations.

The framework then presents institutional elements that enable, embed and institutionalize social innovation (*figure 2.5*): stakeholder engagement, operations and organizational culture. To go into more detail, the cooperation of stakeholders is needed to generate a successful innovation; secondly, in order to enable CSI, adequate policies and structures are needed; finally, with the organizational culture we refer to values, norms and attitudes of the corporation and its employees.

In the final section of the framework we find the focus areas, that represent a clarity of intents for social outcomes. Social goals are classified into the three dimensions: governance and society, customer and product responsibility and value chain and environment.

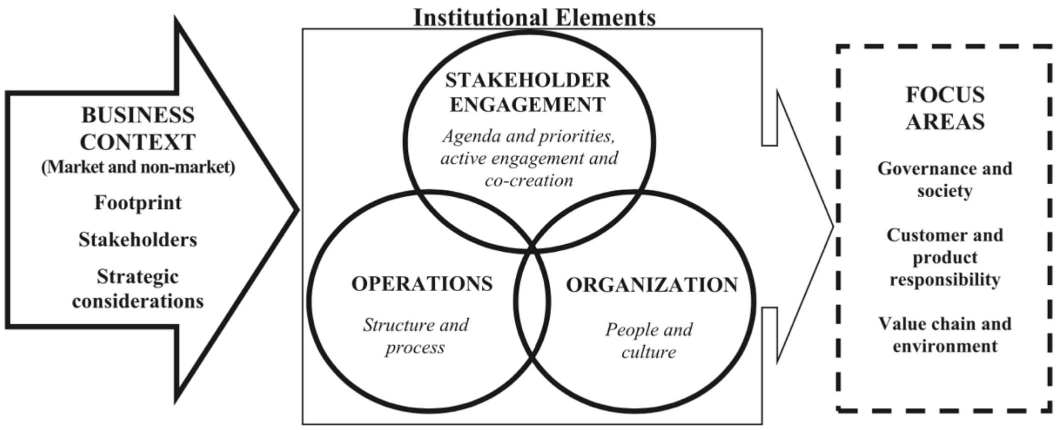


Figure 2.5: *Institutionalizing Social Innovation*, Herrera (2015)

The study of Herrera (2015) can have important implications for corporations, as it demonstrates how a structured and systematic approach to CSI can bring competitive advantage and relevant social results.

Corporate Social Innovation is therefore proposed as an extremely structured and efficient practice in responding to the needs of society by creating a competitive advantage for the company that can lead to the creation of economic value and sustainable social and environmental benefits in the long term, designing and promoting a structural change in the market.

2.4 Sustainable Business Models

In recent years, interest in a new role for companies in the society, as promoters of sustainability and societal benefit, has grown considerably. Therefore, the traditional business model has been questioned, considered no longer suitable for the context and the new role that society requires from companies.

The term business model has taken different forms during the years and doesn't have a clear and univocal definition. A commonly accepted explanation refers to business model as "the logic of how a firm does business, and explains how the firm creates, delivers and captures value (Evans et al., 2017)".

The push towards more sustainable operations has changed the vision on business models, which have started to be considered not only as a means of explaining the operations of companies, but also as vehicles for innovation and collaboration between firms and all their stakeholders.

Business models are in fact a fundamental item in a sustainable business perspective and must therefore be innovative but also innovate, in order to be able to cope with the constant changes in the market and in society.

The creation of value must be placed at the center of the dialogue on new sustainable business models. The value to which we refer is the shared value postulated by Porter and Kramer (2011), and must be a

sustainable value, i.e. proactive intersection of social, environmental and economic value (Evans et al., 2017).
To shift the traditional business models into sustainable ones, it is fundamental to rethink the way in which they are designed regarding the relationships and interconnections with stakeholders, considering the environment and the community as an integral part of them.

In this context, a possible definition for *Sustainable Business Model* has been formulated by Schaltegger et al. (2016): "A business model for sustainability helps describing, analyzing, managing, and communicating (i) a company's sustainable value proposition to its customers, and all other stakeholders, (ii) how it creates and delivers this value, (iii) and how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries."
The new conception of business model extends beyond the creation of a value proposition for the customers and asserts that this cannot be generated without creating value for all stakeholders, including the environment and the surrounding community.

2.4.1 Hybrid Organizations

Traditionally, organizations have always been classified into for-profit and non-profit. The growing interest in sustainable business models has created a new concept in recent years, which is that of the *Hybrid Organization* and numerous companies have decided to embrace this model which combines some aspects of for-profit and non-profit corporations.
Hybrid organizations can be defined as "those enterprises that design their business models based on the alleviation of a particular social

or environmental issue" (Haigh et al., 2015). The term *hybrid* suggests the idea of corporations that blend traditional for-profit and no-profit operations and goals. The main scope of hybrid organizations is to incorporate sustainability, social and environmental demands in their business models, developing innovative ways of doing business while fulfilling societal needs (Alberti and Varon Garrido, 2017).

Hybrid organizations change the traditional dichotomy and separation between for-profit and non-profit entities providing products and services that generate social and environmental value, in line with the concept of shared value (Battilana et al., 2012).

Hybrid corporations present a business model that differs from the traditional ones, being characterized by a strong alignment between the creation of economic value and social results.

According to Porter and Kramer (2011), a business model that embeds both the social impact and profit has more possibilities to be sustainable in the long run.

The business model of hybrid organization is driven by three main forces (Haigh and Hoffman, 2012; Haigh et al., 2015; Alberti and Varon Garrido, 2017):

1. **Driving a positive social/environmental change as one aim of the firm.**

   This assumption means having a social and environmental mission embedded in the operations of the company, long-run objectives and a proactive leadership.

2. **Creating mutually reinforcing relationships with stakeholders.**

   In this sense, hybrid corporations during their processes and operations benefit the community in which they operate, whereas they are benefitted by a prosperous environment and society.

3. **Interacting with the market and institutions.**
   Hybrids seek emulation from the other players in the market, trying to promoting their business model instead of creating high barriers to entry.

This new conception of business model has given rise to numerous new legal forms of organizations, such as the Benefit Corporations, Low Profit Limited Liabilities Companies (L3Cs), Social Purpose Corporations (SPCs) and Flexible Purpose Corporations (FPCs) in the US (Rawhouser et al., 2015).

2.4.2 From Business-As-Usual to Business Sustainability 3.0

While sustainability management is spreading to various parts of the world and to different companies, the real effects of these measures have not been reflected in the state of the planet and the society. In recent years, we have experienced an increase in income inequality, poverty and deterioration of natural resources all around the globe. This gap between the efforts of companies and civil society and the real conditions of societal and environmental issues has been defined as the *big-disconnect* by Dyllick and Muff (2015).

Several reports presented in recent years have shown how the implementation by some companies of social and environmentally sustainable programs have brought benefits not only to society, but also to companies, increasing their competitiveness and reputation. At the same time, the interest in new sustainable models seems not enough, as large gaps in the social and environmental situation of the planet are still present and require even greater efforts by the largest number of companies possible (Haanaes et al., 2011).

In order to better analyze the *Sustainable Business Models* of corporations, Dyllick and Muff (2015) applied an *input-process-output* approach. On the input side they considered the issues or concerns that a company decide to address; on the process side, they focused on the organizational perspective of the firm and finally, on the output side they referred to the different values that the business has been able to create or preserve. Based on the above mentioned three elements, Dyllick and Muff (2015) proposed a typology of Business Sustainability (BST) starting from a traditional economic paradigm and following its evolution through the stage of Business Sustainability 1.0, 2.0, 3.0, as illustrated in *figure 2.6*.

- **Business-as-Usual: The Current Economic Paradigm.**

The current economic paradigm is based on a purely economic view of the company and business processes. The main objective of the firm under this model is to generate profit and value for the shareholders. The approach in this case is an inside-out and the main beneficiaries of the operations are the shareholders, the management and the customers. This approach is in line with the Neoclassical theory of Friedman (1970), according to which the only purpose of companies is to generate profits and maximize shareholders value.

- **Business Sustainability 1.0: Refined Shareholder Value Management.**

In this scenario, sustainability issues are taken into consideration from companies, but the real essence of their business remain the maximization of shareholders' value. The main purpose of corporations in implementing CSR activities is to increase reputation through sustainability concerns, with the final object of increasing profitability and economic results.

- **Business Sustainability 2.0: Managing for the Triple Bottom Line.**

In this approach, the stakeholder perspective assumes greater importance. In this sense, the creation of value is not just limited to the economic one but includes also the environmental and societal ones. The creation of social and environmental values is not really structured into programs, however they are reported into the business processes and measured. The businesses include in their value proposition the dimensions of the Triple Bottom Line (people, planet, profit). However, the BST 2.0 method is still inside-out.

- **Business Sustainability 3.0: Truly Sustainable Business.**

A truly sustainable business should go far beyond the above mentioned and find ways in which companies, through their products and services, could address and resolve some of the most pressing issues still present in our society. According to the authors, a BST 3.0 could be defined as follow: "Truly sustainable business shifts its perspective from seeking to minimize its negative impacts to understanding how it can create a significant positive impact in critical and relevant areas for society and the planet. A Business Sustainability 3.0 firm looks first at the external environment within which it operates and then asks itself what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal" (Dyllick and Muff, 2015).

In this sense, BST 3.0 shifts sustainability concerns into real business opportunities, making companies responsive citizens of society. Following this approach, corporations should not only try to reduce their negative impact on society but also understand how to create solutions for existing problems through the processes and operations of the firm. In this view, the creation of value shifts from the Triple

Bottom Line to creating value for the common good, benefitting the planet and the society.

With the advent of BST 3.0, three important transformations take place:

1. The concerns considered by companies shift from the economic one to a three-dimensions approach composed by societal, environmental and economic issues.
2. The value created by businesses moves from shareholders' value to the Triple Bottom Line (planet, people, profit).
3. The shift in fundamental organization perspectives changes from inside-out to outside-in, moving the focus from the corporation itself to the sustainability changes that the society is facing.

The real revolution in this sense is the outside-in approach, that can lead to a change in the structures and business models of companies, necessary for overcoming the challenges that are affecting the society and contributing to the creation of a common good. According to the authors, this is a sign of true Business Sustainability.

BUSINESS SUSTAINABILITY TYPOLOGY (BST)	Concerns (What?)	Values created (What for?)	Organizational perspective (How?)
Business-as-usual	Economic concerns	Shareholder value	Inside-out
Business Sustainability 1.0	Three-dimensional concerns	Refined shareholder value	Inside-out
Business Sustainability 2.0	Three-dimensional concerns	Triple bottom line	Inside-out
Business Sustainability 3.0	Starting with sustainability challenges	Creating value for the common good	Outside-in
The key shifts involved:	1st shift: broadening the business concern	2nd shift: expanding the value created	3rd shift: changing the perspective

Figure 2.6: *The Business Sustainability Typology with Key Characteristics and Shifts*, Dyllick and Muff (2015)

2.4.3 Integration of Sustainability in the Business Model

In the context of an ever-growing interest of organizations towards sustainable business models and an evolution towards a Business Sustainability 3.0, all companies must implement an integration of sustainability into their core businesses.

According to a report of EY (2017), it is possible to identify five different approaches to the integration of sustainability in the core business of the organizations:

1. **The Push for Operational Excellence.** Integrating sustainability means enhancing the efficiency of processes and operations to meet expected results, updating and improving them through the lens of sustainability.
2. **Integrated Thinking.** Integration can be considered as a new way of conceiving the company and the creation of value as a result of the interactions between the different actors in the context in which it operates.
3. **Innovation Engine.** It refers to new ways of product innovation that also integrate environmental and societal aspects since their outset.
4. **Response to a Changing World.** Integration here refers to the ability of corporations in understanding and interpreting social and environmental changes, anticipating the needs of the society transforming operations, processes and purposes of the business.
5. **New Models of Social Impact.** This is the most recent line of interpretation. The boundaries between traditional business and sustainability become increasingly blurred, encouraging

the emergence of radically new business models oriented toward social benefit, among which the Benefit Corporations.

In order to support companies to move sustainability from the periphery to the core of the business, the UN Global Compact published in 2015 the *Roadmap for Integrated Sustainability*. The roadmap applies three lenses to functional integration of sustainability, exploring the opportunities of each function adapting the different strategies and operations to support the sustainability programs of the companies and focusing on the strengths and culture in each business unit of the corporations.

The roadmap is a sustainability stages model and implies five general steps that lead companies to implement sustainability as a source of value creation and resource optimization. According to the model, companies should advance through the stages over time, identifying the strengths and operations of each business unit. The stages described by the models are (*figure 2.7*):

1. **Crisis Management:** in this step companies have a reactive approach to sustainability, focusing on minimizing legal constraints and standards and focusing on short-term problem-solving.
2. **Compliance:** companies in this stage ensure compliance with regulations, law and environmental and social standards focusing also on long-term risks related to labor, social, environmental and safety issues.
3. **Optimization:** this phase focuses on reducing costs and the environmental and social footprint of corporations while at the same time maximizing efficiency and productivity.
4. **Market Differentiation:** from step three to four is a fundamental shift, in which sustainability starts to be seen as an investment and opportunity for the company, with an

emphasis on sustainability-driven innovations. Sustainability became a means also to improve and innovate business models creating new solutions for societal and environmental problems, exploring and entering new markets in the long run.

5. **Purpose Driven:** at this stage, sustainability is an integral part of the core business, vision, values and mission of the company. The business model is entirely structured in order to meet societal needs or challenges. At this point, sustainability is seen by companies as a means of competitive advantage, market creation and growth. Sustainability and the creation of shared value became the objectives of the corporation.

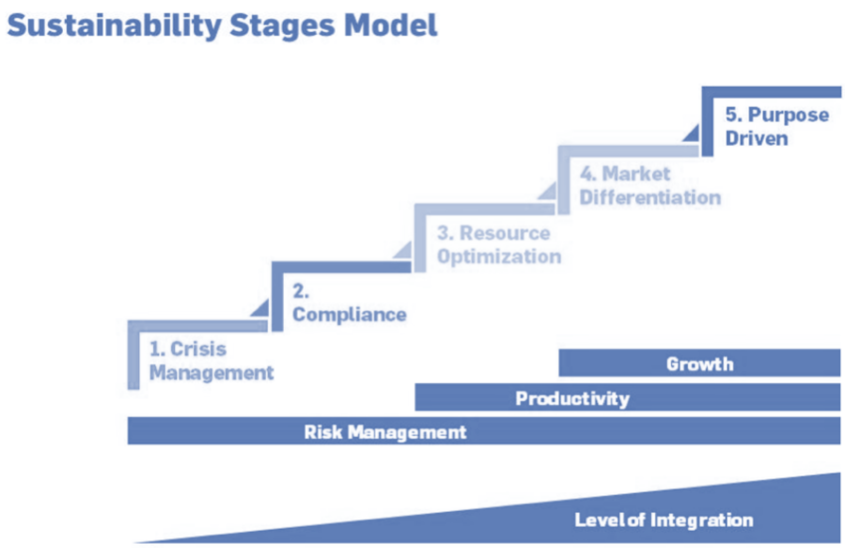


Figure 2.7: *Sustainability Stages Model*, UN Global Compact (2015)

According to the UN Global Compact (2015), in order to integrate sustainability into the core business of the companies, it is fundamental to apply three main lenses: strategy, execution and culture (*figure 2.8*).

- **Strategic integration:** this means integrating sustainability into the core strategy of an organization. In this sense, it is about incorporating sustainability issues into the decisions, priorities and goals of the business. It is about “doing the right thing”.

- **Operational integration:** this lens analyses the sustainability strategies put in place from the corporations. In particular, it examines the policies, practices and processes to achieve operational effectiveness. It is about “doing things right”.
- **Cultural integration:** this lens concerns leveraging the identity, culture, values and mission of the company in order to implement sustainability and corporate success, improving collaborations, synergies and innovation. It is about “who we are”.

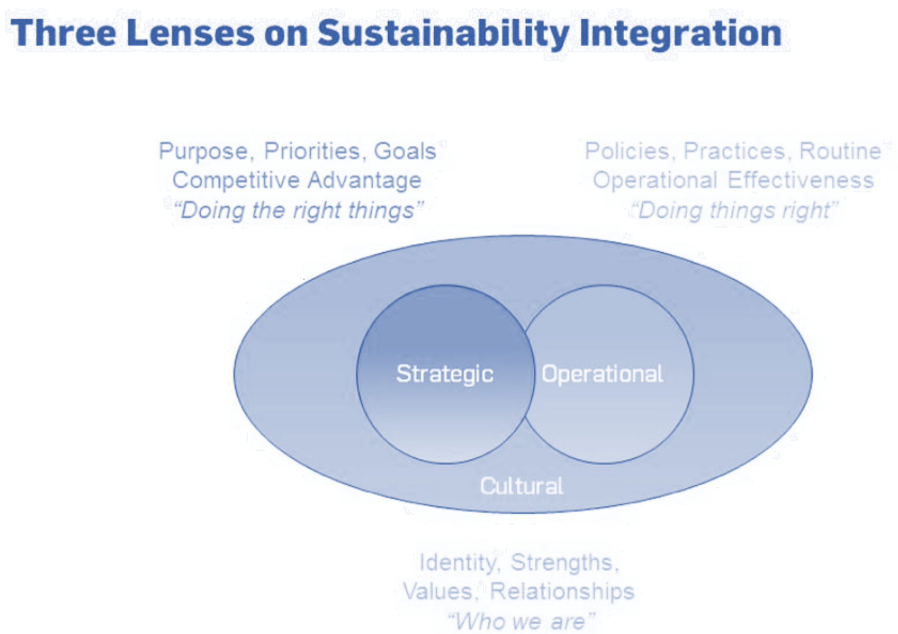


Figure 2.8: *Three Lenses on Sustainability Integration*, UN Global Compact (2015)

2.4.4 The Triple Layered Business Model Canvas

The Business Model Canvas (Osterwalder & Pigneur, 2010) is a framework that allows corporations to graphically and easily represent their business models and the way they create and distribute value to the customers. The template is composed by nine blocks, which are Key Partners, Key Activities, Key Resources, Value Proposition, Customer Relationships, Customer Segments, Channels, Cost Structure and Revenue Streams and represent the main elements that compose organizations and their operations.

The core idea of the Business Model Canvas is to break down the complex elements that make up a company into simpler parts, to facilitate their understanding and subsequent improvements. Moreover, the framework allows investigating how key elements and functions are integrated and connected in order to deliver value to the customers; how these parts are interconnected within the organization and its supply chain, taking into consideration the stakeholders; and how the company generates and deliver value through these connections (Osterwalder 2004).

Highlighting this type of relationships and interconnections can allow companies to exploit opportunities not seen before, innovating their business and making operations and functions more sustainable.

Sustainable business models, including hybrid business models and benefit corporations, base their functions on Elkington's concept of Triple Bottom Line (1994), i.e., companies, through their operations, seek positive performance from an economic, social and environmental point of view. This kind of business model, which distances itself from the traditional for-profit, needs a reference framework that allows a detailed analysis of how it delivers value for the customer and which takes into consideration also the social and environmental aspects.

Developing on the model proposed by Osterwalder and Pigneur (2010), Joyce and Paquin (2016) proposed the *Triple Layered Business Model Canvas*, which is an evolution of the precedent model that integrates the concept of TBL in the framework.

The TLBMC allows companies to address a Triple Bottom Line approach where each canvas layer is dedicated to a single dimension and together, they deliver a useful tool in order to integrate the relationships and impacts of the different areas. The TBLMC is a valuable tool for companies to explore new opportunities to innovate their business model and orient their operations towards sustainability, examining in detail the possible relationships and interconnections present within the organization.

Generally speaking, the TLBMC adds to the traditional framework (the Business Model Canvas) two new layers, which are the social one, called Social Stakeholder Business Model Canvas, and the environmental one, named Environment Life Cycle Business Model Canvas. The location of the different blocks is aimed at allowing a vertical and horizontal coherence among them. The horizontal coherence concerns the integration and relationships between the nine blocks present in each layer. On the other hand, the vertical coherence regards the alignment of each block with the respective ones of the other two layers (*figure 2.9*).

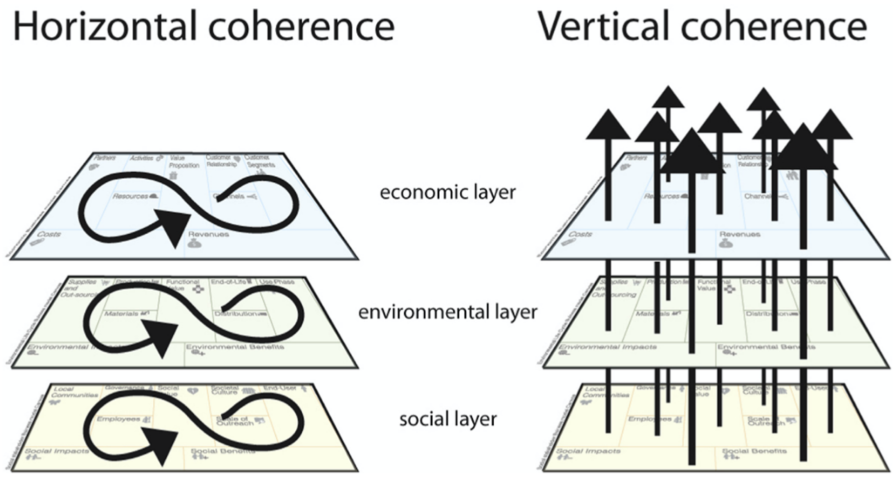


Figure 2.9: *Horizontal and Vertical Coherence*, Joyce and Paquin (2016)

The Environmental Layer of the model (*figure 2.10*) considers a lifecycle perspective of the environmental impact. This approach derives from Life Cycle Assessment (LCA), a tool for measuring the impact of a product on the environment throughout its life cycle. This type of means allows us to measure the impacts on the planet by considering several specific variables. Although not entirely present within the canvas model, this type of approach can allow companies to support the innovation of their business models and products, ensuring a constant measurement system.

Generally speaking, the Environmental Layer of the TLBMC allows to understand how organizations generate more environmental benefits than negative environmental impacts, and how to improve on this line, examining where the main negative footprints have origin inside the company business model.

The Social Layer of the model (*figure 2.11*) has its origin on a stakeholder management approach to investigate the social impact of companies. In this sense, the Social Layer filters the examination of the corporate business model and its impact through the perspective of stakeholders and their interests.

Generally speaking, this approach aims to capture the mutual influences that exist between the organization and its stakeholders and the main social impacts that derive from these interconnections.

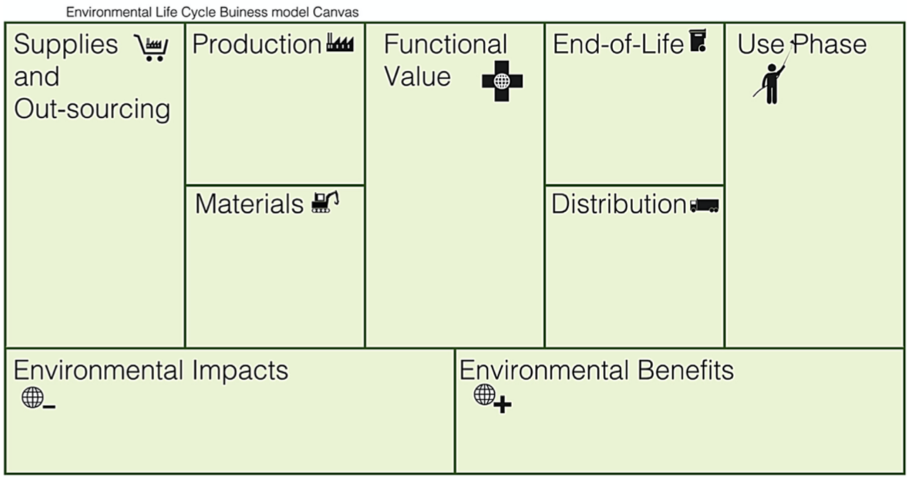


Figure 2.10: *Environmental Life Cycle BMC*, Joyce and Paquin (2016)

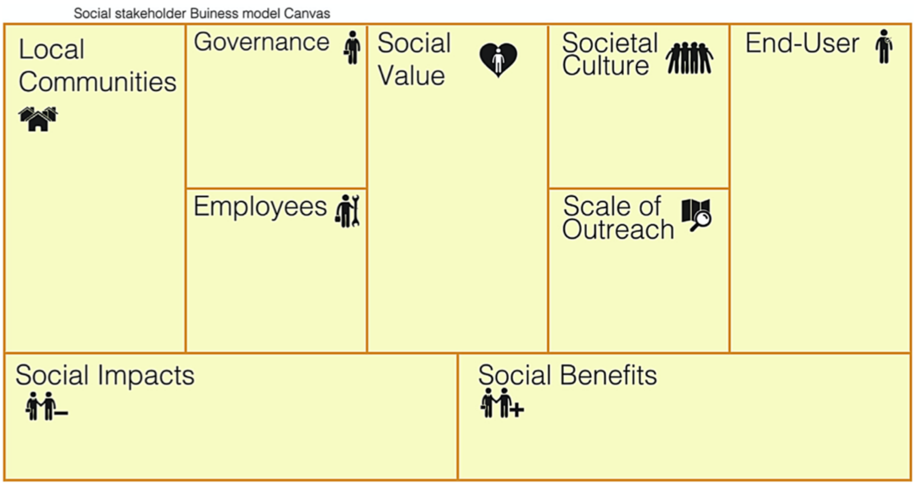


Figure 2.11: *Social Stakeholder BMC*, Joyce and Paquin (2016)

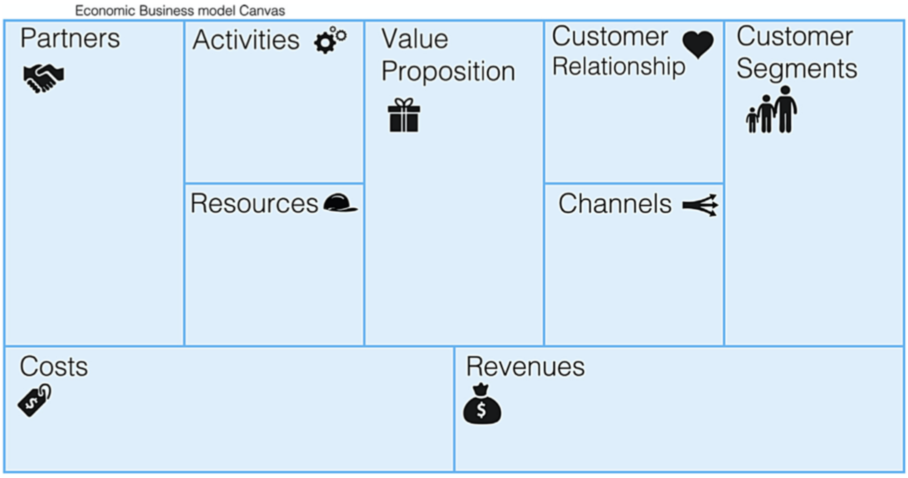


Figure 2.12: *Economic BMC*, Joyce and Paquin (2016)

The model proposed by Joyce and Paquin (2016) allows to have an overall and at the same time detailed vision of the main entities and components of a sustainability-oriented business model, which is based on the search for a positive economic, social and environmental performance, such as postulated by the Triple Bottom Line concept (Elkington, 1994).

The TLBMC framework gives to organizations the possibility to examine in depth the feasible opportunities for reducing the negative footprints of their operations, while delivering a positive impact.

2.5 Business Sustainability and Sustainable Development Goals

In January 2015 the United Nations adopted a global plan of action for sustainable development, named *Transforming Our World: The 2030 for Sustainable Development*.

The plan contains 17 Sustainable Development Goals (SDGs) with 167 targets aimed at addressing the societal and environmental challenges that the world is facing. It combines a purpose to end poverty and hunger, combat inequalities, build peaceful, just and inclusive societies, protect human rights, promote gender equality and ensure the lasting protection of the planet and its natural resources, to a determination to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all (United Nations General Assembly, 2015).

The 17 Sustainable Development Goals postulated by the United Nations in the Agenda 2030 are the following ones (as also shown in *figure 2.13*):

1. **No Poverty:** end poverty in all its forms everywhere.
2. **Zero Hunger:** end hunger, achieve food security and improved nutrition and promote sustainable agriculture.
3. **Good Health and Wellbeing:** ensure healthy lives and promote well-being for all at all ages
4. **Quality Education:** ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. **Gender Equality:** achieve gender equality and empower all women and girls.
6. **Clean Water and Sanitation:** ensure availability and sustainable management of water and sanitation for all.
7. **Affordable and Clean Energy:** ensure access to affordable, reliable, sustainable and modern energy for all.
8. **Decent Work and Economic Growth:** promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. **Industry, Innovation and Infrastructure:** build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
10. **Reduced Inequalities:** reduce inequality within and among countries.

11. Sustainable Cities and Communities: make cities and human settlements inclusive, safe, resilient and sustainable.

12. Responsible Consumption and Production: ensure sustainable consumption and production patterns.

13. Climate Action: take urgent action to combat climate change and its impacts.

14. Life Below Water: conserve and sustainably use the oceans, seas and marine resources for sustainable development.

15. Life on Land: protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

16. Peace, Justice and Strong Institutions: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

17. Partnerships for the Goals: strengthen the means of implementation and revitalize the global partnership for sustainable development.

Figure 2.13: *The Sustainable Development Goals*, United Nations General Assembly (2015)

The Agenda 2030 for Sustainable Development explicitly calls for businesses and companies to create not only economic value but also a shared value for the society and the environment.

According to a report of KPMG (2018), nearly the 40% of the 250 biggest companies in the world are taking into consideration the SDGs in their sustainability reports, while PwC (2018) analyzed 729 corporations and the results demonstrate that the 72% of them mention the goals in their annual corporate sustainability report and 50% of them have identified their priority SDGs.

The attention of companies to sustainable business models aimed at alleviating social and environmental problems and challenges had already been called by the United Nations in 2000 with the promulgation of the Global Compact, a global alliance designed to help and guide companies in the implementation of strategies that would lead not only to the creation of an economic value but also to a social benefit, alleviating the negative externalities deriving from business operations. Starting from then, more than 18.000 companies from 160 different countries have joined the alliance.

The Global Compact is based on ten main principles (Global Compact, 2010):

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and
4. The elimination of all forms of forced and compulsory labor; and
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

The role of companies in achieving the SDGs is fundamental and is mainly given by the preponderant role they play within society and by the interconnections between business and community, together with the economic power to which this follows.

The Ten Principles of the Global Compact are dated but still current and closely linked to the 2030 Agenda. The call of the United Nations 20 years ago to corporate responsibility is now, however, more urgent and pressing with the promulgation of the SDGs.

Figure 2.14 illustrates how the Ten Principles and SDGs are interconnected, demonstrating that achieving the first ones contributes to achieving the others.

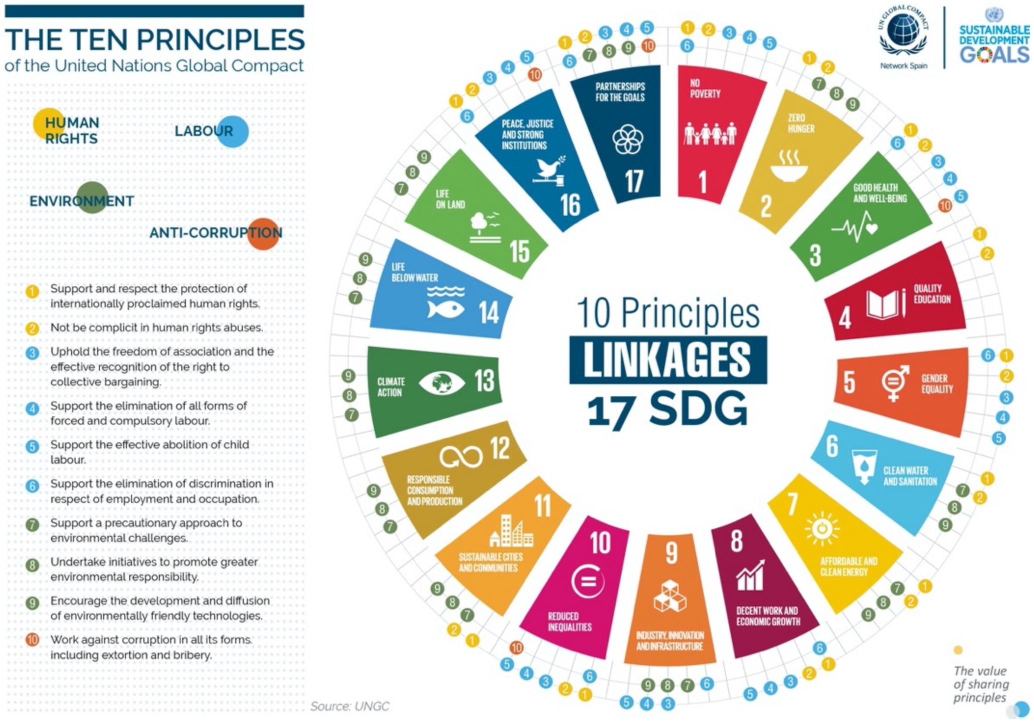


Figure 2.14: *10 Principles Linkages 17 SDGs*, United Nations Global Compact

During the years, several initiatives and different partnerships have been established starting from the Global Compact alliance, including the most recent launched in January 2020 by Antonio Guterres: *SDG Ambition: Scaling Business Impact for the Decade of Action*.

With the launch of SDG Ambition platform (2020), the UN Global Compact introduced the SDG Implementation Framework which helps companies to integrate sustainability, SDGs and the Ten Principles in their core business and operations.

The framework is composed by three main areas: anchoring ambition in strategy and governance, deepening integration across operations and enhancing stakeholder engagement.

- **Anchoring Ambition in Strategy and Governance.**

First, in order to achieve Sustainable Development Goals, companies must anchor the ambition in their purpose, governance and corporate strategy and goals, to ensure that all strategic decisions relating to the company's core business are made with the purpose to create a positive impact. Companies should focus on the strengths of their core business to better identify which global challenge to tackle. To do so, an appropriate governance is essential for building and guiding a purpose-driven strategy. Sustainable economies need the right mix of skills and diversity in the Board of Directors of corporations. Finally, in order to embed ambition into the strategy of the corporation is necessary to set critical objectives above the business-as-usual scenario, establishing KPIs and monitoring the results.

- **Deepening Integration Across Operations.**

In order to contribute significantly to the advancement of the SDGs, companies can take advantage of the creation of innovative products and services that are able to capture market changes but at the same time are sustainable in production and distribution methods, enhancing social and environmental benefits in the long period. The supply chain remains a critical issue, as one of the main risks of negative externalities. It turns out therefore as necessary for corporations to reconstruct and restructure operations and integration between all business units. Regarding the financial capital, it is important to direct resources to SDG-related business activities and to innovation, research and development.

- **Enhancing Stakeholder Engagement.**

Engaging stakeholders in the process of integration would mean fostering reporting and communication activities, ensuring transparency, accountability and strengthening relations with long-term investors. Moreover, marketing plays a crucial role in promoting sustainable products and raising awareness of customers and competitors, fostering the rivalry for more innovative operations, processes and products. The value proposition should be communicated in ambitiously, highlighting the sustainability and the benefits of the items.

The SDG Ambition is composed by three main components that should be addressed together, in a synergic manner, and they are: Ambitious Goals and Targets, Integration Approaches and Innovative Technologies. Regarding the first component, the expected outcomes of the UN Global Compact are to reach the highest possible number of companies worldwide that set goals in line with societal and environmental issues and that align their strategy with the SDGs; at the same time, will be necessarily to expand integration approaches overcoming the three main barriers to integrating sustainability that are competing strategic priorities, implementing strategies across business functions and extending strategy throughout the supply chain; finally, technology will be a key driver in the process of delivering the expected outcomes (UN Global Compact, 2020).

2.6 SDG Action Manager

The UN 2030 agenda with its 17 Sustainable Development Goals marks an ambitious and extremely important goal, which requires the collaboration of all actors to be achieved. As previously underlined, the role of business and companies is fundamental in order to achieve the intended objectives.

For these reasons, the SDG Action Manager was born from a collaboration between the B lab and the UN Global Compact in 2020. The SDG Action Manager is a tool that allows companies to measure their performance in relation to environmental and social sustainability issues. More specifically, this tool combines the knowledge of the B Impact Assessment, the Ten Principle of the UN

Global Compact and the Sustainable Development Goals to allow companies to evaluate, measure and compare themselves on various parameters related to sustainability. This service can be used by companies as a guide to achieve the goals of the 2030 Agenda, reducing their negative externalities towards society and the environment, and implementing their operations to produce a common benefit.

The SDG Action Manager allows to identify which objective is closest to the company's values and most achievable, given the characteristics of its operations and processes. Furthermore, it permits to have a clear image and vision of the strengths and risk factors of business operations and all stages of the supply chain. Through this tool all companies can set ambitious but aware goals and monitor progress in this regard. Also, the platform acts as a training and learning tool, allowing access to numerous data sources, analyzes and guides.

The SDG Action Manager unites the B Corp community and that of the Global Compact to make the path of companies around the world towards a sustainable business model and the achievement of the SDGs of the 2030 Agenda as effective and efficient as possible.

Chapter 3
THE BENEFIT CORPORATION

3.1 B Lab and B Corp

The growing interest shown by society and companies for sustainable business models and the creation of shared value has led to the establishment of different forms of hybrid organizations, including the *Benefit Corporation*. The birth of the benefit corporation legal form for companies has its origin in the B Corp movement, which gave rise to the B Corporations.

As stated on the website of the nonprofit B Lab, "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" (B Lab website).

The B Corp movement was created by the B Lab with the aim of using the positive drive of business to generate benefits for society and the environment.

The B Lab is a nonprofit which originated in 2006 in the US, when some entrepreneurs decided that the model of capitalism in force was no longer sustainable in the long run and therefore new paradigms had to be formulated.

Since the B Corp movement was born, more than 3.000 companies, with around 750.000 employees in more than 150 countries all around the world, have obtained the certification. Small and medium-sized enterprises, but also multinationals corporations, service and product companies have been certified as B Corp over the years, following the high standards of social and environmental impact proposed by B Lab organization.

In general, B Corporations are for-profit which must however comply with the measurement of their social and environmental impacts and must promote a benefit for the community.

To obtain the B Corp certification companies must follow a series of steps. First of all, the corporation must complete the B Impact Assessment, a platform aimed at measuring the impact that the corporation has on several areas. Secondly, the company must meet the legal requirements needed in order to be certified. Moreover, the firm must meet some transparency requirements. Finally, in order to finalize the certification, the corporation is asked to sign the B Corp Declaration of Independence, to sign the B Corp Agreement and to pay the annual certification fees.

3.2 B Corp Certification

Obtaining the B Corp certification means joining a global movement that aims to propose new business models, not only meant to create profit but determined to produce, through their operations and actions, a common benefit.

The process of obtaining the B Certification is different for small/medium size corporations and large companies, but mainly follows the same steps (*figure 3.1*). For the purposes of the study, we will focus on the designated certification process for small to medium-sized companies, these being the majority of B Corp certified to date.

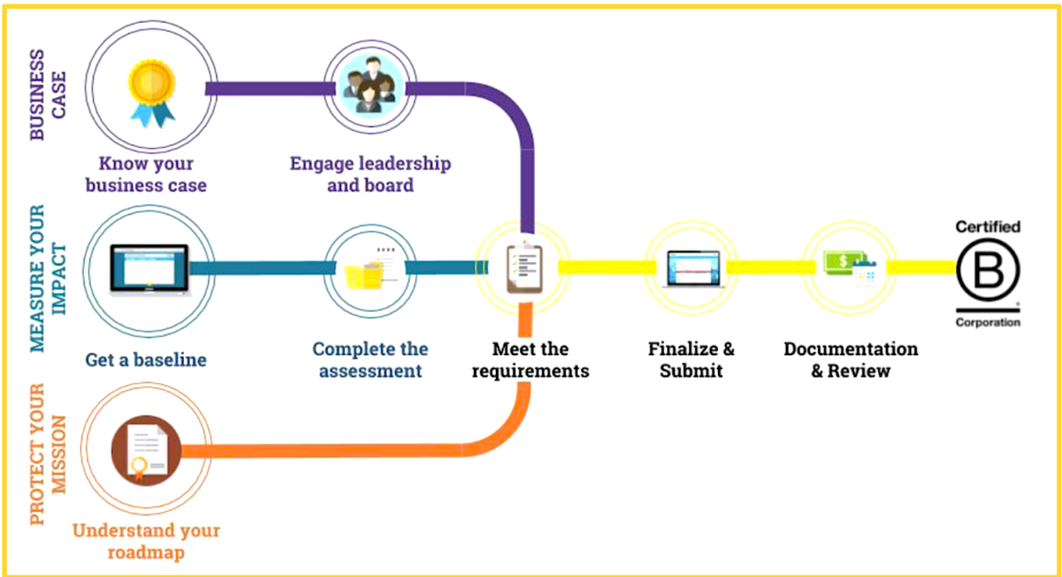


Figure 3.1: *Steps to Certification*, b.corporation.net

To obtain the B Corp Certification, small/medium size companies must follow a series of steps, explained in detail in the website of B Corp (bcorporation.net) and which are the following ones:

1. Business Case and Protect Your Mission.

First, companies interested in becoming a B Corp must analyze their business model and examine ways in which obtaining certification can benefit the firm and create value. To achieve this first goal, it is necessary to create engagement within the corporation and obtain the support and collaboration of all employees.

This first step is the starting point of the certification process and for this reason, it requires solid foundations from which to start and a careful analysis of different aspects related to the company.

- **Engage Your Team and Leadership.**

To make the process profoundly effective, all organs of the organization must participate, first of all for the need to find information at all company levels and also to make all employees and managers engaged. The B Corp community, to make the certification process for companies as simple and effective as possible, has drawn up numerous guides to prepare organizations for this process, proposing detailed plans to follow in order to, among others, create engagement in the various employees.

- **Protect Your Mission.**

Protect your mission means that you must make sure that the organization is built on a solid legal foundation for the long term, and that obtaining the certification will help your company in reaching the mission and vision it set out to achieve, mitigating the risks of changing in leadership and legal structure in the future.

2. Measure your Impact.

- **The B Impact Assessment**

The nonprofit B Lab has developed the largest impact measurement framework and method in the world, the B Impact Assessment (BIA), a very high-performance evaluation method. In fact, not surprisingly B Lab refuses 95% of certification applications every year.

The BIA is a free online tool that analyses and provides indications on the company's economic, social and environmental performance and takes into consideration five main macro-areas (Bauer and Umlas, 2017): Governance, Community, Customers, Workers and the Environment. Each category is then composed by several sub-sections: in the Governance we find Transparency and Ownership; the Workers section includes Compensation Benefits, Training, Ownership and Work Environment; the Community category comprehends Suppliers, Local, Diversity and Charity; the Environment includes Supply Chain, Energy Use, Facilities and Manufacturing; the Customer section is composed by Direct Impact

Product/Services, Targeting Underserved Communities and High Impact Supply Chain.

The Governance section is meant to evaluate the company's accountability systems and transparency, with the aim also to incorporate stakeholders in the operations and structures of the corporation. Moreover, it investigates the company's overall mission and ethics, how it engages with employees and the community and the possibility to access financial information.

The objective of the Workers area is to monitor and measure the impact of the corporation on the employees, their wages, their health and safety on the workplace. The workers area is also about the overall work environment, the communication among the different levels of the organization and the work-life balance.

The Community analyzes the numerous interactions and relationships between society and the company. It also assesses the company's ability to meet the diverse needs of the context in which it operates, in particular enabling human rights along the supply chain and promoting social programs in the local community.

The Environment section analyzes the environmental impact of corporate operations and at the same time measure the positive corporate contribution to its condition. It focuses in particular on the facilities, materials, emissions and energy use. Distribution channels and the environmental footprint of the supply chain are also examined.

Finally, the Customer area is meant to analyze the impact of the corporations on the consumers. In this sense, it measures whether or not the products and services sold by the companies promote a common benefit and if they are designed to solve a specific social or environmental issue.

The BIA is composed of a questionnaire in which each question is tailored to the size, sector and market of the company, for a total of about 200 queries. Each answer produces a relative score for the company, which must be at least 80 for each macro area in order to obtain the B Certification. The score of 80 represents the break-even point in which we pass from the destruction to the creation of value, and for this reason, is the minimum possible grade to be considered. BIA is a powerful tool also because allows companies to compare their performance with other corporations and provides immediate suggestions, indications and methods to improve their business impact (Di Cesare and Ezechieli, 2017).

After completing the 90 percent of the B Impact Assessment, a Disclosure Questionnaire is dispensed to the company. It is an informal questionnaire which has no validity for the final score. This questionnaire is designed to give the possibility to enter additional sensitive information that the B Corp committee must be aware of, but which were not captured by the BIA queries (*figure 3.2*).

In addition to the BIA, B Lab makes other tools available to companies: B Analytics Platform and Global Impact Investing Ratings System (GIIRS).

B Analytics is a platform that uses data resulting from the BIA of the companies for tracking their performance over time, their objectives and comparing them with similar businesses providing a consulting service.

On the other hand, the GIIRS is an evaluation standard which, based on the data obtained through the BIA and other analysis proposed by B Analytics, makes possible to forecast the financial return of social and environmental impact investments (Hiller, 2012).

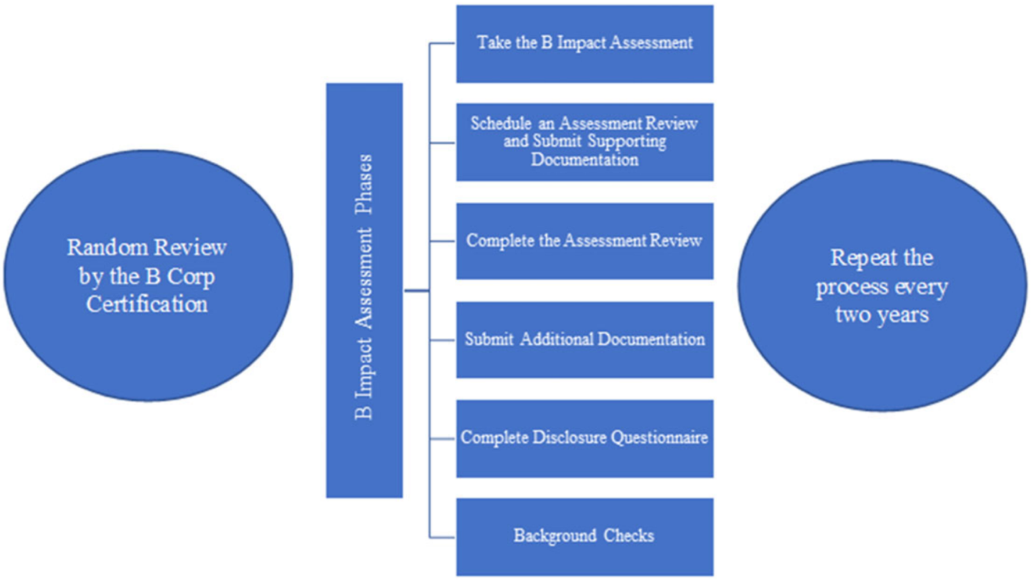


Figure 3.2: *Benefit Impact Assessment Process*, Gazzola (2019)

- **Meet the Legal Requirements.**

Companies, to obtain the certification, must align with the legal structure of benefit corporations. Adopting the B Corp legal standards means for organizations to gain the permission to include all the stakeholders in their decision-making, and not focusing only to deliver value for the shareholders. The suggested legal form tailored to B Corp is the one of Benefit Corporations, but as explained before is not compulsory because not available in every state.

Obviously, the timing and modalities of obtaining the legal form of B Corp vary from state to state, depending on the different regulations provided by each singular government. In order to simplify the process of meeting legal requirements, the B Corp has made the Legal Requirement Tool available, which guides companies in understanding how to include attention to stakeholders in their legal form.

3. Verification.

After achieving the minimum score of 80 in the B Impact Assessment, the corporation is eligible to become a Certified B Corp. Anyway, some steps are still needed in order to ultimately obtain the certification.

- **Submit your Assessment.**

After completing the 90 percent of the BIA, the creation of a company profile is needed, followed by the completion of the Disclosure Questionnaire. After finishing these actions, is possible to submit the assessment.

- **Pre-Review Call Verification Report.**

After delivering the assessment, the company will be contacted by B Lab and asked to schedule a call in which 15 queries of the BIA will be randomly selected and discussed. The company will then be required to deliver documents that validate the answers given in the assessment, as a method of verification.

- **Review Call.**

The review call consists of a 60-90 minutes call during which the documents delivered, and the related answers given by the company during the BIA will be analyzed and discussed. On average, the B Lab states that during this phase the final score obtained in the BIA varies by about 10 points.

- **Post-Review Call Documentation.**

During this phase, companies will upload a series of documents that validate the impact of their operations and the answers given during the assessment.

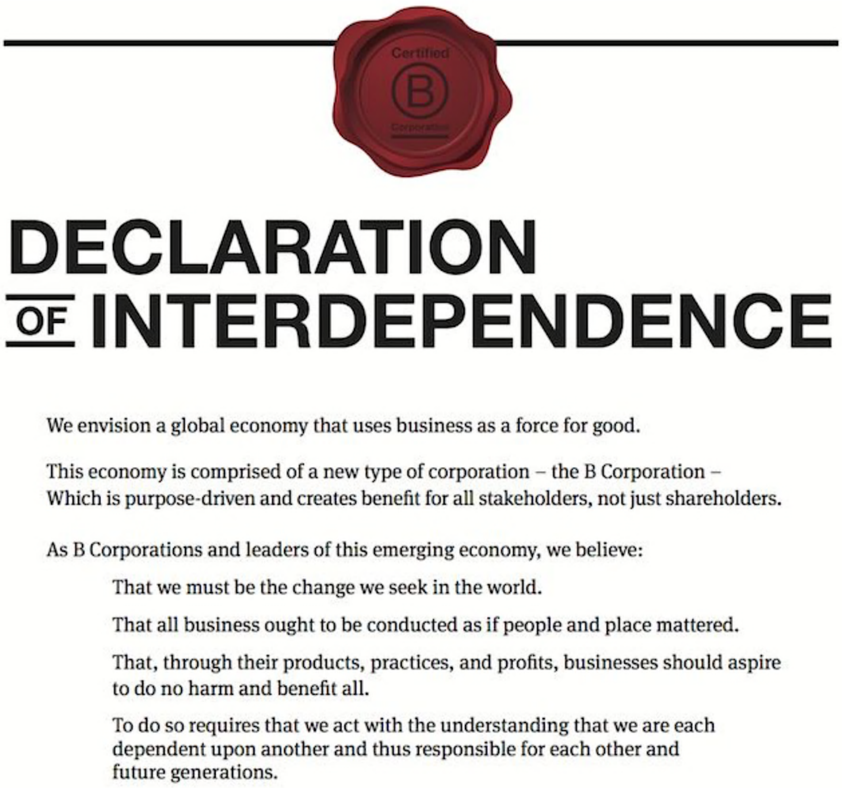
4. Final Steps.

The first action to be done at this point is to sign the B Corp Agreement. The certification obtained is valid for two years, after which an update of the BIA is requested.

By signing the B Corp Agreement, the company undertakes to take part in the annual review carried out by B Lab on 10 percent of certified companies, selected on a sample basis.

Moreover, the organization is asked to sign the Declaration of Interdependence (*figure 3.3*), included in the B Corp Agreement, in which are listed the values and the mission of the B Corp community.

Once all the previous actions are completed, the corporation must pay the certification fee, which varies depending on the annual revenues of the firm.



DECLARATION OF INTERDEPENDENCE

We envision a global economy that uses business as a force for 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.

Figure 3.3: *Declaration of Interdependence*, bcorporation.net

B Lab generated and supported the movement linked to the legitimization of the dual mission in the business context, so as to generate a new model of *for-benefit* company and a new economic sector, the B Economy (Alexander, 2018).
The main purpose of the B Corp movement is in fact to consider business as a positive force to create a common benefit for society and the environment. According to B Lab, the ideal of the B Economy is that business should compete for improving the world in all its aspects. In order to do so, it is necessary to find a new balance between profits and purposes, creating a new paradigm of capitalism and taking in consideration the *dual mission* of business.

3.3 Benefit Corporation

The growing interest in the B Corp movement has allowed the birth of the Benefit Corporations, which were first established in 2010 in the United States, in particular in the state of Maryland (bcorporation.net). The number of states that have approved benefit corporations as a legislative form has rapidly increased, and to date 36 out of 41 states in the US have adopted it.
Benefit corporations represent a new legislative form of a hybrid company, in which the boundaries between for-profit and non-profit are blurred, considering business as a means to produce economic and social benefits at the same time (*figure 3.4*).
This new form of hybrid organization is proposed as an example of business model that embraces the theory of Creating Shared Value and that encourages the concept of Triple Bottom Line accounting (Stecker, 2016).
Benefit corporations represent a clear shift from a business model focused on shareholders' value maximization to one that instead

takes into consideration all the stakeholders of a company, maximizing their benefits in line with the Stakeholder Theory.

A Benefit Corporation is in law a for-profit enterprise in all respects, which however has voluntarily decided to be subject to specific social and environmental duties enshrined in the Benefit Statute (Hiller, 2012).

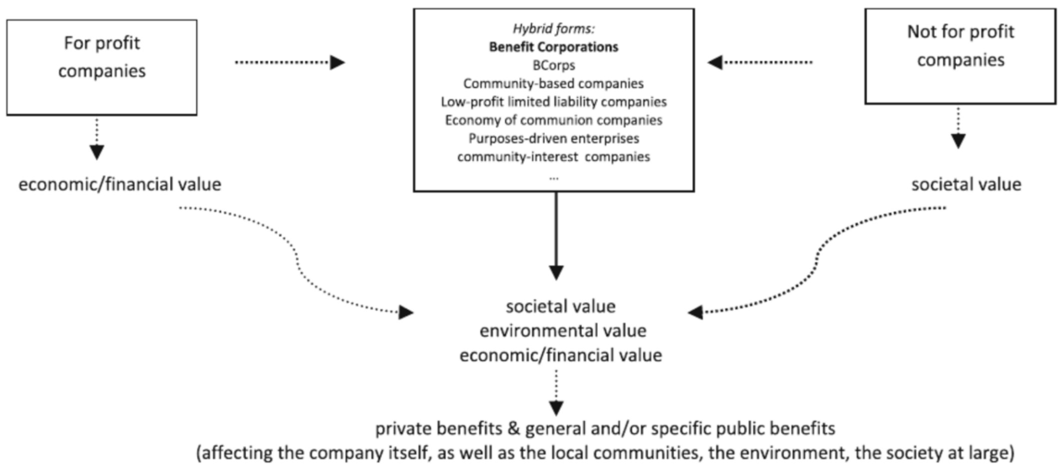


Figure 3.4: *Benefit Corporations*, Baldo (2019)

3.4 Benefit Corporation Legislation

The new legal form of benefit corporation has challenged the traditional binary organizational system of state corporate law and federal law in the United States.

In the United States the benefit corporation is a legal entity established at a state level, which formally requires the pursue of a *general public benefit* which is defined as "material, positive impact on society and the environment" (Resor, 2012). Being the general public benefit not defined further, each corporation is required by law to be evaluated by an independent third-party on the fulfillment of its duties.

In order to remedy the legislative uncertainties, the B Lab together with consultants and lawyers, developed the Model Benefit Corporation Legislation, the legislative doctrine recommended that has been used by states in order to draft their own benefit corporation legislation (Resor, 2012). According to the latest version of the model legislation (2017), it is important to stress that the benefit corporations are required by law to generate a general public benefit and not only a specific one; in this sense, is not accepted that, for example, a corporation decides to focus on improving environmental issues while ignoring workers' rights (Bauer and Umlas, 2017).

In addition to the general public benefit, a BC may also adopt a specific public benefit, according to several factors, among which considerations about its core business and corporate capabilities. Some of the specific benefits listed in the Model Act are the following ones: the promotion of or preservation of the environment, health, arts, science, and knowledge, as well as providing jobs or products for low-income or underserved communities.

The Model Benefit Corporation Legislation is composed by four main subchapters: the preliminary provisions, the corporate purposes, the accountability and the transparency.

As stated before, concerning the purposes of the company, a benefit corporation must explicitly have the objective of creating a general public benefit. Moreover, a corporation could decide to pursue a specific public benefit.

Regarding the accountability, the second chapter of the statute outlines the obligation for directors to consider the needs and the interests of all the stakeholders of the company in the decisions and operations of the enterprise. Moreover, the board of directors shall include a benefit director, who is in charge of drafting the annual benefit report about the achievement realized by the company in creating a general public benefit.

Finally, the section about the principle of transparency to which all benefit corporations must adhere, explicates the obligation of presenting an annual benefit report which must include a detailed description of how the corporation pursued a general public benefit and, eventually, the specific one. The report in particular describes all the operations carried out by the company with regard to the public benefit objective, the results obtained and an assessment of the general performance. This paper must also verify that the company has kept faith with its public benefit duties and that the corporation's management bodies have always taken the interests of the stakeholders into consideration in the various decisions (Hiller, 2012).

Moreover, in order to maintain the transparency principle, the benefit legislation establishes standards of environmental and social accountability through two main ways (Resor, 2012): an internal enforcement proceeding and an independent third-party evaluator. The relevant legislation contemplates the possibility of a benefit enforcement proceeding against a director in case of failure in pursuing the general public benefit or any specific benefit enshrined in the statute. The second mechanism of accountability contemplated in the legislation is the constraint that an independent third-party should analyze and verify the advancements in the corporation fulfillment of the general and/or specific public benefit pursuing. The third-party must be a certified and recognized system or standard of evaluation.

The Model Benefit Corporation Legislation also considers an exception to the traditional shareholders' wealth maximization principle in two main ways. In the first place, making clear in their statute the purpose of achieving a general public benefit, BCs explicitly state that their objective goes beyond the maximization of value for the shareholders. Moreover, benefit legislation contemplates an exception to the shareholders' theory protecting directors when not prioritizing or privileging the interests of the shareholders at the expense of the other stakeholders. On the other hand, benefit legislation safeguards shareholders because it plans that a two-thirds supermajority of votes is needed in order to become a benefit corporation for a traditional company and the supermajority is also needed for several changes in the company structure, such as merge with another organization or change any specific public benefit. These measures make sure that the social mission of the corporation cannot be changed without the approval of the shareholders, protecting thou their interests (Resor, 2012).

3.5 Differences between Benefit Corporations and B Corp

Benefit Corporations and B Corp are often confused and considered the same thing, but although they have many similarities and can be identified as related, there are also important differences between them. Both have the mission of using the positive drive of the business to promote benefits within the society, but at the same time, they have fundamentally different characteristics (*figure 3.5*).

The first relevant difference is that a B Corp is not a distinct legal entity, but a business that has voluntarily chosen to be subjected to environmental and social standards checks, verified by the certification of the B Lab, while maintaining its traditional legal asset. In this sense, being a B Corp is not necessary for becoming a

benefit corporation and vice versa, even though the two models can be considered as complementary (Hiller, 2012).
Regarding accountability, the two models do not present differences, since in both cases the directors and officials are required to consider the impacts of their actions on all stakeholders.

Issue	Benefit Corporations	Certified B Corporations
Accountability	Directors required to consider impact on all stakeholders	Same
Transparency	Must publish public report of overall social and environmental performance assessed against a third party standard*	Same
Performance	Self-reported	Must achieve minimum verified score on B Impact Assessment
		Recertification required every three years against evolving standard
Availability	Available for corporations only in 30 U.S. states and D.C.**	Available to every business regardless of corporate structure, state, or country of incorporation
Cost	State filing fees from $70-$200	B Lab certification fees from $500 to $50,000/year, based on revenues
Role of B Lab	Developed Model Legislation, works for its passage and use, offers free reporting tool to meet transparency requirements; No role in oversight	Certifying body and supporting 501c3, offering access to Certified B Corporation logo, portfolio of services, and vibrant community of practice among B Corps; To learn more about B Corp certification, visit www.bcorporation.net.

Figure 3.5: *Differences Between B Corps and Benefit Corporations*, bcorporations.net

The main distinction still lays on the legal nature of the corporation; in fact, in both cases, corporations must consider the interests and need of their stakeholders but, for the benefit corporations it is required by law while for the B Corps it is compulsory in order to maintain the certification.
Concerning the transparency, in the two situations corporations must publish public reports regarding their social, environmental and economic performance and those papers need to be assessed against third-party standards. The reports should expose in detail the

objectives of the corporation, its performance and the targets selected for the following year.

The first difference between the two models begins to present itself with the concept of performance. In the case of the benefit corporations, in fact, the performance is self-verified by the same through a certified and recognized system, while the B Corp, in order to obtain the certification, must achieve a minimum score in the B Impact Assessment which they have to maintain over time. In particular, the Certified B Corporations must renew the certification every two years while the benefit corporations should only uphold transparency requirements over time.

Another differentiating factor is that the legislative model of the benefit corporation is present only in some states in the world, while any company operating in any country can compete for obtaining a certification to become a B Corporation.

In general, as stated in the website of B Lab, the best way for companies to meet the requirements of obtaining a B Corp certification is to adopt the benefit corporation legal structure. In this sense, several benefit corporations have decided through time to obtain the B Certification because they perceived it as conferring an added value to the company.

3.6 The Benefit Corporation in Italy

Italy was the first European country to legally formalize the benefit corporations through the establishment of the *Società Benefit*, which combines profit-making intending to produce environmental and societal improvements.

This corporate form officially entered into force in January 2016 through the approval of the Stability Law l.208/2015, thanks to which for the first time a new way of doing business has been legitimized, no longer aimed at only maximizing the value of shareholders. This new corporate form overcomes the classic approach to business, introducing a new way of conceiving the company by promoting a novel economic and entrepreneurial paradigm (Galeota Lanza, 2017).

From a legislative point of view, the società benefit assumes the legal status of any company envisaged by the civil code, but which presents a dual mission in the corporate purpose, governance and enforcement. It is important to emphasize that the law does not have any particular financial or tax advantage for companies that decide to become a società benefit and that any type of company governed by titles V and VI of Book V of the Civil Code is allowed to do it. With the establishment of the società benefit we are faced with an unprecedented event, where for the first time in Italy the pursuit of objectives not only of profit is contemplated by law. This law was intended to introduce business realities within the Italian market, committed to the pursuit of social and environmental objectives, with the aim of reducing their negative externalities and promote, through a close link with the territory, and well-being in the community in which they operate.

The establishment of SBs in Italy, as the first European country, marks an important precedent to allow the diffusion also at European Union level of a new business model that pursues not only economic objectives, and which contemplates a dual mission for corporations and the creation of shared value.

3.7 Società Benefit Legislation

The d.d.l. 1882/2015 proposed in April 2015, which regulates the società benefit in Italy, is composed of six articles.

Article 1 promotes the establishment of the società benefit as a new legal entity, which has the purpose of pursuing not only economic but also social and environmental purposes. The objectives of the SB must be made explicit in the company's corporate statute and must be pursued by considering not only the needs and interests of the company's shareholders but also of all the stakeholders.

In Art. 2, some definitions present in the legal text are analyzed and made explicit, including that of general public benefit, which each company must undertake to pursue.

Article 3 establishes an obligation for companies to make explicit the general public benefit they intend to pursue and achieve, and which must be indicated in the corporate statute. This will allow the organization to use the names "SB" and "Società Benefit" in official documents and communications to third parties.

Article 4 establishes the duties and responsibilities of the directors of the società benefit, who must take into consideration in their operations the interests of all the stakeholders, reducing the negative externalities and increasing the positive impact toward them. Moreover, the company must identify the director responsible of the advancements on the general public benefit the corporation planned to achieve. The directors' liability depends on the different regulations of each type of company.

Article 5 regulates the annual report that each SB is required to submit. Every year, each company must produce a report to be attached to corporate balance sheet in which including the objectives of the corporation, the social and environmental performance and the description of the new targets for the following year. The performance and the impact generated must be evaluated following third-party standards. This annual report should be made public and published on the company's website where possible.

The areas on which the company's impact must be assessed are the following: governance, workers, stakeholders and the environment.

Concerning the evaluation of the governance, it must be assessed the degree of transparency and responsibility of company's directors in pursuing the common benefit and following the objectives of the corporation, taking into account the needs and interests of all stakeholders.

As far as workers are concerned, wages, opportunities for professional growth, flexibility and security must be analyzed.

Regarding the stakeholders, it is necessary to examine the company's relations with suppliers, voluntary associations, consumers and the impacts on the community in which it operates, in all the various stages of the supply chain.

Finally, the environmental impact of corporate operations must be evaluated, including both the use of raw materials and the pollution deriving from the various operations, with the prospect of increasing the product life cycle and reducing the externalities of the company.

Focusing on the concept of *common benefit*, according to the Italian Law the corporation must explain in details the positive impacts on the environment and society it aims to achieve and/or the alleviation and reduction of negative footprints on the territory, the planet, the community and all the stakeholders in general. When we consider the concept of common benefit in its broadest sense, we must ask ourselves about the role it assumes in relation to the company's core business. In fact, when considering the societal form of benefit corporation, in order effectively produce a corporate change towards the creation of shared value and sustainability, the choice of the common benefit to which one aspires should be a fundamental part of the company's core business, thus changing its values and mission.

This may be the only way to implement an effective shift from forms of CSR that are more sterile and ends in themselves, to a business model that incorporates in its founding values ideals of sustainability and the creation of a positive impact. Furthermore, the birth of B Corps and the phenomenon of benefit corporations is based on the idea of using the capabilities, infrastructures and potentials of business to create positive change. In this sense, it is far more effective for a company to choose a common benefit that is in line with its operations and activities, putting its capabilities at the service of society.

Concerning the governance, the società benefit first applies the reference discipline for the chosen company type, but with some specificities. The company directors are in fact asked to manage the company so as to coincide the interests of the shareholders, of the investors, but also the achievement of the common benefit and the interests of all the stakeholders.

The approval of the Stability Law sanctioned a revolution on several fronts. First of all, it has legitimized to pursue other objectives besides economic ones, which is an unprecedented event for for-profit companies, definitively overcoming the traditional net separation between the for-profit and the non-profit sectors, promoting the creation of hybrid corporations and new economic paradigms. Furthermore, the introduction of this new business model can act as a catalyst to foster innovation in the structure of for-profit companies, making them more sustainable in the long run and more observant to the impacts they have on heritage, the environment and human capital (Castellani et al., 2016).

The emergency caused by the outbreak of Covid-19 pandemic has questioned many of the habits and certainties of society, making clear the urgency to create a positive and sudden change. The change towards more sustainable lifestyles must take place on all possible fronts, and an integral part of this process must also be implemented by companies, which should now more than ever take responsibility for the common good, reducing the negative externalities deriving from their operations and generating benefits. The role of the hybrid business model promoted by società benefit and B Corp, which includes a dual mission, is now fundamental and necessary for the entrepreneurial and industrial market to become an engine of change. Since the establishment of the società benefit form in Italy in 2016, the first country in the world after the United States, the number of companies that have decided to become società benefit has grown evidently, demonstrating an important interest from the business world. In a moment of necessary changes such as the one we are experiencing, the Italian government has decided not to stop this positive trend towards the establishment of benefit corporations, but on the contrary to foster it. For this reason, the Italian government has introduced, through the Decreto Rilancio converted into law in July 2020, an incentive for companies to become società benefit. The article 38-ter of the Decreto Rilancio states that, in order to strengthen the presence of benefit corporations in Italy, a contribution in the form of a tax credit is recognized for 50 percent of the costs of construction or transformation into a società benefit. The Decreto Rilancio, now converted into law, therefore gives a new impetus to the innovative and cutting-edge model of società benefit that can represent for the future a driving force for the sustainable development that we hopefully achieve in the coming years (L. 77/2020).

3.8 General Characteristics of Società Benefit in Italy

The approval of the 2016 Stability Law led to the proliferation of the società benefit model in Italy. In the years to come, numerous companies have decided to become SB reaching 410 units in 2020, according to Aida.

In order to better analyze the role that società benefit can play in the Italian economy and possible future evolutions of the phenomenon, it is necessary to examine in more detail the different characteristics of the società benefit now present on the Italian territory, developing the data provided by the Aida database. AIDA is the database, created and distributed by Bureau van Dijk, collecting information and financial statements on Italian companies, with a time span of up to ten years. It allows to search for information on individual companies, organizations with similar profiles and perform detailed analysis.

The main factors under study for this analysis will be the geographical distribution, legal form, size and industry of origin.

3.8.1 Geographical Distribution

In the context of the examination of the società benefit in the Italian area, an analysis of their geographical distribution appears as relevant.

For the purpose of the study, the data available on the AIDA platform were analyzed and processed. According to the accessible information, in 2020 the number of società benefit in Italy is 410.

Generally speaking, the majority of corporations is located in northern Italy, with a figure of 276, representing 67% of the whole. The number of società benefit presents in the central area of the country is 93 (about 23% of the total) and in the south of Italy is 41 (10% of the total amount).

By studying the distribution of companies at a regional level, it can be stated that the region with the highest number of società benefit is Lombardy, with 36% of the total amount of firms. The second region in terms of number of companies is Lazio, with a figure of 64, about 16% of the whole, followed by Veneto, with 38 units, around the 9% of the totality.

As we can see from the graph (*figure 3.6*), most of the companies are concentrated in a few regions: Lombardy, Lazio, Veneto, Piedmont and Emilia-Romagna, which alone hold 78% of the total number of benefit corporations in Italy.

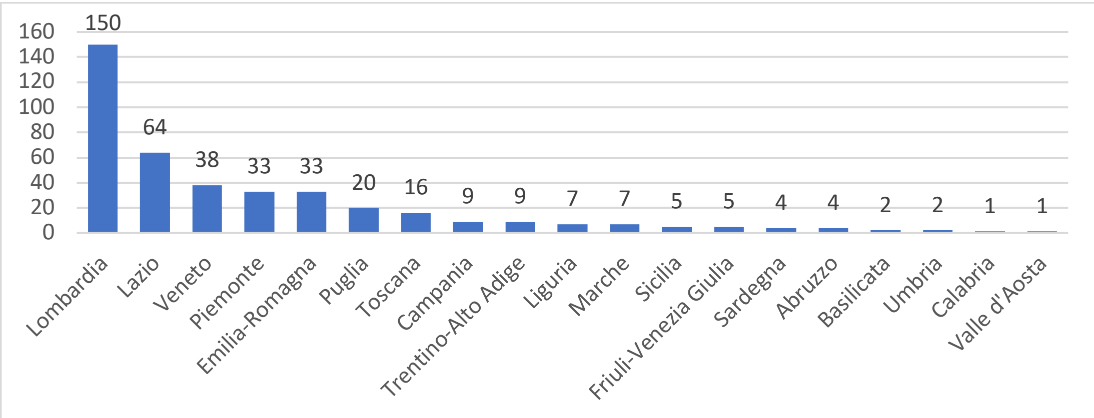


Figure 3.6: *Geographical Distribution of Società Benefit in Italy by Region*, Personal analysis of data from Aida database (2020)

3.8.2 Legal Form, Dimension and Industry of Origin

A relevant factor of investigation is the corporate form held by companies that have decided to become società benefit.

From the analysis of the data provided by the Aida database, the vast majority of SBs in Italy has the corporate form of S.r.l., holding the 90% of the whole with a figure of 372 units (*figure 3.7*).
The second most common legal form of corporation is the S.p.A, with a significantly lower amount, which is just 6% of the totality (25 units).

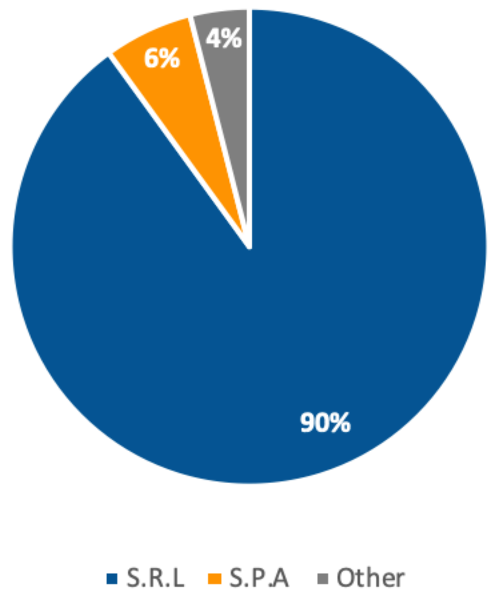


Figure 3.7: *Legal Form of Società Benefit in Italy*, Personal analysis of data from Aida database (2020)

The study of the corporate legal structures is closely related to their size. Searching the Aida portal, it is clear that most of the companies are small to medium in size, with a number of employees below 100. To be more specific, 260 companies have a size of less than 100 employees and only 2 have more than 1000 employees. For a precise analysis in this regard it is necessary to specify that the database does not have information about the dimension of 144 companies.

These data should not surprise as they tend to be in line with the characteristics of the Italian entrepreneurial market. According to the information released by Istat, in 2017 small businesses (i.e.

those with a number of employees less than 10) are 95% of Italian companies while SMEs (number of employees between 10 and 250) are 4,7% of the total. It is clear that companies with less than 250 employees therefore cover almost all Italian corporations, remaining in line with the data about the legal structure and dimension of società benefit.

As regards the industry of reference of the companies taken into consideration, after analyzing the ATECO 2007 codes, is possible to claim that 12% are involved in business management and managerial consultancy activities. Moreover, 7% of the Italian società benefit deal with IT and software services and the same percentage belongs to companies operating in the wholesale trade. Finally, some over 6% of the corporations' subject of study deals with business and office support services (*figure 3.8*).

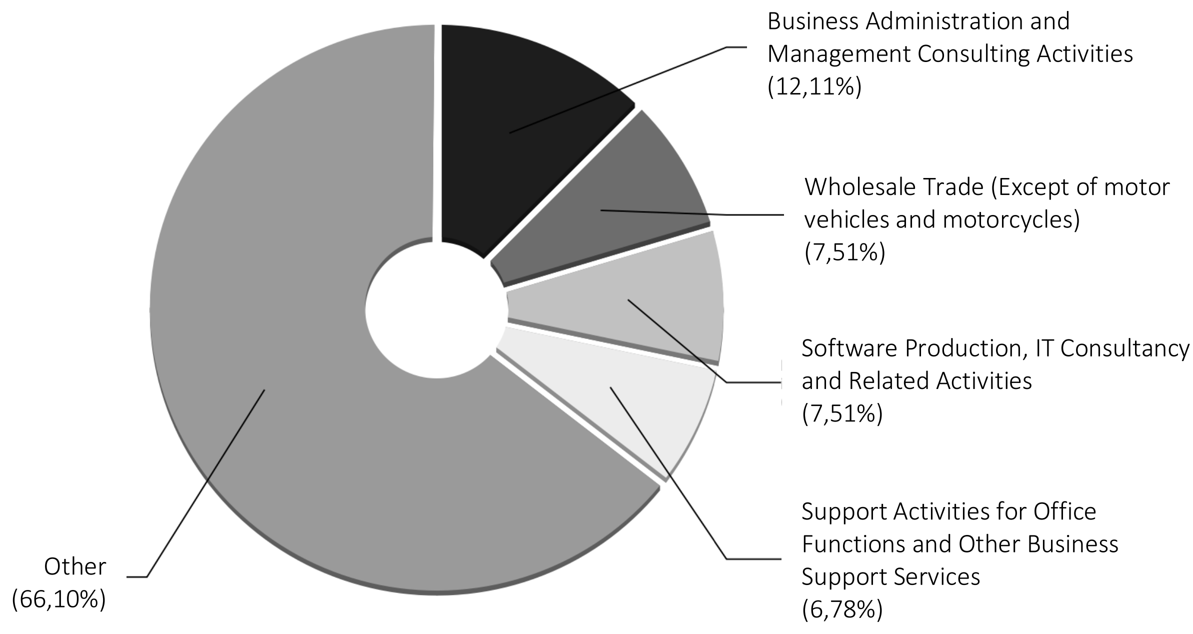


Figure 3.8: *Industry of Origin of Società Benefit in Italy*, Personal analysis of data from Aida database (2020)

3.8.3 Trends Toward the Establishment of Società Benefit

In order to fully understand the phenomenon of società benefit in Italy, an interesting object of analysis is the year in which the companies that decided to become SB were established.

After examining the data provided by Aida, it turned out that only 28 out of 410 companies born before the 2000s have decided to become benefit corporations. Moreover, 36 are those born between 2000 and 2010 and 346 those born between 2010 and 2020, with the highest units recorded in the last five years (*figure 3.9*).

A deeper analysis shows that the number of società benefit established in each year after 2015 is greater than the figure referring to the five years intervening between 2010 and 2015, and even larger of the period between 2000 and 2010, which comprehends a decade.

Before 2000	2000-2010	2010-2015	2016	2017	2018	2019	2020
28	36	47	49	61	61	64	56
6.8%	8.8%	11.5%	12%	14.9%	14.9%	15.6%	15.7%

Figure 3.9: *Società Benefit in Italy per Year of Establishment*, Personal analysis of data from Aida database (2020)

This investigation is particularly relevant as it shows a clear tendency for young firms and startups to become società benefit compared to corporations that have been established in the country from several years. In particular, 291 companies born in the last five years have decided to become benefit corporations.

This information is particularly promising, as it outlines a sharply growing trend, showing an increasing interest in setting up società benefit in Italy and a push towards innovation and sustainability.

3.9 B Corp in Italy

Since 2012, when the first Italian company Nativa became a certified B Corporation, the phenomenon has gained more and more popularity and has led many companies to start the procedures to earn the certification and become part of the B Corp community.
Nativa S.r.l., Italian company that deals with sustainability consultancy and country partner of B Lab for Italy since 2014, is one of the founders of the B Corp movement in Europe and a forerunner of società benefit in Italy, where it collaborated with the Senate for the drafting of the bill that brought this new corporate form to Italy.

The number of certified B Corporations in Italy to date amounts to 101, for a total of over 9,000 employees and a turnover of over 5 billion euros. Additionally, more than 3,000 companies in Italy have decided to utilize the B Impact Assessment to evaluate their performance and operations. It is undisputed that it is not possible to be sure that all the companies currently present on the platform will obtain certification, but this figure is very encouraging as it outlines an extremely positive trend of interest in B Corp certification, and above all in sustainability issues and in measuring the impact of corporate operations (unlockthechange.it).
The reasons that can push companies to evaluate their impact through the B Impact Assessment and start the recognition process towards B Corp certification could be different. The non-profit association B Lab has listed some of the drivers that motivate

companies to consider their impact on society and the environment and to enter the B Corp community:

- Differentiate on the market
- Measure and improve the performance
- Attract and retain talent
- Save and improve economic performance
- Inspire investors
- Be part of a global movement of leaders who share your values
- Driving the change

Obviously, the reasons listed above by B Lab are just some of the many that can push companies to follow a dual mission and are largely valid also for the decision to become a società benefit.

3.9.1 Geographical Distribution

Analyzing in more detail the characteristics of the B Corp phenomenon in Italy, thanks to the data provided by B Lab e Nativa, it is clear that the geographical distribution of certified companies in the country is very similar to that of società benefit.

Looking at the regional distribution (*figure 3.10*), the region with the highest number of certified B Corporations is Lombardy, with more than 20 companies in its territory. In second place we find Veneto and Emilia-Romagna, with a number of B Corp that varies between 10 and 20 units. Finally, Piedmont and Lazio have a significant concentration of companies certified by the non-profit B Lab.

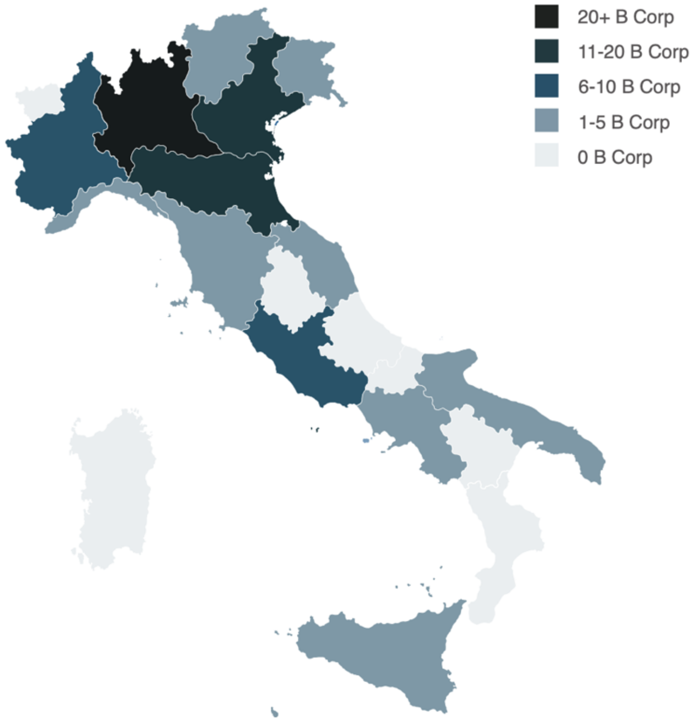


Figure 3.10: *Geographical Distribution of B Corp in Italy*, Nativalab.com

By examining the graph and the data taken into consideration, it is clear how much the phenomenon is in line with that of società benefit. In both cases, in fact, the most virtuous regions are almost the same. Finally, this data reflects the ideology according to which the B Corp certification and the corporate form of benefit companies are complementary, and two different ways to achieve the same goal, since it is likely that a significant part of the società benefit has concurred for obtaining the B Corp Certification and vice versa.

3.9.2 Industry of Origin

Proceeding with the analysis, an interesting study factor to better understand the B Corp movement in Italy is given by the industries and markets of origin of the companies in question.
Having a closer look to the data provided by B Lab and Nativa, there is an inverse trend with respect to that of società benefit. As we can

see from the graph (*figure 3.11*), the majority of B Corporations in Italy operates in the food and beverage industry, followed by manufacturing and consultancy, professional and technical services. The number of companies belonging to the media sector is also important. These are followed by marketing and communication companies and firms operating in the health industry.

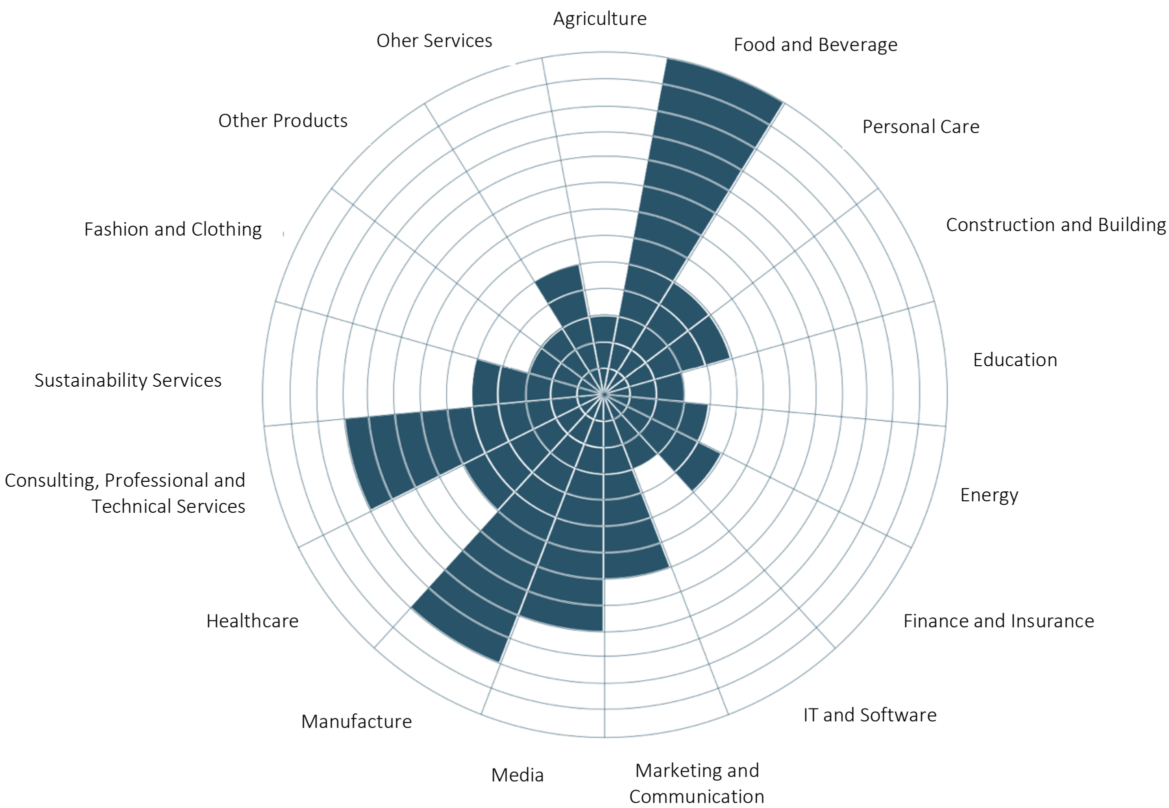


Figure 3.11: *Industry of Origin of B Corp in Italy*, Nativalab.com

As far as società benefit are concerned, as already stated above, the dominant market sector is that of services and in particular of management consulting. In this we therefore have the first variance between the two realities even if, for correctness of analysis, it should be emphasized that the sources of data collection are different in the two cases.

Furthermore, some large companies in the food and beverage sector in Italy have recently obtained the B Corp certification, including Danone and Mellin and Nutricia, which joined the community in July 2020.

3.9.3 Legal Form

Regarding the Italian B Corporations and their legal form, the trend is similar to the one of società benefit, but it does not really follow the same path. Analyzing the 101 B Corps present in Italy, it is possible to identify that the 65% are S.r.l and the 27% are S.p.A., while the remaining part presents different legal forms (*figure 3.12*).

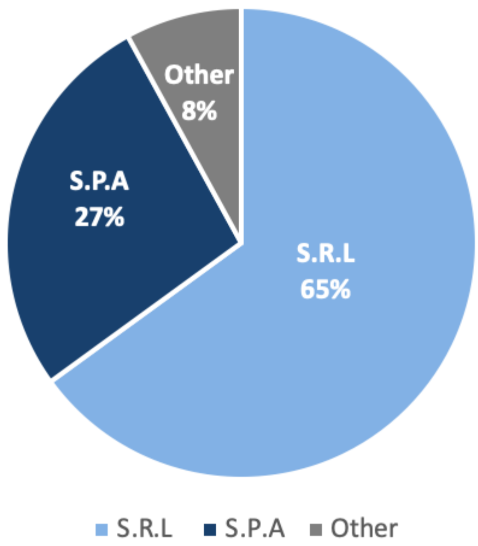


Figure 3.12: *Legal Form of B Corp in Italy*, Personal analysis of data from Aida database (2020)

As can be seen from the data cited above, even in this instance most of the companies present the legal form of S.r.l., although in a lower percentage than in the case of società benefit, for which the percentage of companies having the S.r.l legal form is 90%.

The real difference is the percentage of the B Corporations in Italy with the S.p.A legal form, which presents a figure of 27%, significantly higher than the one recorded for the società benefit, which is only the 6%.
A possible explanation lies in the purely international component of the B Corp certification, present in all countries around the world, unlike the società benefit, which is instead provided only by the Italian legislation. Among the B Corp having the legal form of S.p.A, there are in fact some multinational and large corporations operating in different parts of the world such as Danone, Mellin and Alessi among the others. Their international connotation can be one of the reasons why the B Corp certification is more widespread in organizations having the S.p.A legal form and a bigger dimension than the società benefit.

3.9.4 Values B Corp Promotes

Following the unprecedented period in which companies find themselves operating, on 16th July 2020 the Italian community of B Corp together with Nativa launched the #unlockthechange campaign, an awareness raising project to ask companies and institutions to accelerate towards an economic vision that responds to the priorities of our time: to create a sustainable business system that regenerates society and the environment (*figure 3.13*).
This initiative has as its main purpose that of strengthening the community of B Corporations in Italy, promoting its values and objectives also externally, creating collaboration between as many actors as possible to accelerate change. Furthermore, the project also sets itself the ambitious goal of involving consumers more deeply, asking them to take an active role in this process towards an economy

and a business model that is truly sustainable in the long term. In particular, the campaign aims to stimulate consumers to demand and ask more and more from companies and brands, requesting them to improve the environment and the surrounding community with their operations and processes. Through the campaign website it will also be possible to sign a petition asking brands for greater transparency and accountability, allowing consumers to contact the companies of which they are customers directly. When the campaign is over, the information and contributions from users will be sent to their respective companies, who will be able to respond and inform customers about their actions and projects.

Figure 3.13: *#UnlockTheChange*, unlockthechange.it (2020)

Within the website related to the campaign, the Italian B Corp community has listed the values and the mission that guide their actions and processes. The premise nowadays is represented by the unprecedent challenging times in which we are leaving, that are fostering the changes toward a more sustainable lifestyle, and companies must take part to the change, promoting new business models and collaborating with each other. Among the values and principles that the Italian B Corp community promotes are:

- The interdependence. All companies, in order to acquire the B Corp certification, must sign the Declaration of Interdependence. By signing this text, we become aware of all the connections existing between nature, society and people, taking into consideration the consequences of the actions of companies.
- Common good. One of the main objectives of a B Corporation is to contribute positively to the context in which it operates and more generally to pursue the common good of all.
- Stakeholder capitalism. B Corp is one of the main promoters of the transition from shareholder to stakeholder capitalism. The objective of the companies can no longer be only the production of value for the shareholders but for all the stakeholders.
- Measure what matters. It is necessary to change the paradigm according to which companies are evaluated only on the basis of their economic performance. The evaluation of company performance can no longer ignore the measurement of the impact it has on the environment, the surrounding community, employees and consumers.
- Responsibility. Sensitizing companies to the issue of responsibility means not considering it only as complying with legal constraints, but rather taking responsibility towards the environment, employees and consumers.
- Net Zero Emission 2030. By adopting a regenerative business model, the B Corps set themselves the goal of contributing to the change of course with respect to environmental degradation. To do this, some companies have joined the initiative which aims to

achieve carbon neutrality by 2030, eliminating the emissions that derive directly or indirectly from their activities.

3.10 The Impact of Long-Term and ESG Programs on Corporate Performance

The hybrid organization model proposed by the Benefit Corporation and the B Corp Certification aims to push the strength and influence of business to create shared value in the long term.

The concept of long termism, as opposed to that of short termism, is an integral part of a business model with a vision to the future, based on a large amount of investments and research and development activities, with a significant component of innovation. Short-termism, on the other hand, is highly influenced by maximizing shareholders' value in the immediate period, causing a lack of investments and longer-term assets.

According to a study published by McKinsey in 2017 and conducted on a sample of 615 large- and mid-cap US publicly listed companies in the period from 2001 to 2015, organizations that have long-term oriented business models are more efficient and perform better than those with a shorter-term view.

To be more precise, from the investigation operated by McKinsey it appears that the revenues of companies considered as long-term grew on average 47% more than their counterpart, and their economic profit grew 81% more than short-term companies in the time span considered (*figure 3.14*).

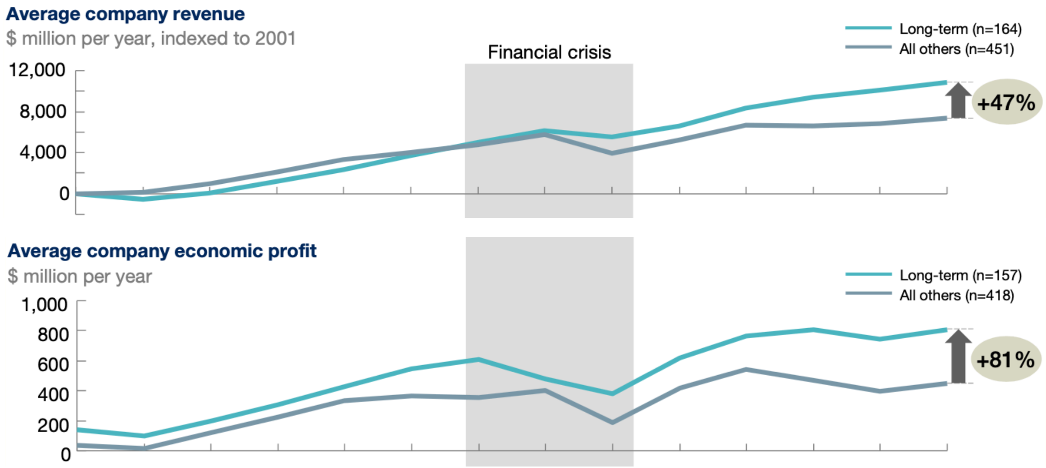


Figure 3.14: *Average Revenue and Economic Profit for Long-Term Companies in the period 2001-2014*, McKinsey (2017)

Moreover, long-term oriented companies have on average invested around 50% more than short-term ones in research and development, and most importantly they continued to invest even during the financial crisis, a period in which many organizations have decided to cut research expenditures. This data is even more interesting if contextualized to the current situation, a moment in which companies must react to the severe crisis caused by Covid-19 pandemic. In the actual economic environment, companies must therefore resist the inducement to use strategies aimed only at maximizing profits and must instead continue to invest in a longer-term vision, research and development activities and innovation.

One of the main criticisms of the long-termism model is that of failing to maximize shareholders' value, which is why, from the survey conducted, it appears that 87% of executives and directors feel the high pressure to have to demonstrate strong financial performance within two years or less. However, this assumption is denied by the information analyzed by McKinsey, which show that the return on shareholders of long-term companies is higher than that of counterparties by around 50%, disproving the main strength of the supporters of short-termism.

Regarding investments in Environmental, Social and Governance programs (ESG), McKinsey published in 2020 a study conducted during 2019 on a sample of 558 participants representing the full range of regions, industries, and company sizes.

The current economic and social context places great pressure on companies to create shared value and to take responsibility towards the environment and society. In the debate, a current of thought considers investments in ESG programs as a constraint and a risk towards obtaining a good corporate financial performance. The opposite thought is instead that this type of investments and programs are an opportunity that companies must seize, to improve their business and to face the social and environmental challenges that are affecting the world.

McKinsey's survey shows that the largest part of the respondents believes that ESG programs increase the value of the company in the short and long term. Furthermore, 57% credit that the implementation of these programs also produces shareholders' value. Only 3% claims that ESG programs reduce value for shareholders and 12% consider themselves uncertain about this.

It is important to note how the trust trend towards ESG programs has changed over time. In 2009 McKinsey conducted the same survey but obtaining different results. The level of trust in ESG programs was in fact considerably lower in 2009, when 25% of respondents declared themselves uncertain about their value creation.

Additionally, the respondents of the survey were then questioned individually on social, environmental and governance programs, and on the value they are capable of generating in the long and short term. As we can see from the graph (*figures 3.15*), confidence in ESG programs has grown over the past 10 years. The value generated by these programs is still considered mainly as long-term, but the short-term factor has undergone a significant increase. In the long run, the highest value is attributed to social and environmental programs, with a percentage of 93%. As for the short-term value, the greatest confidence is attributed to governance programs, with a percentage that stands at almost 80%, while it appears that the environmental programs in the short term do not produce as much value as the other factors analyzed.

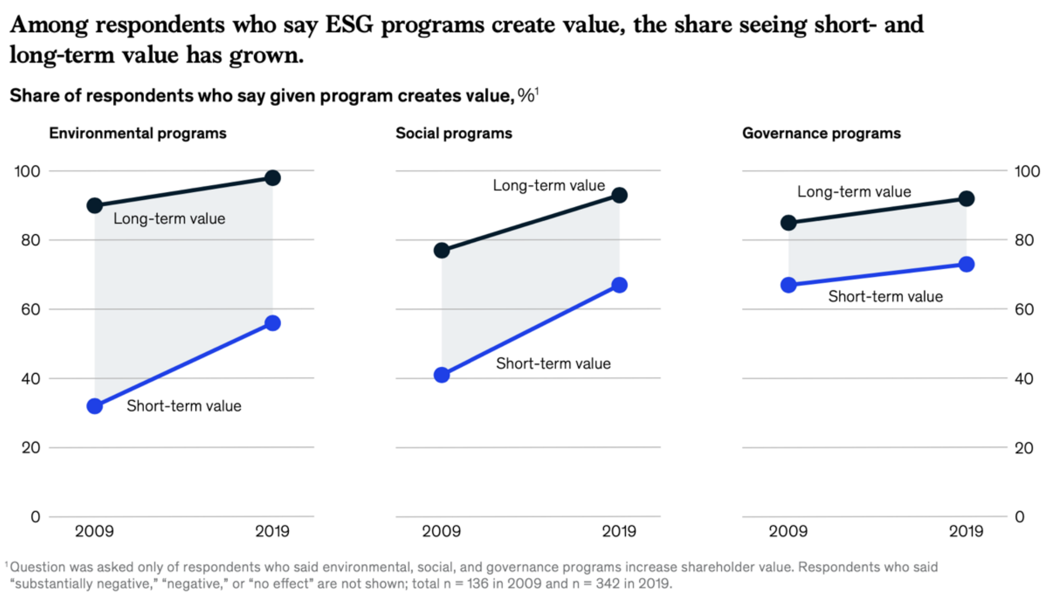


Figure 3.15: *Long-term and Short-term Value created by ESG Programs 2009-2019*, McKinsey (2020)

Regarding the contribution that ESG programs make to financial performance, the perception of respondents has changed considerably over the past decade. In 2009, the major contributing factor to financial performance in implementing the above programs was the increase in corporate reputation, followed by the improved ability to attract talented employees. In the study published in 2020, the value

attributed to these two factors presented a slightly decline, while a strong increase was recorded towards meeting the society's expectations of good business behavior, improving the competitive position of the organization and the access to capital.
It is important to underline that the improvement in corporate reputation still remains the main factor in increasing financial performance according to the opinion of the interviewees, with a percentage of 71%, followed by the ability to attract talented employees, with a figure of 49% and by the 'meet the expectations of the society', with 43 percent.
Finally, according to the results illustrated in the report, the most important aspect of implementing ESG programs is to comply with regulations and meeting industry expectations.

Generally speaking, the economic market in which companies operate nowadays has profoundly changed, and consumers, investors, governments and associations are asking corporations to take actions of greater transparency and responsibility. In light of this context, executives and investment professionals recognize that active ESG programs positively impact corporate performance, helping organizations to distinguish themselves from major competitors and create greater long-term shared value.

3.11 Critiques to the Benefit Corporation Model

Although the benefit corporation model is increasingly taking hold in the world and more and more companies are deciding to join it, a strand of scholars has advanced some criticisms on this hybrid form of doing business.

One of the main criticisms leveled at the benefit corporation model is that it is an unnecessary form of legislation. In fact, in most states, business regulation is flexible enough to allow companies to pursue a dual mission without necessarily changing their statute or legal form. This kind of claim may indeed be true for many countries, but the establishment of benefit corporations should not only be seen as the legal possibility to pursue other purposes than profit, but instead as the legitimacy of a new business model that deviates from traditional for-profit (Loewenstein, 2013).

On the other hand, some scholars contest the Model Act, which they consider as too broad to allow effective control over corporate executives and their commitment to produce a common benefit (Munch, 2012).

Another current skeptical about the benefit corporation model criticizes the concept of common benefit, which appears to be too vague, giving companies the possibility of actually not radically changing their operations towards more sustainable processes (Blount and Offei-Danso, 2013).

According to Andrè (2015), the skepticisms around the discourse on benefit corporations could fall into three areas: traditional corporations are not limited to shareholders' value maximization; becoming a BC increase liability of directors and costs for the company; and finally, the mechanisms in place for benefit corporations to enhance corporate accountability are not efficient enough.

Regarding the first point, a current of scholars believe that the laws on business administration do not limit companies to seek the maximization of the value of the shareholders but are actually flexible and allow the consideration of the interests of the stakeholders (Munch, 2012).

Concerning the second issue, the main criticism of the benefit corporation model is that of being regulated by an extremely vague and imprecise framework, which can only increase the responsibility and liability of managers. The idea of having to direct corporate decisions and operations towards the realization of a common benefit that is not explicitly stated and cannot be quantified, causes a high risk to managers, who can be judged in default (Blount & Offei-Danso, 2013).

Finally, another criticism of the model is that it does not actually protect stakeholders. In fact, benefit corporations are required to take into consideration the interests of all stakeholders, who however cannot punish executives for failing to fulfill their duty, except through legal actions. Actually, the legislation on CBs changes the corporate mission without changing its accountability (Munch, 2012). Furthermore, even the obligation to publish the annual sustainability report does not increase the company's accountability. According to Blount and Offei-Danso (2013), the document does not have to be audited and there are no sanctions or actions in response to a sustainability report that exhibits negative performance.

To conclude on the issue, although the mission from which the benefit corporation phenomenon arises is appreciated, there are several criticisms on the implementation of the model, generally judged as vague and unable to create efficient accountability systems, leaving room for companies to even implement greenwashing actions (Reiser, 2011).

Chapter 4
CASE STUDY: DAVINES S.p.A

The path towards sustainable business models has aroused more and more interest from countless entities, governments, companies and consumers. The community created by B Lab, and the following institution of the figure of benefit corporation, is just one of many possible examples of an ever-increasing stance towards a business that creates a common benefit, and that exploits its power and his abilities for the good of all.

Not only associations and non-profit organizations are asking for this taking of responsibility, but above all consumers, who are increasingly informed and sensitive to the impact that their purchases have on the environment and on people. In this context, many companies have decided to respond to this call and to base their strategies and operations on reducing their negative footprints on the community and increasing the generation of a common benefit.

For the purposes of the study, it was decided to specifically examine a business case, in order to be able to explain in detail how all the different theories and evolutions of the phenomenon of Corporate Social Responsibility are actually implemented by organizations.

In this specific dissertation, it was selected the company Davines S.p.A, an Italian organization that operates internationally in the beauty and cosmetic sector and has always been sensitive and attentive to sustainability issues since its origin. In fact, in 2016 it was certified B Corporation and in 2019 it became a società benefit according to Italian law.

The sources of the data and information examined were mainly taken from the company's official website (davines.com) and from the AIDA

platform. AIDA is the database, created and distributed by Bureau van Dijk, collecting information and financial statements on Italian companies, with a time span of up to ten years. It allows to search for information on individual companies, organizations with similar profiles and perform detailed analysis.
The current economic and health emergency situation caused by the Covid-19 pandemic has unfortunately limited the search for primary data, in particular compromising the availability of companies to issue interviews and gather information. For this reason, it was not possible to integrate the data present in the AIDA database with ones delivered directly by the corporation Davines SpA. However, the company was contacted and provided numerous materials on business strategy and the transition to benefit corporation and the B Corp Certification, which were used for the purposes of the analysis.

4.1 The History of the Company

Davines S.p.A. is an Italian company operating in the beauty and cosmetic sector. It was founded in Parma in 1983, from the Bollati family, originally intended as a research and production laboratory of high-quality hair care products, designed for renowned cosmetic companies around the world.

After a decade of research, in 1992 the brand Davines has been formally established and entirely dedicated to professional cosmetic products for hairdressers.

In 1994 the company started to sell its products internationally and in 1996 it founded the brand [comfort zone], completely focused on the skincare and aimed at the distribution in beauty salons and spas.

The company's business continued to grow and expand globally when the organization's New York branch opened in 2004.

In 2005 Davines decided to publish the *Carta Etica*, a document drawn up by the company's employees in collaboration with a philosopher. The document is not intended as a manual of rules or instructions, but rather as a proposal of ethical and moral behaviors to be adopted within the working environment, with the aim of improving the living conditions of all. The objective of the Carta Etica is therefore to propose a series of shared values that align and inspire the company's employees. This initiative moved by the corporation, already demonstrates the interest in the well-being of its employees and the alignment of their values with those of the company, considered as a fundamental condition for the well-functioning of the organization.

The firm continued to expand and opened its branch in Paris in 2006. In the same year, the achievement of a very important objective for the company and for the path towards a sustainable business occurred, as the Parma office is finally powered by renewable energy sources. Furthermore, Davines launched the first CO2eq compensation program.

The following year the organization inaugurated the branches in Mexico City and London and published the *Sustainable Beauty Manifesto*, a celebration of individuality and diversity, but in complete harmony with the principles of sustainability and beauty, considered as fundamental by Davines.

Still on the theme of adopting a sustainable business model, in 2011 the company published the *Packaging Research Charter*, which contains a guide for a sustainable selection of raw materials and suppliers that the company uses for its productions and operations.

In 2013 Davines Group continued its expansion in Europe by opening branches in the Netherlands, Germany and Belgium.

In 2014 the *I Sustain Beauty* campaign was launched, a global campaign that aims to support and enhance beauty in the world. Through this campaign, Davines is committed to promoting projects that produce a positive impact in the social, artistic and environmental fields, which up to today number more than 200.

The 2016 is signed a milestone year for Davines Group, which finally obtained the B Corp certification, with a score of 99 at the B Impact Assessment. After the numerous projects implemented by the company in the context of generating a positive impact on the environment and society, this type of recognition marks a very important step as it allows the organization to join an international community that shares its own goals and values.

In 2018 opened Davines Village in Parma, an architectural project aimed at representing the highest values of beauty, sustainability and well-being that have always guided the company's mission and a place where ethics and aesthetics coexist. The architectural complex, which houses the company's offices and research and development laboratories, was designed to represent three elements dear to the organization: transparency, participation and community. The value of transparency is expressed by the heart of the complex, a glass greenhouse that allows the view of the outside nature from any office or working position. The architectural complex represents the value of the participation because it is designed with the aim of enhancing the concept of beauty dear to Davines even in the workplace and facilitating sharing and collaboration of all the employees thanks to its structure. Finally, the value of the community is represented by the fact that the complex was designed with the aim of recreating living spaces similar to those of a real

home, inventing welcoming areas that do not recall the traditional company establishment.
Next to the Davines Village buildings there is also the Scientific Garden, conceived as a place where is it possible to have a close link with nature and at the same time a place of research. The Garden, considered as an open-air laboratory, allows the company to draw on fundamental resources and ingredients for its productions in a simple and sustainable way, also ensuring high quality results.
Davines Village is also zero plastic, i.e. devoid of any form of disposable plastic, underlining how the company's constant commitment to sustainability translates into simple actions. Finally, 100% of the electricity used inside the Village comes from renewable sources.
This project created by Davines can be considered an outstanding example of sustainability and innovation and wants to represent how all the company's values can coexist in one place, always putting the well-being of its employees at the center and physically realizing the concept of Sustainable Beauty.

Furthermore, in the same year, *La Fioritura della Carta Etica* is published, thirteen years after the release of its original version. This new document does not act as a substitute for the previous one but rather as an update to live and interpret the values of the company, with the aim of developing new ideas for analysis and reflection. In the document the firm’s ethical heritage is outlined, which is based on three pillars: sustainability, inclusiveness and innovation. The founding values of Davines are specified in the new Ethical Charter, and a guide is proposed to make the role of whoever reads it proactive, through food for thought and several workshops.

Finally, Davines gained in 2018 the qualification as Best for the Environment issued by B Lab just two years after obtaining the certification and recorded a score of 117.4 in the B Impact Assessment for the recertification.

Finally, 2019 signs an important moment for the company, as Davines officially becomes a Società Benefit.

4.2 Overview of the Business

Davines Group is an international S.p.A operating in the professional haircare market with the brand Davines, and in the beauty and cosmetic market with the brand [comfort zone] and /skin regimen\.
The Group is committed to the manufacture of high-quality products, developed using the most advanced and innovative technologies.
The Mission of the corporation is clear and well-defined, and it is "to be the best for the world, creators of good life for all, through beauty, ethics and sustainability which, combined with a defined strategy, represents the guide for our multi-year plan" (Davide Bollati, 2020).
In 2019 Davines Group is present in 90 countries around the world, with 7 offices worldwide, 709 employees of 46 different nationalities and more than 40.000 customers and realizes the 79% of its revenues abroad.
Regarding the financial figures, at the end of the financial year 2019 Davines records a turnover of 163 million euros, experiencing an increment of 10% respect to the previous year.

The strategic direction of the Group is guided by the value of *Sustainable Beauty*, which represents a balance between beauty and sustainability, a great attention to the environment and the human beings, together with the proposition of excellent and innovative products completely made, designed and conceived in Italy.

The corporation bases its business on the *Stakeholder Theory* (Freeman, 1984), taking into account in its operations and activities the impacts of all the stakeholders, with the aim of ensuring at the longevity of the company and considering long-term objectives that are sustainable in the future.

The commitment of the company to its stakeholders is shown in the *Stakeholder Wheel* (*figure 4.1*), which reflects the needs and expectations of all the entities which influence or are influenced by Davines.

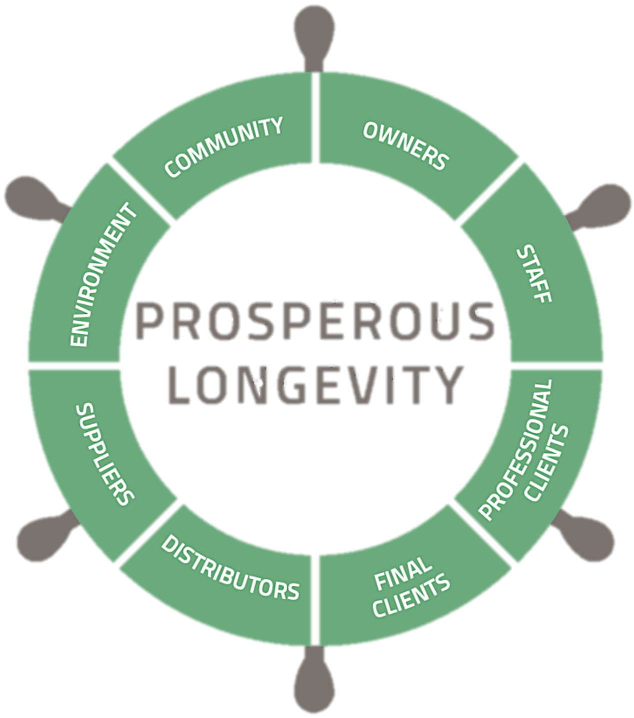


Figure 4.1: *The Stakeholder Wheel of Davines Group*, davines.com

In the Stakeholder Wheel, the corporation shows and explicates the relationships and the impacts on all the stakeholders, describing its pledge for each of them.

Considering the Community, the commitment of Davines is to be considered as an exemplary model of sustainability. Concerning the Environment, the company has the objective to produce a positive impact on it. The Suppliers must be treated honestly and fairly and are supposed to act as promotors of excellence and good conduct.

From the Distributor point of view, Davines wants to be consider as the possible business partner and from the Final Clients as provider of high-quality products and services and of an excellent customer experience. The corporation is committed to be considered from its Professional Clients as an added value to their business and an ally in delivering the best possible experience for the final customer, creating a community in which to collaborate. Davines aspires to be a place for its employees in which being able to self-realize and finally, it is committed to make the Owners proud of its performance and sustainability.

4.3 Market Analysis

To better understand the overall performance of the company, a market analysis of the sector in which it operates is needed.
The information regarding the macroeconomic factors of the market have been taken mainly from the Beauty Report 2019 (Cosmetica Italia, 2020) and the Report on Operations to the 2019 Financial Statements (Davines Group, 2020).

Davines Groups is operating in the beauty and cosmetic market, which values worldwide for around 400 billion dollars and in which the first 100 companies for revenues hold some 223 billion dollars of the entirety.
In the last thirteen years, the market has experienced a growth of around 4% on average on annual basis, showing a solid and constant sector, elastic to macroeconomic fluctuations.

Globally speaking, in 2019 North American market consolidated the position of the previous year while the relevant growth of emerging markets is continuing, in particular thanks to the Skincare sector. In 2019, Asia detains the highest market share, with a figure of 41% of the overall market, followed by North America, with a figure of 24%, and by Western Europe, with the 18% (*figure 4.2*).

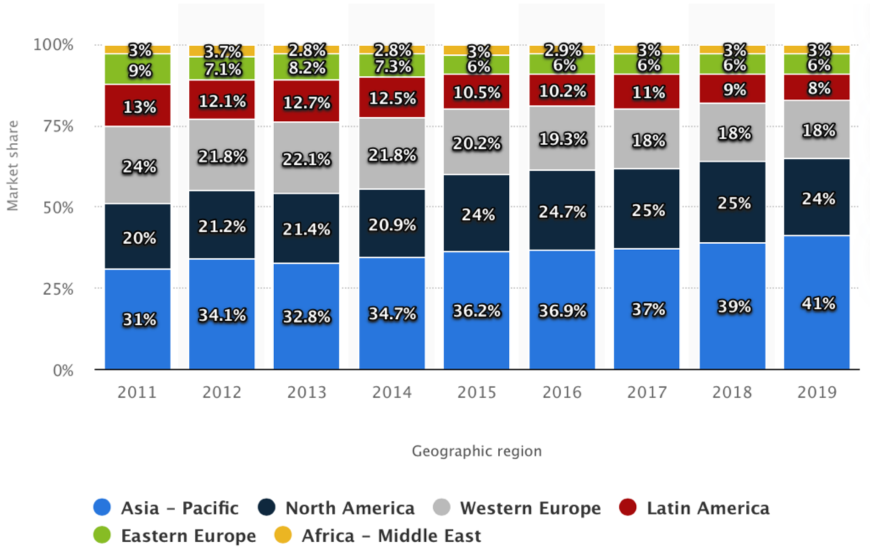


Figure 4.2: *Breakdown of the Cosmetic Market Worldwide from 2011 to 2019, by Geographic Zone,* Statista (2020)

The Italian beauty and cosmetic market experienced in 2019 an increment of the total revenues of 1.5% respect to the previous year, with a figure of 12 billion euros.

Sales, in the period considered, show a constant trend in terms of volume and are diversified among the increasingly numerous types of retail.

Turnover in professional sales channels such as beauty and hairdressing salons shows growth of 1.7% compared to the previous year, while that in traditional channels recorded an increase of 2.7%. The hairdressing sector also recorded a growth of 2% compared to 2018. Export still covers a large part of the general turnover, representing 41% of the total.

Regarding the trends in consumption, the emergence of a new phase of consumer behavior in the beauty sector is increasingly evident, with a growing interest in *Social Beauty*. Consumers are in

fact willing to have an almost personalized experience, both through online channels and through professional centers.
There is also a growing interest in the quality of products, and the use of raw materials of natural and vegetable origin, causing a phenomenon in which niche brands increase their market share to the detriment of the major players in the sector.

4.4 Strategy and Evolution of Davines Group

The positive performance achieved by the Group in 2019 demonstrates the validity of the strategy implemented, based on the *Sustainable Growth* slogan, about the combination of innovative and high-quality products and attention to sustainability with a long-term vision. Attention to quality, together with a strong commitment to the territory and the promotion of Made in Italy, are the basis of the strategic decisions made by Davines. People are placed at the heart of the excellent performance achieved in the year just ended. The attention of the organization towards its employees and collaborators is expressed by the various training activities and formations proposed, up to the attention to equal opportunities and multiculturalism.

The company mission is clear and concise, and it is "To be the best for the world". For this reason, the company has decided to align its decisions and operations with the 17 Sustainable Development Goals and the objectives of the United Nations Agenda 2030.

In 2019 the Group has continued to focus its strategy on the promotion of a wide range of innovative and high-quality products, also focusing on the training and skills of its professional customers through courses and coaching services. The Group, in the time span considered, has continued to increase its investments in research and development in order to reconcile innovation and sustainability.

In line with its strategy, in 2019 Davines launched an important product line called *A Single Shampoo*, the first shampoo totally carbons neutral and with the 95% of ingredients of natural origin. This project aims to address a market of consumers who are increasingly attentive to the sustainability of the products they buy, and who are significantly aware and frightened by the now common phenomena of Green Washing.

The Group's activity continues to be aimed at pursuing the dynamics of economic growth and market penetration through the finalization of the brand, products, internationalization strategy and a mission aimed at differentiating the business model characterized by a strong identity, creativity, innovation and high quality.

Davines' business model is inspired by giving solidity and durability to business activities, following a logic of internationality and quality and is based on maintaining the uniqueness of its brands and developing sales and profits.

Through this model, the Group aims to create a system of product quality, skills/human capital, quality of distribution partners and relationships with end customers in order to support growth and have long-term objectives.

4.5 Economic Performance

The Blended Value Proposition (Emerson, 2003), together with the concept of Triple Bottom Line (Elkington, 1994), assumes that a sustainable company should maximize the economic, social and environmental performance at the same time.

As postulated by Porter and Kramer (2006), the economic performance is essential for the creation of a common benefit, and it is fostered by the advancement in environmental and societal issues, which should be not considered as constraints by companies but rather as opportunities.

In order to investigate the economic performance of Davines and how it has changed through the years, information from the database AIDA will be analyzed, examining the financial data published on the platform and the Report on Operations to the 2019 Financial Statements signed by the CEO Davide Bollati (2020).

Generally speaking, the Davines Group has experienced in the past years a significant growth in the economic and financial performance. In the Report of 2019, the CEO Davide Bollati remarks the great achievements of the company in the last five years.

The financial year 2019 just concluded, has recorded for Davines Group revenues for 163 million euros, with a growth of about 10% with respect to 2018. It has been an outstanding year for the Group on several fronts, having achieved almost all the objectives and forecasts planned previously, confirming a positive trend which has been going on for 25 years, both in terms of strategic positioning and in economic-financial terms.

The consolidated financial statement closed at the end of 2019 shows profits for 13,1 million euros, an impressive result, even more if considered the several investments and research and development activities operated by the company during the period, which will express their outcomes only in the upcoming years.

The sales related to products alone attested at 149,2 million euros in 2019, with an annually increment of 10.6%, of which + 8.6% realized in the Italian territory but related to an even greater international expansion.

Generally speaking, revenues show a constant positive trend with significant growth since 2014, as shown in the table (*figure 4.3*).
The positive trend in sales of products and services is to be linked to the strategy operated by the Group and to some differentiating factors such as quality, innovation, transversal positioning with a wide range of product lines for both the Davines brand and for Comfort Zone, combined with the ever growing presence in international channels.

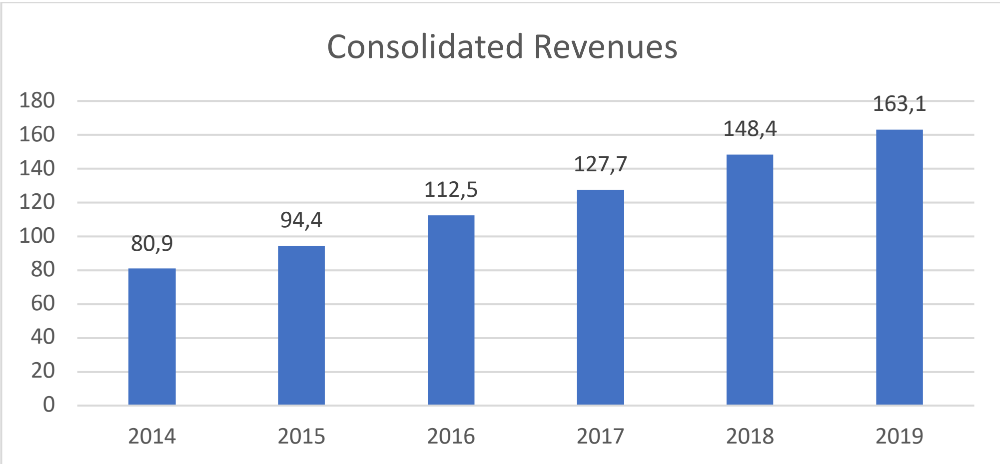


Figure 4.3: *Consolidated Revenues of Davines Group 2014-2019 in Million Euros*, Personal analysis of data from Aida database (2020)

Concerning the economic performance, the 2019 results confirm the quality and validity of the operations implemented by the company to increase profitability.
The Consolidated Income Statement for 2019 shows a growth in sales volumes and an increase in the relative margins, but at the same time a containment of operating costs which jointly generated an increase in the Gross Operating Margin (EBITDA), which recorded an expansion of 12%, presenting a figure of about 22 million euros. The trend of EBITDA over time shows a constant positive trend, presenting an increase of 170% compared to the figure of 2014

(8,403,000 euros), and an increase of 74% compared to the figure of 2016 (approximately 13 million euros).

The positive economic performance is also attested by the Operating Profit (EBIT) in 2019, which amounted to 16.9 million euros, equal to 10.4% of net revenues.

The company's Net Profit performance shows outstanding results. In 2019 the Net Profit recorded by the company stood at over 13 million euros, confirming the positive trend since 2014. In just 5 years, the company has more than tenfold its result, which has also tripled since 2016 (*figure 4.4*).

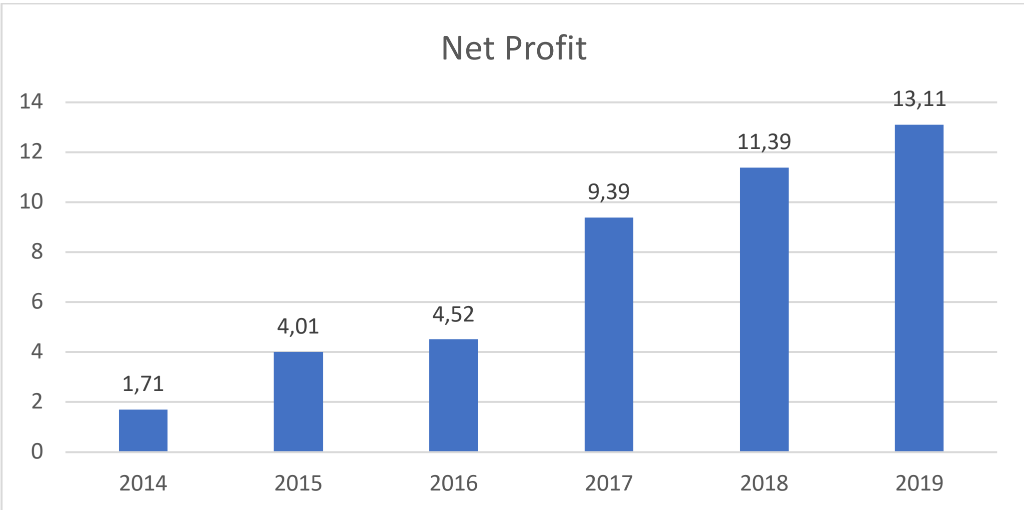


Figure 4.4: *Net Profit of Davines Group 2014-2019 in Million Euros*, Personal analysis of data from Aida database (2020)

Concerning the Consolidated Balance Sheet, the data reveals a solid situation for the Davines Group, which demonstrates its ability to maintain financial balance in the medium and long term.

As far as capital solidity is concerned, primary and secondary structural margins still show negative values but record positive variations compared to the previous year, and are mainly caused by the Group's investments, in particular the Davines Village. The company declares the strategic importance that it confers to this kind of investments in order to be contemporary to the market and to maintain a vision to the long-term performance.

Regarding financial values, in 2019 the financial debt of Davines Group amounted to -37 million euros, slightly decreased from the past year. The result is in line with the several investments operated, both industrial and research and development, in order to maintain the strategic position of the company and long-term objectives and it is almost entirely due to the assets for the construction of the Davines Village.

The structure of the financial debt shows improvements compared to 2018, presenting a trend towards consolidation in the medium-long term, while the financial debt ratio remains constant at 0.5. The primary and secondary liquidity indexes present figures of respective 1,4 and 2,3 showing respectively increments of 0,5 and 0,7 to 2018. The cash flow generated in 2019 increased compared to the previous year by 7.5 million euros, demonstrating the positive growth and profitability performance.

According to the Report on Operations published by the company, Davines Group's tendency is to create long-term sustainable value by implementing numerous investments and research and development activities.

In order to better evaluate the company's performance and profitability, it will be also carried out a ratio analysis, considering the variation of the main indexes in a time span of five years.

The first index to consider when analyzing company profitability is ROE, which expresses the Return on Equity (Net Income/Equity). It is one of the most relevant profitability ratios and measures how effectively the management is using the company’s equity to generate profits. Moreover, ROE indicates the degree of sustainability of

corporate investments, as it makes understand how much income the risk capital is able to generate and, therefore, what the level of net profits is, such as not to make it necessary raise the company's debt.
As shown in the chart (*figure 4.5*), the value of the ROE for the Davines Group shows a positive trend until 2017, exhibiting a significant increase between the year 2016 and 2017. Since 2017, the company's ROE has shown a slightly decrease, however settling at considerably high figures. In general, considering the period of time analyzed, the ROE for the Group has increased by approximately 15 percentage points.
The ROE analysis has an even greater value if compared with the average of the sector of interest. According to the data and analyzes provided by the Centro Studi di Cosmetica Italia, the average ROE among Italian companies in the industry of cosmetics stood at 9.1% in 2016. This comparison demonstrates how the return on equity generated by Davines is more than triple than the market average.

In the following analysis, due to a limitation on the availability of data, the values for the economic figures examined will be confronted with the relative average ones in the cosmetic Italian market, for which the most updated available data are the ones published by the Centro Studi di Cosmetica Italia in 2016. The average values of the market will be represented with the dotted line on the following graphs.

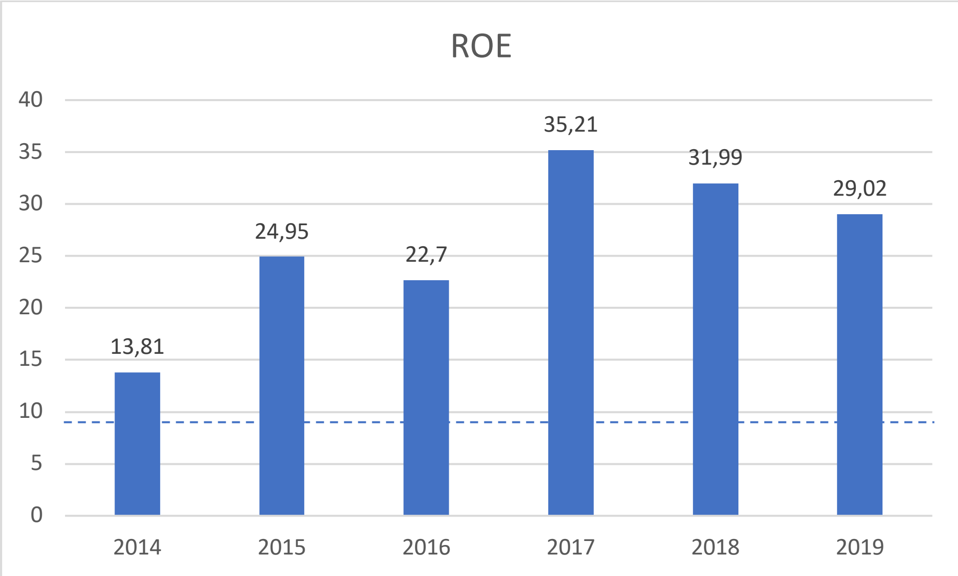


Figure 4.5: *ROE of Davines Group 2015-2019 in %*, Personal analysis of data from Aida database (2020)

The second relevant ratio to analyze is the ROI, which is the Return on Investments (Net Income/Cost of Investment).

ROI measures a company's ability to generate income from invested capital. In this sense, ROI is another index of the company's management capability.

As illustrated in the graph (*figure 4.6*), the ROI of the Group has more or less constant values for the period from 2015 to 2018, however presenting a significant decrease for the year 2019. Net Income in the analyzed period follows a positive growth trend, demonstrating how the drop in ROI is mainly due to an increase in investments made. Considering the most recent data available (Centro Studi Cosmetica Italia), in 2016 in Italy the average ROI generated by companies in the cosmetic industry stood at 4.2%, showing how the results achieved by Davines are about five times the market average.

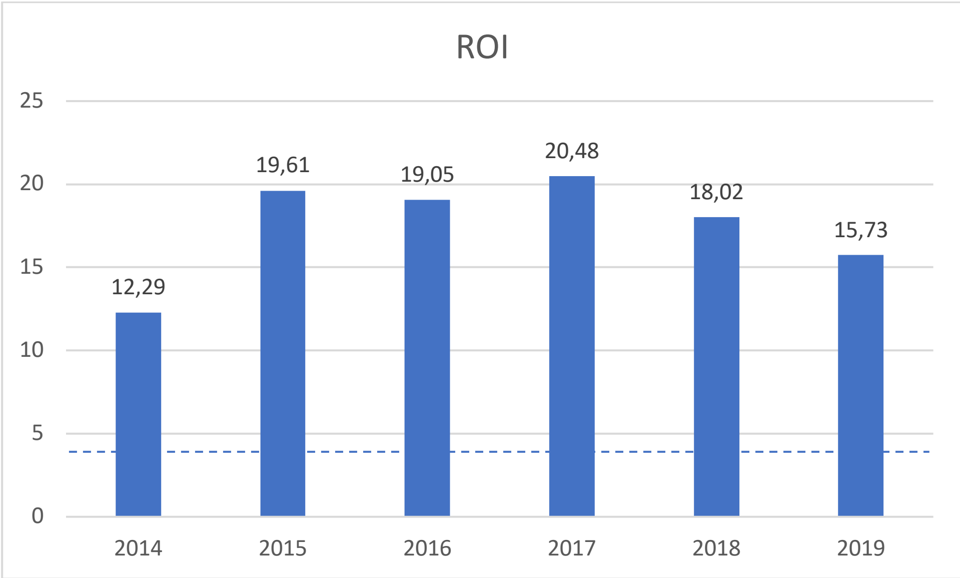


Figure 4.6: *ROI of Davines Group 2015-2019 in %*, Personal analysis of data from Aida database (2020)

To continue the analysis of corporate profitability, a study of the ROS ratio is relevant. Return on Sales (Operating Profit/Net Sales) measures the company's ability to generate income from sales. The ROS index then evaluates the efficiency of the corporation in generating profits compared to the turnover achieved. The trend in the value of the ROS generated by Davines in the period of time examined shows a significant growth in the company's ability to produce income from sales starting from 2017, presenting an increase of about 4 percentage points in respect to the precedent year (*figure 4.7*). However, since 2017, the values show a negative trend, still settling on relatively high figures.

Comparing the results obtained by the company with the average results in the cosmetics sector for the year 2016 (Centro Studi Cosmetica Italia), the average sales profitability index stands at 4.1%, demonstrating how the values recorded by the Group are well above the average of the reference industry in Italy.

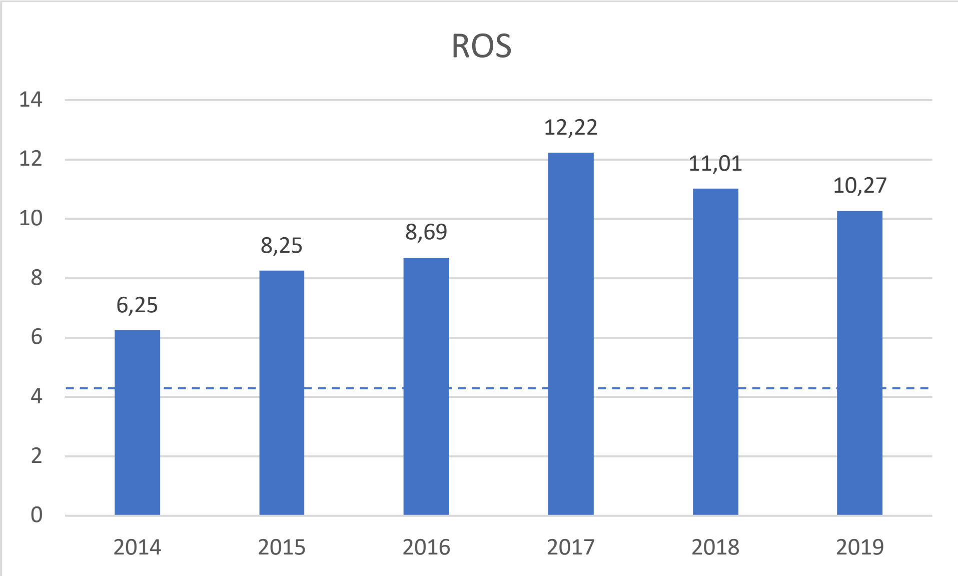


Figure 4.7: *ROS of Davines Group 2015-2019 in %*, Personal analysis of data from Aida database (2020)

4.5.1 Economic Performance: Comparative Analysis

In order to better evaluate the economic performance of Davines SPA, a comparative analysis is needed. The economic performance of the company will be compared with the ones of the Italian organizations present in the *peer group* developed by the AIDA databank, based on ATECO code, dimension and revenues.

The ten corporations selected by the platform are: Reckitt Benckiser Italia SPA, Paglieri SPA, Cosmint SPA, Mirato SPA, Sintesi e Ricerca SPA, Chromavis SPA, Procter & Gamble Italia SPA, Ancorotti Cosmetics SRL, Pettenon Cosmetics SPA, Art Cosmetics SRL and Davines SPA (it will be taken into account the parent company of the Group alone).

It is relevant to underline that none of the corporation considered for the analysis is a Certified B Corporation or a Benefit Corporation.

All the organizations selected belong to the same industry, identified by the code: ATECO 2007 - 204 VL (Very Large Companies) - Manufacture of soaps and detergents, products for cleaning and polishing of perfumes and cosmetics (20.41; 20.42).

The first relevant factor of analysis is given by the revenues. In 2019 Davines SPA reached position number four (with a figure of approximately 122 million euros) for the value of sales revenues, compared with those of the companies considered in the study. As we can see from the graph (*figure 4.8*), the firm's position for revenues increased significantly in 2019, due to a relevant growth in the figure compared to that of its competitors, which values appear to have been basically constant.

Ragione sociale	Codice consolidato	2019		2018		2017		2016		2015		2014	
Ricavi delle vendite migl EUR													
Mediana		*121.047*		*116.307*		*119.120*		*112.399*		*107.572*		*111.941*	
Deviazione standard		*11.504*		*15.712*		*20.169*		*25.503*		*41.663*		*36.915*	
Media		*117.050*		*116.193*		*110.686*		*104.276*		*90.325*		*94.379*	
RECKITT BENCKISER ITALIA SPA	Non Cons.	136.386	1	128.068	2	126.157	3	130.739	2	128.726	1	135.806	1
PAGLIERI S.P.A.	Non Cons.	129.734	2	125.640	4	120.155	5	121.696	4	123.076	3	124.445	2
COSMINT - SOCIETA' PER AZIONI	Non Cons.	127.059	3	142.129	1	138.980	1	135.929	1	128.002	2	119.124	4
DAVINES S.P.A.	Non Cons.	122.077	4	111.507	8	89.544	10	84.788	8	72.397	8	63.075	8
MIRATO S.P.A.	Non Cons.	121.889	5	123.717	5	124.120	4	120.858	5	118.724	5	118.682	5
SINTESI E RICERCA S.P.A.	Non Cons.	121.047	6	116.307	6	119.120	6	110.520	7	106.272	7	105.199	6
CHROMAVIS S.P.A.	Non Cons.	114.878	7	126.936	3	131.522	2	125.486	3	107.572	6	90.571	7
PROCTER & GAMBLE ITALIA S.P.A.	Non Cons.	107.558	8	114.743	7	112.733	7	112.399	6	121.244	4	123.220	3
ANCOROTTI COSMETICS S.R.L.	Non Cons.	104.489	9	100.589	10	90.010	9	71.979	9	43.270	10	27.548	10
PETTENON COSMETICS S.P.A.	Non Cons.	102.302	10	79.935	11	72.521	11	63.598	11	0	11	n.d.	
ART COSMETICS S.R.L.	Non Cons.	100.137	11	108.547	9	92.686	8	69.045	10	44.295	9	36.118	9

Figure 4.8: *Revenues of Davines SPA and Peer Group 2014-2019*, Data from Aida database (2020)

The second factor object of study is EBITDA, a profitability measure that highlights the income of a company based solely on its operational management, without considering interest, taxes, depreciation and amortization. EBITDA therefore gives a quick view of company operations, showing how a company is really performing and it can be used to compare the profitability of different organizations.

For the year 2019, Davines ranks fourth juxtaposed to the competitors for the value of the EBITDA, which amounts to about 15 million euros. The positive trend of growth that has occurred in revenues is confirmed also in this case, leading the company to record a 125% increase in EBITDA compared to 2014.
The company with the largest figure is Procter & Gamble, which presents an EBITDA of approximately 33 million, more than double of that of Davines. P&G's performance is in any case outstanding, as it is significantly higher than the ones of the competitors. The company which recorded the lowest EBITDA is the Chromavis SPA, with a figure of around 9 million euros. Overall, the average EBITDA for the companies considered is 13 million, which validates a good result for Davines.

Concerning the ROS ratio (Return on Sales), the highest performance is the one of P&G, with a figure of 13,8%. Davines records 9,8%, higher than the average figure which is 7,78%. Confronted with the other competitors, Davines positioned fourth for the results obtained in the evaluation of the ROS, which has increased since 2014, year in which the company presented a value of 6,64 percent.

As far as profits are concerned, Davines in 2019 positioned at the second place, with a figure of around 13 million euros. The company recorded significant growth in the period considered, performing six times higher than in 2014. The first organization in terms of profits is Mirato SPA, with a figure slightly higher than that of Davines, which is in any case largely above the average of 6.6 million euros.

Regarding the analysis of the ROE ratio (Return on Equity), Davines presents the best result with respect to all the competitors object of study, with a figure of 28.44% for 2019, approximately double than the average value which stands at 14.20% (*figure 4.9*).

Redditività del capitale proprio (ROI													
Mediana		14,34		15,44		15,57		18,90		6,64		7,98	
Deviazione standard		8,34		11,30		16,55		14,34		19,90		16,97	
Media		14,20		17,27		18,47		21,58		5,87		7,56	
DAVINES S.P.A.	Non Cons.	28,44	1	33,12	2	35,45	3	23,00	4	20,82	3	12,45	4
PAGLIERI S.P.A.	Non Cons.	26,33	2	21,55	4	-12,21	11	11,60	8	4,59	9	-2,84	8
ANCOROTTI COSMETICS S.R.L.	Non Cons.	20,32	3	23,04	3	35,74	2	57,09	1	8,09	5	18,11	3
PETTENON COSMETICS S.P.A.	Non Cons.	17,52	4	16,96	5	16,51	5	18,90	6	-9,97	10	n.d.	
ART COSMETICS S.R.L.	Non Cons.	15,49	5	40,54	1	51,65	1	38,75	2	35,97	1	40,55	1
SINTESI E RICERCA S.P.A.	Non Cons.	14,34	6	8,79	9	9,91	9	12,50	7	4,78	8	2,41	7
MIRATO S.P.A.	Non Cons.	12,96	7	13,32	7	10,94	8	11,51	9	12,49	4	11,54	5
RECKITT BENCKISER ITALIA S...	Non Cons.	9,53	8	0,96	11	13,85	7	10,52	10	6,64	6	-19,52	10
PROCTER & GAMBLE ITALIA S....	Non Cons.	6,06	9	3,82	10	3,99	10	5,08	11	5,09	7	4,41	6
CHROMAVIS S.P.A.	Non Cons.	4,38	10	12,42	8	15,57	6	25,75	3	-45,78	11	-15,01	9
COSMINT - SOCIETA' PER AZI...	Non Cons.	0,85	11	15,44	6	21,74	4	22,72	5	21,81	2	23,45	2

Figure 4.9: *Return on Equity of Davines SPA and Peer Group 2014-2019*, Data from Aida database (2020)

As previously analyzed, the ROE for Davines recorded a positive growth trend from 2014 to 2017, the year after which it suffered a slight decline, however reaching significantly high values. The trend of the figure for the competing companies instead was non-constant, recording strong variations from year to year. Return on Equity can be considered as a summary of the overall economy of the company, evaluating how the ability of the management to generate profits from assets. For this reason, Davines' performance, also taking into account the comparison with competitors, demonstrates the company's effective ability to generate returns.

The last factor under study is the Debt/EBITDA ratio, which is one of the most used solvency ratios, which measures how long the company is able to repay the financial debt through Gross Operating Margin. The ratio indicates the potential capacity of the company's operations to repay the debt, excluding some other cost elements (interest, taxes, amortization and depreciation). Generally speaking, the higher the ratio, the lower the company's ability to repay the debts.

The value recorded by the Davines is the highest among the competition, presenting a figure of 2.67%. The average Debt/EBITDA, on the other hand, stood at 1.33%. This result shows a possible risk factor for the company, which has a ratio higher than the average of its competitors. It should be emphasized that this is partly due to the company's strategy of making numerous investments, as the company's Gross Operating Margin presents a figure in line with the ones of the other organizations.

4.6 Davines and SDGs

Launched in January 2020 by the United Nations, 10 years after the deadline to reach the 17 Sustainable Development Goals, the SDG Action Manager is configured as a tool that can guide companies in directing their efforts to collaborate towards achieving the SDGs. The platform measures the contribution of companies to each Sustainable Development Goal, promoting and delivering suggestions in order to implement the results.

The Davines Group has made the decision to use this tool to make its path towards aligning its business with the 2030 Agenda promoted by the United Nations and with a sustainable business model even more efficient. The results of the assessments show great achievements for the company regarding the path through the attainment of the Agenda 2030 launched by the United Nations (*figure 4.10*).

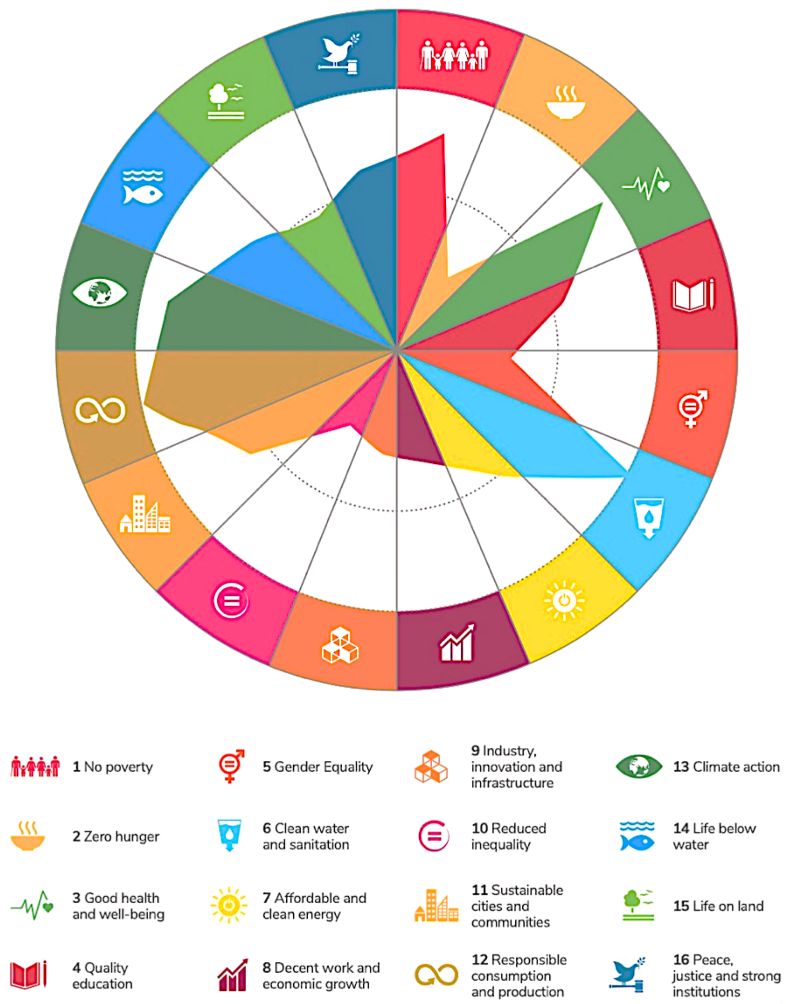


Figure 4.10: *Results of the Davines Group's Contribution to the SDGs According to the SDG Action Manager*, davines.com

The highest result is recorded for the SDG 14, which is Life Below Water, followed by the SDG 12 Responsible Consumption and Production, the number 3, Good Health and Well-Being and the SDG 13, which is Climate Action, absolutely in line with the outcomes of the B Impact Assessment.

4.7 Davines as a B Corporation

In 2016 Davines finally obtained the B Certification entering in the B Corp community, with a score of 99 in the B Impact Assessment.

Only two years after gaining the certification, the company has been qualified in 2018 as the *Best for the Environment* from the B Lab, entering in the Best for the World Honorees List, which identifies the companies around the world that have generated the highest positive impacts on some areas: Best for the World Overall, Best for Workers, Best for Costumers, Best for the Environment and Best for Community. In the same year, only 26 Italian companies obtained the qualification, which represents a great accomplishment for Davines Group.
The Best for the World qualification is gained from companies when they present scores that are in the best 10% of the overall list of B Corporations. In this sense, Davines in 2018 has scored in the environment section a figure positioned in the best 10% of the overall list of B Corporations globally speaking. Moreover, the company obtained the qualification of Best for the Environment also in 2019, confirming the results attained thanks to the efforts that have been made during the past years.

The 2019 signs also the year of the recertification for the corporation, which means confirming to be eligible to maintain the B Corporation status, according to the results of the B Impact Assessment.
From 2016 to 2019, the Group has been strongly committed on several fronts to improve the score of 99 recorded in 2016. After the efforts made, the company reached the score 117.4 in the B Impact Assessment in 2019, which marks an impressive result.
As shown in the data provided by the corporation and the B Lab (*figure 4.11*), the average B Impact Score of companies that complete the BIA is only 50.9, and the figure in order to be certified is 80. In this sense, 117.4 represents a relevant score overall, confirming the validity of the actions taken by the company toward sustainability.

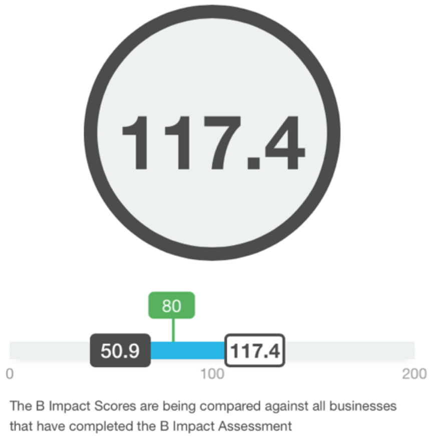


Figure 4.11: *B Impact Assessment Score of Davines in 2019*, davines.com

To go into more details, the highest score registered from the company is in the Environment section, with a figure of 50, followed by the Workers, with 23, and the Community area, in which Davines records 22 points. The lowest figure is represented by the Customers, with a score of only 4 (*figure 4.12*).

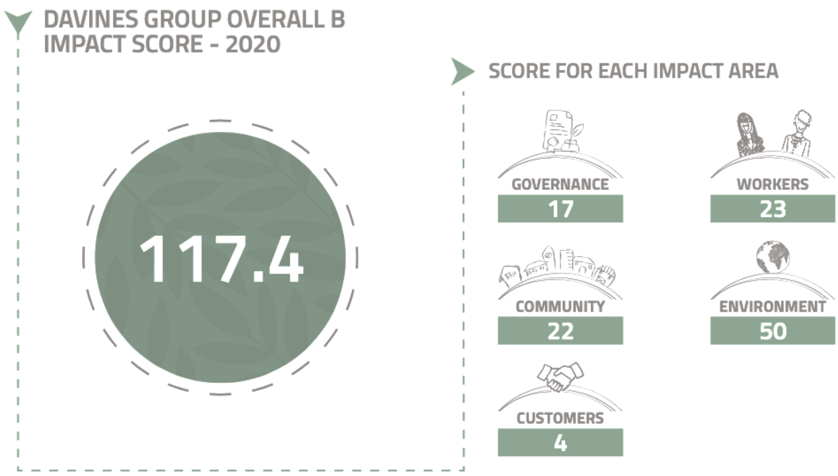


Figure 4.12: *B Impact Assessment Results of Davines for Each Area*, davines.com

The great achievements obtained by the organization have been the results of the ongoing commitment of Davines, which has decided to focus not only on direct impact projects but also on actions with an indirect impact, such as investing in the training and engagement of each collaborator. In fact, the company was dedicated to making sure that each branch and department cooperated to achieve the common goal of creating a positive impact. In this sense, in the headquarter in Parma, a *Sustainable Development Enabler* was assigned to each department in order to foster and make the efforts and operations of each division synergistic. On the other hand, in the several branches around the world, this role has been played by the *B Corp Team,* which also developed each year a B Corp improvement plan which involves the collaboration of the entire team of the office.

At the conclusion of the B Impact Assessment, the B Lab organization always proposes a series of actions to be taken in order to further increase the performance of the company and its path towards a sustainable business. After the recertification in 2019, Davines was suggested to focus its attention on safeguarding biodiversity in all phases of its supply chain.

The company has therefore already begun to undertake this journey through its new line of Essential Haircare products, in which each creation contains an ingredient from the Slow Food Presidium for the protection of biodiversity. Each component comes from small Italian farmers engaged in the fight to preserve biodiversity, with an outstanding care to the safeguard of the territory (*figure 4.13*).

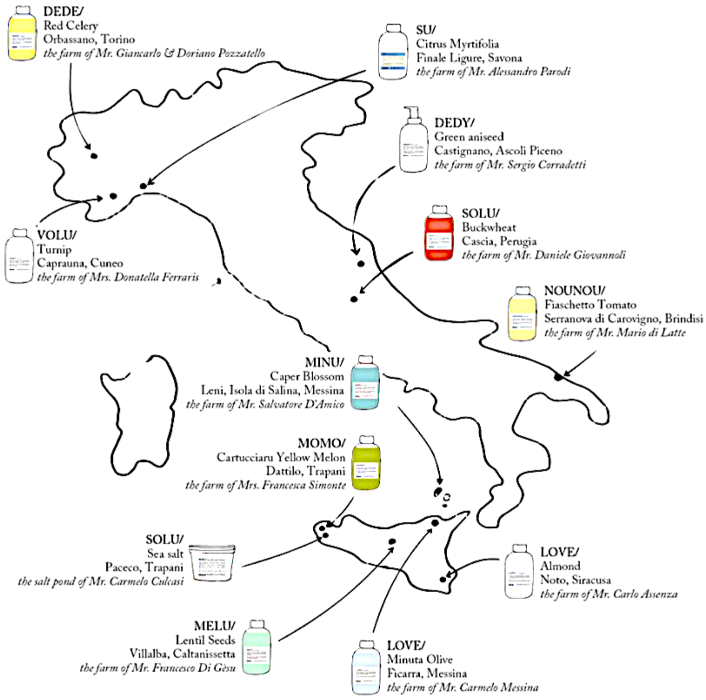


Figure 4.13: *Slow Food Presidium Products for the Essential Haircare Line,* davines.com

Moreover, the product line is realized with raw materials of natural origin and biodegradable, with the aim of minimizing the impact of the operations on the environment. Finally, sustainability also concerns packaging, where the containers are produced only through renewable energy sources.

4.7.1 People

Davines S.p.A. is committed to become the best *for* the world, and in particular in three main areas that can be identified as People, Planet, Community.

Regarding the People, the company declares its pledge in promoting a positive workplace for its employees in all branches around the world.

In the *Sustainability Report 2018/2019* published on the website of the company, Davines collects the goals set in 2018 and the relative results obtained in 2019 on the topic.

The positive performance in this section is strictly related to the advancements in achieving the SDGs number 3, 4, 5, 8, 13 (respectively Good Health and Well-Being, Quality Education, Gender Equality, Decent Work and Economic Growth and Climate Action). The objectives set by the company and the respective achievements are the following ones:

- **95% of the managers of the headquarters and first levels of the branches with sustainability objectives**.

  The goal set in 2018 to reach 80% of management positions with sustainability objectives in 2019 has been largely achieved. The achievement of this objective, especially if with a figure of 95%, demonstrates how sustainability is at the center of corporate decision-making strategies.

- **100% increase of financial support during the optional maternity leave period and paternity leave days**.

  The company is committed to respecting working parents by ensuring 60% of the salary instead of the 30% guaranteed by law and adding 5 days of parental leave to those required by the regulations.

- **Removal of clocking in procedure at the Davines Village.**

  In 2018 the company launched the *Davines New Way* campaign through which it aims to create a climate of trust and transparency within the company. The goal of increasing the number of employees to be removed from the obligation to stamp the badge entering and leaving the office was achieved by the company, continuing its process towards an increasingly transparent and collaborative management of human resources.

- **100% of Parma office executives and top-level managers at the branch offices involved in 360° assessment.**
  The goal of involving 100% of the top-level managers in the *360 ° evaluation process* has been achieved. This evaluation method allows to align the company's actions with the leadership model developed by the Davines Group, through three points of view: the boss, the collaborators and the colleagues of the same level. This evaluation process allows the company to always take into consideration the opinions of all employees, integrating them in the pursuit of the company business model and its values.

Regarding the demography of the employees, Davines is committed to maintain a gender balance, presenting a figure of 59.3% of women and 40.7% of men, and maintaining an average age significantly low, creating a young and dynamic working environment (*figure 4.14*).
Moreover, an important data is the percentage of women holding managerial roles, which is 53.8%, reconfirming the commitment of the company in guaranteeing equal opportunities.
The company reaffirms its pledge to promoting social well-being by recording a total of 1,248 hours paid to its employees for voluntary activities in 2019.
Finally, Davines decided to invest in its human resources, totaling an average of 19.2 hours of training for each employee in 2019.

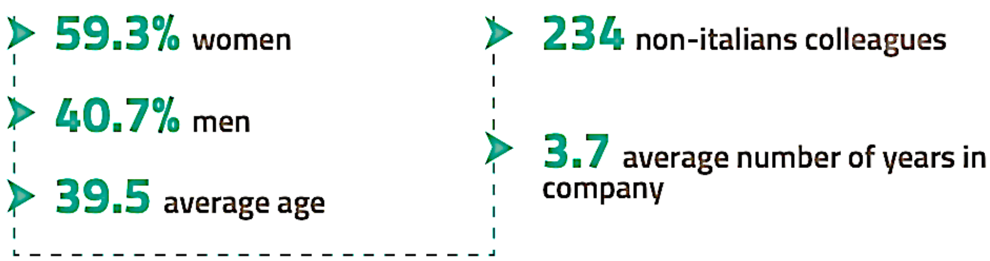


Figure 4.14: *Demography of Davines Employees at a Glance*, davines.com

In the Sustainability Report 2019/2020, are shown the goals Davines plans to achieve in 2020 which are:

1. Redefine and improve the current smart-working policies with the aim of reducing the environmental impact and ensuring a better balance between personal life and work for all employees.
2. Reach 100% of employees with sustainability objectives at the Parma office.
3. Increase the percentage of employees in the Parma office with references to sustainability in their *job mission*.

4.7.2 Planet

Concerning the Planet, Davines is implementing several projects in order to reduce or offset its footprint on the environment. The positive performance in this area is strictly aligned with the advancements of the SDGs number 6, 7, 12, 13, 14, 15 (respectively Clean Water and Sanitation, Affordable and Clean Energy, Responsible Consumption and Production, Climate Action, Life Below Water, Life on Land).

Among the main objectives set by the company in 2018 and reached in 2019 listed in the Sustainability Report 2019/2020 there are:

- **Offset the CO2eq emissions of its major events to make them carbon neutral**.

  This goal has been achieved by the company, which has calculated and offset all the CO2eq emission related to their events, taking into consideration several aspects among which the transportations and the energy consumption of the accommodation of their hosts.
- **Offset CO2eq emissions from the staff's commute to work.**

The objective has been reached by the company, which has calculated through a detailed survey the estimated amount of CO2eq resulting from the commute of the staff to the workplace and it has been finally offset.

- **Offset all CO2eq emissions from the lines on which the company applies LCA analysis.**

  Davines has achieved this goal set for 2019, entirely offsetting the emissions resulting from the specific product lines.

Davines is strongly committed in reducing the negative impact of its products and operations on the environment. In order to make this process more efficient, the company has developed a series of strategies.

The sustainability of products is measure at each stage of their life cycle through two different methods: the Strategic Life Cycle Assessment (SLCA) and the Life Cycle Assessment (LCA), where the first one is for a qualitative analysis and the second one for a quantitative one.

The corporation is dedicated to increase the number of products for which the two methods are applied.

Regarding the SLCA, the measurement system has been applied to the 76% of the production in 2019, with a slight increment from the past year; concerning the LCA, it has been applied to the 34% of the production, almost double of the figure for the previous year.

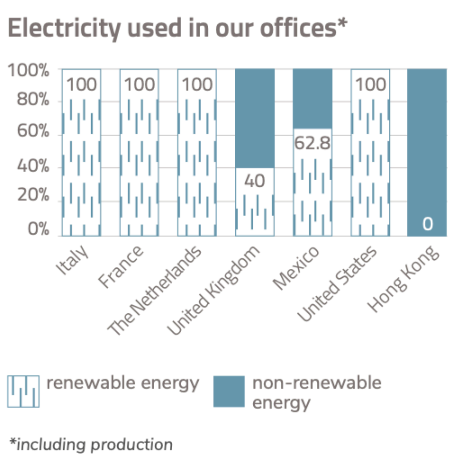
The choice of the raw materials is another relevant factor when talking about the impact on the environment. At this regard, Davines uses on its production line environmental-friendly and high-quality materials and, where possible, coming from small biological farms, committed to preserving biodiversity. In particular, in 2019 the 61% of the raw materials came from natural ingredients, the 18% from modified natural ingredient and only the 20% from synthetic ones.

Finally, the 71.4% of the ingredients used in the productions are highly biodegradable.

Concerning the packaging, the strategic choice of the company to perpetuate its sustainable path is to design the packaging of its products trying to reduce space and weight to a minimum, conceiving them with the idea of encouraging their reuse. To be more precise, in 2019 the 64.1% of the packaging of products came from recycled materials, the 67.4% from renewable sources and, when talking about the plastic packaging, only the 44% was virgin plastic.

The commitment of the Group in offsetting its negative impact on the planet is made clear when considering for example the energy used in the office and production processes, which is in 2019 almost completely from renewable sources in the headquarter and the branches around the world (*figure 4.15a*).

Moreover, the company has sent 0% of the production waste to landfill in 2019, which means that the entirety of the solid waste has been recycled or recovered through waste-to-energy processes, following a process of circular economy (*figure 4.15b*).



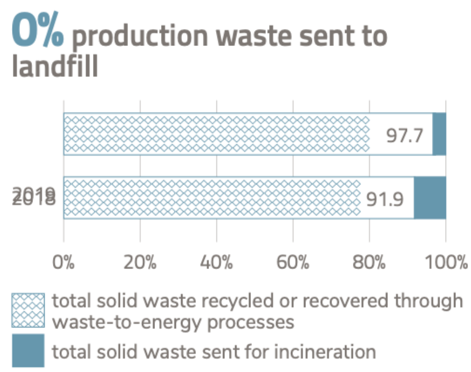


Figure 4.15a: *Electricity Used in the Offices of Davines Group*, davines.com
Figure 4.15b: *Percentage of Production Waste Sent to Landfill*, davines.com

4.7.2.1 Net Zero Emissions

Concerning the CO2eq emissions, Davines is strongly committed in reducing and offset the carbon footprint of its direct and indirect operations and production lines.

Davines Group, together with more than 500 B Corporations around the world has made a pledge to achieve *net zero emissions* in 2030. This goal is pretty ambitious and obliges the company to constantly trace and measure its emissions in order to increase their reductions until reaching zero. To do so, the group has implemented a process of monitoring and offsetting and the EthioTrees project, thanks to which the CO2 emissions not resettable are compensated by planting trees in the northern region of Tigray in Ethiopia.

The methodology of the company follows the GHG Protocol, an international measurement standard tool. According to the GHG Protocol, the emissions of a company can be divided in three main groups: Scope 1, direct emissions deriving from owned sources or controlled directly by the company; Scope 2, indirect emissions caused by energy consumption, steam and heat; and Scope 3, indirect emissions resulting from other activities external to the plant and offices.

Following the international standard, the group has listed in the table (*figure 4.16*) the specific emissions it monitors and offsets, in line with the classification of the GHG Protocol. It is clear from the graph that the most significant amount of CO2eq emissions derived from the Scope 3 category, which comprehends the life cycle of the products, their packaging and actions associated with the transports.

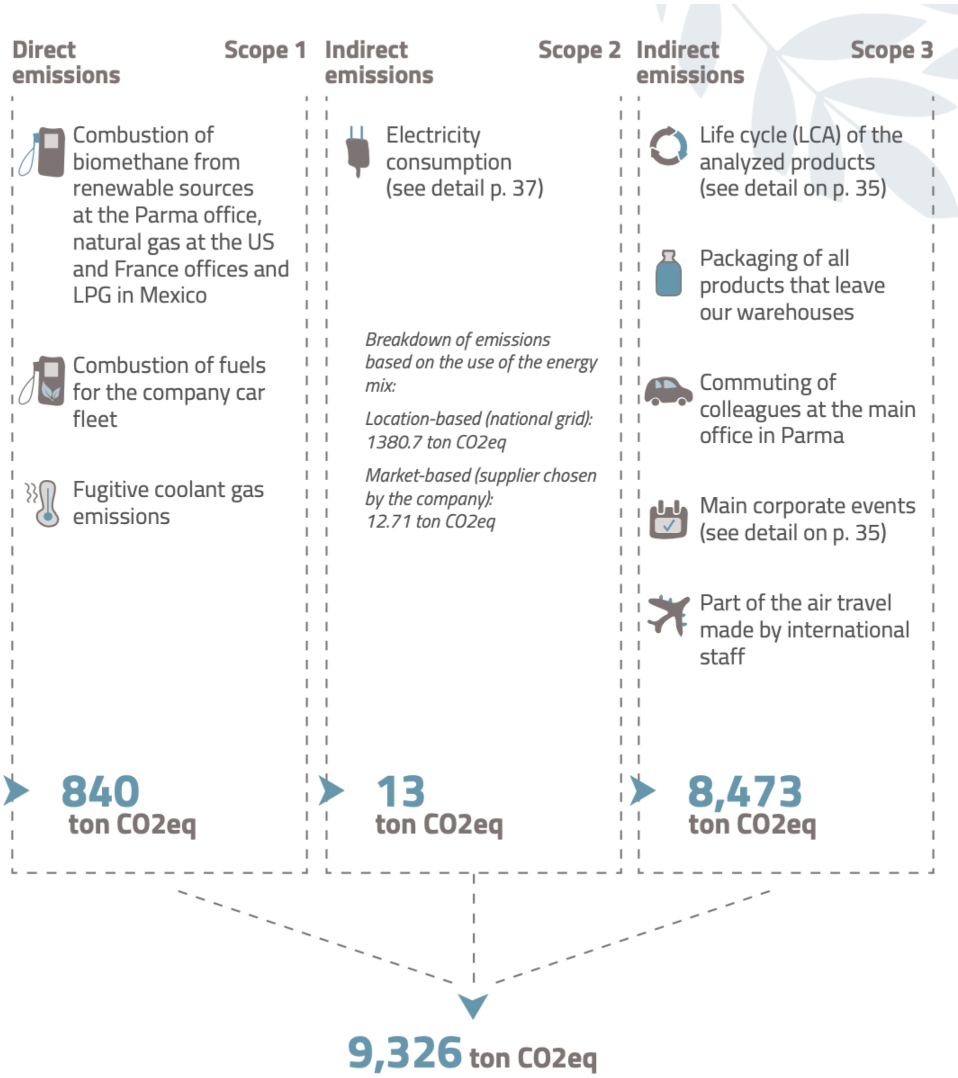


Figure 4.16: *CO2eq Emissions that the Company Monitors and Offsets*, davines.com

The achievements of the company in 2019 regarding its path through the zero emissions are outstanding. The 100% of the Davines' products have CO2eq-offset packaging. Moreover, all the offices of the Group are carbon neutral, reaching the 100% of the Scope 1 and 2, and the emissions of the products analyzed with the LCA method have been compensated in 2019.

Concerning the goals set for 2020, the Group has listed them in the Sustainability Report 2019/2020:

1. Increase the percentage of products to which is applied the LCA analysis.
2. Define a specific and measurable roadmap for achieving the target of net zero emissions by 2030.
3. Increase in the plastic packaging mix the percentage of bio-based and recycled materials.

4.7.3 Community

Regarding the Community, Davines is dedicated to sustaining the local community in which it operates, with the aim of producing a positive impact on the society.
The positive performance in the community area is strictly aligned with the advancement in the achievement of SDGs number 7, 11, 12, 13, 14, 17 (which are Affordable and Clean Energy, Sustainable Cities and Communities, Responsible Consumption and Production, Climate Action, Life Below Water and Partnerships for the Goals).

The Sustainability Report 2019/2020 contains the achievements obtained in the targets set in 2018 concerning the Community area.

- **Organize a summit to increase the sustainability of the suppliers.**
  The impact of the operations in the community is highly influenced by each step of the supply chain and, for this reason, by the behavior of the suppliers of the company. This is the main reason why Davines organized in November 2019 a meeting at the Davines Village in which discussing with the suppliers about good and sustainable practices.
- **Guide the Italian B Corp community's 2019 impact project.**

The aim of the project was to remove as much plastic as possible from one accumulation area in the Mediterranean Sea. Due to the technical limitations occurred, the project was modified, resulting in the collection of plastic from an Italian river and the implementation of local activities by Italian B corps. Both the projects are still ongoing and will be completed by the end of 2020.

- **Increase the number of B Corp certified partners.**
  This target set in 2018 has been achieved during 2019. In fact, two suppliers of Davines became B Corporation during the year, resulting in a total amount of certified partners equal to 5.
- **Create a fair and transparent process for assessing local projects**.
  During 2019 Davines has created a fair and transparent evaluation process in order to choose the best projects for the community to implement. The evaluation process is highly detailed and structured, based on several KPIs in order to decide for the projects that can deliver the highest possible impact.

Being a conscious and sustainable company also means having conscious and sustainable suppliers and respecting environmental and societal standards along the entire supply chain. Davines Group is highly committed in creating a network of responsible and sustainable suppliers. Specifically, the 36.1% of the suppliers of the company has a Code of Ethic, the 39% offers added benefits to their employees and the 71.8% measures their impact on the environment. During 2019 the Group, demonstrating its obligation for the common benefit, has donated 550,655 euros for social and environmental purposes.

The goals the corporation aims to reach in 2020 are the following ones:

1. Set up a *B Corp Beauty Coalition*, a partnership between the B Corps operating in the cosmetic industry, in order to strengthen the commitment delineated in the declaration of interdependence.
2. Improve and increase the number of suppliers that uses the B Impact Assessment to measure their impact.
3. Launch a sustainability training program in order to guide the professional customers in delivering a positive impact on the planet.
4. Initiate a global auditing process for ensuring that the branches with no benefit corporation form make a special amendment to their articles of association.

4.8 Italian Market Analysis on Sustainability Performance

In order to have a more valid and effective analysis of Davines' sustainability performance, it is necessary to compare the status of the actions in progress towards the creation of a benefit on Planet and People with those of other companies present in the Italian market. To this end, the data published by EY in January 2020 in the *Seize the Change* study will be analyzed, which investigates the main trends underway in Italian companies towards the integration of sustainable development in their business models.
In the study proposed by EY, four topics at the center of the global agenda (climate change, sustainable procurement, circular economy and sustainable finance) were selected and it was studied how the largest Italian listed companies are responding to the global call to action on these issues in terms of strategy, projects and operating methods. The companies under study are 194, belonging to different market sectors and recording revenues mainly between 100 and 1000 million euros.

First of all, the planning towards the sustainability of the companies in the sample was investigated. From the analysis of the data, it appears that only one third of the organizations define a qualitative or quantitative Sustainability Plan in the medium to long term. Furthermore, only 17% of firms have a strategy aligned with the 17 SDGs of the Agenda 2030 promoted by the United Nations. Among the companies that have aligned their strategy to the Sustainable Development Goals, the objectives most referred to are those relating to the environment, in particular the number 13 (Climate Action), 7 (Affordable and Clean Energy), 12 (Responsible Consumption and Production) and 8 (Decent Work and Economic Growth).

Moreover, among the companies that present revenues between 100 and 500 million euros, comparable to Davines SPA, only the 5% defined a Sustainability Plan in the long run and have a strategy aligned with the SDGs. Davines can be considered in line with the 5% of the Italian companies that have aligned their strategy and decisions with the SDGs, and that have a detailed and measurable plan concerning sustainability issues.

Regarding the threat of the climate change and environmental issues, only one third of the companies analyzed has selected a specific figure inside the firm who has to deal with sustainability, who can be for example a sustainability manager or a member of the board of directors. Also in this case, Davines can be considered in line with the 30% of companies, having in fact appointed several corporate positions to manage sustainability practices. Moreover, from the data made available, it appears that one third of organizations formalize environmental objectives within a specific document, such as a Sustainability Plan.

With regard to the measurement of emissions due to business processes, almost all the companies considered in the sample report at least the emissions in Scope 1 and Scope 2. However, only 30% of the total, measures and reports the emissions classified in Scope 3. As previously described, Davines in 2019 reported the emissions from company operations following the guidelines of the GHG Protocol, reporting the CO2eq classified in Scope 1 + Scope2 + Scope3.
Only one in five organizations defines and publishes emission reduction targets, only 3% have announced carbon neutrality objectives and still 3% have developed carbon neutral products or services. As far as Davines Group is concerned, it has decided to participate, together with other B Corporations around the world, in the achievement of Net Zero Emissions in 2030, an extremely ambitious goal through which the organization continues its commitment to reduce and offset its CO2eq emissions. Additionally, the company recently launched *A Single Shampoo*, the first completely carbon neutral product line.

Concerning the supply chain, three out of four companies define objectives relating to its environmental sustainability, respect for the human rights of workers and ethical issues. However, only 8% of the companies in the sample define objectives that are quantitative and measurable. As regards as supplier evaluation, one in three companies uses an internal control model, while only 4% use an external platform developed by third parties. Furthermore, the attention to a shortening of the supply chain for sustainability purposes is evident, as one in three organizations calculates and publishes the percentage of supplies deriving from local producers.
Finally, 30% of companies implement specific projects related to communication and awareness of suppliers towards issues related to sustainability, promoting practices that reduce negative

externalities. As mentioned before, Davines SPA is highly committed in select suppliers that follow the values of the corporation and which are attentive to sustainability issues and practices. In particular, Davines has promoted several meetings and projects in order to train its suppliers on sustainable practices and operations, and in obtaining the B Corp Certification. In that regard, the company has planned to increase the number of its partners that are certified B Corp in 2020.

Concerning the circular economy, only 10% of companies in the sample declares to have a clear strategy about it.
Regardless of a structured plan, one third of companies defines generic objectives or specific actions in relation to circular economy issues, mainly related to environmental sustainability programs. The main action that is cited by companies in the circular economy context concerns the transformation of waste into resources. In this regard, Davines in 2019 recorded 0% of its waste taken to landfills, which means that all of the waste has been recycled or reused following the principles of circular economy.

Generally speaking, the performance of Italian companies on sustainability issues is not optimal, where on average only a third of corporations have taken concrete actions and have planned measurable social and environmental objectives. Davines SPA ranks among the organizations that present a positive performance when compared with the others, as it has already developed various processes and measurement systems for almost all of the issues addressed by the study proposed by EY. In that regard, it has to be underlined that the B Corp Certification and the legal form of Società Benefit are fundamental to this end, compelling the company to define specific and quantitative objectives and to adopt external controlling systems. The approach to sustainability is widespread to different companies, but the real difference is given by a structured and efficient implementation, in order to deliver a significant positive performance on the environment and the society.

4.9 Davines as Società Benefit

After obtaining the B Corp certification, on 19 September 2019 Davines became a società benefit, further legitimizing its commitment to a sustainable business model that also benefits the environment and the community in which it operates. Becoming a società benefit means to go beyond the traditional business model of for-profit companies and use income as a means to generate benefits for the environment and the territory.

Being both a Certified B Corp and a benefit corporation allows the company to make a lasting commitment to its mission of sustainable beauty.

The change in the articles of association allowed the Group to be further bound for the future in the decision to pursue its business operations by committing itself to the wellness of people, the planet and the community, always acting according to the principles of transparency and responsibility essential to the company.

The organization declares that the main objective of becoming società benefit is to promote the creation of shared value, redefining its priorities and the values that guide the business in statutory terms, going beyond the mere purpose of generating profit. Becoming a società benefit also means for Davines to commit now to the future, protecting the corporate mission from possible shareholders or leadership changes.

The new legal form taken by Davines has given rise to a new role within the management of the firm: the impact manager, responsible for ensuring that the corporation, in carrying out company operations, also pursues the objective of having a positive impact on people, society and the environment and specifically seeks the purposes stated in its statute.

According to Italian law, becoming a società benefit requires some fundamental steps, including the inclusion of a corporate object in the statute.

Specifically, Davines S.p.A has included the following corporate purpose in its company statute: "The company has as its object the specific purposes of common benefit described below:

- the commitment to sustainable development, based on products, processes and practices that minimize negative impacts and amplify the positive impact on people, the environment and the territory; this impact can be generated through collaboration with other companies, institutions, associations, non-profit organizations, foundations and the like, whose purpose is aligned and synergistic with that of the company;
- the promotion of a conscious and sustainable way of conducting business activities."

Through this change, the company undertakes to pursue the corporate purpose contained in its statute and to ensure transparency and responsibility in its operations, periodically publishing not only its financial and economic results, but also those in the social and environmental sphere, as already done in the *Sustainability Report*.

4.10 Projects

Over the years, Davines Group has been committed to its mission of creating a common benefit and having a positive impact on society and the environment through various projects in collaboration with several entities, associations and foundations. Some of these projects can be traced back to a traditional vision of Corporate Social Responsibility while others embrace the concept of creating shared value.

4.10.1 Regeneration 20/30

One of the most recent projects in this regard is the Regeneration 20/30, born from the urgency and the call of the United Nations to reach the Sustainable Development Goals and the objectives of the 2030 Agenda. Regeneration 20/30 is a regenerative alliance between government organizations and not, public and private entities, with the aim of converting ideas and debates into concrete actions that produce a positive impact on the community and the planet.

All participants in this project will have to formalize their commitment by signing a pledge containing specific and measurable objectives in three main areas: regenerative economy, climate action and global well-being.

Among the founders of the project there is also Davide Bollati, president of the Davines Group. The initiative is in fact strictly in line with the values promoted by the company and the actions taken in recent years to adopt a sustainable business model that creates positive impacts on the planet.

Among the results that the initiative aims to achieve, there is the support for the development of a regenerative economy, i.e. in which each entity collaborates positively in the regeneration of man, society

and the biosphere. Another goal is to support climate action, contributing to the net zero emissions target in 2030.
Finally, supporting the goal of generating global well-being, understood as individual and social self-realization.

4.10.2 EthioTrees

The EthioTrees project implemented by Davines was created with the aim of offsetting the CO_2 emissions produced by company operations. The project is taking place in Ethiopia, in particular in the northern region of Tigray. The company has chosen this specific area because it is at risk of desertification.
EthioTrees consists of the planting of trees and shrubs that help to mitigate the ongoing desertification process and at the same time produce a compensation of carbon dioxide emissions.
Thanks to the implementation on this project, Davines compensates the 100% of the CO_2eq emission caused by the manufacture of the packaging for its products; by the company's headquarter in Parma, where the products are made; by all its offices around the world.
Moreover, the project aims at arresting the process of desertification in place in the area. To do so, the plantation of trees and shrubs contributes to regenerate hummus in the soil, to maintain the ability of the ground to retain water by creating basins to feed the underlying land and to create terraces and trenches in order to reduce erosion.
EthioTrees is also committed to train the local population in the proper maintenance of the land, in order to carry out actions that can contribute to its fertility, engaging also women in the process, stimulating equal opportunities and gender equality.

4.10.3 1% for the Planet

Davines is part of the global movement 1% for the planet born in 2002 thanks to Yvon Chouinard, founder of Patagonia, and Craig Mathews, founder of Blue Ribbon Files with the aim of creating an alliance to protect the planet.

The idea behind the project is based on the fact that companies, by generating profits, use resources from the earth and for this reason they must take responsibility for protecting them. To date, the alliance members are more than 3000. The mission, described in the website of the project, is the following “we bring dollars and doers together to accelerate smart environmental giving”.

The association is committed to connecting companies and nonprofit associations by creating high impact alliances, in order to generate benefits for the planet and the environment.

Davines joined the alliance and, after the collaboration, the 1% of the revenues from each purchase on the website is donated to a socio-environmental protection association. Among the various associations to which Davines has decided to donate its contribution in past years, we find Slow Food and Legambiente.

4.10.4 I Sustain Beauty

I Sustain Beauty is a global campaign launched by Davines Group in 2014. Thanks to the support of a wide network and partnerships of professionals, the company through this campaign is committed to selecting and activating numerous projects with a high positive social, environmental and cultural impact.

Since 2014, more than 200 projects with high positive impact have been activated thanks to the contribution of the Davines Group and

the numerous partners and to all those who want to support beauty through voluntary works.
The 2020 edition of the campaign is entitled *Adopt a Place* and aims to preserve the cultural and natural heritage of the area, creating places of meeting and cultural exchange.

4.10.5 Education for Life

Davines Group actively collaborates with the international organization Intercoiffure Mondial to promote the *Education for Life* project, through which young talents in the hairdressing sector from disadvantaged countries are supported in their training process.
Since 2017, the company supports the Christel House school in Cape Town in South Africa, the Odessa School of Technology and Design in Ukraine and the Kinderzukunft Foundation in Timisoara in Romania and in Selo Mira in Bosnia.
The Intercoiffure organization holds the best professionals worldwide in the hairdressing sector and imposes on its members the highest standards of professional and human quality.
Davines' active participation in this project demonstrates his focus on creating a positive impact on different areas and the passion that drives the Group for the sector in which it operates.

4.11 Case Study Conclusion

"Our desire to become a B Corp is allowing us to pursue with method and consistency our intent to create a business model oriented to a 'prosperous longevity', giving more and more concreteness to the values we express in our ethical charter.
At the same time, we were comforted to discover that there is a movement of companies that is inspired by the same principles we believe in, which makes us think with optimism about the possibility that the economy becomes an instrument at the service of the well-being of people and society and not vice versa."

Paolo Braguzzi, CEO, Davines SpA

The study of the Davines Group shows us how, since its origin, the organization has set its decisions and actions following principles of sustainability. The Triple Bottom Line and the goal of a positive performance for People, Profit and Planet has always been an integral part of corporate decision-making.
At a time like this, where the threat of Greenwashing is increasingly present, Davines shows a path towards a truly sustainable business model that began long ago, prior to the call by the United Nations to take responsibility for companies with the Global Compact and the launch of Agenda 2030, and even before the evolution of the concept of CSR and the enunciation of the principle of Creating Shared Value postulated by Porter and Kramer in 2011.
The company has embraced the concept of Stakeholder Theory since its inception, focusing on the interests of all the entities interconnected with it, starting with consumers, selling innovative and top quality products, to the planet, reducing the negative externalities, to employees and suppliers, creating a climate of well-

being within the organization, and to society, implementing projects to enhance the cultural heritage in the area in which it operates.

These first concrete steps towards a long-term sustainability process find full expression in obtaining the B Corp certification first and then in the transition to a Società Benefit.

By obtaining the B Corp Certification and the legal transition to Società Benefit, Davines SpA begins an increasingly structured approach to the creation of shared and sustainable value in the long term, reinforcing its commitment to be the best *for* the world.

In 2018, with the construction of the Davines Village, all the actions undertaken in previous years find full expression. Through a huge investment, the Parma headquarters becomes a reality in which attention to the environment, consumers, employees, the safeguard of sustainability and cultural heritage reach their peak and coexist. Within the infrastructure we find several projects to support the circular economy, the use of raw materials of natural origin and km zero, renewable energy sources and at the same time a working environment in which employees can feel in contact with nature and respected, creating an ecosystem of sharing and collaboration.

The concept of Corporate Social Innovation and the consequent structured approach to sustainability find expression within the company structure and decision-making, focused on the commitment to new production processes that are increasingly avant-garde and with negative externalities as limited as possible.

Alongside projects of a purely traditional Corporate Social Responsibility, the company has succeeded in overcoming simple philanthropy programs and in generating systems of production of a common benefit that are sustainable in the long term.

The goal of maintaining the B Corp certification and improving more and more in the B Impact Assessment, have forced Davines to use

objective and effective measurement systems on the performance for the environment and the society, and to set assessable and quantifiable objectives to be achieved from year to year.
The investments made by the organization and the attention towards the creation of value for People and Planet was accompanied by a steadily growing economic performance.
The main profitability indicators show constant growth since 2014, and in particular since 2016, year in which the organization becomes B Corporation. The increase in profitability, if combined with the huge investments made in numerous areas, shows how the creation of shared value and attention to sustainability are not a constraint for the company, but instead could represent an opportunity to seize in order to guide business strategy and decisions making.

Conclusion

This work aims to present the Benefit Corporation as a sustainable business model starting from the examination of the concept of Corporate Social Responsibility and the evolutions and declinations it has undergone over time, studying its most recent trends. Corporate sustainability and the creation of shared value, which is economic, social, and environmental, is increasingly taking hold in the business world and is being implemented by organizations at different levels.

The Benefit Corporation model is just one of many that have emerged in recent years, but it can be considered as a structured approach to sustainability, integrating the creation of a common benefit and attention to all stakeholders in the business model of organizations.

The growing awareness of consumers and civil society towards the challenges the world is facing in 2020 have forced the business world to take responsibility for its actions and the influence it has on the surrounding community.

The study of the Società Benefit and Certified B Corp Davines SpA has as its main objective to analyze how the incorporation of sustainability, creation of shared value and a common benefit within the company's core business can be considered as an opportunity and an added value, rather than a constraint.

It was decided to choose Davines Group as case study for several reasons. Born as a family-run business, then grown over time and opened up to an international context, the company reflects the Italian entrepreneurial market, attentive to the territory in which it operates and a supporter of the quality and know-how of Made in Italy. Since its inception, the corporation has had a push towards sustainability, innovation and high-quality products, investing in

research and development for the design of goods of natural origin that privilege and safeguard the cultural and territorial Italian heritage. The publication of the *Carta Etica* in 2005 demonstrates the great value that Davines attributes to the people who work within it, and the necessary alignment of its employees with the values that guide corporate operations.
Already in 2007, attention to the planet is evidenced by the launch of the first CO2 compensation program and the use of renewable energy sources in the headquarter. The intention to reduce its negative impact on the planet is also confirmed by the sustainable packaging program, which began a few years later.
In 2007 the *Sustainable Beauty Manifesto* was launched, where the highest values that guide the company in its decisions are expressed, based on a balance between sustainability and innovation, to promote beauty in all its forms. These are just some of the actions taken by the company even before becoming a Certified B Corp in 2016.

With the limitations due to the use of only available materials and the difficulties originated by the outbreak of the Covid-19 pandemic in obtaining data and interviews directly from the company, in the present work I tried to investigate through Davines SpA the impacts of implementing sustainability programs and operating as a Certified B Corp and Società Benefit, on the economic, social and environmental performances of corporations.

A study conducted by IBM on 18,980 consumers in 28 countries and published in 2020, shows the new trends in buying behaviors. According to the report, about six out of ten consumers are inclined to change their purchasing behavior to reduce their environmental impact and about eight out of ten declare that sustainability plays an important role in their choices. Besides, among consumers who expressed great interest in sustainability, more than 70 percent said

they were willing to pay a premium price of up to 35 percent for brands that claim to be sustainable and environmentally friendly.
In a market context such as that outlined by the aforementioned report, the incorporation of sustainability into the company's business model represents, if implemented in a structured and coherent manner, a great opportunity to be seized.

Davines Group seems to have perceived this chance and, for this reason, designed a communication strategy explicitly aimed at promoting its values of *Sustainable Beauty*.
The main distribution channels of the organization are retailers at professional hairdressing salons and the e-commerce presents on the website. The communication strategy for professional retailers is focused on training courses to promote the company's products, and in particular on highlighting their natural origin and high technology and quality. As for the sale through the e-commerce channel, as can be seen from the company's website, Davines focuses the communication strategy on the sustainability of its operations and products. In the description of each product on the website, it is possible to have information on the environmental and social impact that it generates, the related CO2 emissions, the origin of the raw materials and the sustainability of the packaging.
The company's site reflects its values, not only presenting products, but above all the sustainability projects actuated and the principles that guide the company’s mission. The commitment to transparency is another factor present on the Davines website, where it is possible to examine the Sustainability Reports of the past years and download numerous documents attesting the financial, social and environmental progress achieved by the company.
The communication strategy of the Group demonstrates how it is aware of the competitive advantage deriving from incorporating

sustainability into its business model in a context of extreme consumer awareness and consciousness. The company's numerous investments, such as the Davines Village, and the drive towards innovation, are factors that allow it to strategically position itself and raise its brand reputation, enhancing its value.

The strategy implemented by Davines fits into the Italian entrepreneurial context, which is slowly moving towards sustainability processes and ESG programs. ISTAT published in 2020 a report on sustainability conducted during 2019 on a sample of 280,000 Italian companies with at least three employees (ISTAT, 2020). The report shows that about seven out of ten corporations declare they are engaged in actions aimed at improving the working conditions of their employees, more than 60% have implemented actions to reduce their environmental impact and almost a third support or realize projects for the promotion of collective well-being in the surrounding community. Overall, in the sample analyzed, 84% of companies have undertaken at least one social sustainability action and 76% at least a single environmentally sustainable one. By analyzing the actions implemented in more detail, it is clear that for most companies, sustainability is still considered a marginal issue for the purpose of their strategy. In fact, only 10.3% carried out more than ten environmental sustainability actions and only 2.4 percent more than ten about social sustainability. An interesting insight from the study demonstrates how the implementation of sustainability programs increases with the size of the company. Large companies (i.e. with a number of employees over than 250) show values that are approximately 10-20 percentage points higher than the national average. Moreover, the report illustrates that the main motivation for undertaking sustainability practices is the increase in the brand reputation of suppliers and consumers, but it is important to highlight how, in the majority of the cases, this is in line with the company's activity. Finally, it turns out that only 4 percent report their sustainability performance, but the percentage rises to 30% if we only consider large companies.

The picture illustrated by the data provided by Istat demonstrates how the integration of sustainability at a company level has not yet achieved optimal results in the Italian market. The report proves that many corporations are starting to embark on this process, but that for most of them sustainability is still a marginal issue. Large companies, probably due to the presence of greater assets and more developed operational capabilities, are at a more advanced stage and must therefore guide the other organizations present on the market, which in the Italian territory are mainly small-medium enterprises.

The Group's sustainability-oriented strategy has become even more structured and integrated into the core business since the company obtained the B Corp certification and became a Società Benefit. Strategic planning towards social and environmental performance is designed in detail, and it is implemented by specific measurement systems and goal setting both in the short and long term. All the achievements attained by the company are reported in the Sustainability Report made public and present on the website. Based on the information available, it appears that the company's strategy is based on relevant research projects and the development of innovative processes, aimed at marketing high technology products and at the maximum possible reduction of the impact of its operations on the environment and the community.

A strategy based on strategic investments and a commitment to sustainability requires significant monetary resources and some scholars claim that it could damage the company's financial

performance in the short term, failing to maximize the value of shareholders and the generation of profit.
From the analysis of the financial data made public by Davines, however, it appears that the company has managed to improve its economic performance following a constant positive trend in recent years, in particular from 2014 to 2019. As mentioned before, the figures for the consolidated revenues of the Group have increased steadily and have even doubled in the period analyzed. Profits have improved more than ten times, recording a figure of about 13 million euros at the end of 2019. The ROE ratio, which measures the company's ability to generate profits starting from its assets, stands at 29% in 2019, significantly above the market average, which is attested at 9 percent. The ability to generate income from the investments made, measured by the ROI ratio, shows a figure of 15% in 2019, when instead the average of the cosmetic market in Italy slightly exceeds 4 percent.
These are just some of the profitability and financial indicators of the company, but as analyzed in more detail before, they allow us to have a broad picture of the economic performance of the Group in recent years, and in particular after 2016, year in which it finally obtained the B Certification.

The overview of the economic performance shows a reassuring picture and allows to put forward the hypothesis that the model of B Corp and Benefit Corporation, and the consequent structured approach to sustainability, do not limit the financial expansion of the company. A structured and coherent method to the integration of sustainability and common benefit within the corporate business model seems to bring positive results, in line with the principle of shared value expressed by Porter and Kramer (2011).

As postulated by the two authors, one of the main factors causing the crisis in the current economic system is that companies have a too narrow vision towards the creation of value, favoring the maximization of financial performance in the short term and ignoring possible factors that ensure success in the long period. The creation of shared value, on the other hand, implies a broader and longer-term vision, capable of creating economic value and at the same time value for society and the environment, addressing their needs.

For this reason, according to the two scholars, the objective of companies must shift from the generation of profit to that of shared value, thus creating a process of change aimed at a push towards innovation and global economic growth (Porter & Kramer, 2011).

The increasing dimension that the phenomenon of Benefit Corporation and B Corp has been taking on in recent years gives us confidence that something is changing in the global economic market and that more and more companies recognize the contemporary challenges and thus decide to embrace the concept of creating shared value and a vision that is more far-sighted and future-oriented.

Through the model of the Benefit Corporation it has been possible to overcome the traditional clear separation between non-profit and for-profit, legitimizing a new hybrid business model that pursues economic objectives but at the same time is capable of generating a benefit on the community, reducing the negative externalities often associated with trade operations.

The Davines Group represents a good example in this direction, demonstrating how a structured approach to sustainability and the integration of the objective of common benefit in the company's statute could produce real value.

Business realities such as this one must be auspicious for all those companies present in the Italian territory that are at the beginning of their sustainability pathway, encouraging them to have a less narrow vision and demonstrating how attention to society and the planet could generate long lasting economic value.

Based on the available data and information and after the analysis developed in the present work, it is possible to argue that obtaining the B Corp Certification and the transition to a Benefit Corporation did not harm the Davines Group's profits. The elements we have at our disposal do not allow us to affirm with certainty that the constant positive trend in the economic performance that the corporation has recorded is due to its orientation towards sustainability and its being a Società Benefit and B Corp.

The factors that influence the company performance are several and usually interconnected, and the information at our disposal does not allow to identify them with certainty.

What could be possible to conclude from the examination of the available information is that the condition of Benefit Corporation has not negatively impacted the company performance, but instead it has possibly had a positive result, influencing the corporate strategy and orienting it towards innovative processes and the principles of transparency and sustainability, raising the brand reputation and creating a unique value proposition.

To conclude, the phenomenon of the Benefit Corporation is still very recent, and it is therefore premature to predict with certainty the effects it will have in the long term both on the global economic market and on corporate performance.

What is clear is that the dimension that this phenomenon has assumed gives good confidence that in the short future the principles of shared value and sustainability will become a consistent part of the business world and that, according to the observations and analysis of the available data, can truly maintain the expectation of generating a positive impact on business performance.

There are numerous success stories regarding companies that have become Benefit Corporations, which reinforces the assumption that this hybrid model could be effectively able of delivering sustainable value in the long term, generating benefits on the environment, the society and the economy. The hope is that this phenomenon will create a new form of capitalism capable of adapting to the continuous changes and challenges that society is experiencing, generating innovative models of value creation that do not limit, but rather foster the economic performance of corporations.

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