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The Purpose economy

A new business paradigm going beyond profit

Supervisor

Ch. Prof. Stefano Micelli

Assistant supervisor

Ch. Prof. Andrea Stocchetti

Graduand

Marika De Marchi

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Introduction

For decades the business orthodoxy has been in agreement with Milton Freedman, the Nobel prize winning economist. He wrote there is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game. However, since the financial crisis, a sense of frustration has been growing and this game called capitalism is not working as it should: jobs are plentiful, but growth is sluggish, inequality is too high and the planet is getting cooked. The discontent is the major topic of political debates, the political systems in several countries are unstable and for a growing number of people those who are going to solve major social and environmental problems are big businesses.

We are facing a change of perception of the role of the companies, whose objective can no longer be only the maximization of profit and therefore the protection of the interests of a single group of stakeholders to the detriment of others. In this regard, business people are realizing they cannot run a healthy business in an unhealthy society since entrepreneurs derive utility not only from money, but also from a cleaner environment and from employees not dying in workplaces, for instance. On the other hand, it is also true that profit is not only a desirable outcome, but a necessary one. What is changing now is the way it is being created, namely by producing profitable solutions to the problems of people and planet and not to profit from producing problems for people or planet. In this way, purpose and profit are not in conflict, rather they are two complementary concepts that need each other to exist. From a different perspective, purpose can be considered also as the bridge between strategy and culture, representing a guiding framework to improve resilience as demonstrated by the already existing purposeful companies which have recovered faster than the others and have been more easily able to adapt to the so-called *new normal* after the lockdown period caused by Covid-19.

Initially, the premises necessary for understanding the phenomenon will be presented. Aaron Hurst, precursor of the Purpose Economy, explains how the evolution of human needs has involved the succession of different economies

(agricultural, industrial, information) aimed at meeting increasingly complex needs. In this regard, he believes that Western countries have now reached the highest level of the pyramid of needs of Maslow, the one characterized by the desire for self-realization that can be satisfied by the Purpose Economy.

A further important evolution that is analyzed within the thesis is that of the theme of sustainability, from its origins in the 1930s until the publication of the Sustainable Development Goals. Evolution that will also lead to the birth of the Stakeholder theory in the 80s, marking an important passage within the history of capitalism. The third type of evolution worth mentioning is that concerning the consideration of human nature within the various economic theories that have followed one another over the centuries. It highlights, in fact, the transition from the pessimistic conception of the man of Hobbes in 1600 to the most positive and current based on personal, social and societal purposes of each of us.

In the first chapter, it will be explained also how the Purpose economy is not only the result of an evolution in terms of human needs and sustainability, but also of the growing power of the private sector compared to the public and third sectors. In the business world, in fact, the demand for purpose comes from both final consumers, who through their purchasing power want in some way to contribute positively to just causes, both from workers, who want to see the positive results of their daily actions and are no longer willing to work in companies that do not take into account the impacts of their operational and strategic choices.

In the second chapter, the Purpose economy is analyzed from the point of view of its implementation: for this reason we will mainly talk about the Fourth sector and Civil economy, from their origins and the influence of the Catholic and Orthodox Christian religion up to their current development.

It will also address the concept of the shared value creation which is in contrast with the principle of value extraction typical of pure capitalism and which requires companies to take into account the needs of those who contribute to the creation of wealth from the outset and not through ex post redistributive practices. Three modalities with which the shared value can be created are through satisfying primary needs of so far neglected communities, reviewing the structure and the functioning

of the business supply chain and choosing to operate in local clusters, so as to establish a direct link with the territory and other firms in the proximity. The creation of shared value and, more generally, the achievement of objectives that go beyond a certain level of profit presuppose the mobilisation of large resources and the consideration of various factors. That is why a whole paragraph will be dedicated to partnerships, the new way of doing business that allows tackling enormous modern challenges.

The willingness to analyze the emerging phenomenon of the Purpose Economy derives not only from the fact that it touches companies from all around the world, but also because Italy is the first European state to have introduced the new legal form of Società Benefit and for the number of certified Benefit Corporation. It is therefore clear that the need for a radical change in the way of doing business is felt more in our country, perhaps also because of the long tradition of Civil economy previously mentioned.

Finally, the thesis concludes with a research conducted within the community of the Italian certified Benefit corporation with the aim of better understanding the reasons that led these companies to certify themselves and then voluntarily undergo very strict evaluation procedures, but also to demonstrate how profit creation is also possible when ethics is considered in the decision making process. The purpose of the interviews carried out is also to deliver practical feedback to the theory that will be presented in the previous chapters in order to provide a more complete overview of the phenomenon analyzed.

CHAPTER ONE

ORIGINS OF THE PURPOSE ECONOMY

1.1 The evolution of the economic system

In order to better understand the motives which have led to the affirmation of the new movement of the Purpose Economy, it might be useful to recall the fundamental stages of economic development during history. As a matter of fact, if we look at the evolution of the economy, it can be noticed that each economic system is built on the limits of the previous one, thus representing a more innovative way of needs' fulfilment and problem solving. This vision of the economy as an innovative tool to satisfy human needs comes from Aaron Hurst, the American entrepreneur and speaker who found on the Maslow's pyramid an explanation for the continuous and necessary economic progress.¹ Indeed, according to the author, the early Agricultural economy was aimed at satisfying the basic physiological and safety needs which constitute the basis of the pyramid; subsequently, the more complex psychological needs have been fulfilled during the Industrial economy thanks to the first forms of entrepreneurship, while the following Information era has allowed us to meet our personal esteem needs through reaching a sense of accomplishment in a successful working career. At this point, all the steps of the Maslow's pyramid have been achieved, except the highest: self-actualization. In this regard, the Purpose Economy represents the economic solution, allowing us to express our full potential in our lives and to put purpose in our careers as well, in a world where the boundaries between private and professional life are increasingly blurred.

The Purpose Economy is a macro evolution composed of several movements emerged in the last years: we are referring to the Sharing and Experience economies represented by the giant Airbnb operating in the tourism sector and owing its enormous success to the personal contact between tenants and hosts or the Maker economy which has found its maximum expression in the Etsy online phenomenon

¹ Aaron Hurst, *The purpose economy*, Imperative press, 2016

through which every single person may express his/her craft capabilities and sell the artefacts to an online passionate community from all around the world. Both Airbnb and Etsy are examples of how the Internet can be exploited in order to reconnect to ourselves, each other and our communities by harnessing the power of relationships and delivering human-scale solutions.

In turn, these new waves find their origins in a slow but constant transition from the shareholder to the *stakeholder capitalism* once we have realized that wealth cannot be the sole motive of our actions. The growing attention given to the role of the different stakeholders also comes from an increased awareness concerning the negative externalities of business actions on the environment and on societies, giving the birth to new concepts including *Corporate Social Responsibility* and *Triple Bottom Line*.

1.1.1 From the Agrarian to the Information economy

Starting from the origins of human existence, the first epoch of our story is characterized by the nomadic hunter-gatherer period where humans had no control on nature, but they adapted to it through migrations following animals and according to the changing of seasons. Later, about 12,000 years ago, the human species began to settle down and to alter the environment in order to make it more comfortable and to obtain a more stable source of food, giving birth to the first forms of agriculture. For the first time, people were capable of producing more of what they needed, thus giving rise to economic transactions along with division and specialization of activities. As the years went by, due to the Agricultural Revolution, power and wealth were tied to land possession and the maximization of its output, thus leading to the emergence of the concept of social class.

Proceeding along this historical path, during 1700 Great Britain was pervaded by an *industrial enlightenment*, a period of scientific and economic innovations which laid the foundations for the First Industrial Revolution led by the discovery of the steam engine. The latter allowed the introduction of the first machines which replaced unskilled labour, leading to the creation of the first factories and marking the passage

from a labour-based to a capital-based economy characterized by the first forms of capital investments.

The Second Industrial Revolution took place in the United States starting from the mid-1800s, when improvements in transportation and communication sectors made markets larger and dominated by the big corporations which constituted not only business entities, but also social institutions with political power. The phenomenon of the big corporation is linked to the emergence of the managerial class, considered the solution to the need for control inside the complex organization, moreover, the increased efficiency in processes and production resulted in huge volumes of output which now could be sold in distant countries as well. As a matter of fact, at the beginning of the 20th century and started with a boom in international trade, the first wave of globalization has been characterized by the emergence of multinationals seeking to exploit global markets and different localization advantages. During the Industrial economy life became much more comfortable in many parts of the world, education expanded and we took control over processes producing unbelievable results. Of course, all this came at a cost to the natural environment.

By the middle of the 20th century, labour became increasingly segmented because of the growing complexity of jobs requiring more focused training in business and professional schools. Moreover, the bigger structure of the firm before and the de-verticalization of the corporations in favour of the new network form developed in the '80s during the second wave of globalization after, required substantial investments in communication and information systems. As a consequence, the introduction of the telephone, television, computer and, most importantly, the Internet allowed the advent of the Information economy which differed from the previous Industrial one by offering the possibility of operating at a global scale with no necessity to move physically. Moreover, for the first time, the economic evolution was not aimed at improving our physical capabilities as were the cases of the Agrarian and Industrial economies, rather, the objective of this last economic "wave" has been the upgrading of our mental capacity. Therefore, the Information economy is a term that characterizes even today's society, in which the economy is based largely on the production of services, especially those in which information is manipulated and on

the economic value of knowledge which is now considered as a strategic asset. With the advent of technology, we no longer have a single lifetime employer that takes us under its wing and ensures us earnings throughout our career, on the contrary, we keep the same job for a few years at most in a labour market which is now global and increasingly virtual.

1.1.2 From Shareholder to Stakeholder Capitalism

In the 1970s, Milton Friedman said that “the business of business is business” and the social responsibility of business is that of using all its resources and engaging in activities merely designed to increase profits. By that time, his vision was justified in view of the fact that satisfied investors would have continued investing in that particular firm, thus representing the engine for wider economic growth.² In a famous article of 13th September 1970 appeared in the New York Times³, the famous economist wrote that only humans and not the corporation as a whole can have responsibilities and that business leaders are rarely qualified to use corporate funds in the public interest. As a matter of fact, according to his view, «the only way to stop corporations from polluting, defrauding, and monopolizing is to punish them through the law».

The idea of Friedman has been summed up in the following years by several terms including *investor* and *shareholder* capitalism, movements which have dominated the way of doing business during the 20th century, characterized by dependence on profits and individual success based on private ownership. Pure capitalism is responsible for enormous wealth creation and improved quality of life as demonstrated by striking cases such as West versus East Germany during the Cold War or South versus North Korea still to this day.

In addition, countries that have decided to embrace globalization have experienced important economic progress and poverty reduction, being provided with comforts,

² Milton Friedman, *Capitalism and freedom*, 1962

³ Milton Friedman, *A Friedman doctrine - The Social Responsibility Of Business Is to Increase Its Profits*, The New York Times, 1970

knowledge, and technologies coming from other capitalist and more developed nations.

Nevertheless, we have been blind in understanding how and why capitalism has been working so well. We have neglected the negative consequences of this economic system in terms of environmental degradation, inequitable distribution of resources and income and labour exploitation. These negative repercussions are due to the fact that capitalist markets tend to go beyond the trading of goods and services and reach other aspects of life, causing an excessive commodification of labour, money and nature as well. The commodification of money has been proved by the financial crisis in 2008, when the supply of cheap credit had been transformed into a financial product leading to a real-estate bubble. Concerning nature, the tension between the capitalist principle of limitless expansion and the scarce natural resources available is now well known and the consequences of such strain are today well visible with climate change, deforestation and biodiversity loss, for instance. Lastly, the deregulation of the labour market under a competition which is international has brought to a non-existing family-work balance and to the emergence of sweatshops in the developing part of the world. Therefore, in the increasingly de-industrialized and rich countries which have obtained all benefits from this type of economic system, the symptoms of a capitalism decay are visible: the first is a decline in the rate of economic growth, accentuated by the financial crisis and by the more recent pandemic, the second is a rise in the general level of indebtedness and, lastly, population inequality within and across nations in terms of income and wealth is clearly visible.

These symptoms were already present in the '80s, when R. Edward Freeman conceived the *stakeholder theory* in years of social and economic turmoil caused by globalization, diffusion of IT that accelerated the speed of information diffusion and a consequent raised awareness of the business impact on society and environment even if on the other side of the world. Indeed, the introduction of the network organizational form during the second wave of globalization occurring in these years allowed developing countries to enter in the global value chains providing cheaper labour to the big multinationals of the West, resulting in workforce exploitation in

questionable conditions. The numerous scandals occurred are the proof, among which the collapse of the Rana Plaza factory in Bangladesh (2013) operating in the clothing industry, the several inquiries on the working conditions at Foxconn (the biggest producer of electronic components for the major technological corporations) and its high employees' suicide rate or the exploitation of child labour by a famous brand in Cambodia.

In the following years, the idea that the economy is a constantly evolving ecosystem composed of different actors interacting with each other as in a network began to spread. In this context, the stakeholder theory moves the attention from the maximization of profits for shareholders to the maximization of engagement and remuneration of all the actors involved in the business activity, focusing on capturing value rather than creating it. This new theory provides that individuals voluntarily work together in order to create sustainable relationships instead of competing over limited resources as in the traditional capitalist model: in this way, short term profits represent a result of a robust strategy for a sustainable growth in the long term. Originally, Freeman defined the stakeholder as the actor who «[...]can affect or is affected by the achievement of the organization's objectives.», being part of «[...] those groups without whose support the organization would cease to exist.»⁴ According to the author, the stakeholder theory is based on two fundamental questions: the first is about the purpose of the company, helping managers to share a set of values which bring together all the stakeholders. Secondly, the theory stresses the responsibilities that the management has towards stakeholders, pushing managers to decide whether they want to establish short-term or long-term sustainable relationships.

Nevertheless, it is worth specifying that talking about stakeholder theory does not mean completely excluding shareholders' interests: the latter represent a category of stakeholders, but not the unique one. Moreover, it has to be kept into consideration that managing different interests is not simple, but this increased complexity is rewarded by the valuable competencies and support provided by the different categories of stakeholders. In an era in which firms rely on committed and loyal

⁴ Edward Freeman, *Strategic Management: A Stakeholder Approach*, 1984

employees and suppliers, the stakeholder theory seems to provide intangible resources which are more precious than money, essential to build robust competitive advantages.

1.1.3 Sustainability matters: CSR and Triple Bottom Line

Older than the stakeholder theory, the concept of “Corporate social responsibility” refers to the obligations companies have towards society and environment. More specifically, the term assumes the modern meaning starting from the early 1930’s, when the debate about the social responsibilities of the firm began and then culminating in the ‘60s, when the big corporations started to be seen as institutions having impacts on communities. As a matter of fact, after an important oil spill in California occurred in 1969, the following year the first Earth Day was celebrated, where millions of Americans joined protests demanding more attention for the environment and blaming large corporations for their negative externalities. During the ‘70s, two distinctive examples of firms engaged in CSR were founded, representing the integration of sustainable practices directly into the corporate strategy and making the topic increasingly popular in the business environment: we are referring to *The Body Shop* (1976), a British cosmetics company selling products with ethically-sourced, cruelty-free and natural ingredients and *Ben and Jerry* (1978), a responsible manufacturer from the environmental and social perspectives of ice cream, frozen yogurt, and sorbet.

On the other hand, in the same years, a different mindset guided by Milton Friedman believed that businesses pursued their social responsibilities through placing on the market goods required by consumers in order to satisfy their needs and that spending shareholders’ money for some charitable purpose would have put the firm at a competitive disadvantage compared to competitors in terms of level of profits. Nevertheless, Friedman’s argument will be questioned in the following years, when it was proved that, on the contrary, engaging in CSR activities would have increased shareholder value as well.

The last decade of the 20th century saw the recognition of the CSR at the supranational level, representing the first emblematic effort for setting higher standards concerning

responsible corporate behaviour. It is worth mentioning the foundation of the European Environment Agency aimed at helping EU Member States in the integration of environmental aspects into economic policies by providing independent information on the topic; the publication of the Rio Declaration on Environment and Development during the Earth Summit (1992), consisting of 27 principles used by signatory nations as guidelines for a sustainable development and, finally, the adoption of the Kyoto Protocol (1997) in order to reduce greenhouse gases emission.

A key contribution to the CSR debate comes from John Elkington, an entrepreneur cherishing the sustainability question and founder of a British consultancy called Sustainability which, in 1994, founded the concept of *Triple bottom line*, claiming that the true cost of doing business should take into consideration the consequences on three different dimensions: people, planet and profit. The first refers to the firm's positive externalities towards the community and its employees, the term "planet" is linked to the environment and to the responsible behaviour towards it of the firm and, finally, profit is the economic dimension concerning the capital remuneration. In this sense, the bottom-line of the income-statement, with which the profit or the loss are generally identified, is integrated with social and environmental aspects, in order to obtain a more comprehensive framework of the corporate performance. In addition, Elkington explained that, in order to achieve a remarkable Triple Bottom Line performance, the firm should invest in long-term partnerships with stakeholders coming from both private and public sectors.

Proceeding along this historical path of CSR evolution and entering the 21st century, the year 2015 can be considered as the most influential in terms of actions taken in favour of environmental preservation, demonstrated by the Paris Agreement on climate change mitigation and the launch of the 2030 Agenda for Sustainable Development containing the seventeen Sustainable Development Goals. It is worth specifying that, despite these agreements have been signed by Countries and not by the single businesses, specific policies and regulations will be created in order to influence the private sector and encourage firms towards the adoption of sustainable behaviours.

To conclude, looking at the historical evolution of the concept of CSR, it can be easily understood that, nowadays, the debate has shifted: it is no longer a matter of whether to make substantial commitments to responsible behaviours, but how, since the call to action is today more urgent and claimed.

1.2 The evolution of human nature in economic theories

After a historical analysis about the economic evolution and on how the sustainability question evolved and became integral part of the business activity, it is worth examining how human nature has been considered in the economic field and in which way its perception has influenced the elaboration of the different economic theories which have occurred over the years.

This paragraph can be interpreted as a historical path in the main conceptions of human nature, starting with the negative view of mankind by Hobbes in the 1600s. In his major work *The Leviathan*, he writes about the undesirable state of nature characterizing human existence if no superior entity is created to avoid the situation of all against all.

One century later, Adam Smith will introduce his famous concept of Invisible Hand guiding the individual and selfish actions of people until the 1800s, when the cornerstone of many neoclassical economic theories has been introduced. The concept of Economic Man originated from John Mill has been widely used to explain human behaviour, mainly due to its objective nature which allowed the representation of human actions through mathematical equations.

Nevertheless, all these economic models have been criticized for not accurately representing human personality and our decision-making processes. During the last decades, economists from all around the world have demonstrated that choices people make follow a pattern of reciprocity as well, which have led to the emergence of new economic concepts including gift economy and sharing economy. As a matter of fact, major scholars have shifted their attention to the concept of purpose, being identified as the new motive of human behaviour.

1.2.1 Thomas Hobbes and the Leviathan

Thomas Hobbes was an English philosopher considered one of the founders of modern political philosophy after the publication of his major work: *Leviathan* (1651). Here, the social contract theory is described, referring to the legitimacy of the state to exercise its authority over the consenting individual in exchange for protection and the maintenance of social order. As a matter of fact, according to Hobbes, for every man every other man is a competitor looking for satisfying his personal needs. As a consequence, needs are fulfilled in a competitive manner and when an overlap of needs occurs, everyone tries to destroy the other, resulting in a perpetual war which has been summarized by the Latin expression *Bellum omnium contra omnes*, all against all. Such war prevents the constitution of a society since the property doesn't exist and every person is the legitimate owner of what he is able to conquer. The hypothetical life of people without a society just described is called *State of nature*, a conflictual reality in which human nature appears as insignificant. In this situation, humans build relationships just for selfish motives, not for natural sociability, making the state of nature an undesirable situation where the tendency to domination generates distrust and hostility. Therefore, the search for peace becomes the main objective of men, making it necessary to establish a single power that can guarantee peace and security. To this end men, through a pact, establish a political society which we today call State, but for this mechanism to work, it is necessary that this power be centralized and enclosed in the hands of only one, the sovereign. Nevertheless, such an agreement will not be observed until it is imposed and, given the greedy and evil nature of men, it will be respected by them to the extent that they are forced to do so, under pain of punishment. According to Hobbes, the Leviathan, a sea monster cited in Giacobbe's book with a tremendous force, is the only one capable of carrying out this task. Hobbes compares this monster to the conception of his political model, which must be able to govern men and prevent them from destroying each other.

1.2.2 Adam Smith and the Invisible Hand

During the 18th century, the famous Scottish economist Adam Smith published his major work: *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), often shortened to “The Wealth of Nations”. The most cited passage of the book is «It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.»⁵ What Smith means is that the butcher, the baker and the brewer every morning open their shops just for earning money with which to provide for their family and when these single actions are put together, the social welfare is achieved although this result was not the aim neither of the brewer, nor the baker and nor of the butcher. As a matter of fact, a nation is made wealthy if populated by citizens addressing their financial needs and satisfying their personal desires.

If a person can profit by manufacturing some type of product or by supplying some service, he will do it and, as a consequence, all the society’s needs will be met while pursuing an individual self-interest. This is explained by the fact that, being the only way to realize profits is offering a superior product compared to the competition, the baker, for instance, will be forced to supply a high quality bread with a reasonable price if he wants to be chosen by customers. Of course, if instead he was the only baker in town, he could probably charge higher prices or offer lower quality products but, in this case, a new self-interested person might decide to open a new bakery in town to earn profits offering better services. This is why, according to Adam Smith, competition acts as regulator, limiting the possibility to take advantage of customers and not requiring any kind of government intervention as the market was guided by the famous *Invisible Hand* which is not a specific entity, but the sum of all the single behaviours of the economic actors engaging in the marketplace. As he writes in *The Wealth of Nations* «By pursuing his own interest he frequently promotes that of the society more effectively than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.»⁶ However, Smith was aware of the fact that such an invisible hand would not have

⁵ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776

⁶ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776

been sufficient to obtain the social order, indeed he believed that also emotions of the human being cover an important role in the definition of human actions and in the creation of social order, positive or negative they are.

1.2.3 *The Homo Oeconomicus theory*

Because of the close connection to the human character, starting from Adam Smith, the concept of selfishness has always appeared to define the Economic Man in the field of economic theory which, in turn, seemed unable to elaborate a more realistic model to explain human behaviour. The individual model under consideration, although not the term *homo oeconomicus*, has been introduced by the British philosopher and economist John Stuart Mill stating that political economy «not treat of the whole of man's nature» but was concerned with man «solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end.»⁷ The Economic Man of Mill has four distinct interests: accumulation of wealth, leisure, desire for luxury and procreation.

The Latin expression *Homo Oeconomicus* originated from the Italian economist Vilfredo Pareto in *Considerations on the Fundamental Principles of Pure Political Economy* (1892), while the English version *Economic Man* appeared in *History of Political Economy* (1888) written by the Irish economist and poet John Kells Ingram.

Built on the previous ideas of Adam Smith considering self-interest as main driver for economic behaviour, Mill instituted the concept of *utilitarianism*, providing that utility maximization is the justification of human actions: he was aware of the fact that such a model was not so realistic, but he just needed a simple assumption to develop his idea of political economy. Despite its well-known limits, the concept of Economic Man has been popular for decades and it has been conceived as the *modus operandi* since it allowed the reduction of human behaviour to objective mathematical models, giving the illusion that a prediction of human motives would have been possible and strengthening the consideration of the economy as an exact science with fixed rules.

⁷ John Stuart Mill, *On the Definition of Political Economy and on the Method of Investigation Proper to It*, 1844

As a matter of fact, the theory of the Economic Man became dominant in the 20th century, when it deeply influenced microeconomics in which the behaviour of the economic actor can be expressed in equations, it can be measured through indifference curves, functions of profit and of utility maximization, pushing the individual to search for the optimum in any situation.

In the Neoclassical economics (18th century) which, according to Campus «refers to a general approach in economics focusing on the determination of prices, outputs, and income distributions in markets through supply and demand. These are mediated through a hypothesized maximization of income-constrained utility by individuals and of cost-constrained profits of firms employing available information and factors of production.»⁸, the influence of the economic man is strongly evident. As a matter of fact, it caused the abandonment of the idea that solely the labour influences the final price of the good or service in favour of a new credo claiming that the price reflects the rate at which a consumer is willing to give up a unit of one good in exchange for another good maintaining the same level of utility (marginal rate of substitution), thus giving individual preferences a central role in the achievement of the equilibrium with the marginal rate of transformation in production. More generally, the pioneers of Neoclassical Economics share three main assumptions based on the Homo Economicus model and on the Invisible Hand of Adam Smith: people have rational preferences, individuals maximize utility and firms maximize profits, and people act independently on the basis of full and relevant information.

As previously stated, a distinguishing factor for the development of the H.O. concept has been the pessimistic conception of the man, subordinated to selfishness and the pursuit of personal pleasure. However, at the basis was the interest in the results rather than the motivations that led to them as demonstrated by the Rational Choice Theory, assuming the man acts rationally on the basis of complete knowledge about what is relevant for his own position and desire of wealth and he makes objective cost and benefit analysis in every situation.

⁸ Antonietta Campus, *Marginalist economics*, in Eatwell, J., Milgate, M. and Newman, P. (eds.), *The New Palgrave: A Dictionary of Economics*, London, Macmillan

However, several substantial limitations on the Homo Economicus model have been identified in the following decades, mainly concerning the motives for action, the pure rationality with which the Economic Man is described, the concept of learning and the role of emotions in making choices.

As for the former, considering self-interest as the main driver of action aiming at money, power, work avoidance and pleasure means ignoring the broader set of human motivations. Moreover, economic rationality does not explain why someone should act, but just the more efficient way to use the available resources in order to maximize personal utility and reducing rationality to a simple cost and benefit analysis means considering eventual human relationships just as instrumental.

In this regard, Herbert A. Simon (1916-2001) introduced the revolutionary concept of *bounded rationality*, underlying the limits of the human capacity in detecting and elaborating information, thus demonstrating the impossibility of being completely rational and objective when making decisions.

According to the traditional model of Homo Economicus, learning is not covered: since each decision is not characterized by path dependence, the Economic Man re-starts the elaboration of all information at every single action. Nevertheless, it has been demonstrated through common experience that people continuously learn, even unconsciously, and the majority of skills and knowledge learnt comes from past actions.

In the end, emotions are not considered in Neoclassical Economics, even though they represent an important component of human nature. As a matter of fact, we are now aware of the critical role of emotions in the decision-making process as demonstrated by marketing strategies, where communication managers try to influence customers affecting their feelings in order to obtain the desired commercial behaviour.

1.2.4 Three types of purpose: personal, social and societal

In the last few decades, every part of our world has gone through a deep transformation in relation to the role of people on the planet and now they are all converging in a global demand for purpose. Such a request is the result of where we

stand in history today: we have developed cultures, economies, educational systems and technology which push us to find meaning in what we do.

For many years success has been measured in terms of capital accumulation, but it has been demonstrated that money only matters until we reach a certain level of income which is essential for satisfying our basic needs and removing important levels of stress. After that point, more stuff does not make us happier, on the contrary, it makes us miserable: we begin shopping or eating in a compulsive way just because we are capable of doing so, for instance.

What becomes important, particularly after having reached a certain level of wealth, is personal growth and finding meaning in our lives. Personal development allows us to express ourselves in every occasion and achieve our full potential, substantially contributing to our general well-being. As we personally grow, we become more passionate about life and more motivated at work, being capable to spot opportunities around us which could make our existence even more pleasant without necessarily increasing our monetary reserves. This need for personal growth and meaning in life explains why people increasingly engage in voluntary activities. According to Victor Frankl, an Austrian neurologist and philosopher survived to the Holocaust, the search for meaning is the primary motivation in human life, since a meaningless existence is responsible for depression, aggression and addiction, particularly in the modern western society. In his book *Man's Search for Meaning* (1946)⁹, Frankl writes that there are three ways to find out meaning: the first is having a purposeful work with a certain level of responsibility which allows us contributing to a bigger project; the second avenue is «[...] by experiencing something such as goodness, truth, and beauty — by experiencing nature or culture or, last but not least, by experiencing another human being in his uniqueness—by loving him.»¹⁰; while the third is by formulating the right attitude towards unavoidable suffering in order to transform tragedies into triumphs and giving meaning to pain.

⁹ *Man's Search for Meaning* has been written by Victor Frankl in order to describe his life inside a Nazi concentration camp during WWII and to introduce his psychotherapeutic method. The latter consisted in finding purpose in life since, according to the author, the way a prisoner imagined his future would have affected his chances of survival.

¹⁰ Victor Frankl, *Man's Search for Meaning*, 1946

From a different perspective and by going back in time, in 1930 the famous economist John Maynard Keynes wrote a short essay entitled *Economic Possibilities for Our Grandchildren* in which he tried to forecast the future economic developments of the new millennium. Keynes affirmed the major discoveries including fire, language, domestic animals and metals have been made at the beginning of human existence and since the 18th century, progresses in science and technology allowed the introduction of steam engines and electricity, putting the basis for mass production and contributing to a radical improvement of the living standards.

Nevertheless, he claimed that the introduction of automatic machines and other advancements in the production processes inevitably led to the so-called *technological unemployment*, due to «[...] our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.»¹¹ Notwithstanding this, according to Keynes, mankind is used to solve its economic problems: at that time, he wrote that in one hundred years or in the more general long-run, technological innovations and capital investments would have dramatically raised the quality of life, pushing people to work just up to fifteen hours per week while devoting the rest of their time to leisure activities, thus making technological unemployment a temporary issue. Nevertheless, Keynes wrote, we have been tough for many years that in order to be satisfied with our life, we have to do some work, thus making the substitution of job with purposeful leisure occupation possible only when we will be able to decouple the concept of unemployment from the lack of income and the feeling of failure. At that point, «the love of money as a possession[...]will be recognized for what it is, a somewhat disgusting morbidity.»¹²

In addition to personal growth, humans nowadays need to build relationships which are not necessarily aimed at satisfying some personal need, on the contrary, they are built just because social instincts are part of our nature. Even though economic theories including The Invisible Hand and the Homo Oeconomicus prove humans are selfish individuals not interested in building communities, this social dimension characterizing our nature has always been there. As a matter of fact, the

¹¹ John Maynard Keynes, *Economic Possibilities for Our Grandchildren*, 1930

¹² John Maynard Keynes, *Economic Possibilities for Our Grandchildren*, 1930

early forms of markets arose in the main squares of villages and in the courtyards surrounding churches, demonstrating how the social event came first, while the commerce glommed on later. About fifty years ago, economists started observing how humans actually behave, indeed, a new branch called *Behavioural Economics* emerged, based on the observation of human motives, rather than looking at what the economic model said about them. In this sense, it has been demonstrated that people are not objective calculating machines acting just for self-interest, conversely, they care about the fairness of transactions and about each other, proving the existence of social motives where economists saw before only pecuniary ones. Today relationships matter to humans more than anything else as they reinforce the sense of value giving us a sense of our place in time, they require engagement and, as a consequence, they help us grow.

The third type of purpose is represented by the societal one which, according to Maslow, can be achieved on the higher step of his pyramid: self-actualization. The more common way to do so is by becoming part of something important and greater, but for which we are held accountable¹³. As a matter of fact, self-actualizing people are guided by a cause they believe in and which they pursue through their meaningful job. Moreover, self-actualization does not consist in a single great moment, rather it is made of smaller victories accumulated over time.

Societal purpose comes when we know we have done something we believe matters to others, to society or to ourselves, but it is not limited to volunteering, philanthropy or educational work: purpose can be found in smaller daily activities as well, including what we decide to consume and where we do shopping (whether we buy in GDO stores or we decide to support local farmers and producers).

¹³ A. Maslow, *Maslow on Management*, 1998

1.3 The emergence of the Purpose economy

From the analysis conducted in the previous paragraphs, it has emerged how the economic system and the role of mankind in the economy have profoundly changed. As the transition to a purposeful human nature takes place, economic actors are trying to adapt to this new conception, marking the transition to a new way of doing business: the Purpose economy, at the hearth of which there are people need and desire to find their purpose in life, whether they are working or buying something. This new economic system not only will continue creating jobs and resources, but it will also contribute to the improvement of the lives of billions of people. The Purpose economy is led by Millennials and younger generations, those born in turbulent years which have seen the disastrous consequences of the race for profit distinctive of the way of doing business in the last century. As a matter of fact, Millennials want to see the positive impact of their job and sustain the right causes through conscious shopping habits.

Many CEOs consider 2020 as the year in which the tipping point has been hit, and the recent Covid-19 pandemic has certainly accelerated the transition towards this new paradigm. People now place trust on the private sector to repair what has been damaged so far also due to a lack of confidence in governments' capabilities and resources. Moreover, companies should take on such responsibility if they wish to remain competitive. As a matter of fact, from here on, operating with purpose and communicating it to the different stakeholders is as fundamental as investing in communication technologies in the '90s: now the difficulty lies in balancing the creation of short term profits with the achievement of social goals in the long run since they need each other to be realized.

1.3.1 The important role of the private sector

If during the Second Industrial Revolution big corporations started to represent not only important business entities but also social institutions capable of influencing the surrounding communities, nowadays companies are the most important economic actors in society. As a matter of fact, at a macro level they are the major responsible for wealth creation, while at the micro they constitute forums for social interaction

and personal development.

On the basis of this influential role in society and keeping into consideration the three key global challenges humanity is facing (climate, failing economic systems and societal inclusion), corporations are actually asked to address many of the social and environmental questions for which governments' efforts are clearly insufficient: organizations and individuals are seeing the gap in what the government can accomplish and trying to step in to fill it through innovative business models which are sustainable and able to generate profits simultaneously.

In addition to the engagement required in the environmental and social domains, organizations have to cope as well with a new generation of employees asking for purposeful jobs and consumers requiring increasing levels of transparency due to declining levels of trust towards business entities.

This increased reliance on the business world to address also non-economic issues is clearly evident when the two Davos Manifesto of 1973 and 2020 are compared¹⁴. In between there were the hectic '80s, the globalization of the '90s, the no global movement that took Davos as a negative symbol, the long economic crisis that started in 2007 and the consequences of all this: populism and sovereignism. While in the first version of the Manifesto emphasis is put on profit maximization and shareholders' interests achieved by translating new ideas into commercial products and services, the recently updated document provides the main purpose for a company is that of involving all the stakeholders in a shared and sustained value creation. The organization must treat people with dignity and respect, by committing itself in the continuous improvement of the working conditions and ensuring lifelong learning policies to its employees. Virtuous companies deliver new innovative products and services to customers in order to best meet their needs through an ethical and proper use of data and natural resources, and evaluate their performances not only through financial measures but also through other environmental and social criteria.

¹⁴ Davos is a small Swiss town that every year hosts the World Economic Forum, considered as an opportunity for dialogue on particularly relevant issues. The Davos Manifesto was firstly introduced in 1973 by the WEF aiming at providing the business world with a set of principles and objectives to be reached and it has been updated only in 2020 on the occasion of the 50th anniversary of the WEF foundation.

As already anticipated, the need for a call to action has been made even more urgent by the Covid-19 crisis. As a matter of fact, in 2020 the major founders and executives of the business world have created a community promoting a sustainable and inclusive economy based on the concept of purpose. The *Leaders on Purpose* international movement is now composed of companies such as MasterCard, Fortune, Philips and L'Oréal, connecting the CEO agenda with the global agenda. In an open letter signed in August 2020¹⁵ in the middle of the pandemic, the major CEOs of global multinationals expressed their commitment to “build it better” rather than simply “build it back”, mitigating the risk of future shocks and improving resilience for global wellbeing. All this can be achieved through the adoption of a purpose oriented mindset which finds its maximum expression in the emergence of the Fourth sector: it represents the optimal combination of the three existing sectors (private, public and non-profit), allowing purposeful companies to pursue environmental and social goals without sacrificing profit creation, thus maintaining a certain level of financial independence.

For this new type of business, purpose is not a corporate strategy or a matter of CSR (which is now considered just a tool for managing reputation), rather it is more what a company stands for. In this case, profit is seen as a measure rather than a goal, since high levels of profits are a sign of a good direction, meaning that the company is attracting and engaging with customers, employees and other stakeholders in a right and sustainable way. As a matter of fact, the primary goal for purpose oriented entrepreneurs is value creation for their communities, fuelling economic growth and creating jobs providing purpose to employees, customers and throughout the supply chain.

¹⁵ Leaders on Purpose and Fourth Sector Group, *Open letter: global leadership Covid-19 response - cross-sector collaboration for a purpose-first economy*, 2020

1.3.2 The demand for purpose at work

The actual and more common governance operating system composed of procedures, financial objectives, rewards and punishments is based on the assumption that employees merely act in their self-interest. Nevertheless, this coordination and control mechanisms have been working properly until leaders started asking workers more engagement in the company: as a matter of fact, they are required to design charming customer experiences, build strong relationships with stakeholders and represent the brand for which they work not only in the workplace, but in the private sphere as well.

On the other hand, it has been observed that Millennials (the largest segment of workforce at the moment) are characterized by a remarkable absence of loyalty to the workplace since they feel that most companies in which they work have no ambition beyond profits. In fact, there are frequent differences between what Millennials think should be the organization's purpose and what they perceive it currently is. This unbalanced situation between employers and employees is often the consequence of non-aligned values: indeed, it has been demonstrated that Millennials judge the performance of a business according to what it does and how it treats people, not by looking at financial statements and according to them, the most important values on which a successful and sustainable organization should be based are trust, integrity and respect for human resources. Millennials and the following generations which will enter the labour market in the next years want to positively impact the world through their jobs, but staying true to their personal values, thus explaining why 56% of Millennials have left their job because of incompatible organizational cultures.¹⁶

¹⁶ Deloitte, *The 2016 Deloitte Millennial Survey - Winning over the next generation of leaders*, 2016

Figure 1: Values supporting long-term business success according to Millennials



Source: The 2016 Deloitte Millennial survey, 2016.

In order to better understand the issue, it may be helpful recalling the traditional concept of *learn, earn and return*, representing the three stages our lives are divided into. According to this mantra, we spend the first thirty years learning skills about the world and ourselves at school, from friends, mentors and parents. During the second third of our existence we earn both money and respect until we reach the last stage where we are focused on giving back through mentorship and philanthropy in favour of younger generations and the world in general. For people looking for purpose, this concept is inadequate: nowadays a more satisfying model would blend all the three stages together in such a way that we would be capable of constantly learning, earning and returning while we work, particularly in a society where churches, families and communities which in the past used to provide a sense of meaning and support are eroding.

Because of the aforementioned reasons, the key to creating value in the era of the Purpose Economy is hiring the right people and creating an environment where they feel part of something greater, in order to encourage them to bring new ideas for the business. Certainly, this process is made possible by a shared culture and values among employees and employers which provide the shift from a rigid system of strategy and structure to a softer model built on purpose, people and development, thus changing the relationship from one in which employees feel they are working for a company to one in which they feel part of an organization. «It is the difference

between hiring out as a mercenary and becoming a Marine.»¹⁷ An exemplary case of powerful alignment of culture is represented by the already cited *The Body Shop* whose founder has been capable of articulating a strong and clear business philosophy. In doing so, the company has attracted employees already deeply committed to environmental causes with a work motivation that they would not have had if they were just selling shampoo and body lotion.

Notwithstanding this, identifying and communicating corporate values is harder than designing strategic missions or financial objectives since the former rely more on emotions and less on analysis and logic. Moreover, whether they are successfully transmitted to employees, the company has to find the right mechanisms to manage the tension between purpose and profits: working to achieve organizational goals without being properly rewarded is not sustainable in the long run, nevertheless, attention must be paid to avoid that short term financial objectives prevail over the pursuit of the social goal in the long term.

According to an article appeared in the MIT Sloan Management Review¹⁸, organizational principles aimed at balancing profit and social goals are built on the so-called *goal-framing theory*. The latter provides that goals “frame” the way employees process information and act, distinguishing three main goals: hedonic (when people focus on feeling good), gain (whose major concern is income maximization) and pro-social (when individual effort is aimed at achieving a common objective). The strength of these goals is mainly influenced by individual features, but the surrounding environment plays an important role as well. In particular, pro-social goals are particularly fragile and they are easily replaced by hedonic and gain ones. As a consequence, financial goals should be seen as a positive outcome of the accomplishment of superior purposes and companies should recall the big picture into the day-to-day mansions of workers. An example is provided by Novo Nordisk, leader in insulin production which requires all new employees to spend some time with

¹⁷ Leaders on Purpose, *Purpose-driven leadership for the 21st century: transitioning to a purpose-first economy through the new business logic*, 2020

¹⁸ Birkinshaw, Julian, Nicolai J. Foss, and Siegwart Lindenberg, *Combining purpose with profits*, MIT Sloan Management Review, 2014

patients affected by diabetes: this may be unnecessary for front line workers, but it is fundamental to remember back-office employees the purpose of the company. To conclude, choosing to pursue social objectives does not mean that we are not interested in making profits, rather, it is just like we are realizing them more effectively.

1.3.3 The demand for purpose from the market

The greater availability of information thanks to the internet but, mostly, to social media has allowed consumers to be informed, even in real-time, about facts happening even on the other side of the planet. Information technology and advancements in transportation have made us more connected and much more aware of the problems so many countries are facing, often as a result of corrupt local governments or because of negative externalities including pollution and exploitation for which several multinationals are responsible. As the world becomes increasingly interconnected, looking the other way about the impact our actions and lifestyles are having on other people and on the environment is becoming increasingly difficult, on the contrary, we are developing a sense of commitment in making the necessary changes happen through the influence and pressure consumers may exert on companies. On top of that, the natural disasters and crises of the last decades including hurricanes, tsunamis, earthquakes, terrorist attacks and, ultimately, the Covid-19 pandemic, have profoundly impacted our priorities, clearly demonstrating the fragility of our planet and the limits of our economic systems.

For these reasons, the majority of consumers are paying increasing attention to their shopping habits, evaluating the companies' level of ethics concerning their employment of natural resources, the importance they give to the human capital inside the organization and how much they care for the environment and the surrounding communities.

Here again, when we talk about consumers in the field of purpose and sustainability, we are referring to Millennials and to the younger generations, which by now represent not only the majority of the available workforce (as stated in the previous

paragraph), but also the main target of marketing campaigns coming from the business world. Millennials, as a matter of fact, dictate the rules of the game organizations have to follow if their objective is that of preserving competitiveness.

In order to satisfy customers' expectations, many companies have infused their products with purpose by adopting cause-based marketing, consisting in partnering with other non-profit organizations. Even if on one hand it can be considered a way to simply improve corporate image to obtain profits in the short term, on the other it may represent a transitional approach towards the transformation into a purposeful business. In any case, cause-based marketing has helped spread awareness about key issues in the world and it has generated important flows of funds in favour of non-profit entities. Examples abound on this topic, as the case of the luxury brand Gucci which in 2013 committed itself to donate a specific percentage of its bags' price to the Unicef project to support schools in Asia and Africa. Still, for fourteen years, a percentage of revenues coming from the Apple RED products has been devoted to HIV/AIDS medical research and until June 2021, the entire revenues will be donated to the Covid-19 Response program of the Global Fund.

However, purpose and cause are not the same concept and deciding to donate a part of profits for a noble cause does not change the nature of the firm and of its products and services.

According to a research conducted by Zeno Group in 2020¹⁹, for 94% of the consumers considered (more than 8000) it is fundamentally important that organizations with which they engage have a strong sense of purpose and 83% stated companies are legitimized to make profits only if they deliver a positive impact on society or on the environment. However, only 37% believe companies actually do it. This negative perception may be the consequence of years in which profit maximization had the priority at the expense of people and the planet. For this reason, consumers nowadays ask companies to share their purpose and positive intentions in order to sustain them through product purchase. Nevertheless, if on one side consumers are willing to pay also premium prices to support purposeful brands, on

¹⁹ Zeno Group, 2020 *Zeno strength of purpose study, 2020*

the other they are equally capable to abandon those they consider unethical by stopping buying their products, preferring another competitor or even not recommending the brand to other people.

Moreover, consumers chose to become followers of a specific company not only for its purposeful nature, but also because of matching values. As a matter of fact, organizations that in the last years neglected to stand for something bigger than their core business, avoided taking a position on hot-button issues or that did not take into account the importance of customers' values saw tremendous impacts on the bottom line. Customers need confirmations from brands as they want to be sure they are supporting the right companies so they push them to be active on socials and to engage in political and cultural debates.

Customers' desire is that of being actively involved in companies' objectives and significantly contributing to the value generation process: they wish to buy products not only to satisfy their personal needs, but also to support the corporate ideals from which they take inspiration while building authentic and profitable relationships with them. The emerging model where an organization's community involves customers, employees and all the stakeholders in general is increasingly common in the new Purpose economy, being the result of the need to pursue social purpose and build community previously described in paragraph 1.2.4. Moreover, a member could be a shareholder, a customer or an employee at the same time, blurring the boundaries between the different categories of actors and making the organization more human-centered.

Finally, the sharing of a meaningful purpose with the community could represent a powerful tool to mitigate the negative effects on trust (and profits) that potential mistakes might have on customers' relationships: a minimum purpose may indeed increase the likelihood that consumers will give companies another chance even though they have lost some confidence.

1.4 The emergence of the Fourth sector

The Purpose Economy sees its major implementation through the emergence of the Fourth sector: a new sector merging the existing private, public and non-profit in order to make companies capable of pursuing some higher purpose while retaining the possibility of making profits and preserving their financial independence. The archetype of this new type of business is the Benefit Corporation, a business model increasingly adopted all over the world, born in the USA and firstly adopted in Europe by Italy.

1.4.1 Three blending sectors: private, public and non-profit

On 9 November 1989, with the demolition of the Berlin Wall and the end of communism, the world was awakened with a single ideology, the capitalist one, so dominant that it is considered a sort of endpoint, the most reached in the evolutionary path of economic paradigms. Companies are the operative component of this paradigm, as collectively are the most important actors offering jobs, generating wealth and innovation. Nevertheless, besides business entities, human activity takes place through schools, libraries, governmental agencies and many others as well which, on the whole, are divided into three specific sectors intended to meet particular human needs: private, public and non-profit. This clear separation of sectors has been working quite well until some years ago, when significant social changes such as globalization and the acceleration of information have made us more informed and aware of the choices we have and the consequences of our actions, creating a global culture looking for purpose. In addition, we realized that, despite all the benefits derived by the economic growth over the past century, many of the threats faced by the actual Sustainable Development Goals are by-products of those economic systems generating that growth.

For some years, the different types of organizations have been facing unprecedented pressures to adjust to this new social culture, making the

boundaries between private, public and non-profit sectors increasingly blurred. As a matter of fact, private companies have started caring about their environmental footprint and their impact on communities as the proliferation of concepts including CSR, Triple Bottom Line and green marketing has demonstrated; simultaneously, structural deficiencies inside the public sector do not allow its organisms to effectively and efficiently meet the social challenges, particularly in societies where a Welfare State has been implanted. Lastly, entities of the third sector have started adopting more market-oriented strategies in order to become financially independent besides looking for proper mechanisms to measure performances: privatization and Social Entrepreneurship are examples of these latter trends. More specifically, a deeper examination of these tendencies reveals both an organizational *convergence* towards a new structure integrating social purposes with traditional business methods pursuing the creation of profits, and the *emergence* of completely new hybrid organizations aimed at addressing social challenges through the best tools made available by the three existing sectors.

At the end, these patterns of change are early signs of the formation of a new Fourth sector combining the best of the three traditional ones and estimated to represent as much as 10% of GDP in Europe and in the USA in the next few years. The organizations that make up the Fourth sector come in the form of a wide variety of models, from mission-driven enterprises, to social sustainable enterprises, cooperatives, benefit corporations, faith-based businesses, and more. The for-benefit entity has been recognized, under different names, in a wide range of sub-national countries and jurisdictions, including the United Kingdom, Canada, United States, Italy, South Korea, Thailand and Colombia. Generally speaking, what is common to the companies of the Fourth sector is the willingness to make the world a better place, responding to market failures with new sustainable innovations and helping governments address the toughest social issues. All of this, not only by making an efficient use of the available resources, but also increasing the effectiveness of limited funds.

Figure 2: Features of public, private, social and fourth sectors

	PUBLIC SECTOR (GOVERNMENT)	PRIVATE SECTOR (FOR-PROFIT)	SOCIAL SECTOR (NONPROFIT)	FOURTH SECTOR (FOR-BENEFIT)
PRIMARY PURPOSE	PUBLIC BENEFIT	PRIVATE WEALTH	PUBLIC BENEFIT	PUBLIC BENEFIT
PRIMARY REVENUE	TAXES	EARNINGS	DONATIONS & EARNINGS	EARNINGS

Source: Fourth Sector Group, 2020

This positive determination is witnessed by exemplary cases such as the Greyston Bakery in New York, a non-profit organization which started hiring people who traditionally have difficulties in finding employment including immigrants, ex-convicts and older workers. As a matter of fact, its slogan is “We don’t hire people to bake brownies; we bake brownies to hire people”.

In Europe, the French Group Danone established a new subsidiary collaborating with the Bengali Grameen Group in order to sell yogurts to children missing iodine, vitamin A, iron and zinc in their diets and to promote the consumption of healthy food to the largest number of people in Bangladesh.

Ultimately, the attitude towards a better business environment is represented also by the unique origins of the English Cafédirect – one of the largest Fair Trade hot drinks companies in the world – founded through an unusual partnership of four organizations: the government-created Twin Trading, the charity Oxfam, the foundation-owned Traidcraft and the worker cooperative Equal Exchange.

The Fourth sector is geographically dispersed and conceptually still not defined, it covers several disciplines, industries and cultures and, in some way, it touches the lives of billions of people. Here the challenge is not to make profitability more sustainable, but making sustainability profitable. Such an ecosystem could provide both the environment needed to allow existing for-benefit businesses to grow exponentially, as well as a path for traditional companies towards the transition to purpose-driven and sustainable business models without being penalized or blocked from the financial point of view. In this case individual commitment is not sufficient, rather, the coordination of social entrepreneurs, accountants, policy makers, employees and others will cover a major role in shaping the emergence and

functioning of this new sector: cross-sectoral collaboration is thought to be the new distinctive feature of business development in the 21st century. In fact, for-benefit businesses are the outcome of a desire to learn from all sectors and to apply the best innovations through new business models.

Besides a strong cooperation among different business entities, in order to permanently shift the paradigm from profits to purpose, a re-alignment of financial investments in respect to beneficial projects is required and it will be possible once a sustainable financial sector will emerge. Capital flows towards conscious businesses would be increased by adopting objective and standard measurements of purpose achievements. As a matter of fact, although more than three quarters of the world's largest companies include "non-financial" information (environmental, social, and governance information) in their annual reports, the introduction of competing sustainability benchmarks has limited the possibility to assess all these companies in the same way. Because of this, the imposition of a unique measurement system for sustainable actions would make the Fourth sector capable of generating new market incentives for investors to fund sustainable businesses, creating a potential virtuous cycle between growing demand for and supply of for-benefit capital.

To conclude, we can say that the Fourth sector's development has been largely incidental, happening at the margins of the existing three sectors. Nevertheless, we are now at a tipping point where, to make enterprises of the Fourth sector to prosper, a deep transformation in the nature of business and economies is needed: the introduction of suitable financial markets, reporting tools and standards and technical and legal assistance is fundamental, but still not completed. As a consequence, there is currently a tension between the willingness to make this new ecosystem a reality and the constraining status quo.

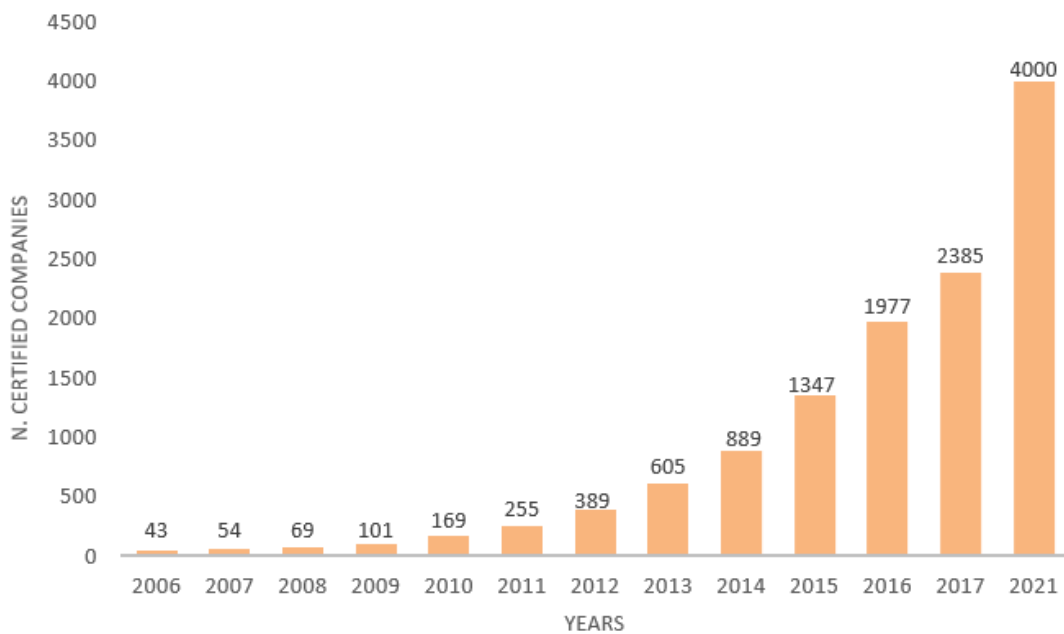
1.4.2 The protagonists of the Fourth sector: Benefit Corporations and Certified B Corps

The Fourth sector, with its double bottom line, creates new business models

capable of bridging the gap between corporate social responsibility and profits. In this regard, Benefit Corporations and Certified B-Corp are gaining momentum. They are considered the archetype of this new sector, they are for profit companies that together form a global movement aiming at spreading a more evolved business paradigm: using business as a positive force. For this it is necessary that: a) companies are measured in a complete, transparent and rigorous way for their total results, not only economic ones but also the impacts on society and the environment; and b) new legal models are available which make explicit the aim of having a positive impact on society and the environment, as well as the production of profits.

In the world, the current 4000 B-Corps stand out on the market from all other companies: they go beyond the obvious goal of profit and continuously innovate to maximize their positive impact on employees, the communities in which they operate, the environment and all stakeholders. They are companies for profit to all effects, but defining them only in this way is not appropriate because they are, in fact, "Benefit". The positive impact on society, which leads to the creation of shared value, is an integral part of their core business. According to this paradigm, economic activity regains its original function, takes on the role of regenerative force for society and the planet and becomes part of the solution to some of the major challenges of the 21st century.

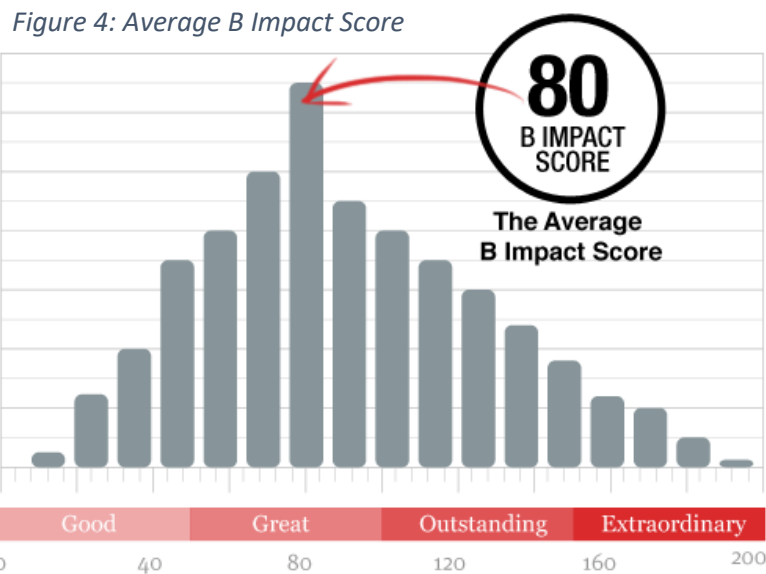
Figure 3: The growing community of Benefit corporations



Source: Davines spa, 2021

The B Corp movement was born in 2006 in the USA, when some entrepreneurs decided that it was essential to try to change the dominant model and to promote a radical evolution of capitalism as we know it today. Since then, the non-profit B Lab, with the support of large foundations (primarily Rockefeller, Lumina and Skoll) has been developed, with the aim of becoming the world's most robust impact measurement protocol. The B-Impact Assessment (BIA)¹ is an online tool, free and confidential, providing useful information on the company taken into consideration analysing four macro areas: governance (including topics related to ethics, transparency and corporate mission) community (concerning inclusion, supply chain management and the civic engagement on society), people (health, security and employees' satisfaction) and environment (management of natural materials and disposals). After a self-assessment which is tailored according to the company's size (number of employees) and type (sector), the company can ask B Lab to verify the score and, in case of a positive outcome, it becomes Certified B Corp. Any score higher than 0 points is a good score, as a positive score indicates that the company is doing something positive for society and the environment. The Assessment rewards practices that go beyond standard business practice; therefore, every point earned on the Assessment reflects incremental, positive impact. However, in order

to obtain the certification, the company must reach a minimum score of 80 points.



Source: B Impact Assessment, 2021

Through the BIA, those companies - the certified B Corp - that produce a net and measured benefit for society and the environment, as well as a profit for shareholders, started to be clearly identified. These companies imagine a future in which all organizations are rigorously measured and valued on the basis of the shared value created for the community and not just the economic value for shareholders, a future in which all companies compete to be not only the best in the world, but the best for the world.

The benefit project, developed by B Lab, therefore has two complementary components. On one hand there is the measurement of the creation of economic, environmental and social value of a company where only the best in the world exceed the threshold necessary to qualify as certified B-Corp. On the other hand there is the legal form of Benefit Corporation that modifies the DNA, the articles of association of a for-profit company, specifying in the social object that its purpose is twofold: to distribute dividends and to create a positive impact. This legal form represents a radical evolution of the capitalist paradigm and does not limit the distribution of profits, provided that these are generated by improving the world. It is essential to clarify that the goal of the Benefit movement is not making all the companies B-corps. Rather, the vision is that for all companies the

environmental and social results are rigorously measured and reported as transparent as economic and financial performance, in order to create lasting and widespread prosperity. For this reason the most advanced tools to measure these impacts, both in the business and in the financial field are made available free of charge. B-Corps do voluntarily today what in the future all companies will have to do to obtain and maintain the social license to operate. It is already a rapidly growing global community, especially in Italy, the first European Country to introduce in 2016 the equivalent of the Benefit Corporation called *Società Benefit*, and counting today 500 Benefit Corporations and more than 100 Certified B-Corps.

Moving the attention on the motives that push companies adopting the Benefit Corporation business model or becoming Certified B-Corp, it has been highlighted how this phenomenon particularly affects small and medium-sized enterprises. As a matter of fact, they want to distinguish themselves in the middle of a “greenwash revolution” occurring among large companies, demonstrating their true commitment to social and environmental causes and helping consumers identify the truly responsible firms. At the same time, a second and more profound reason is represented by the willingness to join the movement of creating a new economy with a new set of rules and redefine the way people perceive success in the business world. Moreover, it is worth remembering that B-corps represent an attraction for the best talents, especially among young employees seeking meaning in their careers. In this regard, Patagonia is the clearest example, stating that being a B-Corp has helped hiring valuable workers which are aligned with the corporate culture and contribute with great motivation to the organization’s objectives thanks to the company’s reputation as a good place to work. In addition, Patagonia founder Yvon Chouinard stated that «Benefit Corporation legislation creates the legal framework to enable companies like Patagonia to stay mission-driven through succession, capital raises, and even changes in ownership, by institutionalizing the values, culture, processes, and high standards put in place by founding entrepreneurs. »²⁰

²⁰ <https://eu.patagonia.com/it/it/stories/benefit-corporation-update-patagonia-passes-b-impact-assessment-improves-score-to-116/story-17871.html>

A third reason in favour of the “Benefit model” is represented by the fact that the certification allows companies to review their sourcing practices as well as their water and energy usage, often leading to waste reduction and thus lower operational costs. As a matter of fact, becoming Certified B-Corp means accessing the best practices of the different sectors, enabling companies to improve their processes based on data coming from the B-Corp community.

In conclusion, it can be stated that the Benefit movement is making it increasingly evident that the 'pure capitalist' model as we know it today must be transformed and made to evolve. Organizations such as the World Economic Forum, or the most authoritative Business Schools such as Harvard or Stanford are more and more explicitly highlighting how a system that in its DNA has written the obligation to reward a single 'winner', that is, the shareholder, ends up concentrating more and more wealth and power in a few hands, and this becomes a mechanism of self-destruction of capitalism itself.

CHAPTER TWO

IMPLEMENTATION OF THE PURPOSE ECONOMY: THE FOURTH SECTOR AND THE CIVIL ECONOMY

2.1 Civil and Political economy: two different intellectual perspectives

The aim of this paragraph is to shed light on the origins of the Italian Civil economy and on those of the Anglo-Saxon Political economy in which Catholicism and Protestantism have held important roles.

The reasons that led to the predominance of the political economy over the civil one will then be analyzed, followed by a description of the work of Adriano Olivetti, emblematic example of Italian civil entrepreneur in the period after World War II. The paragraph concludes by highlighting the limits of welfare state and welfare capitalism and how they provoked the return of the debate on the Civil economy and coined a new concept as that of the Fourth sector.

2.1.1 Origins of the two traditions and the religious influence

Throughout history, political and economic theories have been divided into two large families: those starting from the hypothesis that the human being is not naturally able to cooperate and those that instead claim the cooperative nature of the person. The theory that most is based on the selfish nature of man is that of the Anglo-Saxon Political economy, already widely described in the first chapter of the thesis, while the most representative thought of the second family is certainly the Civil economy, of Italian origin and typical of countries of Latin tradition.

Despite the spontaneous question that may rise about the most correct theory between Civil and Political economy, the question should not really be posted on the level of "correctness", but on that of the power and success of economic theories. As a matter of fact, from the first half of the 19th century, the civil vision of the market and, more generally, of the economy disappears from both scientific research and political debate. At the same time, Political economy prevails and leads to the

formation of the capitalist system that we know today. In reality, it did not necessarily have to take the path traced by Mill and his *Economic man*, because there was no scientific reason to claim that this was the correct path. The main reason, however, is linked to the power relations that have prevailed in this century and a half in the community of economists and in the wider of businessmen and politicians. In fact, the definitive affirmation of the industrial society during the 19th century, characterized by the predominance of the machine that also marks the rhythms of life, transforms the nature of work. Personal skills are broken down into elementary tasks requiring high degrees of coordination and organization, workers are therefore considered as objects and companies deal with roles, not people. Precisely because of this mentality, in the majority of textbooks the economist has taught and continues to teach that the worker has goals not aligned with those of the employer and that the main way to align them are incentives: through them the worker does things he would not do, being a person who works well if controlled and adequately paid.

Other elements that have favoured the dominance of Political economy have been the lack of great theoretical talents within the community of Italian economists, able to make a critical speech with the same language and with the same mathematical rigour of Pareto or of his English followers, and the capitalist influence by the United States on West Europe during the period after the Second World War which facilitated the reconstruction.

However, going back in time, among the crucial reasons for the success of the Political economy, there is one cultural element worth emphasizing: the Protestant Reformation. The Humanism following it that from the second half of the 1500 has begun to spread in northern Europe and in the USA is characterized by a strong anthropological pessimism. In fact, the idea that man was so sick of selfishness as to render him incapable of virtue took over (the wolf-man of Hobbes was born precisely from the thought of Luther, father of the Reformation) and the idea that individual interests and usefulness were the true serious motor of human action began to spread. According to Protestant doctrine, in fact, success in life is a sign of divine approval and to pursue it, it is necessary to be as diligent in the work as possible. Knowing that the salvation of the soul depends also on the personal economic success may have represented an extraordinary work stimulus for the individual and for entire

communities, which did not manifest itself in traditionally Catholic countries where divine salvation depended on the accomplishment of good actions such as volunteering, cooperation, and other altruistic acts. The effect was the transfer of a considerable amount of resources from the social to the economic, thus favouring the process of accumulation of capital in the Anglo-Saxon countries.

In this regard, at the beginning of the 20th century, the German sociologist Max Weber published *The Protestant Ethics and the Spirit of Capitalism* (1905), a work destined to remain famous in the history of the interpretations of capitalism and its origins. According to Weber, the spirit of capitalism does not consist in the accumulation of great wealth nor in the will to earn, which are typical of all times, but in the creation of profit that is pursued rationally. In this perspective the concept of professional duty born in the context of the Protestant Reformation assumes great importance: for Luther, in fact, the fulfilment of his duty in the worldly professions is the highest content that can assume the moral life. It was, however, Calvinism that brought to its extreme consequences the connection between religious duty and worldly profession: asceticism is no longer directed, as in the Middle Ages or in the Catholic mentality, to the flight from the world and is not manifested by prayer or fasting; is practiced instead with the methodical and continuous professional work that becomes the highest ascetic means and as such ensures salvation. A perspective according to which salvation is something individual, not communitarian. The practical consequence of this change was the elimination, in the countries affected by the Reformation, of the social works of Catholicism, that is, the abandonment of one of the highest expressions of the common good.

At the end, a rather relevant theme that we encounter in the Reformation-Catholicism debate is that of virtues. In the economic theories that developed as a result of the Reformation, the ethics of virtues disappeared because it was unrealistic for a man radically ill with greed. In this way it ended up being associated with Catholic Europe which provided that, despite sins and vices, human beings are capable of actions done because they are good in themselves and the concept of virtues came out from the great places of modern political and economic theory which remained almost entirely Protestant in nature. The typically Italian Civil economy, unlike that of

the Political economy, has therefore remained anchored to the ethics of virtues, convinced that in human beings there are two primitive forces: selfish and pro-social. This second force and virtuous tendency has never been erased from sin, but it needs special "prizes" and institutions to strengthen itself.

2.1.2 *The Civil economy*

The Civil economy finds its origins in the Italy of the Enlightenment of the half of the 18th Century and found the conditions for its development mainly in two cities: Naples and Milan. The two schools developed their thinking on different but complementary aspects for the Civil economy. The school of Naples will focus more on the social aspect, while that of Milan on the value of the person, of creativity and human intelligence, seen as elements that make possible the relationality and the creation of value, economic and not. In other words, they allow economic and human progress.

A peculiarity of the Civil economy is precisely that of having been able to find a balance between the two dimensions, the singular one of the individual who sees the person at the centre of society and economy, and the plural one of sociality, the interpersonal relationship and public happiness. The basic idea of the Civil economy is to reject the anthropological assumption that we find instead at the centre of the dominant political economy, according to which *homo hominis lupus*, meaning that every man is a wolf towards other men. Otherwise, for the Civil economy the assumption is *homo homini nature amicus*: every man is by nature a friend of the other man.

The civil market is a market in which the relationship is personal, direct, reciprocal. The relationship is a fundamental element, which brings the human being into a construction such as the market and leads him to serve the needs of people and to achieve a type of happiness that is not merely individual wealth, but is public happiness. As a matter of fact, there is a very close link between economics and happiness. A healthy and functioning economy is considered a tool to achieve the public happiness, which does not derive from the sum of the search for interest and wealth of each, but that is something more, that comes out from individuality and it

is linked to the concepts of altruism and gratuity. In this regard, it can be stated that the civil economists of the 18th century had already understood that happiness is nourished not only by economic goods. Thesis confirmed in more recent years, by the so-called "paradox of happiness in economy" or "paradox of Easterlin"²¹, according to which beyond a certain threshold of wealth, identified with the quantity that allows to cope with ordinary expenses, there would be a very low, if not non-existent, correlation between the growth of wealth and the increase of happiness.

Since the Civil economy brings with it another idea of economy, it must necessarily bring with it another idea of the fundamental subjects of the economy: the enterprise, the entrepreneur and the consumer. Anticipating the current concept of Benefit corporation, the civil enterprise is that enterprise that does not limit itself to exercising corporate social responsibility, or that exercises philanthropy ex post, but that exercises *corporate civil responsibility*. Civil liability provides that the objective of the company is the development of a project in which profit and efficiency are not the main objectives and ethics constraints, but the exact opposite.

The civil enterprise takes choices and implements business policies that make this responsibility have repercussions and positive effects also to the outside: instead of producing negative externalities, the civil enterprise is engaged to produce positive externalities. It is an enterprise that recognizes the human dimension that composes it and seeks to enhance it, both internally and externally, because it knows that this will contribute to internal well-being, understood as the well-being of the working environment, the economic well-being of the company in general and of all the stakeholders with whom it will come into contact. The mission of civil enterprise is to operate within the market, not to bend to its laws but to renew it and bring it back to the satisfaction of human needs. The civil enterprise, in fact, does not deny the

²¹ The *Easterlin paradox* or *happiness paradox* is a notion introduced in 1974 by Richard Easterlin, professor of economics at the University of Southern California, who, seeking reasons for the limited spread of modern economic growth, concluded that in the course of life people's happiness depends very little on changes in income and wealth. According to Easterlin, the paradox is that, when income, and therefore economic well-being, increases, human happiness increases to a certain point, but then begins to decrease, following a parabolic curve. Easterlin's paradox has helped broaden the debate on the link between wealth and happiness.

economic efficiency, but sees it as a means and as an indicator of the functioning and sustainability of the basic objective of the enterprise that is the realization of a project.

The entrepreneur has a vocation and an ambition that is not to make money, this is merely the means. He has a project that is also a project of life, which derives from a desire, an intuition, a passion and which is aimed at the common good.

Another characteristic of the civil entrepreneur is to bring a different work culture inside and outside the company. The current phase of capitalist development is based on an enslavement of labour to profit and consumption. In the Civil economy, on the contrary, work is also seen as a place of relationality and reciprocity as well as of human flowering. The company assumes that the person is the protagonist, not a tool to generate profits, to squeeze and retain through incentives. Incentives that respond to a different and distorted logic, according to which with money everything can be obtained, with money the best of the person can be obtained and managed in their favour. The culture of incentives is strongly criticized by civil economists, precisely for its underlying negative logic, as well as for the negative effects it produces in working relationships, in distorting and giving a negative tone to competition and in taking time and energy away from the time of rest and relationships. Once again the human dimension is recognized, in all its scope of benefits and risks, to give the economy a bigger dimension and a greater task, which has as its purpose the good for all.

Finally, there is another fundamental figure that can make a significant contribution: the consumer acting through the purchasing power. It is its responsibility to use it in order to direct production towards virtuous sectors and productions that deserve to expand in the market, because their positive contribution is recognized. There is no pretence and illusion that every company funds its activity intrinsically on an ethical-value system of a certain type. But it has been found that the entry into the market of responsible companies that reach relevant market shares, generates positive contaminations. If the demand of the market is directed towards products and productions that generate economic value in a socially and environmentally sustainable way, companies that produce economic value without considering these dimensions, and especially those who do so by deliberately violating them, will be forced to align themselves with the new competitive advantage in order

not to lose increasing market shares. It would be in their purely economic interest to add ethics to their objectives so as not to lose ground in the field of profits.

2.1.3 A virtuous example of civil entrepreneur: Adriano Olivetti

There is a question that Adriano Olivetti pronounced aloud, on April 23, 1955, when he inaugurated the plant in Pozzuoli: «Can the industry have purposes?». The inauguration took place in the midst of a social and political crisis. Olivetti turned to his employees asking how they could contribute through their efforts and their work to building that better world required by terrible years of desolation, disasters, destruction and massacres caused by WWII, so that such sad days will no longer have to be faced by future generations.

The answer, though not obvious, assumed that the model of industrial humanism, in which he believed, had objectives projected far beyond the calculation of profits and therefore that there was something beyond the economic logic, an effort to read modernity in unusual and original terms. The problem concerned the horizon towards which the path of a company should tend, at the crossroads between the search for commercial success for its own sake and the attempt to increase the level of well-being, of democracy, of civilization adapting it to the expectations of every human person.

Adriano Olivetti began to work in his father's plant in Ivrea as an unskilled worker; in 1925 he was sent to the United States to learn modern 'industrial methods' and in 1933 he became General Director of the company. His way to manage the company merged the efficiency principles of the Taylorist model learned in the USA with his deep respect for human beings and the value creation process consisted in the creation of wealth and welfare for the local area and its communities.

The relationship between the company and the employees was based on two main principles: the first one inherited from his father which led him to see involuntary unemployment as “the most terrible evil that afflicts the working class”, while the second stated that progress and technology had to be used to give back to employees. Olivetti’s production was labour-intensive, but since Adriano Olivetti considered

human resources as the company's prominent asset, he organized the factory as a way to increase their well-being. As a matter of fact, under his leadership the company implemented an extensive programme of 'welfare' including nurseries, training centres and summer camps for children, worker housing, a factory library, health services and food centres. Moreover, Olivetti believed in worker participation in policy-making and decision-making, so much that in 1948 he established the Management Council (Consiglio di Gestione), an independent internal body composed of company and worker representatives. This council could express opinions regarding work organization, planning manufacturing plants and production, as well as initiatives to improve workers' living conditions also outside of the factory. The Council opinion was binding on allocating resources to social services and influencing business management.

The combination of factory and community is a characteristic trait of the post-war Olivetti. Indeed, the company after 1946 became the gravitational centre of the Canavese, land that extends at the foot of the Aosta Valley region, between rivers and mountains where the factory realized that its real family was the neighbouring territory. Olivetti's idea that the firm was to be tightly linked with the local area was also evident in the plants' design and architecture chosen for the group's factories. These were built respecting the morphological characteristics of the land and therefore blended in seamlessly with the neighbourhood, as shown by the Olivetti plant in Pozzuoli. It was designed to follow the contours of the land and the Coastline of the Gulf in front of it. He had a harmonious vision of the relationship between nature and technology, believing that production and culture were two sides of the same coin.

It was not only the Community that entered the factory through continuous recruitment, but the latter to come out and become the reference point for cultural initiatives, giving rise to Community Centres that were responsible for spreading the Olivettian verb in every corner of the Canavese. Workers in these Centres spoke of democracy, solidarity, truth, justice to any citizen, from the most educated until the peasant who had not left his land to go to the city. On the contrary, the 'educators' tried to keep as alive as possible this link with the roots of man. A man who in previous decades had undergone a profound change: devoted for centuries almost exclusively

to agriculture until the First Industrial Revolution, now had to be compared with a repetitive work, alienating, which constantly connected him to machines. It was therefore necessary to revitalize that country territory that still made man feel tied to his true nature.

According to Olivetti, the entrepreneurial forces of that time were too focused on gaining power at all costs and the only way to stem this trend was spreading humanistic values that could elevate man and which could reconcile the fatigue of the worker with the values of the spirit in the attempt to create a "high human balance". In 1946 he founded Edizioni di Comunità, a publishing house to promote the cultural recovery of Italy after WWII and in 1952 *Notizie Olivetti*, a magazine spreading the Olivettian thought as well as the novelties that concerned the company, making itself the advocate of an innovative policy of employer branding.

It would not be foolish to ask what our country, or more in general our world, would be like today if the Olivettian intuition had been gathered by a dozen entrepreneurs in different parts of the territory at that time. Instead, it was suffocated by the prevalence of interests and forces of a completely different inspiration which by now are well-known and that created the world in which we are immersed and that is in obvious difficulty.

2.1.4 Civil economy and Fourth sector: two parallel paths to build it better

Starting in the 1920s, in the United States, big industrialists like Ford and Rockefeller created what would later be called *welfare capitalism*. Here, the basic assumption is that companies should take care of the well-being of their workers and families through the principle of restitution. The company in this way returns a part of the profits it has earned to those who have contributed to obtain them, a typical principle of the American cultural matrix. However, as a result of the crisis of 1929, American corporations have undergone a profound transformation from private to public companies, made up of thousands of shareholders who are only interested in maximising financial value, which will therefore cut the funds allocated to the well-being of employees. Regardless of this change in the ownership sphere, the real

Achilles heel of welfare capitalism is not to meet the requirement of universality, being a private initiative and on a voluntary basis.

It is for this reason that thanks to the writings of John Maynard Keynes and the introduction of the Beveridge package in 1942 that established the National Health Service and free education up to a certain age for all, the welfare state model began in England and then spread to the rest of Europe in different versions and with different outcomes. In this case it is the State and no longer the company that takes care of the citizens. The merits and successes of the welfare state were remarkable, especially as it strengthened democracy in Western Europe. However, as with welfare capitalism, even the welfare state has been given two great limits in the last 20 years: its financial unsustainability and bureaucratization. As for the first, it is linked to the fact that if welfare services are to be of quality, they will always have increasing costs due to scientific and technological progress. The problem arises in the financing phase of the State, which is mainly through tax revenues which, in order to ensure adequate services, should reach levels that would be no longer sustainable. On the other hand, bureaucratization refers to the standardization of ways of satisfying needs when, in reality, they would require customized solutions. This represents the reason for the discontent surrounding social services and the low regard for public services by citizens.

Precisely because of the above-mentioned limits regarding the welfare state and welfare capitalism models, the topic of the Civil Economy which has never really stopped developing, even if in the shadow of the predominant capitalist system, has returned to the centre of the debate. Moreover, the new Anglo-Saxon concept of Fourth sector emerged.

For years, the Civil economy has been considered to be a beautiful theory that however stops at utopia. The thought of the Civil economy seemed so far from reality so much that it aroused understandable mistrust. In times of stagnation, unemployment, bankruptcies of banks and companies it seemed really far from our possibilities. Perhaps we have been led so far from what is the true vocation of the economy and the figure of the entrepreneur, to have forgotten and lost the true sense. The reality is that several experiences of the Civil economy have been

implemented in recent decades. The experience of cooperation, fair trade, microcredit, ethical finance, corporate social responsibility, the economy of Communion. These experiences have found sustainability over time and have spread worldwide. In some cases they have become real best practices, think of the experiences of the fair trade market or bank ethics.

Today, in Italy, experts speak about civil welfare which is nothing more than an evolution of the primitive concept of Civil economy. The concept is based on the new responsibility of the whole society that must take care of its citizens, therefore no longer entrusting the task only to the State or individual private companies. Like the Fourth sector, civil welfare also assumes the collaboration between the private sector, the public and non-profit that must cooperate through the principle of *circular subsidiarity*, a typically Italian idea dating back to the era of civil humanism (15th century)²² : the three spheres must be able to interact systematically, on the basis of predefined protocols, both at the time when the interventions that are thought to be implemented are planned, and at the time when they need to be managed and delivered. In this way, the circular subsidiarity of civil welfare replaces the principle of *restitution* of welfare capitalism and that of *redistribution* of state capitalism.

The similarities between the concepts of Civil economy/civil welfare and that of the Fourth sector are evident at this point. Today, both countries of Christian and Latin tradition and those of Anglo-Saxon and Protestant origin recognize the need for a change in the economic system. Here, then, in Italy the theme of the Civil Economy that seems to want to take a "revenge" on the Political economy, while the big world economies like that of the United States, recognize the limits of the current way of doing business and welfare and coin this new concept widely discussed within the thesis: the Fourth sector.

Civil economy and Fourth sector are therefore two parallel paths with different origins, but which are directed towards the same goal: promoting a business activity

²² Circular subsidiarity presupposes the sharing of sovereignty by the State with private and non-profit entities. It differs from vertical subsidiarity, which consists in the transfer of sovereignty shares from the State to territorial public bodies and horizontal subsidiarity, when these shares are transferred to voluntary associations (third sector).

that is sustainable, that deals with social and environmental issues and that cares about the well-being of its workers and the communities in which it operates.

2.2 A new business logic

In the future of the economy and mainly after Covid-19, there is the Fourth sector, populated by companies and financial organizations that will put the meaning and the social impact of the entrepreneurial act at the first place of their action. The Fourth sector, the middle ground for some, the island that is not there for others, the liquid space that stands between traditional enterprise, third sector, state and social innovation, perhaps too difficult to define with the lenses of the dominant economic thought but evidently more and more concrete and perceived in reality. The Fourth sector is the explicit concretization of the Purpose Economy, where the business focus is not on extracting value from customers, but rather on creating shared value by adopting a system perspective.

Being the new goal of the business that of pursuing not only the creation of profit, but also higher purposes for the common good, joining forces becomes fundamental. Companies that will be most successful in the Purpose Economy are those that will be able to build solid and long-lasting partnerships with organizations coming from other sectors or with direct competitors, so as to improve living and environmental conditions, while unlocking new market segments.

2.2.1 From customer value proposition to system value proposition

The emergence of this new Fourth sector can be easily considered the direct implementation of the Purpose Economy since it is composed of companies with superior purposes going beyond the realization of profits, often consisting in giving support to communities or promoting new sustainable practices concerning the natural environment. Moreover, there is evidence about the positive correlation between the pursuit of good causes and the achievement of high levels of profit which

can be explained by the fact that there is an entire demand for good actions to be satisfied that represents an unmissable opportunity for the business world.

The most innovative companies are taking this opportunity by adopting a system perspective, moving away from customer centricity and focusing on the system's needs as a whole, indeed, adaptive CEOs have begun considering their organizations as a globally integrated company operating in the interrelated issues of the planet and they translate global challenges into business opportunities. Taking as an example the case of the Sustainable Development Goals, remarkable studies including the *Global Opportunities report* (DNV-GL) and the *Better Business, Better World report* (WBCSD) show that pursuing global goals can raise trillions in new market opportunities mainly because they offer the possibility to unlock new market segments of consumers. It is worth underlying that switching to a more comprehensive organizational perspective taking into account global problems enables CEOs to detect early signs and predict challenges along with foster innovation and agility, always considering the fact that, just as socially reckless initiatives can produce collateral damage, responsible behaviours often generate collateral good, spreading progressive change far beyond the immediate bottom line.

Looking at the topic from another perspective, the emergence of the Fourth sector can be considered the result of a change in priorities from self-interest to the common good and having a look at the three existing sectors can reveal what about them has led to the emergence of the fourth one. In particular, the highest priority of governments is the wellbeing of their citizens, which are people living in a defined land following rules imposed by fighting political parties: this is not common good. This is even more clear in the business sector, where the highest priority is the financial interest of a unique category of stakeholders, while in the non-profit one the main concern is usually a specific mission, for instance ending AIDS or favouring education in low-income countries. Moreover, financial resources in the third-sector usually come from one group of people while services go to another, thus leaving room for some kind of paternalism. To sum up, it can be said that the Fourth sector is the inevitable maturation of our social and economic lives, a response to the actual situation and a development of our thinking: the emergence over the last thirty years

of socially responsible companies was the beginning of the phenomenon, while the common good corporations and investment funds will be the full maturity.

Whether the question is about the pursuit of isolated good causes or the common good, the activity of Fourth sector organizations consist mainly in the creation of a new type of wealth: the shared value. The concept of shared value can be defined as the set of policies and operational practices that strengthen the competitiveness of a company while improving the economic and social conditions of the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between economic progress and social progress. The creation of shared value is a broader conception than the invisible hand of Adam Smith. It is not philanthropy, but selfish behaviour that leads to creating economic value through the creation of social value. If all companies individually pursued a shared value related to their specific business, the overall interests of the company would be satisfied. In this way, businesses would acquire legitimacy in the eyes of the communities in which they operate and governments would adopt policies aimed at promoting and supporting business. The survival of the strongest would continue to prevail, but market competition would benefit society in ways that we have forgotten by now.

The concept and need of shared value comes from the fact that the competitiveness of a company and the well-being of its surrounding communities are closely interlinked. The company needs a healthy community, not only to create demand for its products, but also to have certain critical assets and a favourable environment. On the other side, the community needs successful companies to make jobs and wealth creation opportunities available to its members. In the old narrow vision of capitalism that has permeated the managerial thinking of the last fifty years, business contributes to society through the creation of a product that generates employment, wages, purchases, investments and taxes and carrying on the business from this traditional perspective is a sufficient social benefit. The company is essentially an entity in its own right and the problems of society and the community remain outside its "institutional" framework. (This is the argument put forward persuasively by Milton Friedman in his criticism of the overall concept of corporate social responsibility). Companies have focused on trying to convince consumers to buy

more and more of their products. Faced with increasing competition and pressure from shareholders for shorter-term performance, managers resorted to several waves of restructuring, reduction of staff and relocation of activities to regions with lower labour costs, indebting the company to return capital to investors. The results have often been standardisation, price competition, lack of effective innovation, slow organic growth and the absence of a clear competitive advantage.

In this type of competition, the communities in which companies operate perceive little benefit even when products grow. Instead, they feel that the products are being obtained at their own expense.

Nevertheless, it wasn't always like that. Once upon a time, "excellent" companies took on a wide range of roles to meet the needs of employees and communities as witnessed by the workers' village of Crespi d'Adda in Bergamo, built during the Second Industrial Revolution by the Crespi family then owner of a large cotton mill, or by the case of the Olivetti company that will be presented later. However, when other social institutions appeared on the scene, those roles have been eliminated or delegated. The shortening of the time horizon on which investors were thinking started to determine a narrower way of thinking about choosing the most appropriate investments. When the vertically integrated enterprise has left the place to a greater reliance on the external suppliers, the outsourcing and the offshoring have weakened the connection between the enterprises and their communities. While distributing their activities to an increasing number of geographic locations, companies have often lost contact with individual local situations. In fact, many companies no longer have a reference point, but consider themselves "global".

2.2.2 Three ways to create shared value: re-conceptualizing products and markets, redefining productivity along the supply chain and facilitating the development of local clusters

The concept of shared value redefines the standards of capitalism. By more effectively linking business success to social improvement, it opens up many opportunities to meet new needs, gain efficiency, create differentiation and expand markets. It does not concern the "sharing" of the value already created by companies

through a redistributive approach, on the contrary, companies can create shared value directly by reconceiving products and markets, redefining productivity in the value chain, and building aggregate support sectors in the communities in which the company operates. Each of these approaches is part of a virtuous circle: increasing value in one area creates opportunities in the others.

- *Reconceive products and markets:* The needs of society are enormous - health, more comfortable homes, healthier food, support for the elderly, greater financial security, less damage to the environment. These are presumably the main unmet needs in the global economy. In business, decades have been spent learning to analyse and promote demand, ignoring the most important and basic demands of all. In advanced economies, the demand for products and services that can meet the needs of society is growing rapidly, for instance the food companies that traditionally focus on taste and quantity to promote increasing consumption are refocusing on the fundamental need for a more correct diet. Equal or superior opportunities emerge from the choice to serve disadvantaged communities and developing countries. As a matter of fact, even if they present even more pressing social problems, these communities have never been considered attractive markets. Today the focus is on India, China and, increasingly, on Brazil, countries that offer businesses the opportunity to reach billions of new customers positioned at the base of the social pyramid - a concept convincingly formulated by C. K. Prahalad²³. But these countries have always had enormous needs, like so many other developing countries.

Similar opportunities exist in the non-traditional communities of advanced countries. It has been discovered, for example, that the poorest and most degraded metropolitan neighbourhoods constitute the least-served market in America; their significant overall purchasing power has often been overlooked.

For a company, the starting point for creating this form of shared value is to identify all the needs, all the good there and all the social damage that are or could be

²³ The expression *bottom of the pyramid (BOP)* refers to the world's poorest four billion people. According to C.K. Prahalad, author of the famous book *Fortune at the Bottom of the Pyramid*, low-income markets present a prodigious opportunity for the world's wealthiest companies since the alleviation of poverty and the improvement of life conditions in general provide growth and profitability opportunities for these businesses.

incorporated into its products. Opportunities are not static; they are constantly changing with the evolution of technology, the development of economies and the change in social priorities. The continuous exploration of social needs will enable companies to discover new opportunities for differentiation and repositioning in traditional markets, and to identify the potential of new markets that they previously neglected.

- *Redefining productivity along the supply chain:* The value chain of a company inevitably influences (and is influenced by) numerous social issues, such as the use of natural resources and water, health and safety, working conditions and equal treatment in the working environment. Opportunities for shared value creation arise because social problems can lead to economic costs in the company's value chain. Many so-called externalities actually impose internal costs on the company, even in the absence of regulations or taxes on resources. The excessive use of paper in product packaging and greenhouse gases are expensive not only for the environment, but also for the company. Wal-Mart, for example, managed to address both problems by reducing packaging and redesigning truck routes to eliminate 100 million miles from delivery routes in 2009, saving \$200 million while delivering larger volumes of products. The innovation in the elimination of plastic used in stores saved millions of dollars in terms of lower costs of landfill.

The new thinking reveals that the congruence between social progress and productivity in the value chain is much greater than was previously thought. Synergy increases when companies face social problems with a shared value perspective and invent new ways of working to address them.

Some of the most important ways in which shared value orientation is transforming the value chain are presented below. These are modes that are not independent, but are often mutually reinforcing.

- *Energy use and logistics:* The use of energy throughout the value chain is being reviewed in processes, transport, buildings, supply chains, distribution channels or support services. This review was triggered by rising energy prices and a new awareness of energy efficiency opportunities, but it was in place even before

carbon emissions became the subject of global concern. The result is a huge improvement in the use of energy through the use of superior technology, recycling and various other practices - all of which create shared value.

Moreover, we are realizing that distribution processes are expensive, not only because of energy costs and emissions, but because they add time, complexity, storage costs and managerial costs. Therefore, the logistics systems are being redesigned in order to reduce the distances over which the deliveries are carried out, to rationalize the cargo handling, to improve the routes of the commercial vehicles, etc.

- *Resources consumption*: Increased environmental awareness and advances in technology are catalysing new approaches in areas such as water, raw materials and packaging, as well as expanding recycling and reuse. In this way, a more efficient use of resources - facilitated by the improvement of technology - will be able to permeate all parts of the value chain and will extend to suppliers and distribution channels, once again creating shared value.
- *Procurement*: The traditional "manual" requires companies to standardize and exert maximum negotiating power on suppliers to lower prices - even when they buy from small businesses or farmers who have incomes of mere survival. More recently, companies have quickly relocated many businesses to countries and regions that offer lower labour costs.

Today, some enterprises begin to realize that marginalized suppliers cannot remain productive or improve their own quality. By increasing access to inputs, pooling technology and providing adequate financial support, companies can improve the quality and productivity of suppliers while ensuring access to growing volumes. The improvement in productivity often exceeds the reduction in prices. As suppliers become stronger, their environmental impact is reduced, often substantially, which further increases their efficiency. You create shared value.

These trends could lead companies to redesign their value chains by moving some businesses closer to home and reducing the number of production sites. To date, many companies think that being global meant moving production to

countries that offered the lowest labour costs and designing supply chains in order to achieve the maximum immediate impact on expenses. In fact, the strongest international competitors will often be those able to take root more deeply in important communities. Companies that succeed in adopting this new mental approach to localization choice will create shared value.

A good example of this new mental approach to shopping can be found in Nespresso, a division of Nestlé that has expanded the premium coffee market by combining a sophisticated coffee machine with single-dose pods containing high quality coffee from all around the world. However, getting a reliable supply of high quality coffee is very difficult since much of the product comes from extremely poor rural areas of Africa and Latin America from small farmers trapped in a vicious cycle of low productivity, low quality and environmental degradation that limits production volumes. To solve these problems the company has redesigned the purchases. He worked intensively with his suppliers, providing them with advice on cultivation practices, guaranteeing bank loans and helping to ensure productive factors such as seeds, pesticides and fertilizers. Nestlé has set up local facilities to measure the quality of coffee at the point of purchase, which has allowed it to pay farmers directly a surcharge for the supply of the best quality beans and therefore to increase their incentives. A higher yield per hectare and a higher production quality have increased the incomes of producers, reducing their environmental impact. Meanwhile, the reliable supply of selected coffee to Nestlé has grown significantly. Shared value has been created.

- *Facilitating the development of local clusters:* Weaknesses in system conditions surrounding the cluster also create internal costs for businesses. An inadequate education system imposes costs of productivity and subsequent training. Inadequate transport infrastructure increases logistics costs. Sexual or racial discrimination reduces the pool of professional collaborators. Poverty limits the demand for products and generates environmental degradation, ill-health workers and high safety costs. But as companies are becoming increasingly isolated from the communities in which they operate, their influence in solving these problems has subsided despite rising costs.

When a company builds clusters in its main locations, it also intensifies the connection between its success and the success of the communities in which it operates. The growth of an enterprise has multiplier effects because new jobs are created in support companies, new companies are born and the demand for ancillary services increases. Initiatives put in place by a company to improve the infrastructure conditions in which the cluster operates extend to the other participants and the local economy. Initiatives to develop the workforce, for example, also increase the supply of skilled employees for many other companies.

At Nespresso, Nestlé also sought to build clusters that made its new procurement practices much more effective. It has built agricultural, technical, financial and logistical enterprises and capacities in every region where coffee is produced to further promote efficiency and high quality local production. Nestlé has led efforts to increase access to essential agricultural inputs, such as seeds, fertilisers and irrigation facilities; to strengthen regional agricultural cooperatives by helping them to finance common wet grinding facilities to produce better quality grains; and to support a programme of technical assistance to all farmers on cultivation techniques. He has also worked in partnership with Rainforest Alliance, a major international NGO, to teach farmers more sustainable practices that make production volumes more reliable. This also improved Nestlé's productivity.

But efforts to strengthen the infrastructure and institutions of a region frequently require collective action: companies should seek to involve partners to share the cost, provide support and pool the necessary expertise. The most successful cluster development programmes are those involving collaboration with the private sector, as well as with business associations, government agencies and NGOs.

The creation of shared value represents a new management approach that crosses the various disciplines. Due to the traditional separation between economic and social objectives, public and private sector operators have often followed very different educational and professional paths. As a result, few managers have the understanding of social and environmental issues that need to overcome today's CSR approaches, and few social sector leaders have the managerial training and entrepreneurial mentality that is needed to design and implement models of shared value. Business

school programs will need to be expanded in different areas. For example, the efficient use and preservation of all possible resources will define the thinking of the next generation on value chains. Marketing and consumer behaviour courses will have to go beyond persuasion and demand creation to extend to the study of deeper human needs and how to serve non-traditional customer groups. Clusters and the wider influence of local communities on enterprise productivity and innovation will form a new and important discipline in business schools; economic development will no longer be left to the public policy and economic departments alone. Business courses in the public sector will examine the economic impact of social factors on businesses, beyond the effects of regulation and macro-economics. And finance will have to rethink the way in which capital markets can actually support real value creation in companies - their fundamental purpose - and not just bring good results to investors.

At the end, it should be highlighted that not all social problems can be solved with solutions based on shared value. But shared value gives companies the opportunity to use their skills, their resources and managerial capacity to promote social progress in ways that are unlikely to match even the best-intentioned government and social sector organisations. By doing so, businesses can regain the respect of society.

2.2.3 (Cross-sectoral) partnerships are the key

Partnerships are nothing new. Companies have always searched for valuable partners in order to develop new products and services, share R&D costs or to gain access to complementary resources, especially with the increasing complexity of markets due to the rapid introduction of new technologies and shorter product life-cycles. Genuine collaborations are precious since, the better a company gets at managing individual relationships, the more likely it is that it will be chosen by other organizations for further projects, leading to the creation of an entire portfolio of value-creating partnerships.

More related to the main topic, conventional wisdom holds that Governments and NGOs are the major catalysts of social progress, but it is not always true: the former

typically respond to the interests of the most influential parties, while the latter usually have limited resources to do so. Nowadays, after the recognition of the business entity as an actor of social change, cross-sectoral collaborations have become a peculiar feature of business development in the 21st century, the rise of the phenomenon is explained by an increased awareness about the complexity of social and environmental challenges companies are called to address. Moreover, the need for new genuine collaborations arises also because of a combination of actions and omissions by players in all sectors in the last decades which are now trying to fix by making supply chains more transparent, efficient and effective or because of customers increasingly demanding interconnected goods and services. All these gaps can be fulfilled through coordinated efforts of companies, NGOs and governments as well and, in this regard, the emergence of for benefit-businesses constituting the Fourth sector is the clear representation of the willingness to learn from different fields and to apply the best innovations by pooling resources coming from several organizational structures.

Businesses whose growth and resilience are constrained by social problems have a powerful motive to trigger social change, widening the opportunity for pro-competitive partnerships, that is, partnerships among direct competitors with the aim of widening the customer base by solving actual social problems which prevent them from reaching a new portion of demand.

Covid-19 has done its part as well: the pandemic has highlighted how interconnected we are and how this requires working together through collaborations for greater capacity, speed and efficiency. As a matter of fact, after the turmoil has passed, the benefits resulting from partnerships we saw during this last year should be applied to help us *build it better* and finally unleash the Purpose economy. When we talk about solving major challenges, partnerships require to go beyond simple economic transactions and contracts, on the contrary, they must be built around human needs and common purpose as demonstrated by examples during the pandemic. In UK, the supermarket chain Aldi is delivering groceries to homes for the first time through a collaboration with Deliveroo, while in Germany How.fm (a start-up providing digital training on work security) is collaborating with several corporates

to train workers about the new working realities which will characterize the *new normal*.

Companies of the Fourth sector willing to fix some environmental and social issues and create value should engage in partnerships sharing the following features. Arriving at all of these mutually beneficial understandings can be challenging, but the process can also yield highly positive results.

- *Shared purpose*: in order to reach the full potential, collaborators must have a shared vision of the problem and of the outcome they want to achieve through the partnership. They should recognise what are their unique assets and their role in the project thus they should operate both with a collaborative mindset and an output-focus approach.
- *Common agenda*: companies involved must reach a joint approach to the solution in order to align their efforts and define the commitment and task of each organization. This is not a simple process, ideas and opinions coming from the different stakeholders have to be gathered and priorities should be defined. Strengths and weaknesses of each component are analysed in order to assign specific aspects of the problem to be solved to the best performers in that specific field.
- *Shared measurement system*: partners must agree on a set of indicators aimed at measuring and reporting success, both in terms of reduction of social/environmental problems and from the financial point of view. This is useful to formalize the common agenda concerning the shared purpose of the project, but simply also to understand what is working and what is not in case of future adjustments.
- *Constant communication*: Building trust among organizations coming from different sectors and among competing businesses is not easy, that is why a strong communication is essential to coordinate mutual objectives but also to foster legitimacy and learning opportunities.

Nevertheless, despite the powerful incentives and unique capacity to support large-scale social change which can be achieved through cross-sectoral collaborations, companies rarely step up. The main barriers are the consistent investments required,

but even more, the threat of competitive free-riders. As a matter of fact, when the market ecosystem is improved by some purposeful companies, it almost always improves conditions also for their less virtuous competitors. For instance, Nestlé spent decades and resources to improve the productivity of small dairy farmers in India, improving its supply of raw materials, but giving birth to a cluster of successful local competitors as well.

However, despite the free-rider opportunity, companies creating consistent shared value often enjoy a sustained competitive advantage. One of the clearest examples is provided by Novo Nordisk, the world's leading producer of insulin. During the '80s and the '90s, in China diabetes was undiagnosed and thus untreated, even though nearly 10 million people were suffering from this disease. In order to fill the gap, the pharmaceutical company founded in 2002 the World Diabetes Foundation and worked with the Chinese Ministry of Health to train hundreds of health providers and millions of patients on the treatments for such disease. Besides improving conditions for Chinese patients, Novo Nordisk gained a commanding advantage that later entrants have been unable to weaken thanks to its cooperation with local suppliers, distributors and the Chinese government.

To conclude, partnerships seem to represent the most viable solution to thrive in the new Purpose economy, not only because they are one of the most convenient tools to address major challenges while obtaining profits, but also because customer loyalty is directed towards common good corporations rather than conventional ones by now. As companies of the Fourth sector begin to engage in successful collaborations, none of the remaining companies will want to be left behind since it would not be in the best financial interests of their shareholders. In this way they will convert to benefit corporations in order to be chosen as valuable partners and the achievement of superior purposes will become the highest priority of the majority of economic organizations.

2.3 The Italian model of Benefit corporation: the Società Benefit

Italy is the first Sovereign State in the world to have legally recognized the form of Benefit Society, however it loses this primacy if the single states composing the USA that recognized the Benefit Corporation before 2016 are considered.

The following paragraphs will present the reasons that prompted the country to introduce this new corporate form that will show how Italy is actually predisposed to this way of doing business that, in some ways, is not so new for our country. This will be followed by a description of the current scenario of the Benefit phenomenon and a pragmatic analysis of the costs and benefits linked to the adoption of this new corporate form.

2.3.1 Description and actual scenario of the phenomenon

Italy is the first sovereign country in the world to adopt the legislation, already adopted by about thirty states of the United States, of Benefit Societies. This primacy is explained by the fact that Italy has proved to be a very fertile land for the proposal of the Benefit Companies, being able to benefit from peculiar and historical characteristics denoting a natural affinity with this model (think about the concept of Civil Economy supported by Zamagni or the Olivettian corporate philosophy described in the previous paragraph). The size of the enterprises, but above all their natural relationship with the territory, of which the districts are one of the most evident demonstrations, attest an innate propensity of Italian enterprises to the "benefit" model. Moreover, decades of tradition of Corporate Social Responsibility have also allowed the Italian country to create explicit experiences even in large companies that are based on the principles of Benefit Companies. All this has made and makes today's Italy a continuum with the country in which, after the war, Adriano Olivetti wondered: Can industry have major purposes? Are they found simply in profits?».

As already widely discussed in the paper, capitalism, as we have known it in the past century, needs to be rethought through economic models directed towards sustainability. Constant economic growth has been fuelled for decades by an abundance of cheap resources and energy, but there has been a gradual slowdown in

growth. Consequently, the economy will need to overcome profit alone in order to turn its gaze towards the creation of shared value and the realization of common benefit. And this is the road marked by benefit societies. A road in which the wind of change is clearly felt in Italy. They feel it in Taranto, where around the Ilva factory an animated entrepreneurial fabric that wanted to believe immediately in a sustainable future has born, it is felt by the entrepreneurs of the North who, around the great and concrete dream of Adriano Olivetti, have seen and see ideas and projects which can be extended even outside the factories, investment funds are redesigning their policies around the "purpose of corporate" and it is felt above all by citizens, who often only feel the unease of this situation and not the charm of the challenge.

The economy is certainly not an exact science, as the advocates of Liberalism and Neoclassical economics have suggested for decades, but not even a natural science. In any case, the economic theories that have reshaped the company as an aseptic place whose sole purpose must be to make profit have been falsified: our development model is no longer acceptable, must be rejected, changed. It is not a question of putting in place new utopias, but of taking up old ways, perhaps more practicable today thanks to a healthy alliance with capital, technology, science and knowledge. Refocusing human needs, the human himself, is the only possibility that remains to recover the "original dream" and remain in post-modernity. It is certainly not a new debate in the history of the market economy, but it is probably new, urgent and impossible to procrastinate the effect of this debate on the very holding of the present capitalist system, on the future economic and social sustainability of the actions that are legitimised in this model and therefore taken daily on a large scale. As they say: "business as usual is dead".

The opportunity to turn this idea into law came in December 2015. With the Stability Law of 2016, in paragraphs 376-384, the Benefit Companies were established in Italy, which in their explicit definition are companies that in the exercise of an economic activity, in addition to the purpose of dividing the profits, pursue one or more purposes of common benefit and operate in a responsible, sustainable and transparent manner towards people, communities, territories and the environment, cultural and social assets and activities, institutions and associations and other

stakeholders. The Italian law highlights 4 areas of potential social impact and common goods: (i) Governance; Evaluation of accountability and Transparency; (ii) Workplace environment for employees; (iii) Dialogue, cooperation and relations with stakeholders in the light of a comprehensive vision of local development; (iv) Environment and sustainability, thus considering the social impact no longer as a redistributive action to increase its reputational image, but as a real input of value production. In this way, the "genetic" structure of the company is modified, overcoming the culture of the "two-times": the one inspired by the "first I produce wealth and then I pass on to the social", with that in which "social enters the production of wealth, conditioning it".

In doing so, the Italian Parliament wanted to release the energies contained in the entrepreneurial system, giving a very strong acceleration to the paradigm shift now focused on the only maximization of profit. The transformation into a benefit company is simple, the "legal form" of Benefit Company is applicable to all major corporate forms for profit and to new companies. It is therefore a potentially huge set of companies, including the majority of the profit world, be they agricultural, manufacturing or services, of ancient constitution or start-up, multinational or micro enterprises. This aspect already reveals the objective of these paragraphs: to reform the system of economic development making it sustainable, operating a genetic mutation since the enterprise is the gene (or at least the cell) from which originates the behaviour of the system. It is also stressed that the exasperated pursuit of profit is the main cause of the unsustainability of the system, which pushes competition between companies to the point of sacrificing their original dream, their own particular vocation, smoothing it over arid economic-financial analysis schemes and forcing administrators to make daily choices mainly when not exclusively oriented towards maximising the economic value of profits, also at the expense of other intangible values or otherwise not measured or universally covered by the law on enterprises.

After just over a year from the entry into force of the law - about 100 Italian companies had already adopted the form of Società Benefit, up to almost 400 today. About 87% are limited companies, 8% are joint-stock companies, while the remaining

are cooperatives and partnerships. As for the geographical distribution, most of these are located in the Lombardy region (36.8%), followed by Lazio (14.6%) and Emilia-Romagna (9.1%), while as for the types of business, 35.3% is placed in services, 16.8% in consultancy and 12.1% in distribution. Among the Società Benefit there are currently no listed companies and this can be explained by the fact that balancing the interests coming from an extensive shareholding is not as easy as in a family owned business.

The considerable amount of standards of "Corporate social responsibility" so far proposed must certainly be recognised, but it must also be recognised that the radical change consists in the transition from corporate social responsibility to corporate civil responsibility. Società Benefit are in fact an expression of the Civil economy and are made by people who choose to interpret their role as entrepreneurs as creators of value. Of course, profit is a necessary component of that value, but not the only one. The company therefore becomes an agent of transformation of the society in which it operates. Already today, and increasingly in the near future, the company will be asked not only to produce wealth in a socially acceptable way, but also to contribute, together with the State and organised civil society, to redesign the economic and institutional order inherited from the past. It is no longer, in fact, a matter of being satisfied with the company's compliance with the rules of the game already "given" by others - but the business organization will contribute to rewriting all those rules that have become obsolete or unable to ensure the sustainability of integral human development.

It is essential to remember that Benefit Societies are not and do not want to be a definitive answer: the future will have to imagine even more radical solutions. They are and want to be the place of transit of a threatening and distrustful present towards a totally rethought future.

2.3.2 Final considerations on Società Benefit

After having described the Italian phenomenon of Società Benefit and more broadly that of Benefit Corporations in general, it is logical to think about the pros and

cons of the issue, being perhaps the first question that arises spontaneously after an initial and summary understanding of the topic. Moreover, being that this new way of doing business is addressed to businessmen, that is pragmatic men going straight to the point, concrete and risk lovers, an analysis about the convenience of these new business models may be helpful.

Concerning the Società Benefit, the Italian legislator has not provided any kind of incentive (tax/contribution/financial or in terms of derogation from the ordinary law) for companies that decide to establish themselves as a Benefit or to become one through subsequent transformation. In fact, once the most appropriate type of company is chosen, the legal discipline typical of the chosen form will be applied and this also applies to the tax aspect. On the other hand, charges are foreseen from the conversion of the corporate form point of view and reporting. As a matter of fact, Società Benefit must submit an Impact Report that uses a third-party standard (such as the B Impact Assessment of B Lab) to assess the performance of the company with regard to its impacts and the common benefit produced. It shall be annexed to the financial statement, for this reason it is completed annually and made available to the public.

Therefore, there is no direct and immediate economic benefit resulting from joining the Benefit universe. The absence of incentives can be interpreted as a lack of convenience in adopting the new corporate model, but on the other hand it helps to distinguish between those who really want to change, because they recognize and feel change as a necessity and those who would instead do it motivated by other ends (tax convenience). If we sit on the belief that "nobody does anything for nothing" then we are probably destined to never experience a real change in society and probably for this very reason the Legislator wanted to see who really has the courage and determination to look at the future. What leads to opt for the Benefit paradigm is in fact primarily the will to marry the underlying cause of the movement. It is an absolutely free choice, free from lucrative returns and motivated instead only by the desire to participate and contribute actively to change. The will to adopt the Benefit model can therefore be interpreted as a direct manifestation of the human need to contribute to something greater and to go beyond personal return. We can therefore

say that Benefit entrepreneurs are the embodiment of the Societal purpose described in the first chapter of the thesis.

The absence of direct incentives is however compensated by several consequences associated with being Benefit, as proved by some evidence found in the more consolidated American experience. The Benefit Corporation website, in fact, shows some reasons that could tip for this new way of doing business and given the extreme similarity between the American model and the Società Benefit, it can be deduced that if there are advantages for one they will be valid for the other as well.

Why opting for the Benefit corporation:

- *It reduces the liability of board members:* the Benefit Corporation status provides legal protection to balance financial and non-financial interests when making decisions. In the Italian system, the liability of the members of the board of directors will be reduced only if the company chooses to opt for the "delegation of powers" scheme, otherwise the responsibility would remain entirely on the Board of Directors.
- *It gives more rights to shareholders:* investing in a Benefit Corporation (or in a Società Benefit) gives impact investors the necessary security to maintain shares in a company that has the obligation to maintain its social mission in the future. This can help the company to attract capital investments of significant impact, hence long-term investments, by reducing exposure to volatile and short-term investments.
- *It ensures a stronger leadership reputation:* the Benefit Corporation business will be able to join other high-profile companies such as Patagonia and be at the forefront of a fast-moving movement. Being a Benefit Company in 2021 means being part of an elite group of virtuous companies that respond concretely to external distress calls, really motivated and able to inspire others to follow their purely useful and not aimed to the realization of tax advantages.
- *It increases the access to private capital investments:* the status of Benefit Corporation can make the company more attractive since it is more protected from the legal side, on the side of responsibility and on the side of transparency around its corporate

object. Benefit companies reassure investors as they produce an annual benefit report, describing their qualitative activities aimed at generating a widespread public well-being.

Access to private capital is also facilitated by investors' interest in the environment, the community and the corporate organisation, the so-called ESG (Environmental, Social and Corporate Governance) factors extremely related to the creation of shared value that concerns the work of the Benefit Companies.

Always on the Benefit Corporation website, a further section explaining the reasons why investors are attracted by this new way of doing business:

- *Sustainability improves performance and attracts investment:* a survey of 200 universities found that 88% of the reviewed sources, find that companies with strong practices of sustainability demonstrate improved operational performance, which ultimately results in cash flows and 80% of studies examined demonstrate that prudent sustainability practices have a positive influence on the performance of investment.
- *Non-financial information is now essential:* 64% of investors say businesses do not adequately disclose non-financial risks and nearly half of investors would rule out investment based on certain non-financial disclosures.
- *Responsible businesses attract valuable employees and loyal customers:* at the end, as anticipated in the first chapter, Benefit Corporations are real magnets for young talents willing to work in purposeful realities. Moreover, cash flows are generated also thanks to an increased attractiveness towards customers that nowadays reward, through their purchasing power, the most sustainable companies that are committed to the creation of shared value.

To conclude, we can say that little is known about the real costs and benefits deriving from the adoption of the Benefit model. Let us not forget that this is a fairly recent phenomenon which, although rapidly expanding, has not yet provided the necessary data for a more precise and in-depth analysis.

To remedy the problem, in the next chapter some examples of companies that have adopted the Italian Benefit model or that have become Certified Benefit Corporation overcoming the American B-Impact Assessment will be presented. The aim is to obtain some direct testimony on how it is really possible to create financial value without harming the other categories of stakeholders.

CHAPTER THREE

ANALYSIS OF ITALIAN CASE STUDIES OF B-CORPS AND SOCIETÀ BENEFIT

3.1 Research methodology and structure

3.1.1 *Aim of the research*

At this stage, in order to better understand the reason leading to the analyses of the following case studies, I think it helps clarify what has been presented and analysed up to now.

The objective of the dissertation is that of acquiring a deeper understanding about the emerging concept of Purpose economy. After having analysed the premises of the phenomenon, namely the evolution of human needs, of the economic systems and of the economic theories, it was concluded that a new Fourth sector has emerged in the traditionally capitalist and Anglo-Saxons countries, while in Italy the concept of Civil economy has recently regained its ancient prominence. Moreover, as a result of these developments, it has been highlighted how the B-Corp movement is one of the clearest representations of this new Purpose economy: born in the USA, in Europe the first companies to be certified are located in Italy which also holds the record for number of certifications (excluding UK).

The aim of the following research is to prove that the Purpose economy is a movement that is really emerging and taking the scene. Maybe, in the following years it will be identified with several names, but the core concept will always be the same: using the power of business to achieve purposes going beyond the pure creation of profits, while doing good for people and for the planet in a time where Governments and NGOs do not have sufficient resources to do so. More specifically, the research will highlight how being a purposeful company is not only possible, but convenient as well, thanks to the numerous and positive collateral effects coming from operating in a responsible manner.

3.1.2 Data collection and analysis

I decided to structure a small but quite exhaustive qualitative research. It is now well known that the Purpose economy and the B-corp movement are rather recent, so I would define the used approach as exploratory since it allows to collect the necessary information according to a deconstructed and informal procedure. This kind of research is, in my opinion, the most suitable to gain a real understanding of the phenomenon, because it allows to obtain a practical confirmation of all the presented theories, it reveals the reasons behind certain behaviours and it highlights the limitations of the phenomenon.

In this case, short interviews have been conducted involving people working in Italian Certified B-corps or in Società Benefit, who have been contacted via LinkedIn and then met via video or phone calls. Originally, eleven companies were contacted, but in the end, just seven of them gave me their availability to answer the six questions I had prepared. I actually find the final sample quite satisfactory and I am quite sure that the research has been possible also thanks to the intrinsic nature of these companies that push them to collaborate with external stakeholders to create a sense of community and spread the B-corp movement. The fact that the phenomenon has been analysed from the corporate point of view instead of the consumer's perspective (which would have provided a much larger sample) is always justified by the “youth” of the trend and therefore by its scarce knowledge on the demand side of the market.

Figure 5: List of interviewed people

B-CORP	INTERVIEWED PERSON	DATE
FRATELLI CARLI	Claudia Carli - Brand Marketing Manager	29/04/2021
DAVINES	Laura Broleri - Sustainability Scientific Impact Specialist	12/05/2021
SAVE THE DUCK	Eleonora Cecchetti - Product and Sustainability Specialist	18/05/2021
TEK	Matteo Todisco – Head of Communication	19/05/2021
TREEDOM	Margherita Comparini - Communication Manager	21/05/2021
PIECES OF VENICE	Luciano Marson - Founder	21/05/2021
ILLY	Elia Magrin - Strategy Associate (Global Marketing Team)	28/05/2021

Source: Personal elaboration

Concerning the analysis of the data, being a qualitative analysis and therefore composed of answers in open form, at the end of the interviews' cycle I have drawn the common features emerged from the different companies in order to outline the opinions and the main trends on the issue that will contribute to the final conclusions of the dissertation.

3.1.3 Limits of the research

The research has several limitations. The first is the small size of the sample taken into consideration which may not reflect the reality of the facts, thus distorting the perception of the analysed phenomenon. Moreover, being the interviewed people employees of the firms, the truthfulness of the responses may have been altered for marketing or corporate image protection purposes. A phenomenon which is very frequent in the field of sustainability and responsible practices in general, in order to appear "greener".

The last limit worth mentioning is directly linked to the type of qualitative analysis conducted: although open questions are in this case the most suitable for the study of the phenomenon, their lack of complete objectivity prevents a direct comparison between the companies involved. This is due to the fact that, during the calls, the conversations may have taken different paths in terms of aspects to be analysed more in depth, but also according to the different levels of availability of the interviewed people.

3.2 List of case studies

3.2.1 TEK SRL SB

Figure 6: Main items of TEK SRL SB

	2015	2016	2017	2018	2019
REVENUES	1.442.200,00 €	1.609.933,00 €	1.666.101,00 €	1.426.408,00 €	1.613.934,00 €
EBITDA	72.282,00 €	62.268,00 €	109.057,00 €	120.600,00 €	93.768,00 €
PROFITS	6.541,00 €	5.366,00 €	41.509,00 €	34.449,00 €	8.310,00 €
N. EMPLOYEES	7	7	8	7	10

Source: www.aida.bvdinfo.com; personal elaboration 2021

Tek is an Italian company that produces brushes and combs in natural wood derived from 100% FSC (Forest Stewardship Council) certified wood and cutting-edge products for professional hairdressers, with particular attention to environmental protection. Every single component of Tek wood products is in fact made according to principles of eco-sustainability, with particular attention to the recycling of production waste. A natural rubber made from caoutchouc is used to avoid the use of petroleum derivatives and the packaging is made of natural cardboard. Tek products combine hand-made Italian craftsmanship with technology, without neglecting design and taste for fashion.

In few words, it can be stated that Made in Italy, sustainability, environmental protection and hair health have always been the cornerstones of the company's philosophy. In particular, Made in Italy here is synonymous with craftsmanship, attention to detail, attention to the environment, quality and beauty demonstrated by the product proposition composed of fashionable palette and extremely refined design.

The company was founded in 1977 from an idea of Giulio Valsecchi which initially positioned TEK on the Italian market in the professional sector with a patented and unique product: the brush with wooden teeth. The choice of wood as a material is due to its excellent specific qualities, ideal for the beauty and health of the hair and body. For this reason, Tek immediately confirms to be an innovative and winning company so that Tek products were exhibited at the MOMA (Museum of Modern Art in New

York) in the 80s. Tek not only delivers products with its own brand, but it has also often entered into collaborations with renowned companies such as: Emporio Armani, L'Oreal, Kerastase, Wella, Victoria's Secret and many others. As the years went by and considering the enormous success, TEK also launched the line for the final consumer with which it established a relationship which is mainly digital.

TEK products have been welcomed with great enthusiasm abroad, where the Made in Italy label has always been a guarantee of high quality and beauty. TEK, with its presence in more than 80 countries located in the five continents, has managed to convey its love for the care and health of hair and nature around the world by choosing as a distribution channel specialized stores and e-commerce. In February 2017 the company arrived in the United States and it opened its second e-commerce aimed at the American public, both B2C and B2B.

3.2.2 Treedom SRL SB

Figure 7: Main items of Treedom SRL SB

	2015	2016	2017	2018	2019
REVENUES	663.142,00 €	709.573,00 €	731.780,00 €	1.321.042,00 €	3.647.412,00 €
EBITDA	179.544,00 €	54.004,00 € -	436.973,00 €	344.833,00 €	508.421,00 €
PROFITS	56.308,00 € -	48.690,00 € -	591.100,00 € -	19.899,00 €	258.902,00 €
N. EMPLOYEES	2	11	19	20	28

Source: www.aida.bvdinfo.com; personal elaboration 2021

Treedom is the only platform worldwide allowing consumers and corporations to plant and follow trees online, supporting farmers around the world. Trees can be bought for personal well-being and social responsibility, or given as powerful and emotional gifts to friends, family, colleagues or loved ones. More specifically, besides the positive impact on the environment due to the CO2 absorption, the purpose of the company is to support the initial costs of planting new trees of farmers located in the Southern Hemisphere by covering the expenses for the first 10 years, training them on the best planting practices and giving them the possibility to diversify their income sources.

The company was founded in 2010, when the two young founders were committed

to an electrification project in Africa where they realized there was a massive problem of illegal deforestation. At the same time, they were both playing Farmville, an online farming simulator which, at that time, engaged more than 30 million people per day. As a consequence, the two founders had the idea to bring reality and the virtual world together, combining utility and pleasure.

When choosing the company's legal form, they realized NGOs were too slow to achieve targeted results, so they decided to fund their mission through capitals coming from their own business activity.

The success was immediate since, in comparison with its direct competitors, Treedom's offer stands out in terms of transparency (no one of the competitors offers a platform where clients can check their trees, verify how they are growing through photos and perceive that the trees they paid for are undoubtedly attributed to them), engagement, communication and versatility. Concerning the latter, the offer of Treedom is suitable for both consumers and corporations, two markets whose interconnection represents an important competitive advantage. As a matter of fact, companies buying trees for their employees, customers and stakeholders bring new users into the Treedom community making it growing and more attractive for more and more corporations. Moreover, it should be also highlighted how companies are always looking for new innovative tools of CSR, Green Branding and storytelling and how the value proposition of Treedom is particularly suitable for these objectives. Treedom received the Best for Environment award by B-corp in 2015, 2016 and 2018.

3.2.3 Save The Duck SPA SB

Figure 8: Main items of Save The Duck SPA SB

	2015	2016	2017	2018	2019
REVENUES	20.236.000,00 €	27.758.386,00 €	32.221.516,00 €	33.848.495,00 €	38.091.635,00 €
EBITDA	2.885.663,00 €	5.773.607,00 €	7.617.721,00 €	7.680.874,00 €	8.339.502,00 €
PROFITS	2.548.305,00 €	3.760.430,00 €	5.114.825,00 €	6.001.569,00 €	2.581.383,00 €
N. EMPLOYEES	15	21	24	30	37

Source: www.aida.bvdinfo.com; personal elaboration 2021

With revenues of over €38 million and a production of over 650 thousand garments, Save The Duck has established itself globally as a high quality brand able to offer a wide range of garments recognized to be entirely produced without any material of animal origin.

The purpose of the company is to improve the sustainability of its operations in full respect of animals, the environment in which they live and the people who live there. In this perspective, it continues to improve and develop new technologies and eco-sustainable solutions with the aim of creating a production process with reduced impacts on the planet.

The company was founded in Pisa in 1914 under the name of Forest srl born as a small workshop of garments, but which later became one of the largest factories of Italian clothing. Only in 2012 the brand Save The Duck was registered, until replacing the corporate name of the company and receiving numerous awards over the years for the commitment shown in the field of environmental sustainability. A commitment rooted in the corporate values that led Save The Duck to adopt the Italian legal form of Società Benefit in 2019 and to be the first fashion company in Italy to obtain the B-corp certification. These achievements in the field of sustainability are seen as the first concrete steps towards the elimination of the sad record which sees fashion as the second most polluting industry in the world after oil.

Save The Duck demonstrates the respect of its values through its 3 product lines We respect animals, We recycle and We clean the ocean, through which the company is engaged respectively in not using feathers derived from animal (as a matter of fact, Save The Duck has patented the Plumtech technology, a wadding that is born from the need to recreate the softness of the real feather, preserving the advantages of a technological thermal padding), in the production of garments derived by plastic from recycled bottles and, finally, in the use of a specific nylon fabric made from recycled fishing nets.

In terms of geographic expansion, the company is present in 30 countries around the world and the share of exports reached 50% of sales thanks to a selected network of wholesale stores. Among the main markets served, in addition to Italy, there are the United States, Germany, Benelux and Scandinavian areas.

3.2.4 Davines SPA SB

Figure 9: Main items of Davines SPA SB

	2015	2016	2017	2018	2019
REVENUES	72.397.059,00 €	84.788.035,00 €	89.543.758,00 €	111.507.330,00 €	122.077.061,00 €
EBITDA	9.622.063,00 €	9.554.784,00 €	8.842.703,00 €	12.420.584,00 €	15.351.355,00 €
PROFITS	3.864.207,00 €	4.549.491,00 €	9.409.515,00 €	11.933.497,00 €	12.916.325,00 €
N. EMPLOYEES	222	253	280	313	338

Source: www.aida.bvdinfo.com; personal elaboration 2021

Davines was founded in Parma, Italy, back in 1983. The Company started its journey as a research laboratory specializing in manufacturing top quality products for hair and skin aimed at the major cosmetic brands and since the '90s, it started its international expansion. From the year 2000, the company opened several subsidiaries around the world (New York, Paris, Hong Kong, Deventer and Mexico City) and, in the same years, when the world was asking whether green practices were just a trend of the moment or they would have represented necessary actions, it started its sustainability commitment by signing several ethical codes until becoming Certified B-corp for the first time in 2016. In 2019 the Head Quarter in Parma and the subsidiary of New York became Società Benefit, whose general purpose is to pursue - in addition to the economic objectives proper to an entrepreneurial activity - aims of common benefit and to operate in a way which is responsible, sustainable and transparent towards people, communities, territories and environment, cultural and social associations and institutions. In a few words, beauty and sustainability are the inspiration for every corporate project, from formulation to design, to corporate ethics and customers and, for the CEO, the passage to the Società Benefit model has been the natural continuation of the B-corp certification already obtained. The corporate purpose is clearly evident here, as demonstrated by the numerous efforts and initiatives promoted by the company to support communities and preserve the environment. Just to make an example, Davines has been a Carbon Neutral company since 2018, committed to become Net Zero by 2030 together with other B-Corps. From a commercial point of view, today the company is represented by its three main brands: Davines, specialized in hair products; Comfort Zone, focused on the

commercialization of cosmetics for body and face care and Skin Regimen, aimed at slowing the skin aging process. All of these brands are composed of products realized with organic ingredients and a sustainable approach.

In addition to the numerous prizes, Davines received the Best for Environment award by B-Corp in 2018 and 2019.

3.2.5 Fratelli Carli SPA SB

Figure 10: Main items of Fratelli Carli SPA SB

	2015	2016	2017	2018	2019
REVENUES	150.568.386,00 €	155.679.990,00 €	163.232.052,00 €	149.988.894,00 €	153.323.914,00 €
EBITDA	13.161.759,00 €	6.380.183,00 €	9.844.984,00 €	2.705.095,00 €	6.853.828,00 €
PROFITS	1.750.097,00 €	1.682.434,00 €	4.042.085,00 €	1.683.849,00 €	1.262.958,00 €
N. EMPLOYEES	322	343	361	356	370

Source: www.aida.bvdinfo.com; personal elaboration 2021

Fratelli Carli is a historic Ligurian oil company that since 1911, a great year for the olive harvest, sells through mail order and home delivery its products in Italy and abroad.

It is inextricably linked to its territory of origin, the Imperia land, which is one of the richest in olive oil tradition in Italy. A wealth that the company has been able to preserve over the decades, passing from generation to generation the unique and indispensable knowledge and skills essential to claim the high quality of its products and maintaining the ownership within the Carli family's members. Fratelli Carli produces olive oils, traditional Ligurian and Mediterranean food preserves and gastronomy products that have in olive oil the element at the base of their goodness. To these are added wines and cosmetic products.

After over a century of mail order sales, which strategically still represent the main distribution channel, Fratelli Carli has decided to open its own Italian chain of Empori (14 at the end of 2019), to meet a growing demand for quality products and aim at an Omni channel sales model, able to offer customers the point of contact with the company they prefer.

Fratelli Carli is a company that finds its origins in the rural culture and tradition of the

Liguria region, for this reason, it has always been "sustainable by nature". For the company, tradition and the link with the Ligurian territory are two fundamental pillars that, however, it has been able to combine with modern production and governance methods. As a matter of fact, the purpose of Fratelli Carli is that of becoming a reference point in the spread of gastronomic tradition and Mediterranean culture (leading also to the opening of the Olive Tree Carlo Carli museum), without any compromise on ethics and quality, and respecting the environment and people. Historical collaborations with very small highly selected suppliers and a strict and permanent monitoring of the different production steps have contributed to determine a very short production chain allowing the company, on the one hand, to guarantee product excellence, on the other hand to respect nature, the ecosystem, the soil and man. This is a commitment strongly rooted in the corporate DNA and demonstrated by the fact that the company has been the first Italian productive reality to obtain the B-Corp certification in 2014 and it has received the Best for Environment award from B-lab in 2016, 2017, 2018 and 2019.

3.2.6 Illycaffè SPA SB

Figure 11: Main items of Illycaffè SPA SB

	2015	2016	2017	2018	2019
REVENUES	359.551.353,00 €	372.583.778,00 €	381.163.989,00 €	396.182.591,00 €	427.179.893,00 €
EBITDA	52.128.435,00 €	49.155.521,00 €	54.487.387,00 €	56.573.793,00 €	62.988.161,00 €
PROFITS	9.934.774,00 €	12.994.632,00 €	10.920.958,00 €	17.224.753,00 €	20.968.816,00 €
N. EMPLOYEES	1130	821	842	866	883

Source: www.aida.bvdinfo.com; personal elaboration 2021

Founded in 1933, Illycaffè has its headquarter in Trieste and it is driven by the third and fourth generation of the Illy family. The company is engaged in the production and sale throughout the world of a unique high quality coffee blend, composed of 9 different types of Arabica, selected in over 20 areas of production. Illy blend is marketed in 144 countries in the 5 continents and served in over 100,000 public establishments. The company operates on the market also through 192 Illycaffè stores located in the most important cities in 34 countries.

Illycaffè devotes great attention to spreading the culture of quality coffee in Italy and abroad. With this in mind, in 1999 the company founded the University of Coffee, which now has 28 subsidiaries all around the world and it offers courses on the nature and cultivation of the raw material to producers, hospitality professionals, consumers and coffee lovers.

Ethics and sustainability are part of Illycaffè's DNA which, since its creation, has set itself the goal of improving people's quality of life. In 2012 the company started a communication program towards its stakeholders through managing and communicating its engagement in sustainable practices by publishing its first voluntary sustainable value report and since 2013, Illy is the unique Italian company that has become part of the World's Most Ethical Companies.

In 2019 Illy adopted the legal status of Società Benefit, formally declaring that another way of doing business, better and more evolved, is possible when business objectives are aligned with objectives of positive impact. Three social objects in which the company intends to work have been made explicit:

- A responsible value chain and sustainable agriculture.
- The aspiration to happiness and the quality of life.
- The circular economy and innovation for the benefit of the planet.

Illycaffè's sustainable supply chain is based on a system of direct relations with its suppliers based on four fundamental pillars: selecting and working directly with the best Arabica producers; transferring knowledge to them, training them to a quality production respecting the environment and daily work in the field with specialized agronomists; reward them for the quality produced, paying them prices higher than those of the market, stimulating continuous improvement and making production sustainable; creating a community of producers that meets virtually in the platform dedicated to them, Circolo Illy. These are just some of the main assets that motivated the recognition of B-Corp at the beginning of 2021, making Illy the first Italian coffee company to obtain such certification.

3.2.7 Pieces of Venice SRL SB

Figure 12: Main items of Pieces of Venice SB

	2017	2018	2019
REVENUES	- €	13.108,00 €	29.643,00 €
EBITDA	- 12.300,00 € -	31.684,00 € -	32.638,00 €
PROFITS	- 12.300,00 € -	31.684,00 € -	32.638,00 €
N. EMPLOYEES	0	0	1

Source: www.aida.bvdinfo.com; personal elaboration 2021

Pieces Of Venice is an Italian Società Benefit conceived by Luciano Marson in 2017 (then still in the start-up phase) and developed together with his wife Karin Friebe, born from the love for the city of Venice.

Pieces of Venice is a circular economy social enterprise, with a short supply chain starting with the recovery and subsequent recycling of discarded materials of Venice through industrial design processes in order to give them a new life in the form of souvenirs and objects useful to the person. These objects are also a link between the old and the new generations to which a history of culture and tradition of Venetian excellence is told .

The products are all dedicated to this unique city in the world, starting from their name that indicates an address, be it a place of culture as a museum or an activity of excellence as a restaurant, drawing a map that leads the tourist to discover places outside the classic routes.

Pieces of Venice uses the chains of ships, the wharves and the walkways of the city, the anchors and the old signs of the canals of the Venetian Lagoon, to give them new life and function, in their original form or in compositions and transformations. Pieces of Venice, in its nature of Benefit Company, has great sensitivity and social awareness and it mainly entrusts the processing and transformation of materials to companies for the purpose of redemption and social rehabilitation. Among them, the Cooperativa Futura located in San Vito di Tagliamento (PN) is the main one, to which all activities of drilling, sanding, assembly, packaging, printing of labels and catalogues are entrusted to allow members who are part of it to be integrated into society through work.

The purpose of Pieces of Venice is also manifested through the collaboration with

Masegni & Nizioletti, an association active in Venice since 2014 that, together with numerous volunteers, participates every year to the cleaning days in the city and to which the company donates 3 euros per product sold. For this reason, in offering the products on the market, the company is oriented towards an audience not only attentive to the quality of the objects, but also aware of allocating part of the value of the purchased product to beneficial purposes.

The mission of Pieces of Venice and the efforts made to achieve it have been rewarded by receiving the XXVI Compasso d'Oro in the Design for Social category, compared to the Oscar of Italian design. The jury's reasons for awarding the prize have been "In the abuse and banality of contemporary souvenirs, this is a project of material and cultural recovery, which conveys identity, history, irony and authenticity."

3.3 Research findings

3.3.1 The reasons behind the B-corp certification

Before starting with the results from the interviews, I would like to make some comments based on preliminary analysis concerning the companies considered for the research.

Figure 13: Size and BIA score of each B-corp in the sample

NAME	SIZE (N. EMPLOYEES)	OVERALL BIA SCORE	Governance	Workers	Community	Environment	Customers
TEK	10	82,3	11,9	17,7	21,7	27,1	3,7
TREEDOM	28	122,4	20,1	38	29,6	32,5	4,7
SAVE THE DUCK	37	95	17,1	23,3	18,1	32,1	4,2
DAVINES	338	117,4	17,3	23	22	50,7	4,3
FRATELLI CARLI	370	98,3	13,5	24,1	16,1	41	3,4
ILLY	883	80,6	17	19,5	21,1	18,4	4,4

Source: bcorporation.net/directory; personal elaboration 2021

Comparing the number of employees and the score obtained by the B-impact assessment to obtain the B-corp certification (Figure 13)²⁴, it emerges that there is no

²⁴ Even if it is part of the sample, the company Pieces of Venice is not present in the table as not certified B-corp, but only Società Benefit.

correlation between the company's size and the level of sustainability of the company itself. Although the BIA score is not a universal indicator of sustainability, I believe that in this case it can be useful to have a clearer view of the phenomenon B-corp. Indeed, while smaller companies have a smaller number of processes and issues to assess, the larger ones certainly have more resources to increase their sustainable and social commitment as demonstrated by Davines and Illycaffè that have entire sustainability departments dedicated to monitoring and reducing impacts.

In Figure 13, it is also possible to observe that the sector of activity in which the company operates is not decisive on the levels of social and environmental commitment. As a matter of fact, if on one hand, the 122.4 points obtained by Treedom may seem quite obvious given the nature of the company closely linked to environmental issues; on the other, Davines's 117.4 points are not obvious at all. The latter, in fact, as already described in the company presentation in the previous paragraph, operates in the cosmetics sector which is considered one of the least ethical ones, but despite this, Davines is able to pursue its ethical purpose.

Moving the attention to the research itself, the first question of the interview concerned the reasons which pushed the companies to start the process of certification to become Benefit Corporation or to adopt the legal form of Società Benefit. Common to all the companies, a fundamental reason is represented by a strong alignment of the corporate DNA with the values of the B-corp community. This is particularly true for Treedom (born to remedy deforestation in the southern hemisphere) and for Pieces of Venice whose Italian legal form of Società Benefit had been chosen for consistency reasons. Luciano, one of the two founders, said it is a source of pride to distinguish themselves from common companies and to declare officially that they are committed not only to making profits but above all to doing good for society.

For the majority of the certified B-corps in the sample (Treedom, Davines, Fratelli Carli, Tek), the certification represents just a formalization of commitments already made as explicitly explained by Davines which underlies that the willingness to become a B-corp is consistent with the objective of pursuing with method, objectivity and consistency the intent to create a business model oriented to a "prosperous

longevity". Davines, even before obtaining the certification, places environmental and social sustainability at the heart of its corporate strategy and daily projects, while a CSR oriented company carries out projects related to sustainability but in a timely manner and therefore does not positively contaminate other departments. In this latter case, in fact, the CSR department is placed under the direction of the marketing one, thus playing a purely operational and not strategic role. According to Davines, a half-commitment strategy is no longer enough to make a difference today, as the consumer has many tools to "control" the veracity of this business commitment. Save The Duck opted for the certification mainly thanks to its visionary founder and CEO Nicolas Bargi who is always updated on the theme of sustainability and always looking for new incentives to improve the company and achieve new objectives, besides adding new value at a corporate level.

Another important motive in favour of certification has been the close proximity to the consumer of the B-corp community. Illy, one of the last Italian companies to have obtained the certification, explains that the real added value of the B-corp movement is that it is popular on the demand side of the market as well and this means that the great effort made by the company to reach the 80 points required by the BIA, is also recognized and appreciated by consumers. Moreover, Illycaffè opted for the certification because of its transversal nature. As a matter of fact, it takes into account parameters that cover the most disparate business aspects, so as to return a score that reflects the level of virtuosity resulting from a global analysis of the company. In the end, according to Illycaffè, those receiving the certification are really the most ethical companies in the world, an added value that is not negligible.

3.3.2 The B-corp certification's impacts on corporate performances

The interviews showed that it is not possible to prove an increase in revenues directly caused by obtaining the B-corp certification or, more generally, by the fact of operating responsibly. The advantages presented by the companies involved are all non-monetary in nature, but not necessarily negligible or of minor importance.

The main advantage coming from the certification is an evident increase in the level of credibility by consumers. As a matter of fact, as previously anticipated with the case of Illycaffè, also Treedom affirms that, compared to other certainly important certifications (such as UNI ISO 26000), the Bcorp one has the ability to have translated in a simple “language” a series of evaluations which were very complex, making them more understandable to consumers and more approachable by companies. It has thus enabled the company to be recognized externally for this commitment. Moreover, according to Tek, always for its extreme ease of interpretation, the certification in question represents a very powerful marketing tool in an era in which demonstrating that the sole objective of a company is not represented by the creation of profit is extremely important. In this regard, the B-corp certification allows the firm to communicate its commitments and goals in the field of sustainability without risk of falling into greenwashing practices which are now well recognized and criticized by consumers. A change in reputation was also noted by Fratelli Carli, which confirms how the perception of the brand and the logo has positively changed among customers and prospects.

The second consequence is directly linked to the obtaining process of the certification itself and to the mandatory impact report which has to be published every year once the legal form of Società Benefit is adopted. As a matter of fact, as stated by Treedom, Fratelli Carli and Illycaffè, the demanding procedure composed of detailed questions about corporate standards and processes immediately shows the company its level of ethics. More precisely, in the compilation phase of the B-impact assessment, the sequence of questions already suggests which is the path to follow in order to be considered a virtuous company, thus triggering a preliminary self-analysis even before obtaining the score. Moreover, the procedure allowed the company to associate common actions that usually are not associated with the concept of sustainability, but that actually have a great impact on it such as the well-being of employees and suppliers.

In addition to being a self-critical tool, the fact that the certification has to be renewed every three years for many companies also acts as an incentive to constantly improve and achieve a higher BIA score. In this way, therefore, the company increases its

positive impact while gaining more attractiveness towards stakeholders. This positive trend is shown on Figure 14.

Figure 14: Progress of companies' BIA scores

	2014	2015	2016	2017	2018	2019	2020	2021
TEK				82,3				
TREEDOM	114,9		107,1			122,4		
SAVE THE DUCK						95		
DAVINES			99,3			117,4		
FRATELLI CARLI	90,1		97,3			98,3		
ILLY								80,6

Source: bcorporation.net/directory, personal elaboration 2021

On the other hand, the founder of Pieces of Venice affirms that it is a pleasure and an opportunity to draw up the annual report attached to the company's balance sheet because it is a time, even for them, to take stock of the achievement of the objectives that are set each year and that are becoming increasingly ambitious. Periodically seeing that they are on the right track encourages them to continue their efforts, for this reason the impact report is not seen as an obstacle or a waste of time.

Another benefit linked to the certification is the strong sense of community that is created among certified companies. Treedom's Communication Manager, Margherita, says that obtaining the certification allows you to enter a B-lab support network strongly motivated to support companies by offering knowledge and good practices to follow. In addition, B-corps having the same values have the opportunity to find suppliers, customers and partners who, in this sense, speak the same language. According to Elia who is part of the global marketing team in Illycaffè, being a B-corp means staying in touch with other companies in the same category, for instance by participating in the monthly calls precisely organized to discuss the recent goals, opportunities or problems to be solved.

Always in this regard, Davines has created some very innovative collaborations with some of the suppliers. A clear example is the collaboration with the pallet supplier PALM with which the company is designing a new pallet even more sustainable. Interdependence, the key value of the entire movement, is based on the principle that we are all dependent on each other and therefore accountable to each other and to

future generations.

The sense of community is particularly strong in Save The Duck, in fact, the company has activated several collaborations within the B Corp network during the last years. As a matter of fact, Save the Duck's Black Friday has become "Green" thanks to a collaboration with Treedom. On this occasion, the company allocated to Treedom 50% of the turnover obtained from e-commerce sales and stores in Milan and Venice, allowing the community, composed of people strongly oriented towards sustainability, to actively participate in worthy projects, contributing to the improvement of the environmental and social conditions of areas in difficulty. To date, thanks to this collaboration, nearly 1,000 trees have been planted in 7 countries around the world. At the same time, with Davines the company has collaborated on a project aimed at promoting the philosophy and commitment of the B Corp movement, through the dissemination of images and messages, that could be a powerful incentive for everyone to build a responsible and successful business in any industry.

On the other hand, Matteo (Head of communication at TEK) wanted to point out that becoming a B-corp has not changed the company's relationships with other stakeholders at all. As a matter of fact, TEK continues to rely on the same historical suppliers as always, because of a very strong relationship that no certification can question. Matteo expressed a somewhat more critical view of the B-corp community, explaining how it focuses too much on the form and less on the substance. For TEK, therefore, the certification in question does not have much more value than others (such as FSC or Veganok) that are even free, but less known from the consumer. The company has decided to certify itself through B-corp primarily for marketing purposes: TEK is aware that it is operating in the right way and considers the final score of the BIA only a number.

A further advantage which is worth mentioning is linked not only to the B-corp certification, but, more in general, to the ethical and responsible way of doing business. As a matter of fact, being a purposeful company means being more attractive for young talents and recently graduated students, a thesis which I can personally confirm and that I have also found confirmed during the different

interviews.

More precisely, Treedom said surely this helps to have more attraction to candidates during interviews and to make employees more proud and participate in what they do. In Save The Duck, they have recently hired young people precisely because they share the company's values and because they are, to date, the most sensitive to these issues. This pushes the company to always be stimulated and active in taking initiatives that generate benefits for society and the ecosystem, precisely because future generations want and seek companies capable of making a difference by looking to the future and to who will come after them. In this case, therefore, the situation can be described as a virtuous circle: the purposeful company represents an attractive workplace for young people, but if it wishes to keep competing in the labour market, it has to raise the bar more and more and get better and better. Actually, according to a more pragmatic point of view, Elia of Illycaffè pointed out how this practice (that of hiring candidates who are aligned with corporate values) occurs within any company, ethical or unethical, so the sustainability question does not influence too much the choice of candidates during the hiring processes.

Finally, only Fratelli Carli affirmed that, although it is a difficult item to be identified in the columns of a company balance sheet, they were able to verify how sustainability often produces a saving of resources and an undoubted economic benefit.

3.3.3 Major difficulties encountered by purposeful companies

The series of benefits deriving from obtaining the B-corp certification presented in the previous paragraph does not exclude the presence of difficulties that these companies face in order to maintain their high level of virtuosity. Nevertheless, before presenting the answers, I would like to make a preliminary remark: in most cases, I had the feeling that the question aimed at knowing the greatest obstacles these types of companies encounter on a daily basis was somehow "circumvented". As a matter of fact, many interlocutors responded superficially and hastily, while others even explicitly stated that they were unable to respond and

focused mainly on giving the problems linked to the BIA assessment prior to the certification.

As far as the certification is concerned, all companies in the sample clearly pointed out that the verification procedure has been long and demanding. In this case, the most structured companies with a sustainability department have not been given an advantage, as the assessment goes to verify in detail factors and processes that affect the most disparate business functions. The key to obtaining the B-corp certification, therefore, has been for everyone the cooperation between the different departments and with the suppliers as well, both in large companies and in smaller ones. Eleonora of Save The Duck also pointed out that the assessment is very US-oriented in terms of wage levels, types of employment contracts or corporate welfare policies. The questionnaire is therefore not yet entirely objective and applicable at international level in an optimal way, but she also added how B-lab periodically carries out surveys among certified companies in order to collect suggestions on possible improvements in procedures.

A further difficulty to overcome, this time for Davines, has been having to find the various documents attesting the veracity of the statements made in the assessment. In fact, it has emerged that this effort has been more challenging for companies with a long tradition of CSR behind or which are sustainable directly into their corporate DNA: over the years they have undertaken numerous initiatives for the benefit of people or the environment on a voluntary basis, perhaps often not accompanied by official documentation and therefore cannot now be recognized by B-lab. Moreover, in addition to finding the actual documents, Elia of Illycaffè also explained how they must be compatible with the standards required by B-lab and how any incompatibility automatically lowers the final score.

More in general, as for the obstacles that these purposeful companies regularly encounter, from the interviews not much material emerged as already anticipated. According to Treedom, probably the most difficult part is to implement a constant monitoring of its impact and activate mechanisms for a systematic collection of data and information. Once this is done, however, it is easier to have a constant image of the business impact and verify the strengths and margins for improvement.

Margherita adds that the important thing is not to want to do everything immediately, but gradually implement changes that can then be maintained and have an effect in the medium and long term, really activating a change in the corporate mindset. On the other hand, according to Illycaffè, one of the greatest difficulties for a company that acts ethically is that of having to manage the different perception of business efforts by the consumer. Elia explains that, probably because of limited knowledge than experts in the field, the market often does not recognize how it should the objectives achieved by the company and the great work that was behind them. For example, continues Elia, the consumer is now convinced that the biggest environmental problem is plastic and for this reason Illycaffè is still criticized for the sale of plastic coffee containers. On the other hand, however, the company makes enormous efforts to make the supply chain more ethical, improving even those processes and operations which have a much greater environmental impact than plastic. Surely this situation is sometimes demotivating, but if these ethical values are contained directly into the company DNA, the motivation to always improve remains and, despite sustainability having a cost (monetary and not), it is not interpreted as an expense, but rather as an investment for the future of the company, of communities and of the planet.

Finally, Save The Duck for instance, said that it has not met real difficulties on the sustainability side. This is justified by the fact that since the beginning the company has focused its *modus operandi* on sustainability, meaning operating through targeted and responsible choices. From the selection of materials and collaboration with suppliers to the delivery and sale of the product, Save The Duck has always found collaboration and sensitivity on the part of partners who have therefore allowed the company to operate according to its principles without any particular impediments.

3.4 Research conclusions

Before proceeding to the final conclusions of the thesis, I consider it would be useful to summarize what are the main results emerged from the research. This is due to the fact that the topic of B-corp is certainly connected to the wider phenomenon

of the Purpose economy (as already stated several times during the elaboration), but it is useful to remember also that it does not represent its only practical expression. For this reason, the conclusions that have been drawn from the research carried out will not necessarily be completely suitable for the macro theme of the entire dissertation.

The research has shown that there is no correlation between the company size and its level of ethic, and how the sector in which it operates does not have a predominant influence on the levels of sustainability (as demonstrated by the certifications obtained by Save The Duck and Davines with scores well above the minimum, operating respectively in the fashion and beauty sectors).

In addition, following the interview with Elia, a collaborator of Illycaffè, it became clear that the final score obtained by B-lab does not represent a reliable indicator of ethical commitment. An important role within the assessment, in fact, is covered by the documentation that must be delivered as proof of the statements provided. However, the documents must comply with the BIA standards which often are US-oriented, therefore difficult to translate into European or international language and the lack of documentation automatically causes a lowering of the final score.

It is also necessary to point out that all the companies surveyed are guided by ethic values which can be found directly into their corporate DNA: it is as if they were born B-corp or almost without knowing that they were, because since their foundation they have set themselves a purpose going beyond profit and adopted responsible practices to achieve it. As a consequence, they fall into the category of those who can be considered pioneers of the Purpose Economy, namely companies that have tried to express their values through CSR practices for many years, but now, after having recognized their limits and once new legal forms and proper certifications have been introduced, they made that qualitative leap by adopting the form of Benefit Corporation. In this way they are capable to differentiate themselves from the other companies engaged “simply” in CSR or, worse, in greenwashing practices, receiving the full support they deserve from consumers and other organizations. As a matter of fact, the main reason that pushed these companies to certify themselves has been the willingness to formalize commitments already taken through an instrument that

seems understandable even to consumers. Actually, the latter are usually less informed about the importance and utility of the several certifications which are present in the business world, especially because they often refer to processes or materials that are located in the upstream of the supply chain, therefore unknown from the final market. On the other hand, the great advantage of the B-corp certification, due to its transversal nature, is that it gives the consumer a complete vision about the level of corporate virtuosity. For this reason, marketing plays an important role in the issue, as this certification represents a valid communication tool as well.

Moreover, the fact that it must be renewed every three years is interpreted by companies as an incentive to always improve and always raise the bar.

As regards the benefits of the certification, the companies concerned were not able to quantify them directly into monetary terms, rather they showed that, following certification, it has become easier to pursue their sustainable goals. This greater ease of attainment is mainly due to two factors: the fact of having entered a B-corps community, together with a greater monitoring of the impacts on the environment and people. As for the first, the certification allows precisely to enter this network of companies united by the same values and directed towards the same direction, where comparisons and collaborations arise spontaneously and are also supported by third-party bodies such as B-lab or Nativa (country partner in Italy). As regards the second factor, the more rigorous monitoring of impacts is a direct consequence of the fact that the certification must be periodically renewed. In addition, in Italy there is an obligation to become a Società Benefit after 2-3 years from the first certification, a legal form that introduces the obligation to publish an annual sustainability report attached to the financial statements which therefore requires constant monitoring of the impacts.

Finally, with regard to the major difficulties that this type of companies faces on a daily basis, it has emerged that the different consumers' perception with regard to corporate sustainability efforts is often demotivating, always due to a lack of information on what are the real impacts of the different materials used or procedures adopted. In addition, the actual environmental challenges are increasingly

demanding (such as the Net Zero 2030 involving all B-corps) and require significant organizational and monetary efforts, as well as even greater monitoring of the ecological footprint.

In conclusion, it can be asserted how the results of the research confirm the theory presented in the previous chapters.

The need for purposeful companies stems from the will of young talents to work for brands that care about the environment and the communities in which they operate as witnessed by the case of Save The Duck, but also by increasingly demanding consumers who must be satisfied (which is the reason why TEK has certified itself). In this latter case the certification becomes therefore a marketing tool, whose purpose does not refer, however, to the mere improvement of the corporate image, but to establish a more sincere and deeper communication with the final consumer. It is also evident that the strong sense of community that has developed among the already existing B-corps has as main objective to establish partnerships between companies, representing the new way of operating within this Purpose economy, both to spread more this new way of doing business, and to reach new market segments and therefore new business opportunities.

Collaborations are also established with non-profit organizations, to which B-corps provide support directly through their products or by donating percentages of sales. Just to mention a few, in 2019 Save The Duck, in collaboration with Sea Shepherd Italy, developed a limited edition of co-branded garments that will be used by the organization's crews, as well as being sold to fund Sea Shepherd's campaigns and projects around the world.

The same year Davines France collaborated with Coiffeurs Justes, a French association founded to promote at hairdressing salons the recovery of cut hair and their recycling in projects that feed exemplary models of circular economy. The hair, in fact, represents a valuable organic material reusable as a new resource in various fields, from fertilization to purification of waste water and polluted by hydrocarbons. In support of the project, Davines has distributed, at its hair salons, special bags for the recovery and shipment of cut hair.

Conclusions

The aim of the thesis was to clarify the emerging phenomenon of the Purpose Economy: an epochal change in the way of doing business that can be considered the result of slow and gradual evolutions in the field of sustainability, concerning human needs and the role that nowadays companies must play within the society. As a matter of fact, from the first chapter it has emerged how human needs have been evolving over time becoming more and more complex to be satisfied and how the economic systems that have followed each other have been the result of these different human desires and aspirations.

According to this principle, we moved from a predominantly agricultural economy aimed at our livelihood to the emerging Purpose economy that has the aim of making us grow from the personal point of view, it allows us to give vent to our social nature by establishing new relationships with not only selfish or economic aims and to make us feel part of something greater, to which we can contribute positively through daily work.

The research has shown that in recent years the private sector has acquired more and more power and importance thanks to the immense resources (monetary and not) which it has at its disposal and because of a crisis of confidence in public institutions which are no longer able to deal with and solve social and environmental issues in an optimal way. A limit, this of the public sector, widely evidenced also from the recent sanitary and humanitarian crisis caused by Covid-19 that, instead, the most proactive companies have been able to exploit in order to demonstrate their potential even outside the business world by contributing to the crisis management. The demand for purpose comes partly from the final consumer who, through his purchasing power, wants in some way to contribute to meet the current social and environmental challenges. This is why the purchasing process is no longer guided only by the maximization of personal utility as Neoclassical thought has imposed on us until now, but also by an altruistic component that manifests itself once all the most essential needs are satisfied (as explained by the Maslow pyramid concept). Companies have tried in recent years to meet this demand for greater commitment coming from consumers through CSR techniques and cause-based marketing that,

however, have reached their saturation stage and are no longer sufficient to make the difference.

The necessity of having a purpose, however, also arises from the need of the Millennials and subsequent generations to recognize the impacts of their work. They are no longer prepared to turn a blind eye to any negative externalities of their actions, especially in such an interconnected world where the speed of information is so impressive that it no longer allows one to look the other way to ignore uncomfortable situations and news. The purpose and, more generally, the values of a company, then become a discriminating variable for the young candidate who chooses to work in the company that more reflects his personal values. This is one of the main reasons why being a purposeful company is convenient, as operating with ethics and transparency now represents a competitive advantage within the labour market as it can attract young talents.

The collapse of confidence in public institutions, the limited resources available to third sector organisations and the increased environmental and social responsibility of the private sector (whether it was imposed by the market or spontaneously arose by virtuous CEOs) have led to the creation of a Fourth sector of which the Benefit Corporation are the highest expression. The latter are fully-fledged for-profit companies whose objective, however, goes beyond the mere creation of profit, as they are more involved in the creation of shared value. The guiding principle of companies in the Fourth sector and, more generally, of the Purpose economy, is in fact the creation of a value that directly involves all stakeholders and that is therefore not simply distributed retrospectively through CSR practices. In this regard, it also emerged that the creation of shared value is not only necessary for the good of the planet and people, but also how it is convenient for the business world as it consists basically in a selfish behavior that provides for the creation of economic value through the creation of social value, thus allowing companies to regain the legitimacy to operate, now lost.

However, the challenges facing the business world are enormous. Tackling climate change and social inequalities requires a level of resources and knowledge that is achieved only if we join forces: for this reason, partnerships are the *modus operandi*

within the Purpose Economy, whether they are with organisations from other sectors or with a direct competitor and aimed primarily at solving those social or environmental problems that prevent the achievement of certain market segments.

Moreover, another relevant concept emerged during the thesis is that of the Civil economy. While on the one hand there has been much discussion on the question of the Fourth sector (being more widespread), on the other the issue of the Civil economy, although less developed, concerns us more closely as a nation. The research has in fact highlighted how the roots of the Purpose economy in Italy are much older, but also how the Civil economy has been eclipsed by the theories of Anglo-Saxon Political economy and therefore it has not been able to evolve until today. Now, however, at a point where the limits of the Political economy are obvious, it seems to have returned to the centre of the debate and is directed in the same direction as the Fourth sector: it is therefore not a coincidence that Italy has been the second Country in the world, after the USA, where several companies have decided to certify themselves as Benefit corporation or to have devised a new legal form through which companies could formalize their non-economic objectives. As a matter of fact, the two concepts, despite their different origins, represent two parallel ways to complete the Purpose economy, identifying respectively through the Società Benefit and Benefit Corporations.

To conclude, if Coronavirus has taught us something is that we have to return to a new normal in which the Purpose economy can be considered the alternative and the solution to the problems of modern capitalism, without however giving up the extraordinary capacity of this system to produce those wealth and growth which have dramatically lowered poverty levels in the world, for instance. In this case, in fact, it is not a question of demonizing the business world, but "simply" to use its strength to remedy the collateral effects caused in recent decades. In the future, the success for companies will be provided by how more good they do rather than just less harm. Taking into account the consequences on the environment and society of the production processes will be the norm and those who do not adapt to this new business paradigm will lose their competitiveness in no time at all.

On the other hand, it is also true that the entrepreneurs and managers of tomorrow

will be precisely the Millennials and the Z generation that today fight for environmental issues and criticize the unethical behavior of current companies and managers. These generations are in fact living in decades in which the limitations of the traditional way of doing business, the one driven by shareholders supremacy, are extremely evident and it will be precisely this uncomfortable situation to push them to adopt new behaviors in the business world. Behaviors that have nothing to do with just designing more sustainable strategies, but that will redefine the role of companies and the sense of doing business in which the purpose of each individual company will guide the strategic choices and will be well recognizable even in the eyes of consumers.

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Appendix A

Interview to Italian certified B-corps

- Nature of the company
 1. What is the real purpose of the company? What are the mission and the company's core values?

- The reasons behind the B-corp certification
 2. What are the reasons which pushed the company to certify as a B-corp?

- Impacts of the certification on corporate performance
 3. Has the certification brought significant benefits at a corporate level? If so, which ones?
 4. Are you satisfied with the certification? Are you going to renew it?
 5. Do you consider the B-corp one a certification like any other? Or do you think it is different in some way?
 6. Does being a B-corp or, more generally, an ethical and responsible company affect the attractiveness of valuable employees?

- Major difficulties
 7. What are the major difficulties encountered during the certification process?
 8. More in general, what are the biggest costs and difficulties you face to be an ethical and sustainable company?