Master Thesis in International Management

Certified B Corps in Italy: organization, motivations and change after the certification

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1. Introduction

After the 2008 financial crisis, the World has dramatically changed. The paradigm of ‘greed’ has been exposed for its huge negative consequences, leading to increased mistrust and critical judgment towards corporations, especially MNEs. Many stakeholders called for increased Corporate Social Responsibility and higher transparency and accountability. However, in order to address these concerns, many companies didn’t radically change their business, but they simply improved their corporate communication, engaging in the so-called ‘greenwashing’, portraying themselves as sustainable even if they are not. At the same time, no-profit organizations have failed to deliver systemic change in the way business is done.

A new type of corporation and a related movement want to address exactly these problems. It is the Benefit Corporation, an invention of three successful entrepreneurs, who wanted to produce durable change in our society by harnessing the power of the private enterprise and using it to have a positive impact on the World. They created a no-profit called B Lab to direct this movement and propose a paradigm shift: no longer companies should strive to be the ‘Best IN the World’, but they should strive to be the ‘Best FOR the World’.

In order to achieve this goal, they wanted to create a tool that would radically change the way business is run, and find a way to clearly and reliably differentiate real ‘good’ companies from ones that are not. That’s why they created a new corporate form and a certification. The corporate form, called Benefit Corporation, expands the fiduciary duties of directors to consider all stakeholder interests, and increases the transparency requirements. The certification instead is given to organizations that excel in 5 areas of CSR: environment, workers, customers, community and governance.
Benefit Corporations are technically for-profit, because the founders believed that the private enterprise is the best way to run a company efficiently. However, they satisfy high standards of CSR, creating considerable public benefit.

From the year this movement was born (2006), more than 2000 companies worldwide obtained the certification, and a similar number adopted the new corporate form. The movement expanded to Italy, which has currently 51 certified B-Corps (as of July 2017) and about 100 Benefit Corporations. Italy was also the second country in the World, after the US, to introduce the legal form of the Benefit Corporation.

In this thesis, the objective is to analyze the Italian Certified B-Corps, assessing their organization and evaluating whether the certification has produced some change in their business.

We will begin with an overview of the Benefit Corporation idea, clarifying what it is about, how it works, the difference between Certified B-Corps and Benefit Corporations, the controversial points and the organizational impacts identified by different authors. Then we will look at the Italian movement, exploring the similarities and the differences with the American context, finding out the main motivations which lead companies to seek the certification and the main organizational consequences highlighted by Nativa, the official country partner of B Lab for Italy.

After that, we will analyze seven cases elaborated with structured interviews to the Benefit Officers (i.e. the ‘CSR managers’ of certified corporations) of seven Italian Certified B-Corps. We will evaluate their organization, the motivations which led them to seek the certification and the eventual change produced by it.

Finally, we will compare cases, identifying common trends and differences, and making conclusions on all the points which emerge from the interviews and the literature reviewed.
2. The B Corp

a. History and characteristics

The B Corp aims to be a new model of organization that uses the power of the private enterprise to produce public benefit (Marquis et al, 2010). The idea came to Jay Coen Gilbert, Bart Houlahan and Andrew Kassoy, three friends that in 2006 in the US founded B Lab, an independent 501(c)3 non-profit with three goals:

- “Building a community of Certified B Corporations that meet rigorous standards of social and environmental performance and that legally expand their corporate responsibilities to include consideration of diverse stakeholder interests to help consumers, investors, employees and policymakers tell the difference between ‘good companies’ and just good marketing;

- Advancing the public policies necessary to create the legal infrastructure (through a new corporate form called a Benefit Corporation) and market incentives (tax, investment and procurement preferences) to accelerate growth of this new economy;

- Developing the GIIRS rating system (Global Impact Investing Rating System) to help drive institutional investment capital beyond traditional socially responsible investing to the emerging asset class of ‘impact investments’” (Marquis et al., 2010)

So a B Corp has two main characteristics:

- An outstanding CSR performance;

- The inclusion of the interests of all stakeholders in its business

Adding to that, the goal of B Lab is to allow all stakeholders to differentiate companies that truly have CSR at heart from companies that communicate well but have no real positive impact on their surroundings. Consequently, if a company has such characteristics, B Lab has the role to check and grant a certification.
B Corps arise from the need of social entrepreneurs to form organizations that serve both a profit mission and a CSR one. In fact, the traditional distinction between for-profit and no-profit creates obstacles to such entrepreneurs. No-profits limit profit distribution, which is important to attract capital consistently, and for-profits create practical and legal pressure to favor profits over social benefit. The hybrid form of the B Corp addresses this issue (Reiser, 2011).

Adding to that, this new form was conceived to create an essential link between business and CSR, blending the two aspects together. Also Michael Porter and Mark Kramer (2006) had identified already the need to combine social impact with competitive advantage. They exposed the fact that most companies engage in CSR mainly to obtain publicity, and they do so in a standardized and unproductive way. The two authors claimed that companies should think strategically about CSR, analyzing their value chain and their competitive environment, finding policies which create not only social value, but also competitive advantage at the same time. Consequently, they identified two approaches to CSR: “Good citizenship” vs “Responsive CSR”.

<table>
<thead>
<tr>
<th>Generic Social Impact</th>
<th>Value Chain Social Impacts</th>
<th>Social Dimensions of Competitive Context</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Good citizenship</strong></td>
<td>Limit harm from value chain activities</td>
<td>Strategic philanthropy</td>
</tr>
<tr>
<td><strong>Responsive CSR</strong></td>
<td>Transform value chain activities to benefit society while reinforcing strategy</td>
<td>Strategic CSR</td>
</tr>
</tbody>
</table>

Figure 1. Different approaches towards CSR (Porter & Kramer, 2006)

Of course the desirable approach is the one of “Responsive CSR”, and B Corps were created and designed purposefully to be that.
But how could we determine whether this new corporate form can be considered socially responsible? According to Hiller J, B Corps are socially responsible because, in theory:

- Their actions are primarily voluntary;
- Externalities are addressed;
- Multiple stakeholders are considered;
- Environmental and social interests are integrated;
- CSR is adopted into value systems;
- CSR is operationalized (Hiller, 2012)

The B Corp has generated a lot of enthusiasm, not only among the companies that joined the related movement, but also among scholars and business experts. Just to mention one, Robert Shiller, Nobel laureate in 2013, explains in a 2012 video that B Corps represent a shift in the traditional goal of companies (especially in the US), which is no longer profit maximization. In ‘traditional’ corporations, directors might be sued by shareholders who see their profits diminished in favor of other stakeholders. But in the case of Benefit Corporations, where directors are obliged to consider all stakeholders, directors should be more willing to consider CSR policies. Furthermore, Shiller declared that, in his opinion, in the long-run B Corps will have better financial returns than ‘traditional’ companies, thanks to their capability to address all stakeholders’ needs (Shiller, 2012).

**b. The certification process**

As explained above, B Lab set for itself an additional goal: differentiating ‘good’ companies from the others. That’s why it defined a certification which provides a comprehensive view of companies’ CSR activities.

To obtain the certification, there is a series of necessary steps set forth by B Lab (2017):
• The corporation has to complete the B Impact Assessment (BIA): a questionnaire that allows the measurement of a company’s performance in five different areas of impact:
  o Environment
  o Workers
  o Customers
  o Community
  o Governance
• The completed BIA is reviewed by B Lab, which requires the corporation to upload the supporting documents;
• Each of the 5 areas of impact gives certain points. If the composite score is greater than 80 (out of 200), the company might be eligible for the certification and further documentation is required. A sample of questions are selected for detailed screening by B Lab;
• B Lab performs a background check of the company;
• The aspiring Certified B Corp signs the ‘Term Sheet’ and the ‘Declaration of Interdependence’:
  o The ‘Term Sheet’ contains the contractual conditions between B Lab and B Corps, with the detail of the annual fee that B Corps must pay to B Lab. This fee varies according to each company’s revenues and is relatively small, representing only around 0.025% of total revenues;
  o The ‘Declaration of Interdependence’: which states the company’s commitment to adhere to the B Corp Community values;
• Every two years, Certified B Corps must redo this process (up to the background checks) in order to maintain the certification

Going further into the details of the BIA, each of the 5 areas of impact (each worth roughly 40 points) has different sections and sub-sections, which
have been selected to provide the widest scope to the company’s evaluation. Given the way the assessment is structured, a company has to excel in multiple areas in order to achieve the necessary 80 points. The table below summarizes the 5 areas and the related sections.

<table>
<thead>
<tr>
<th>Area</th>
<th>Section</th>
<th>Sub-Section</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td>Environmental Products &amp; Services</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Environmental Practices</td>
<td>Land, Office, Plant</td>
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<tr>
<td></td>
<td></td>
<td>Energy, Water, Materials</td>
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<tr>
<td></td>
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<td>Emissions, Water, Waste</td>
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<td></td>
<td></td>
<td>Suppliers &amp; Transportation</td>
</tr>
<tr>
<td><strong>Workers</strong></td>
<td>Compensation, Benefits &amp; Training</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Worker Ownership</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Worker Environment</td>
<td>-</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Customer Products &amp; Services</td>
<td>Products &amp; Services</td>
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<td></td>
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<td>Serving Those in Need</td>
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<tr>
<td><strong>Community</strong></td>
<td>Community Practices</td>
<td>Suppliers &amp; Distribution</td>
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<td></td>
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<td>Local</td>
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<td>Diversity</td>
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<tr>
<td></td>
<td></td>
<td>Job Creation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Civic Engagement &amp; Giving</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Accountability</td>
<td>-</td>
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<tr>
<td></td>
<td>Transparency</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 2. Areas and Sections of the BIA (B Lab, 2017)

- *Environment* evaluates both general sustainability practices, such as the use of renewable energy, and whether a company’s product solves itself an environmental issue;
- *Workers* evaluates how a company treats its workforce in terms of salary, benefits, training and other more ‘intangible’ elements such as work environment, job flexibility, internal communication;
• *Customers* is assessed only in companies that solve a social problem for certain categories of customers (e.g. underserved categories). It is often ‘N/A’ because it basically applies to ‘social’ enterprises only;

• *Community* evaluates both the way a company interacts with local entities and charities, and the way it deals with suppliers and partners. It also considers whether a company is solving a community-related problem (e.g. poverty alleviation);

• *Governance* evaluates the company’s mission, transparency and accountability (Honeyman, 2014)

Each section has different questions (e.g. the multiple of the highest-paid worker’s earnings compared to the lowest-paid full time worker’s) which grant different points according to the answer. The score of each question, which depends on industry, size of the company and geography, is elaborated together with all other scores in order to give the total for each sub-section, each section and each area. The BIA is a free tool available at the website [http://bimpactassessment.net/](http://bimpactassessment.net/), and everyone can use it to assess its CSR performance. Of course, if a company wants the certification, it has to continue the process and upload all the necessary documents to prove what has been stated in the BIA (Honeyman, 2014).

In Appendix 1 there is a list of sample questions that are asked in the BIA.

c. **Motivations to obtain the certification**

The “B Corp Handbook”, written by R. Honeyman, highlights a series of motivations which could lead companies to seek the certification:

• *Lead a movement*: companies join the movement first of all because they believe in it and they want to “use business as a force for good”;

• *Partner with peers*: Certified B Corps meet frequently and create a sense of community where opinions and experiences are shared, creating learning opportunities;
• *Benchmark CSR performance:* the certification is effective in showing how a company fares against other sustainable organizations, highlighting improvement areas;

• *Save money and access services thanks to the network:* B Lab gives the opportunity to get discounts on numerous business services (e.g. Salesforce). According to Marquis et al. (2010), for over 50 B Corps in 2010 the savings coming from these relationships more than offset the certification fee;

• *Protect Mission:* often companies’ CSR efforts risk to be thrown away when management or ownership changes. The certification is a tool to reduce this risk by creating some legal and reputational constraints;

• *Differentiate from pretenders:* the certification is an official and public statement that recognizes B Corps as truly effective in being socially and environmentally responsible. ‘Greenwashing’, which is the disinformation conducted by some companies to present themselves as responsible even if they are not, is increasing, and customers don’t trust much the CSR statements of corporations (White, 2015). The certification is a powerful tool to differentiate ‘good’ companies from the ones which are simply ‘greenwashing’;

• *Attract investors:* some investors are interested in companies that not only have a solid business, but also have a solid CSR approach. Adding to that, a consistent number of VCs, investment banks, wealth managers and commercial banks are B Corps, and already in some cases a financial B Corp has invested in another B Corp (e.g. Good Capital invested $2.5 million in Better World Books) (Marquis et al. 2010). In fact, Socially Responsible Investing (SRI) is growing decisively. In 2007 it accounted for about $2.7 trillion of all professionally managed assets, while in 2017 for about $21.4 trillion
(White, 2015). The certification signals investors that a corporation is worth of receiving SRI;

- **Generate press:** the movement is becoming more and more popular, finding coverage on important media outlets such as Bloomberg Businessweek, CNN, etc., providing free advertising to all B Corps;
- **Attract and engage talent:** most workers are attracted towards workplaces where they can have a positive impact, and are more motivated and engaged if that is the case. Several studies have shown that, but just to mention a few examples:
  - In 2012, 58% of American graduates declared that they would accept a 15% pay cut if they worked for a company that shares their values;
  - In 2013, Deloitte conducted a study that highlighted how Millennials (people born after 1982) believed that ‘improving society’ should be the first goal of a company (36% of respondents), while profit is only second (35%) (White, 2015);
- **Participate in ad campaign:** collective B Corp brand campaigns are being launched increasingly more frequently (Honeyman, 2014)

Other factors which could incentives companies to seek the certification are highlighted by Suntae et al. (2016):

- SMEs which have long been committed to CSR practices want to prove that they are more ‘genuine’ than big corporations, which often engage in CSR just to improve their image. In fact, the study published on the Harvard Business Review by Kim et al. revealed that, in a given industry, the more companies claimed they were ‘good’, the more B Corps emerged;
- Companies want to join a movement that opposes the prevailing mindset of ‘greed’ in business. In fact, the same study by Suntae et
al. showed that, in a given industry, the more companies had a shareholder-centric mentality, the more B Corps emerged

d. The legal form

The goal of B Lab’s founders was to change radically the traditional system of accountability for corporations. In order to do that, B Corps must have legal recognition, otherwise CSR risks to remain on the surface and not directly influence business decisions. That’s because traditional corporations are not designed to comprehend the public benefit part of the business (Hemphill et al., 2014). For instance, when a company is up for sale, board members enter the so-called ‘Revlon mode’, and in 19 US states they are required by law to maximize shareholder value. Constituency statutes allow directors to consider also other stakeholder interests, such as workers’ layoffs or environmental impact, but they simply create a ‘possibility’, not an obligation. Directors would still be free to ignore the interests of stakeholders different from shareholders (White, 2015). Consequently, B Lab championed for a new legal form that would expand a corporation’s governance requirements: all stakeholder interests must be incorporated in the governance obligations. This way, directors have the legal obligation, and the related accountability, to consider all stakeholder interests. This should allow businesses to maintain their CSR values even if management or ownership change. In fact, the proposed legislation included higher standards of transparency, with yearly reporting of CSR performance, and high voting requirements to remove these provisions (2/3 shareholder majority) (Marquis et al., 2010).

In 2010, Maryland and Vermont passed legislation to introduce the Benefit Corporation as a legal form of organization. The two states were followed by 30 other US states, which are highlighted in red in the graph below. In grey are the states which are currently working on legislation (B Lab, 2017).
Benefit Corporation statutes are very similar and share three provisions:

- **A corporate purpose to create public benefit.** The Model Benefit Corporation Legislation offers a non-exhaustive list of benefits:
  - “Providing low-income or underserved individuals or communities with beneficial products or services;
  - Promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business;
  - Protecting or restoring the environment;
  - Improving human health;
  - Promote the arts, sciences or advancement of knowledge;
  - Increasing the flow of capital to entities with a purpose to benefit society or the environment;
  - Conferring any other particular benefit on society or the environment” (White, 2015)

- **Expanded fiduciary duties of directors to consider all stakeholders.** Practically, the duty of care is expanded as directors have to be fully
informed about all stakeholders’ interests when making decisions (B Lab, 2017);

• **Obligation to report CSR performance assessed against a third-party standard** (Hemphill et al., 2014)

The Benefit Corporation legal form was introduced in 2015 in Italy (the first country outside of the US to do that) and in Puerto Rico. Australia, Argentina, Chile, Colombia and Canada are also in the process of passing legislation (B Lab, 2017).

In order to fully understand the difference between Benefit Corporations and ‘traditional’ corporations we must consider the debate on Gray Sector Organizations (GSOs). These GSOs are neither fully governmental nor fully private nor no-profit, but combine characteristics of all these sectors. GSOs are mission-driven and serve multiple bottom lines. Benefit Corporations are GSOs because they are private companies allowed by law to pursue a CSR mission and a profit one (André, 2012).

Adding to that, Benefit Corporations at the moment mainly rely on private funding, but in some cases, for example in the City of Philadelphia, they have been allowed to seek public or charitable funding. If this evolves further, it could also represent an important advantage over ‘traditional’ companies (André, 2012).

**e. The difference between Benefit Corporation and Certified B Corp**

A clarification here is due: Benefit Corporations and Certified B Corps are not exactly the same thing, even if they are often complementary.

The Benefit Corporation is a legal form of enterprise which has been introduced in several states, often thanks to the initiative of B Lab. The Certified B Corp is an organization that has received a certification by B Lab. These two different conditions don’t always correspond, as a company can decide to become a Benefit Corporation even without obtaining B Lab’s
certification, and in the same way Certified B Corps don’t have to be Benefit Corporations (even though in some countries, like Italy, when an organization obtains the certification, it must also become Benefit Corporation before the following certification).

That being said, there is a series of differences:

<table>
<thead>
<tr>
<th>Field</th>
<th>Benefit Corporation</th>
<th>Certified B Corp</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSR Performance</strong></td>
<td>Self-reported</td>
<td>Must achieve a minimum standard set by B Lab every two years</td>
</tr>
<tr>
<td><strong>Availability</strong></td>
<td>33 US States, Italy, Puerto Rico</td>
<td>Every organization, regardless of corporate structure or country</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>State filing fees</td>
<td>B Lab certification fees</td>
</tr>
<tr>
<td><strong>Role of B Lab</strong></td>
<td>Could offer assistance but has no role in oversight</td>
<td>Certifying entity</td>
</tr>
</tbody>
</table>

Figure 4. Differences between Benefit Corporations and Certified B Corps (B Lab, 2017)

The main difference is that Benefit Corporations don’t get their CSR performance controlled by B Lab every two years, like instead Certified B Corps do. Adding to that, where legislation hasn’t passed yet, companies can still seek the certification, but of course they cannot become Benefit Corporations.

Furthermore, the certification is mainly effective in the short-term, providing an official guarantee that a company has an outstanding CSR performance at a certain moment in time, but if management or ownership changes, this could be no longer true. The legal form instead changes radically the way the organization is structured and affects its decisions in the long-run, but without certification it gives no guarantee of superior CSR performance.

However, in many cases companies are both Benefit Corporations and Certified B Corps and the two things are designed to go together. From now on, we will use the term ‘B Corp’ when we refer to both types of
organizations, while we will use ‘Benefit Corporation’ for the legal form of organization, and ‘Certified B Corp’ for organizations certified by B Lab.

f. The movement today in numbers

The B Corp community has increased substantially over time, expanding worldwide. As of July 2017, Certified B Corps are 2000+ worldwide, they are present in all sectors and in 60+ countries. About 1000 are from the US, 179 from Canada, 153 from Australia, 104 from the UK, then comes Chile, Brazil, Italy, the Netherlands and many other countries.

In the table below, in order to give an overview of the average performance of Certified B Corps, the average BIA scores of all Certified B Corps with the related standard deviations are shown, elaborating a B-lab dataset of July 2017 (data.world, 2017) which has been cleaned and structured for analysis.

One clarification is due: the fact that the scores of Environment or Governance are lower than the one of Community for example, doesn’t mean that companies worldwide ‘privilege’ practices that favor communities to practices that help the environment. It is more a matter of how the score is calculated. Values should be compared among countries or companies to better understand which ones have the best CSR policies.

<table>
<thead>
<tr>
<th></th>
<th>Average Score</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>97.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Environment</td>
<td>18.0</td>
<td>13.9</td>
</tr>
<tr>
<td>Workers</td>
<td>24.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Customers</td>
<td>23.1</td>
<td>15.6</td>
</tr>
<tr>
<td>Community</td>
<td>32.5</td>
<td>15.1</td>
</tr>
<tr>
<td>Governance</td>
<td>12.3</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Figure 5. Worldwide B Impact Report averages and standard deviations (B Lab, 2017)
Certified B Corps are almost exclusively privately-held, with only few public ones (e.g. Etsy, Natura, Silver Chef). They are mainly SMEs, even if interest has been recently shown by bigger corporations, such as Danone. In fact, Emmanuel Faber, Danone’s CEO, has declared in April 2017 the intention to seek the certification for the whole company. Some Danone’s subsidiaries are already B Corps, such as DanoneWave, but the intention of the CEO is to expand this to the whole company, possibly making it the biggest B Corp in the World (B Lab, 2017). Anyway, currently the movement is dominated by SMEs.

**g. Controversial points**

There are anyway some controversial points which emerge. First of all, ‘unhappy’ stakeholders are not provided with any clear recourse by US law (Koehn, 2017). Consequently, the stated effort to consider all stakeholder interests might be partially diminished by the fact that even if a Benefit Corporation doesn’t actually satisfy some of these interests, those stakeholders cannot hold the company accountable. In fact, if a Benefit Corporation considers all stakeholder interests, but decides to reject some, it is still considering them. Shareholders only are given the right to sue directors that fail to pursue the company’s statutory benefit (Koehn, 2017). Other stakeholders can bring forward claims only through the device of the ‘benefit enforcement proceeding’, a legal action brought by shareholders on behalf of a third party. This action can be brought when the corporation failed to create public benefit. Although Benefit Corporations must consider all stakeholders, technically they are legally responsible to shareholders only (White, 2015).

However, even if the Board members consider all stakeholders in their decisions, there are three arising issues:

- the increased complexity of decisions;
- the reduced liability for actions that damage shareholders;
• the scope of the requirements

The complexity arises because the directors should consider all stakeholder interests, and it becomes difficult when a decision advantages some stakeholders but potentially damages others. What should the Board members do at that point? Legislation gives no hint on how to face these trade-offs (André, 2012). Directors’ decisions are consequently highly discretionary and it is hard for shareholders to enforce compliance with the ‘dual mission’ of the company without a clear framework set out by statutes (Reiser, 2011). In fact, Benefit Corporation legislation restricts liability of directors when they make decisions for the statutory public benefit. So shareholders are given less power to bring legal action when certain decisions damage their interests, as those decisions may have been taken in the consideration of other stakeholders (Hemphill et al., 2014). Adding to that, statutes don’t strictly require Benefit Corporations to consider public benefit for all decisions, so there is no clear guidance at the moment on which decisions should consider public benefit and which decisions could possibly not (Hemphill et al., 2014).

Furthermore, Benefit Corporations must report to a third party (B Lab most of the time), which is not controlled by the government and is chosen voluntarily, posing some issues on the credibility of such companies’ efforts. Statutes declare that the third party should publicize standards for “defining, reporting and assessing” CSR performance of to-be Benefit Corporations. Statutes don’t define any minimum content for such standards, they just require the standard-setters to be a non-controlling entity with access to enough information to draft an appropriate standard, which must assess the effects of the corporation’s decisions on stakeholders. The standard must be disclosed, but for the average citizen it will be very hard to understand (White, 2015). Furthermore, Hemphill et al. (2014) highlight that B Lab could face a conflict of interest in this role, given
that its revenues come from certifying companies. Consequently, B Lab is incentivized to certify more and more companies, possibly diminishing its standard to do that. Adding to that, B Lab offers monetary incentives to B-Corps (e.g. through access to discounted services at partner organizations), so defining it ‘independent third-party’ would be erroneous (André, 2012). With no governmental oversight and Benefit Corporations left free to decide their third-party standard, accountability is weak and the increased transparency required could not be enough to guarantee all stakeholders are fairly considered (White, 2015).

Then, the public benefits listed by states’ provisions are very generic and might be true for many companies, such as the goal to preserve the environment or promote the advancement of knowledge (André, 2012).

However, as long as one considers B Lab a credible entity, the certification should be an important tool to distinguish the companies which have truly effective CSR policies from the ones which simply declare that. That is not the case for non-certified Benefit Corporations, given that they could simply be using the legal form to improve their reputation. So far, there are no regulatory systems to rescind this legal form when a Benefit Corporation doesn’t meet statutory requirements. When a corporation decides to amend its Articles of Incorporations including a public benefit, which respects the generic guidelines set forth by the legislator, it is considered a Benefit Corporation. There is no preliminary check regarding the actual effectiveness of a corporation in pursuing a public benefit (Hemphill et al., 2014).

Finally, B Corps collect their own data independently, with B Lab performing random on-site reviews for 10% of the Certified B Corps. No authority oversees this process in the case of Benefit Corporations. This poses some
doubts on the actual truthfulness of these corporations’ benefit reports (André, 2012).

In conclusion, the main issues emerge from the legal form of Benefit Corporation, as the public could judge these organizations as ‘ethical’ even if, currently, statutes leave room for potential ‘greenwashing’. On the other side, the certification seems to be a more effective tool to guarantee adequate and superior CSR performance, as long as B Lab is considered a credible entity.

**h. Organizational impacts**

There are several organizational impacts which could show up when a company adheres to the B-Corp movement. Regarding employees, an interesting issue is how B-Corps weigh CSR commitment vs technical ability in hiring and promotion. It is likely that these corporations attract employees who are themselves interested in CSR themes. Are they thus more motivated than workers in traditional organizations? And if a Benefit Corporation doesn’t fulfill its social or environmental mission, are these employees going to be more disaffected than normally? (André, 2012) These are open questions to be investigated.

Another organizational theme is the appointment of a benefit officer (which happens in both Benefit Corporations and Certified B Corps) who shall monitor and make sure that the B-Corp fulfill its CSR mission. The individual characteristics, the role within the organization and each organization’s dynamics could play a role in the way the benefit officer fulfill his or her tasks. In practice, this officer is an employee, so he or she will prioritize management’s goals to the goals of the third party evaluator (e.g. B Lab) (André, 2012).

Furthermore, organizational design could be particularly difficult. That’s because in order to take into account different stakeholder interests, a participative and decentralized decision-making should be more effective,
but in some businesses, or in some moments of a company’s life-cycle, a centralized structure is more effective to achieve profit goals. Adding to that, bureaucratic controls could be a powerful tool to obtain accountability, but several companies prefer low levels of formalization (André, 2012).

Rewards systems represent an interesting challenge. In the public sector, pay is transparent to the public and has fixed, bureaucratic rises. In the private sector instead, pay should be based on merit and is rarely public. For a GSO, finding the right balance between meritocracy, fairness and transparency is not easy. However, the possibility that employees feel to work in a ‘good’ company has been shown to potentially drive salaries down (André, 2012).

Finally, organizational culture may be particularly strong at B-Corps because employees should be more engaged with the company’s values. However, if such values are violated or expectations are not met, cynicism and dysfunctional behaviors may emerge more easily than in traditional corporations (André, 2012).
3. The B Corp in Italy

a. History and characteristics

In Italy, like in the US, firstly came Certified B Corps, with Nativa being the first one in 2013, then legislation was passed in 2015. This made Italy the second country in the World, after the US, to introduce the Benefit Corporation form (‘Società Benefit’ in Italian). As of July 2017, there are 51 Certified B Corps and about a hundred of Benefit Corporations (Nativa, 2017). As in the US case, not all Certified B Corps are also Benefit Corporations and vice versa. However, B Lab has recently made mandatory that Certified B Corps become Benefit Corporations within two years from the latest certification.

In general, Italian B-Corps are SMEs, privately-owned and with relatively unknown brands to the big public (B Lab, 2017). Most of the things highlighted for the US case are also true for the Italian one, as Italy is basically following the US example after having realized that the movement was growing and had potential for a positive impact on society at almost no cost for the country.

b. The legal form

In December 2015, under initiative of Senator Mauro Del Barba, legislation passed in Italy to introduce the Benefit Corporation. It is very similar to the legislation passed in the US. First of all, it introduced the concept of ‘dual mission’, with the insertion of a public benefit inside the company’s objective in the Articles of Incorporation or the Statute. Also in Italy, shareholders only have the right to evaluate whether a company has reached its benefit goals and directors have acted correctly (Siclari, 2016). A yearly Benefit report is due and must be made accessible to the public, possibly on the company’s website. The report shall include three parts:

• Highlight of the objectives set during the previous year;
• Evaluation of the social impact achieved according to a third-party standard;
• Definition of future objectives and activities to meet those objectives

The third-party that defines the standard of evaluation must have similar characteristics to the ones stated in the US legislation, for instance:
• The standard has to be exhaustive and structured;
• The third-party cannot be controlled or partially owned by the Benefit Corporation;
• The third-party has to be credible and transparent (Castellani et al., 2016)

The law also identifies four areas to be covered in the yearly report, mainly following the approach established by B Lab:
• Governance: the degree of transparency and responsibility in achieving the public benefit goals;
• Workers: the salaries and the welfare system, including training, opportunities for personal growth, work environment quality and safety;
• Environment: analysis of resources, energy, materials and processes with a product life-cycle perspective;
• Other stakeholders: suppliers, community, charities (Siclari, 2016)

The Benefit Corporation in Italy is not a new type of corporation along with the ones defined in the V section of the Civil Code, such as the ‘S.R.L.’ or the ‘S.P.A’. It is simply a configuration that each of these corporations can decide to adopt. In fact, the denomination ‘Società Benefit’ or the abbreviation ‘SB’ can be used in the name of the company along with the type of corporation (e.g. ‘Company XYZ S.R.L. SB’) (Siclari, 2016).

The most important difference between Italy and the US is that the Italian legislator grants to the Antitrust authority the task to oversee the behavior of Benefit Corporations. The authority can also give sanctions for misleading
advertising to Benefit Corporations that do not pursue the public benefit for unjustifiable reasons (Castellani et al., 2016). This is quite an important difference, as we have seen that one of the controversial points regarding Benefit Corporations is that there is no governmental control over the actual operations of Benefit Corporations. In Italy, those concerns (e.g. weak accountability and credibility) are thus less relevant, even if no case law has been produced yet (Tirelli, 2017).

However, also in Italy no list of specific public benefits is defined by the Italian legislator, which only requires Benefit Corporations to “operate responsibly, sustainably and transparently towards people, the community, the environment, cultural and social activities and goods, associations and other stakeholders” (Italian Republic, law nr.208 28/12/2015). The corporation has to detail its specific purpose, which can be directed towards one or more categories listed above.

Benefit Corporations in Italy do not enjoy any fiscal benefit, tax relief or other financial advantages (Castellani et al., 2016).

An important difference between the Italian economic system and the US one is that in Italy ownership and management often coincide, due to the high presence of entrepreneurial ‘family’ companies. This means that legal actions to sue directors that don’t pursue the public benefit, will be unlikely used because it would imply that shareholders sue themselves.

c. Nativa

A lot of credit for the development of the Italian movement must be recognized to Nativa, which became Official Country Partner of B Lab and played an important role in the introduction of the Benefit Corporation legal form (Nativa, 2017). In fact, in order to have a better understanding of the Italian situation and context, Anna Cogo, Benefit Unit Officer of Nativa, was interviewed.
Nativa was incorporated in 2012, and in February 2013 became the first certified B Corp in Europe. Nativa has about twenty employees, revenues of about €783K (AIDA, 2017) and a specific mission:

“fostering a new economic paradigm by blending Evolution Principles into the DNA of existing businesses, to help them innovate towards future-proof models, and by creating new startups, products, and services which are regenerative by design” (Nativa, 2017)

Practically it has four business units with the following core activities:

• Consulting to other companies in order to integrate sustainability in the business model;
• Support to companies seeking the B-corp certification and consulting to current B-Corps in order to improve their impact;
• Green restructuring of buildings;
• Nativa voice: help companies communicate better their elements of uniqueness

According to Nativa’s experience, in Italy most companies adhere to the B-corp movement because the entrepreneur recognizes his or her business philosophy in the movement. However, at the beginning companies often think of the certification as an arrival point, but they find out immediately that it is only a starting point. In fact, Nativa interestingly points out that some organizational consequences emerge from the certification:

• Better planning of CSR practices: before the certification, most companies implement sustainable activities ‘randomly’, without a specific plan or strategy in mind. They reach a good sustainability level because the entrepreneur, according to the circumstances, has the intuition to implement new initiatives that are believed to be beneficial for the company, without having in mind a clear CSR strategy or improvement areas. In fact, the certification process and
its continuation force companies to be more structured and think strategically about their CSR approach;

• *Improvement in workers’ motivation:* workers feel more engaged as they see their company recognized for being ‘ethical’. They also become more aware of their actions and their consequences on sustainability, feeling the increased focus on CSR by their company;

• *Easier communication:* the B-Impact score is a measure which is easy-to-understand by external partners. The CSR efforts of a B-corp are thus more easily recognized and admired;

• *Learning opportunities:* once in the B-corp network, companies get in contact with best practices from other companies and apply them;

• *Attraction of talents:* most workers, and especially millennials, are conscious about sustainability themes and would like to work in companies that share their values. The certification is a tool that clearly signals to these talents that a B-corp is a company with such characteristics;

• *Attraction of capitals:* impact investing is on the rise worldwide. The certification signals investors that B-corps are worth this kind of funding;

• *Increased marketing reach:* especially for small companies, being part of this movement is a cost-effective marketing tool as these companies wouldn’t have otherwise the budget to communicate their CSR efforts so effectively

According to Nativa, there are no downsides deriving from the certification. From an organizational perspective, there is no specific structure, industry or business model which is more prone to obtain the certification. The main distinguishing element is the entrepreneur. Where the entrepreneur is deeply conscious of CSR themes, the certification is more likely to take place.
In its 2016 Impact Report, Nativa highlights its goals for 2017 regarding the B-corp movement in Italy:

- Certification of two iconic Italian companies
- At least 25 more companies joining the movement
- Create contexts where B-corps can share best practices
- Widespread the tool “Measure What Matters” (i.e. BIA) to incentivize companies to measure their impact

In the same report, Nativa also reviews its own goals as B-corp, and the related degree of achievement. In fact, the Impact Report appears to be an important tool because it requires the effort to set CSR goals every two years and monitor the results (every year for Benefit Corporations, which file the report together with the Balance Sheet). For instance, in the 2015 report, Nativa set a list of objectives for 2016, and in the 2016 report detailed the degree of achievement obtained. An extract of that list follows:

<table>
<thead>
<tr>
<th>Objective</th>
<th>%</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Become Benefit Corporation</td>
<td>100%</td>
<td>Achieved in February 2016</td>
</tr>
<tr>
<td>Create a tool to support team growth</td>
<td>80%</td>
<td>Implementation of different workers’ feedback tools</td>
</tr>
<tr>
<td>Adopt the Benefit Corporation model in participated and controlled companies</td>
<td>100%</td>
<td>Croqer and Positive Impact are both Benefit Corporations</td>
</tr>
<tr>
<td>Achieve a BIA score of 120 in the next certification (2017)</td>
<td>112 points</td>
<td>The company improved from 2015, but not enough. Also because the certification criteria are becoming stricter</td>
</tr>
</tbody>
</table>

Figure 6. Review of Nativa 2016 Goals (Nativa, Impact Report 2016)

In 2017 it obtained the following results in its third BIA assessment. The 2013 score of 102 improved both in 2015 (108) and in 2017 (112):
<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>9</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>30</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>25</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>30</td>
<td>32.5</td>
</tr>
<tr>
<td>Governance</td>
<td>18</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>112</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 7. 2017 Nativa B-Impact Report (B Lab, 2017)
The focus of the following analysis is the organizational impact generated by the certification on Italian B-Corps. We have seen how Nativa defines a list of consequences. Our goal was to dig deeper, with structured interviews to seven Benefit Managers of seven corresponding Italian Certified B Corps. The idea of these interviews was to find out common behaviors or differences in the development path of these Italian B-corps before and after the certification, in order to draw conclusions, possibly generalizable to the Italian context.

The analysis focused on certified B-corps, which in some cases are also Benefit Corporations under Italian law, but not necessarily. Here follows the list of interviewed companies (with the full list of interviewed people in Appendix 2):

![List of interviewed companies](image)

The interviews were structured to cover the following three areas:
Specifically, in the first part of the interviews the Company’s organization was briefly assessed, in particular under three perspectives:

- **Structure**: the organizational design, the division of labor, the coordination mechanisms, the distribution of decision rights, the presence of incentives and the degree of formalization;
- **Power**: the role and power of the main stakeholders, the hierarchy and the relationship between Board of Directors and shareholders;
- **Culture**: the main values and habits that people in the organization share.

Adding to that, the CSR approach which preceded the certification was specifically assessed to find out whether the certification brought change in this regard.

Then, the motivations for the certification were asked, in order to better understand the path which led these companies to seek the certification. Contextually, we also asked the related challenges that emerged from the assessment process.
Finally, the eventual change was evaluated, in terms of positive and negative consequences, if that was the case. We will begin with the synthesis of each interview and the conclusions drawn from each case.

**a. Impact Hub Milano**

**i. Company**

Claudia Fasolo, Incubation Programs Manager and B-Impact manager of Impact Hub Milano, was interviewed for this case. Impact Hub Milano (from now on IHM) was opened in 2009 and was the first Italian Impact Hub, a global network of “people, places and programs that inspire, connect and catalyze impact” (Impact Hub Milano, 2017). The different Impact Hubs (more than 80) share three elements:

- A community where people have the intention to bring positive change in a collaborative manner with other peers;
- A context where entrepreneurs participate in events, programs and labs where they can meet other people and innovate;
- A physical space which hosts all these people (Impact Hub Milano, 2017)

Impact Hub in general terms offers services and connections to entrepreneurs who are developing social, environmental and cultural startups. Every hub is given wide autonomy to organize itself according to the local environment. The “Impact Hub Association” just facilitates the management and development of the network as a whole. Impact Hub Milano is particularly good at the incubation of startups with a social goal. In fact, it is a certified incubator under Italian law (DL 18/10/2012 n.179, modified with L. 17/12/2012 n.221) since 2014.

Claudia highlighted that IHM offers support to several startups, in terms of logistics, formation and funding. The company concluded 2015 with about €451K in revenues (AIDA, 2017), with two main revenue drivers:
• **Sponsorship**: coming from different partners such as corporates, municipalities, NGOs and other associations, which provide monetary support and expertise to the incubated startups. These associations provide a budget and a ‘mission’, as startups get selected through calls every 3/6 months in order to complete that mission;

• **Co-working space**: as IHM rents its available physical space not only to selected startups (which do not pay anything, being supported with the sponsors’ money), but also to other companies and professionals (which on the other hand pay IHM a rent fee)

The structure is rather simple, with a CEO plus the different functions which are administration, communication and incubation. The main function is the incubation, as the CEO, a Tech expert, 3 incubation managers and some interns work there. There is also a team of 7 people who manage the physical space. Most decisions are decentralized, with a reduced level of formalization given that the company is small and does not require much bureaucracy. There is no structured incentive plan for workers.

The Board of Directors is made of shareholders and external directors, generally coming from partner institutions. Among the shareholders there is an investment fund, and in total there are 12 shareholders, so ownership is rather concentrated. Based on our understanding, the most important stakeholders (apart from shareholders) are the partner institutions, the workers, the Hubbers (all the people working in the Hub, e.g. start-ups) and the community.

The main stated value is sharing, which in fact is present in most of the daily life of Hubbers and IH workers. For instance:

- There is a free coffee corner where people often interact with each other;
- It is common to have shared lunches;
• There is an open-space environment where anyone can ask anybody else for help;
• Events and courses are offered by some members of the Hub to others

The main idea is that everyone in the Hub should interact with others and create meaningful connections, not only work-related, but also in every aspect of one’s daily life. The environment is very relaxed, informal and colorful.

IHM always had a clear focus on the triple bottom-line, given the specific mission of the company to make a positive impact in the world with the support to social, environmental and cultural startups. In fact, CSR is intrinsically part of all the IH network, more in the business model itself than through specific activities.

   ii. Certification

The decision to get the B-corp certification by IHM was in line with the philosophy of the organization and followed the certification of other IHs (e.g. Amsterdam, Los Angeles). Indeed, when the company found out about the certification of other IHs, they felt it was the ‘natural’ consequence of IH’s approach to business. In fact, the main challenges faced weren’t a matter of content, but more formal, as for each part of the B-impact assessment the company had to prove the statements made with adequate documents. Given the little level of formalization, IHM didn’t use to collect some of these documents, consequently faced some issues proving everything it did, possibly even losing some points.

In October 2016, IHM has obtained the B-corp certification with a score of 80, and the report here follows:
<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>11</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>20</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>15</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>22</td>
<td>32.5</td>
</tr>
<tr>
<td>Governance</td>
<td>13</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>80</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 10. 2016 Impact Hub Milano B-Impact Report (B Lab, 2017)

The strongest areas of the company are *Workers, Community* (even though below the worldwide average), and *Governance*. That’s possibly related to the importance that workers and the community have for the company’s business model. In practice, IHM gained more points in *Community* first of all because its business model directly impacts this category. It also gained points thanks to a considerable presence of women in the management team and the several programs aimed at enhancing the wellbeing of all the people in the Hub. Adding to that, their business model intrinsically has a positive impact on the community, sustaining several projects which improve the conditions of people living in the surrounding areas. The good result in *Governance* is related to the deep integration between CSR and the business model, being also transparent and accountable for the several projects it incubates. However, the fundamental condition in order to be considered a certified B-corp was that the majority of start-ups incubated had a positive impact in their business. B-lab requires this additional condition mandatorily to all incubators.

IHM is not Benefit Corporation yet, even if B Lab currently requires all Certified B-Corps to become also Benefit Corporations within the following certification. Consequently, IHM will have to consider such change of legal form before the end of 2018.
### iii. Change

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>External communication</td>
<td>Effort</td>
</tr>
<tr>
<td>Structuring of CSR activities</td>
<td>-</td>
</tr>
<tr>
<td>Networking with the Italian B-corp community</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 11. Change of Impact Hub Milano

The first positive change highlighted by Claudia Fasolo was the improved external communication because, even if the certification is still little known, it provides an immediate and easy-to-understand indicator of sustainability and goodwill of the whole organization. It consequently gives some extra-points to the organization when proposing business to partners and clearly positions the company as a sustainable one. In fact, also IHM’s partners (i.e. sponsors) have used this certification in their marketing communication.

Secondly, the focus on CSR activities has slightly increased, even if it has always been high because of the company’s mission. Especially in terms of environmental impact anyway, IHM realized it can do more, and when considering new initiatives, the environment is taken more into account. For example, when purchasing materials, sustainable products are preferred if financially viable, and solar panels are being considered for implementation in the next future.

Finally, IHM participates to events organized by Nativa with other B-corps. So far, no contracts or initiatives have been developed thanks to these events, but the company has just entered this network, so it is early to make conclusions on this point. However, the certain consequence has been the development of new contacts, which could evolve in the future into something more, possibly creating room for the adoption of best practices.
The only negative consequence was the effort required to obtain and maintain the certification, because it has required more formalization for a company which is otherwise very little formalized.

The main point that Claudia made was that no new initiative is being developed in order to improve the score, as IHM is mostly operating in the same manner as before the certification. It is in its nature to pursue sustainability.

However, the main initiatives in program, which can improve the score, are:

- Yoga courses for all people in the Hub, provided by other people in the Hub. This should improve wellbeing and create meaningful connections among people;
- Host a 2/3-day event in Autumn on female entrepreneurship;
- Increased use of sustainable materials;
- Solar panels (still being considered in terms of cost-benefit)

**b. Herbatint - Antica Erboristeria S.P.A.**

**i. Company**

Serena Stoppoloni, sales and marketing director of Antica Erboristera, and Settimio Panitti, operations manager and B Impact Manager, were interviewed for this case. Antica Erboristeria S.P.A. (from now on: AE) was founded in the 60s by Michele Albergo, who was an expert in the beneficial properties of plants. In particular, the company started from a hair color gel without ammonia, and now also sells other related products, such as shampoos (Antica Erboristeria, 2017). In 2012 AE was acquired by the French group “La Financière Maconnaise”, and it concluded 2016 with about €8 million in revenues (AIDA, 2017).

AE has always been a classic Italian ‘family’ company of medium dimensions (about 35 workers), with a rather simple business model. AE conducts R&D in order to develop new products, it produces them internally and then ships them to its clients. Even if it is now a subsidiary, it has an important degree
of independence. It is however growing as a more structured company, with figures of middle management, once not present, who are emerging. For instance, at the moment there is the CEO, Benoit Doithier, and two managers, Serena Stoppoloni and Settimio Panitti (who have been interviewed). It is likely that in the next future new middle management figures will appear (e.g. IT, logistics, maintenance). Settimio is also the B-impact manager and along with Serena and Benoit they form the team which focuses on the B-corp certification. Still being quite a traditional company, compensation consists almost exclusively of the salary, even if now restaurant tickets and sanitary insurance are being introduced. Ownership is rather concentrated, with La Financière Maconnaise being the majority shareholder and holding several positions in the Board. Based on our understanding, the most important stakeholders are consumers, workers, the environment and suppliers.

AE has always had a culture which values diversity, as almost 50% of the organization is made of women, and 20% belongs to the so-called ‘underemployed’ categories (e.g. refugees). For all these workers, the contractual conditions are the same as the ones of their peers.

AE has always valued CSR aspects, with important efforts towards sustainability. It chooses suppliers which are eco-friendly, it uses recyclable packaging (e.g. paper coming from certified forests), perfectly sealable plastic products and so on. In fact, it has already obtained the ISO 22716:2007 Cosmetics - Good Manufacturing Practices (GMP) certification and is about to get the ISO 9001:2008 Quality management systems.

**ii. Certification**

AE received the B-corp certification in April 2016 and became Benefit Corporation in May 2017. The company sought the certification and subsequently the change of legal form in order to integrate the sustainability mindset kept so far in the business model of the company,
making it a fundamental objective of the company even in case of change in the management team. That being said, this was the result of the BIA:

<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>19</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>17</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>N/A</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>38</td>
<td>32.5</td>
</tr>
<tr>
<td>Governance</td>
<td>7</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>80</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 12. 2016 Antica Erboristeria B-Impact Report (B Lab, 2017)

For the reasons already stated, it is easy to understand why the company obtained a very good score in Community. It must be noted that supplier relationships are evaluated in Community, so the company’s effort to ensure transparency and full traceability on its supply chain, and the very good management of all suppliers, carefully selected for their CSR policies, reflect in such a high score.

Another strong element is Environment. The main reasons were already presented before, but to highlight the company’s good performance in this area, it is relevant to know that AE moved into a new building in January 2017, even if this wasn’t included inside this assessment (the move was concluded after the 2016 certification, so it will be included in the next certification). This building is about to receive a LEED certification because of its reduced environmental impact (e.g. recyclable furnishings, energy efficiency, LED lighting, etc.). The choice of the position was also especially important from a CSR perspective, as the company decided to stay close to its original building, even if it’s not in a well-served position of Rome, in order to support its employees, who mostly live in the surrounding area and would have otherwise had problems to relocate.
The only challenges faced were related to the process of the certification, which required a considerable effort. Nativa provided support and coaching services in this regard.

**iii. Change**

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>External communication</td>
<td>-</td>
</tr>
<tr>
<td>Networking with the Italian B-corp community</td>
<td>-</td>
</tr>
<tr>
<td>New commercial opportunities</td>
<td>-</td>
</tr>
<tr>
<td>Structuring of CSR activities</td>
<td>-</td>
</tr>
</tbody>
</table>

*Figure 13. Change of Antica Erboristeria*

The first positive change highlighted by Settimio and Serena was the improved external communication, especially important for a company which has no significant budget for extended marketing campaigns. In fact, when approaching present clients and prospects, the certification enabled to expand the interaction beyond the product and the commercial exchange, enabling the company to present its values in a recognizable way.

In fact, another related consequence was the development of new commercial opportunities and the strengthening of existing ones. For instance, in the US, the retailer Whole Foods has strict rules regarding the quality and sustainability of the products it sells, and accepts the B-corp certification as a reliable indicator of such elements. A new commercial opportunity specifically opened in Chile, as AE managed to sell on an online distributor which sells only B-corp products.

Where new commercial opportunities didn’t concretize for the moment, still new contacts have been formed thanks to the certification, as AE has entered a community of enterprises which share similar values.
Finally, an important consequence is the increased structuring of CSR activities, as the company is developing a strategy towards sustainability. In this perspective, the company has set different objectives for the next future, also because the legal form of Benefit Corporation requires that every year it must set specific goals. For instance, AE has decided to:

- Increase transparency, sharing its path towards sustainability with the public, with the related successes and failures;
- Integrate new technologies that ensure higher standards of quality and sustainability;
- Extend collaborations with suppliers beyond the quality of the products received, including the adherence to common values;
- Promote cultural diversity within the company and outside of it, sustaining projects that have a positive impact on the community.

No negative consequence was reported by Settimio and Serena.

c. Perlage Winery

i. Company

Davide Scroccaro, environmental engineer and B-Impact manager of Perlage Winery, was interviewed for this case. Perlage Winery (from now on PW) produces organic wine since 1985 in the Treviso area, and concluded 2016 with about €6 million in revenues (AIDA, 2017). The company has a strong focus on sustainability, given that its mission is to produce an excellent wine in the absolute respect of nature and the well-being of the community (Perlage Winery, 2017). PW purchases organic grapes from local farmers who have to pass strict quality controls. The company details a series of responsibilities in its mission:

1. Responsibility towards clients: all products should have a certified level of quality;
2. Responsibility towards the environment: organic vineyards guarantee greater environmental sustainability than traditional methods;
3. Responsibility towards human relationships;
4. Responsibilities towards the community: supporting local suppliers and other associations (e.g. schools);
5. Responsibility towards society: sharing PW’s values;
6. Responsibility towards future: growing the company in order to hire young people;
7. Responsibility towards the company: reinvesting at least 60% of total profits, with limited requirement of loans from banks (Perlage Winery, 2017)

As regards the structure, at the top there is the Board of Directors and two teams dedicated respectively to quality and HACCP (Hazard-Analysis and Control of Critical Points). Right under the top there are:
   • the head of administration;
   • the commercial director;
   • the head of production and packaging;
   • the head of HR;
   • the head of maintenance

It is therefore a medium-sized company with a functional structure. Given its business model highly focused on quality, it doesn’t surprise that the two teams below the BoD are represented by quality control ones. Adding to that, PW implements several processes to ensure high standards:
   • system of quality control ISO 9001-2008;
   • BRC and IFS certifications to guarantee hygienic standards and export to Germany and the UK;
   • HACCP to assess and control risks and prevent damages to the production

It has no reward scheme for the employees, but offers a series of benefits such as sanitary insurance and a fund to cover health expenses.
Ownership is concentrated, as the members of the Nardi family are the main shareholders. In total there are 7 shareholders, but the BoD is composed by Ivo and Claudio Nardi only. Based on our understanding, the most important stakeholders are the environment, consumers, workers, suppliers and the community.

Regarding culture, sharing is the main value. The most important decisions are discussed with all workers, who also receive frequent communications regarding many other decisions. Adding to that, formation is crucial, as workers acquire a set of skills applicable inside and outside of the company. That being said, PW has always focused on CSR and, before the certification, had participated in a CSR program organized by the Italian Chamber of Commerce in 2010. PW was consequently inserted in a list of sustainable companies. There was also a CSR manager, who focused on ethics and safety on the workplace. This figure developed into the B-corp certification.

ii. Certification

The company thought that becoming a B-corp was the natural step in its growth path. The certification also allowed to:

- gain an international recognition for the efforts undertaken;
- provide objectivity to the real effectiveness of the company’s CSR activities;
- obtain a tool that enables to formalize a commitment and push management to keep improving the company

The main difficulty was to collect the evidences of some activities declared in the assessment. Even if PW has strict controls regarding quality, it has a low level of formalization, making it difficult to prove everything. In fact, it was harder than expected to obtain the necessary 80 points because some activities weren’t performed in a sufficient way according to B-lab. At the end, the company certified in 2016 with a score of 81, detailed below:
<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment</strong></td>
<td>36</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Workers</strong></td>
<td>17</td>
<td>24.5</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>N/A</td>
<td>23.1</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td>20</td>
<td>32.5</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>8</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>81</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 14. 2016 Perlage Winery B-Impact Report (B Lab, 2017)

The strongest area is *Environment*, which is preserved and respected thanks to organic farming techniques. It is interesting to note that the business model again plays a crucial role in determining the CSR areas where B-corps perform better.

PW is not a Benefit Corporation yet, but is taking the necessary steps to become one, probably by the end of 2017.

### iii. Change

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of best practices</td>
<td>-</td>
</tr>
<tr>
<td>Networking with the Italian B-corp community</td>
<td>-</td>
</tr>
<tr>
<td>New commercial opportunities</td>
<td>-</td>
</tr>
<tr>
<td>Structuring of CSR activities</td>
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</tr>
</tbody>
</table>

Figure 15. Change of Perlage Winery

The first change highlighted by Davide was the adoption of best practices and the adherence to initiatives organized by the B-corp community. For instance, PW adhered to the “Green Week”, an initiative for which the company hosted more than 70 people (mainly students) and lectured them on the sustainability practices adopted by PW. The company also participated in the “B-corp inclusion challenge”, an initiative for which
companies need to set goals and improve on 3 or more social inclusion metrics by September 2017. B-lab provides support to these companies with best practice guides and “Ask an Expert” calls, facilitating peer exchanges and assisting companies with several materials and metrics while they prepare their improvement plan. For instance, PW has already introduced some gasoline coupons to allow workers to save money while they go to work. The other ideas, still being considered, are:

- Integrate every year a disabled worker in the wine cellar with an internship;
- Promote “Social Street” initiatives that favor the sense of community among people by creating opportunities for people in the same neighborhood to meet and help one another, usually starting from a Social Media page.

Davide also highlighted that by participating in monthly meetings organized by Nativa with other B-corps, PW establishes new contacts and finds out about other contexts and activities. Adding to that, a commercial relationship has already been created as the company now relies on a B-corp importer to operate in the USA.

Finally, PW recognizes that starting from the certification there is a more structured approach to CSR themes, which was once more random and based on feasible initiatives as they became available according to the circumstances, without a clear strategy. Thanks to the certification, which provides also a benchmark, PW realized where it was stronger and where instead it was weaker. For instance, two activities have been planned as a consequence:

- Adopt technologies and improve processes to save water in the wine cellar;
- Writing an Employee Handbook to effectively communicate values to workers and incentivize them to share them and replicate activities in
accordance with those values. This idea was perceived as a direct consequence of the certification process, as answering “no” to the question “Do you have an employee handbook?”, made the company realize this gap.

Also PW couldn’t find any negative consequence at the moment.

d. Zordan

i. Company

Maurizio Zordan, CEO of Zordan, and Marta Zordan, head of administration and B Impact Manager, were interviewed for this case. Zordan was founded in 1965 as a carpentry by Attilio Zordan, and later evolved to become a luxury shop-fitter and an interior design company. Since 2008, when the company passed to Attilio’s sons, it consistently grew at a rate of about 20% every year, especially thanks to the expansion abroad (+235% since 2008). In 2014, it concluded with about €16 million in revenues (AIDA, 2017). Zordan is supplier to luxury players such as Ferragamo, Bulgari, Tumi, Van Cleef & Arpels. The company’s mission is to spread beauty in the world with excellent interiors (Zordan, 2017). The company value chain is the following:

Quotations  Engineering  Production  Packaging and Shipping  Installation  After-Sale

Figure 16. Zordan Value Chain (Zordan, 2017)

Production is both internal, to guarantee an advanced skillset, and external, to guarantee the flexibility necessary in a production on order. The company has a functional structure with technical and commercial staff. In fact, there are three directors, 27 office workers and 25 factory workers, plus 80 external colleagues (Zordan, 2017).
The three directors are also the three shareholders and members of the Zordan family, so ownership is definitely concentrated. They are:

- Maurizio Zordan: CEO and President;
- Marta Zordan: head of administration, finance and B-impact manager;
- Alfredo Zordan: commercial director

Based on our understanding, the most important stakeholders are customers, workers, the community and the environment. However, the organization is relatively flat and not hierarchical. It is symptomatic that workers are called ‘people’ and never ‘workers’, because human dignity is considered a fundamental value. According to Maurizio and Marta Zordan, organizations in the new century should be flexible and transcend the classical hierarchies, establishing leadership according to the context and the expertise necessary to complete a project. Zordan also privileges the long-term perspective to the short-term one, investing consistently in formation and other workforce benefits.

Finally, regarding CSR, Zordan has always invested in formation on the work and off the work, with yearly events that preach work-life balance. The company also makes donations to local associations, and attempts to be as sustainable as possible, by printing only the necessary, using renewable energy with solar panels and recycling 74% of its waste.

**ii. Certification**

The decision process to get the B-corp certification began at the event for the 50 years of life of the company, as Zordan posed itself the question regarding which values to bring forward in the future and which distinctive features to communicate to the market. At the event, Nativa (which was already a partner) introduced the theme of B-Corps.

In fact, Zordan realized that most other competitors privilege a ‘transactional’ type of relationship with their suppliers (i.e. trading as long
as it is convenient) and Asian ones focus on cost leadership even to the expenses of their workers. So Zordan wanted to highlight its sustainability approach as a differentiating element, and the B-corp certification was an easy-to-understand and synthetic measure which encompassed the whole company’s practices. Zordan sees sustainability as a driver of value. Adding to that, differently from other certifications (e.g. ISO), being a B-corp gives access to a vibrant community of enterprises which share similar values. The company was also inspired by some of its customers, which have robust CSR activities. For instance, Bulgari values sustainability a lot and recognized Zordan in 2014 with the Green Design Award. Zordan firstly became a Benefit Corporation, in order to make sure that sustainability would be always a key part of the business. Then it decided to certificate also, in order to communicate better to the market its philosophy.

The main challenges regarded the effort required to collect all necessary documents, which demanded the interaction with several stakeholders of the company. Eventually the company obtained the certification in October 2016 with the score of 81:

<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>22</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>23</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>N/A</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>19</td>
<td>32.1</td>
</tr>
<tr>
<td>Governance</td>
<td>16</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>81</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 17. 2016 Zordan B-Impact Report (B Lab, 2017)

Zordan is particularly effective in the areas of *Environment, Workers, and Governance* as it can be easily understood from what has been stated before
on the efforts of the company to provide formation to its people, use clean energy and be transparent towards workers and the public.

**iii. Change**

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>External communication</td>
<td>-</td>
</tr>
<tr>
<td>Networking with the Italian B-corp community</td>
<td>-</td>
</tr>
<tr>
<td>Workforce motivation</td>
<td>-</td>
</tr>
<tr>
<td>Structuring of CSR activities</td>
<td>-</td>
</tr>
<tr>
<td>Adoption of best practices</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 18. Change of Zordan

Maurizio Zordan stresses a point: reputation and trust are crucial for most companies. In this perspective, the B-corp certification reduces reputational risks and is a strong signal of trustworthiness to all stakeholders. In this perspective, Maurizio even wrote a book, “La Giusta Dimensione”, on Zordan’s history of sustainability and commitment to the human resources. The certification by the way generated interest also among customers, possibly strengthening current relationships, even if new commercial opportunities haven’t been developed yet. An additional strength of the certification is that it is international, so it can be used worldwide. Adding to that, the certification has been useful to join a movement and establish contacts with other Italian B-corps, feeling part of a community of companies with similar beliefs. Another important consequence was the improved workforce motivation, as the certification allows to communicate effectively the company’s vision to workers, who feel proud to be part of an ‘ethical’ company. This is especially true among younger people. However, Marta Zordan signaled that bringing
people on board and make this certification have a concrete impact on the daily work is tough and requires a considerable effort from management. Zordan also developed a more structured approach to sustainability, thanks to both the certification and the legal form of Benefit Corporation. That’s because the certification provides the benchmark to which the company can compare its practices, while the status of Benefit Corporation obliges the company to file a report every year, which requires setting precise goals. In its 2016 B-Impact report, Zordan identified 5 areas in which the company decided to measure its CSR efforts:

- Support to the community
- Reduction of the environmental impact
- Workforce formation
- Promotion of cultural initiatives
- Promotion of work-life balance

What is notable by Zordan is that for each of these 5 areas the company has identified a series of KPIs which allow to monitor the effectiveness of the activities undertaken year after year. For instance, as regards donations, a % of the total revenues has been fixed as a goal for the donations in 2017.

Finally, an important consequence has been the adoption of certain best practices, which directly derive from the assessment process (questions of the BIA), as the company realized that in some areas it wasn’t doing enough to create an impact. There are several examples of such practices:

- Code of Ethics, reputed useful to avoid bad behaviors and manage a growing number of people;
- Better structuring of the Welcome phase, in order to make new workers feel immediately part of a ‘family’;
- Survey on the workforce satisfaction;
• Increased structuring of the recycling phase, by interacting with the workforce and understanding in a cooperative manner how to be more efficient;
• Reduced packaging in order to produce less waste;
• Increased transparency, communicating the main decisions and results both inside and outside of the organization

Regarding this last point, Zordan recently decided to abandon a client that obliged the company to low margins. This well-motivated decision in a long-term perspective, as the company wants to position itself as a high-quality one and cannot get into price wars with competitors, caused tensions in the short-term, reducing volumes by a considerable amount. This could have resulted in the use of temporary lay-off schemes, even if luckily this was not the case. However, the decision, with the reasons behind it, was transparently communicated to all workers, and it was widely understood and supported by the workers themselves, who realized that a price war would have been worse for them in the long-term. Adding to that, the financial position of the company remained solid thanks to this decision. Finally, if Zordan will obtain a EBITDA of 14% in 2017, all workers will get a bonus ranging between €800 and €1,200.

e. Fratelli Carli

i. Company

Claudia Carli, Brand Marketing manager and B Impact Manager of F.Ili Carli, and Damiana De Cantellis, commercial director, were interviewed for this case. Fratelli Carli was founded in Imperia in 1911 when Giovanni Carli had the idea to sell olive oil directly to consumers rather than through distributors. This business model was maintained until now, as a modern data processing center collects all orders (by mail, email, phone and through the ecommerce portal active since 1996) and organizes home deliveries. Along with small trucks that deliver olive oil to customers mainly
in Italy, the company sells also in other 5 countries (France, Germany, Austria, Switzerland and USA), and has opened 9 retail points called “Empori” in Northern Italy.

The company’s mission is to be a reference point for the diffusion of the Mediterranean gastronomic tradition, without compromising quality, ethics and respect for the environment (F.lli Carli, 2017). In fact, the company mainly produces and sells olive oil, but it also sells tuna, wines, sauces, sweets and cosmetic products. It concluded 2015 with about €151 million in revenues (AIDA, 2017) and is one of the biggest B-Corps in Italy.

F.lli Carli has long-lasting relationships with suppliers spread all over the Mediterranean Sea. This allows the company to have a stable supply of high-quality olives, which are processed in the Imperia factory.

The company has about 330 workers and a functional structure with the Board of Directors plus different functions: production, shipping, order processing (including a call center), printing (all packaging and F.lli Carli’s materials are designed and printed out by a dedicated team), IT and sales. Given the considerable size, a certain degree of formalization has become necessary to manage the organization.

F.lli Carli has still the structure of a family-company, where ownership is concentrated and there are no independent directors. The Board of Directors is made by members of the the Carli family, who are also the shareholders. This is the composition:

- Gian Franco Carli: President and CEO;
- Claudia Carli: Brand Marketing Manager;
- Carlo Carli: General Director and Head of the food division;
- Lucio Carli: Head of the cosmetic division

The most important stakeholders are customers, the environment, the community, suppliers and workers. Hierarchy is pretty strong and roles are well-defined. However, culturally workers feel the company as “their own”,

and they feel like a big family. Often initiatives start from the bottom, like a theatre play that involved about 150 employees two years ago. However, the strategy emerges from the top management, so we could argue that the company is ‘top-down’.

F.lli Carli has always paid attention to CSR, especially environmental sustainability. For instance, over time the company got to have 100% of its electric energy consumption coming from renewable sources, 66% of LED lighting, efficient packaging that reduces waste to the minimum and many other achievements. This attention was also expanded to suppliers, who have always been carefully assessed under the sustainability perspective. There is also an important welfare system, as for instance F.lli Carli allows its workers to transform the yearly bonus in a welfare credit which is not taxed and can be spent in medical expenses, education and other.

ii. Certification

F.lli Carli didn’t actively seek the certification out. It was proposed to them by Nativa around 2012 as, according to Nativa, F.lli Carli was already a B-corp in practice. In fact, in the first certification of July 2014 F.lli Carli obtained a score a 90, recently increased to 97 in 2016. The full 2016 score follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>42</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>23</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>N/A</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>25</td>
<td>32.5</td>
</tr>
<tr>
<td>Governance</td>
<td>7</td>
<td>12.3</td>
</tr>
<tr>
<td>Overall Score</td>
<td>97</td>
<td>97.3</td>
</tr>
</tbody>
</table>

Figure 19. 2016 F.lli Carli B-Impact Report (B Lab, 2017)

The company is very strong environmentally and was even elected by B-lab as “Best for the World” in the category Environment. This recognition is
given every year to companies that performed considerably above the B-corp community average in one of the BIA areas. On the other hand, the low score in Governance reflects the concentrated ownership of the company, which is normal though in a ‘family’ company.

The main motivations which led F.Ili Carli to obtain the certification were the improvement in the brand reputation and the possibility to include a series of different practices, such as the environmental sustainability and the care towards customers and suppliers, under one synthetic ‘umbrella’ name.

The challenges regarded the assessment process, which required time and effort by multiple stakeholders. For a company with 300+ people, it was necessary to involve around 8 people from all company’s functions (HR, Operations, IT, Marketing, Purchasing, Warehouse, Packaging, Quality), plus Claudia Carli as B-Impact Manager and other 2 people. That’s because questions are very specific, and in a structured company it is impossible to involve few people in the process.

The company, even if it is Certified, has not changed its legal status into Benefit Corporation yet, as it is still considering the pros and cons of such decision.

### iii. Change

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>External communication</td>
<td>-</td>
</tr>
<tr>
<td>Adoption of best practices</td>
<td>-</td>
</tr>
<tr>
<td>Structuring of CSR activities</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 20. Change of F.Ili Carli

The first positive change highlighted by Claudia and Damiana was the improvement in the external communication, as the company could more easily promote its values and let the public know of its CSR efforts. In fact,
the interest for the company shown by master students and universities bears witness to that. No concrete commercial opportunity has been developed though, at least not knowingly. That’s because it is difficult to assess whether the certification has brought new clients, given that F.Ili Carli is a B2C with direct distribution.

The company has adopted certain best practices, not really from other Italian B-corps, since F.Ili Carli was the first of its kind, but through Nativa’s suggestions or through the BIA, because by answering to the questions some ideas emerged. For instance, F.Ili Carli became more transparent since becoming a B-corp, in order to compensate for the low score obtainable in Governance (the company is and will stay a ‘family’ company in the foreseeable future).

Finally, probably the most relevant change is the increased structuring of CSR activities. From random initiatives that derived from the company’s general philosophy of sustainability, F.Ili Carli has taken concrete actions to improve on specific areas. Some of these actions are inspired by the BIA, which gives suggestions on how to improve in each question. The company has set specific goals in 5 different areas:

![Figure 21. F.Ili Carli areas of sustainable progress (F.Ili Carli B Impact Report, 2017)](image)

For each area, F.Ili Carli sets goals and monitors results. For instance:

- People
The company in 2014 had 40% of women within the workforce and wanted to improve it by 2016. Now it has 42% of women. A goal for 2018 is to implement an *ad hoc* welfare system for all workers. Setting goals does not prevent new initiatives to emerge, as workers in 2015 organized an unplanned theatre play with the company support and devolved all earnings to charities.

**• Materials & Products**

In 2014 F.Ili Carli wanted to improve packaging and reduce waste. By 2016 it managed to have 100% packaging made of FSC paper and -29% of weight, resulting in 86 tons of CO2 saved. The goal for 2018 is to adopt organic materials and use letters which can be 100% recyclable as paper. Extremely interesting is the use of the SLCA analysis (Sustainable Life-Cycle Assessment) which assesses all products under the sustainability principles identified by The Natural Step:

In a sustainable society, nature is not subject to systematically increasing...

![Sustainability Principles (The Natural Step, 2017)](image)

F.Ili Carli assesses each phase of a product life-cycle and gives a rating (according to The Natural Step guidelines). For example, this was the 2016 result for Tuna:
Figure 23. SLCA analysis on Tuna (F.lli Carli B Impact Report, 2017)

This is an advanced tool that allows to continuously improve the sustainability of all products by measuring with precision all the different phases in a product life-cycle.

• Supply Chain

All suppliers adhere to the so-called “Codici”, a set of guidelines and rules to ensure that all products that F.lli Carli acquires are sustainable. A direct consequence of the B-corp certification on this area is the use of the ‘Quick BIA’ to assess summarily the sustainability of suppliers. In 2015 the average score is 1.16, which means most suppliers are already potential B-corps. The target for 2018 is to get to 1.50. This means the company might need to provide support to suppliers to help them improve, or it has to seek more sustainable ones, putting pressure on current ones.

• Energy & Resources

Here the company has only partially got to the results desired, as one of the goal set for 2016 was to install 100% of LED lighting, while actually only 66% was installed. The goal was postponed to 2018. This makes clear an important point: not all goals are necessarily reached, but the fact that they are systematically set at least every two years, allows the company to constantly move forward.

• Culture & Tradition
The main objectives here were to improve transparency and share the company’s values. In order to do that, sustainability themes are constantly discussed with many stakeholders (employees, customers, public, etc.) and a course of olive oil tasting is offered to local schools.

f. **D-Orbit**

i. **Company**

Matteo Trotti, Quality manager and B Impact Manager of D-Orbit, was interviewed for this case. D-Orbit was founded in Milan in 2011, but has recently moved in 2016 to Fino Mornasco (Como) where it has the HQ and the production site, while it keeps in Florence an administrative and procurement office.

D-Orbit has invented a device which allows to change satellites’ orbits. This is especially useful when a satellite has finished its life-cycle, as the device can bring back the satellite into the atmosphere in a controlled manner or move it into a ‘cemetery’ orbit. This idea prevents the impending problem of space waste, which is becoming a serious issue. Companies and space agencies are in fact interested in purchasing this product because legislation is becoming stricter and because they prefer to outsource the ‘decommissioning’ phase (the final phase in a satellite life).

D-Orbit has 30 people in Italy, 4 in Portugal where there is a unit that develops a mission-critical software, and 1 in the USA where there is a commercial office.

The company is in the transition phase from start-up to growing company, as it is still rather small and not much structured, even if the growth is posing some challenges that require an increased formalization. D-Orbit concluded 2016 with about €73K revenues (AIDA, 2017).

At the moment there is the CEO plus 4 functions:

- Marketing & Sales;
- Engineering & Manufacturing;
• Operations;
• Finance

Ownership is concentrated as the CEO and the commercial director are co-founders and shareholders, along with a pool of Venture Capital firms that over time have invested in shares of the company. Each of these VCs (6 in total) has a representative in the Board of Directors. There are also some advisors (e.g. retired managers of space companies) that provide guidance. These advisors had a relevant role especially during the first years. Based on our understanding, the most important stakeholders are workers, the environment, customers and the legislator.

The company is bottom-up, as management only gives a general direction, but there is a lot of room for initiatives and ideas coming from the bottom. D-orbit has an informal environment and extreme flexibility in terms of office hours: there is no entrance or exit time, so people stay in office as long as it is required by their work. This means of course that sometimes workers pass evenings in the office, but they are absolutely free the next morning to stay home and rest a bit (if the workload allows that). The same is true for holidays, as long as one coordinates with other workers, he or she is free to go on holiday at any time.

There are currently no stated values, but sustainability is deeply integrated in the business model as the product itself was created to have a positive impact in the space environment.

ii. Certification

The idea of the certification came to D-orbit thanks to Luca Rossettini, CEO of D-Orbit and co-founder of The Natural Step Italy, and Eric Ezechieli, co-founder of Nativa and advisor of D-Orbit. The company immediately realized that it was already a B-corp in practice and decided to seek the certification mainly because it wanted to obtain an easy-to-understand tool to
communicate the company’s values to the public, in the meantime having a serious benchmark for the company’s performance.

The main challenges faced regarded the fact that the certification was completely new and related to the American context, therefore having questions sometimes not applicable to the Italian one. For instance, in the BIA points are given if the company has a certain % of foreigners, but in the context of an Italian SME, that % is probably not really indicative of effective CSR policies.

D-Orbit obtained a score of 84 in the BIA of 2014, and improved it to 96 in 2016. The details follow:

<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>42</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>25</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>N/A</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>15</td>
<td>32.5</td>
</tr>
<tr>
<td>Governance</td>
<td>15</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>96</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 24. 2016 D-Orbit B-Impact Report (B Lab, 2017)

Given the company’s business model, which has itself a strong positive impact on space waste, it is easy to understand why the Environment area is particularly strong. In fact, D-Orbit also obtained the “Best for the World” award in Environment. We have also seen why Workers is the second strongest area, as for example flexible working hours are the norm. Compared to the worldwide average, D-Orbit has performed well also in Governance, thanks to the good degree of internal transparency.

D-Orbit has also become Benefit Corporation in 2016, in order to make sustainability an ever-lasting commitment of the company.
Matteo Trotti doesn’t highlight any negative consequence, but only positive ones. The first one is the improvement in the external communication, which was also the motivation to seek the certification. It was obtained because the certification made it easier for the company to communicate its values and CSR efforts.

Given that D-Orbit is the only B-corp in the space industry, no new commercial opportunity has concretized, but networking was definitely present as every month D-Orbit participates to a call with all other Italian B-corps. During this call, B-corps share their experience and their best practices. So far, no best practice has been adopted by D-Orbit from these calls, but it is a possibility in the future. In fact, D-orbit has shared one of its best practices: the REACH regulation, which has the goal to limit all chemical substances which could cause harm to men or the environment.

Another positive consequence is the improvement in workforce motivation and engagement, as Matteo noted when he had to work on the certification with other colleagues. The workers who got involved seemed to understand more the company’s sustainability vision, feeling more engaged. What before could have seemed an activity like many others that many companies undertake (e.g. flexible hours), now is put into a context.

Finally, the most evident consequence was the increased structuring and focus on CSR activities. A clear example of that comes from the company

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>External communication</td>
<td>-</td>
</tr>
<tr>
<td>Networking with the Italian B-corp community</td>
<td>-</td>
</tr>
<tr>
<td>Workforce motivation</td>
<td>-</td>
</tr>
<tr>
<td>Structuring of CSR activities</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 25. Change of D-Orbit (B Lab, 2017)
relocation in the new building in Fino Mornasco. In that occasion, Matteo managed to have certain expedients inserted in the building. For instance, LED lighting, automatic sinks and FSC paper, improving the building’s sustainability and B-Impact Score. Adding to that, Matteo highlights that the BIA is a useful tool in this regard because it gives suggestions on how to increase the score in each question that has potential for improvement. He decided to obtain ‘quick wins’ by implementing activities suggested by the BIA that would come at a reasonable cost for D-Orbit. Examples are:

- A system to update passwords regularly;
- A system to monitor utilities consumption, that will be eventually used to find ways to reduce consumption;
- A yearly meeting to update employees on the company’s results

**g. Mondora**

**i. Company**

Kirsten Ruffoni, Strategy specialist and B Impact Manager of Mondora, was interviewed for this case. Mondora was founded in 2002 as a software and advisory company. Basically the company assists its clients with the design, development or implementation of different technology services, from Cloud Computing to Agile Methodologies (Mondora, 2017). The company has about 45 employees and in 2016 has been acquired by Team System. It concluded 2016 with almost €3 million in revenues (AIDA, 2017). The peculiarity of Mondora is that it has a completely flat organization, with no managers. Projects are assigned to teams, which are constantly changing to allow people to see different projects and grow. Decisions are taken collectively either in team meetings or through technology tools, as many choose to work from home. In order to take quick decisions, Slack is used, while to take more complex ones, Loomio is used. For decisions on Loomio there is a time limit to vote and everyone has the possibility to put a kind of ‘veto’ that obliges team members to discuss again the decision. Another
peculiarity is the ‘interdependence clause’, through which clients are given a discount if they accept to guarantee certain conditions to Mondora’s workers in terms of work-life balance.

However, formally the company has concentrated ownership, with Team System holding 51% of the company’s shares and the remaining being held by the founders. So from the outside, the company has a traditional composition with the CEO, the Board of Directors and the workers below. But inside there is a kind of democracy in basically all decisions. Based on our understanding, the most important stakeholders are workers, customers and the community.

Culturally, we have seen already that the company preaches democracy and almost no hierarchy. It also gives flexible working hours, the possibility to work from home, coupons for organic grocery, work from ‘unusual’ locations (e.g. in Winter on Thursdays, people work from a mountain hut and alternate skiing with work). In fact, the company’s mission is to promote people over technology.

**ii. Certification**

Also in Mondora’s case, Nativa played a key role in the certification, as Eric Ezechieli proposed it to them. Mondora felt in line with the movement and wanted an official recognition for what it was doing. The goal wasn’t really to improve external communication, but to improve workers’ motivation, showing to them that the company’s practices are not so unusual, but they actually get recognized as best practices.

The only challenge highlighted by Kirsten Ruffoni was the fact that the BIA wasn’t perfectly tailored to their case, given that for instance the absence of job promotions is considered a minus (and rightfully so), but in Mondora’s case there are no promotions at all because all workers are equal.

Mondora certified for the first time in March 2015 with a score of 94, which improved to 105 in 2016. The company had to certify just one year after
the first certification because, in the meantime, it had been sold to Team System. The considerable increase in score was partially due to the collection of evidences and documents that had not been presented in 2015, and partially to a series of activities that have been introduced, such as:

- Implementation of an ‘Employee Handbook’ to teach workers how to be sustainable;
- Increased monitoring of utilities and change of the energy contract to use more renewables;
- The bank was changed, choosing a “Banca Etica” (i.e. bank with high standards of sustainability)

Here follows the 2016 B Impact Report:

<table>
<thead>
<tr>
<th>Area</th>
<th>Company Score</th>
<th>Average Score WW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>13</td>
<td>18.0</td>
</tr>
<tr>
<td>Workers</td>
<td>27</td>
<td>24.5</td>
</tr>
<tr>
<td>Customers</td>
<td>9</td>
<td>23.1</td>
</tr>
<tr>
<td>Community</td>
<td>37</td>
<td>32.5</td>
</tr>
<tr>
<td>Governance</td>
<td>19</td>
<td>12.3</td>
</tr>
<tr>
<td><strong>Overall Score</strong></td>
<td><strong>105</strong></td>
<td><strong>97.3</strong></td>
</tr>
</tbody>
</table>

Figure 26. 2016 Mondora B-Impact Report (B Lab, 2017)

Mondora is particularly strong in *Workers* for all the welfare initiatives mentioned above, and it is also strong in *Community* because it undertakes several initiatives to benefit local SMEs. For instance, for each new worker, Mondora purchases a wheel of cheese from a local producer. After 3 years of aging, the wheel is sold and the earnings are invested in the same project or in other ones that support local communities.

Mondora is also a Benefit Corporation, since it was considered a ‘natural’ step to be fully part of the movement.
iii. Change

<table>
<thead>
<tr>
<th>Positive Consequences</th>
<th>Negative Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>External communication</td>
<td>-</td>
</tr>
<tr>
<td>Networking with the Italian B-corp community</td>
<td>-</td>
</tr>
<tr>
<td>New commercial opportunities</td>
<td>-</td>
</tr>
<tr>
<td>Workforce motivation</td>
<td>-</td>
</tr>
<tr>
<td>Attraction of talents</td>
<td>-</td>
</tr>
<tr>
<td>Adoption of best practices</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 27. Change of Mondora

An unexpected positive consequence was the better external communication with clients, as many became more open to discuss ‘interdependence clauses’, considering them from a different perspective when inserted in the B-corp context. Before, some of them might have seen these clauses as something confusing, while now they tend to put them in the perspective of a company that has the wellbeing of its workers at heart. Another consequence was the birth of contacts with other B-corps, which in some cases also resulted in collaborations and thus commercial opportunities.

Workforce motivation, the main goal of the certification for Mondora, was successfully achieved, as workers feel like they are part of something bigger than just a place where to get a salary. Also new talents have been attracted, as one person, after receiving a ‘No’ during Mondora’s assessment, insisted to get hired because he wanted to work in a B-corp. Eventually, the company decided to give him an opportunity because of his motivation, so he was hired and he is currently performing well.

The company wants to continue on its current path, so it didn’t develop a more structured approach to sustainability. However, the certification was
a useful way to get in contact with best practices and adopt them. The ‘Employee Handbook’ mentioned above is an example, along with an initiative to incentivize employees to come at work with the bicycle rather than the car.

No negative consequence was highlighted by Kirsten.
5. Generalizations and conclusions on the analysis

From the eight cases presented above, we see that there are certain things in common and certain that are different. A first interesting theme is the set of motivations that led these companies to seek the certification.

a. Motivations

Below there is the comparison between the motivations highlighted by B-lab and other authors for the global context and the motivations that actually were present for these seven companies.

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Presence</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner with Peers</td>
<td>Yes</td>
<td>Zordan</td>
</tr>
<tr>
<td>Benchmark CSR Performance</td>
<td>Yes</td>
<td>D-Orbit, Perlage Winery</td>
</tr>
<tr>
<td>Save money and access services thanks to</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>the network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protect Mission</td>
<td>Yes</td>
<td>Perlage Winery, Antica Erboristeria,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impact Hub Milano*</td>
</tr>
<tr>
<td>Differentiate from pretenders</td>
<td>Yes</td>
<td>D-Orbit*, F.Ili Carli*</td>
</tr>
<tr>
<td>Attract investors</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Generate press</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Attract and engage talent</td>
<td>Yes</td>
<td>Mondora</td>
</tr>
<tr>
<td>Participate in ad campaign</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>SMEs differentiating from big corporations</td>
<td>Yes</td>
<td>Perlage Winery*, Zordan*</td>
</tr>
<tr>
<td>Oppose the mindset of ‘greed’</td>
<td>Yes</td>
<td>Zordan*</td>
</tr>
</tbody>
</table>

*Cases highlighted with the ** didn’t have exactly that motivation, but they had a very similar one.

Figure 28. Global motivations in the Italian context

What can be deducted from these seven cases is that the main motivation for Italian companies seeking the certification is to improve external
communication, using an easy-to-understand, synthetic measure that encompasses all company’s practice. This gives official recognition to the CSR efforts of the company, both outside of it, towards customers and other external stakeholder, and inside of it, towards employees. Adding to that, a recurring motivation is to protect the mission and make sustainability a key part of the business.

Regarding the other motivations, given the reduced size of the overall movement in Italy and the relatively little awareness of the public, it is unlikely that other B-Corps joined the movement to generate press or participate in ad campaign. Regarding the so-called impact investing, it is much less developed than in the USA (Tiresia, 2016) and none of the interviewed companies signaled interest from investors thanks to the B-corp certification.

Finally, from the collected information, it seems unlikely that some companies adhered to the movement purposefully to access services through the network, as none of the interviewed companies mentioned this advantage coming from the certification, possibly for lack of awareness.

b. Organizational Impacts – Theory vs Reality

We have seen in Chapter 2 how Nativa identified a series of organizational impacts that could emerge from the certification or the change of legal status. In the table below, such impacts are compared with what has appeared from the cases:
Almost all of the consequences highlighted by Nativa did actually emerge from the analyzed cases. The only one which didn’t show up was the attraction of capitals, probably for the reasons already stated regarding the limited size of impact investing in Italy.

Two additional consequences showed up: networking and commercial opportunities. In fact, 6 out of 7 cases highlighted the fact that new contacts have been formed thanks to the Italian B-corp community, and 3 companies

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**Figure 29. Consequences that emerged from the cases**
actually formed new commercial relationships, both inside and outside of the Italian community.

In Chapter 1 we have also seen how André R. identified a series of challenges and potential organizational impacts. They are summarized here, with the comparison to what appears from the cases:

- **Weight of CSR commitment vs technical ability in hiring and promotion**: we have seen in Mondora’s case how a worker was actually hired for his dedication and strong motivation to join a B-Corp even if he didn’t successfully pass a test. So, as André states, B-Corps could weigh more CSR commitment than technical ability in their hiring decisions;

- **Workforce motivation/dissatisfaction**: in all seven cases B-Corps either improved their score or certified only once, and generally workforce motivation has been observed to increase. It remains open the question on whether workers feel more dissatisfaction when their company doesn’t fulfill its social mission;

- **The Benefit Officer role**: in some cases, this role was covered by a person in the Board, in others it was not. We could generally conclude that when the Benefit Officer is in the Board, he or she will be able to influence company’s decisions more but will also have less time to focus on the theme. Instead, if the Benefit Officer is not in the Board, decisions might be less pervasive at the company level, but the person will have more time and focus, thus will probably be more receptive towards best practices of other organizations, effectively suggesting them to the Board. For all Benefit Officers anyway, company’s main objectives come before CSR, which has a fundamental supporting role but is not the absolute priority;

- **Organizational design should favor participative decision-making and bureaucratic controls**: on this point we have contrasting evidences,
as some companies have centralized decision-making while others have decentralized it. Bureaucratic controls, even if especially useful to provide evidences in the BIA, are not so common too;

- *Balance between meritocracy, fairness and transparency in pay*: this balance changes from company to company, but no particular difficulty was highlighted by the seven B-Corps, which mainly offer ‘traditional’ pay systems based on salary plus some benefits;
- *Strong organizational culture*: we can conclude this is generally true, as in many cases Benefit Officers highlighted how the employees feel the company as ‘their own’ and appreciated the organization’s CSR results

### c. Stakeholder Management

No company highlighted any increased complexity in Board decisions. From the literature review instead, this was a theme that constantly emerged, related to the increased fiduciary duties of directors to consider all stakeholders in their decisions. None of the interviewed B-Corps pointed out any major change in the usual decision-making process, nonetheless if we restrict this to Benefit Corporations only (which have legal requirements). This is probably due to the different economic systems between the US and Italy, as we can deduct that complexity arises when the BoD is different from the shareholders, while in Italy the two things coincide in most cases. Consequently, in Italy there is very little risk of shareholder suits against the Board, and in practice directors don’t see their duties expanded, as they basically report to ‘themselves’. Without possibilities for stakeholders to challenge Board decisions that caused harm to them, the real accountability of Italian family-owned B-Corps is considerably diminished.

A different consideration regards the impact that a Certified B-Corp has on its stakeholders. In general, the idea is that a B-Corp should generate
positive impact on stakeholders by considering their interests. In practice anyway it has sometimes deeper consequences than just an improvement in the relationship. For instance, we have seen how F.lli Carli now requires its suppliers to complete the quick BIA. This way the company gets an approximate score of their CSR performance, and by setting also improvement objectives, puts pressure on these suppliers that are stimulated to improve their sustainability. Furthermore, B-Corps are incentivized to work with sustainable partners, as they gain points for that and they actually provide a more sustainable service overall. If the movement grows substantially, making it harder for some suppliers to find ‘unsustainable’ customers that accept ‘unsustainable’ products, it could begin a positive domino effect that pushes other companies towards sustainability.

**d. Organizations’ similarities and differences**

Among the interviewed organizations, we can observe mostly similarities, with the presence of some exceptions. Some dimensions of similarities/differences have been selected and listed in the table below.

<table>
<thead>
<tr>
<th>IHM</th>
<th>AE</th>
<th>PW</th>
<th>Zordan</th>
<th>Carli</th>
<th>D-Orbit</th>
<th>Mondora</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Structure</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Formalization</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Concentrated ownership</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Company Life-Cycle</td>
<td>Growth</td>
<td>Maturity</td>
<td>Maturity</td>
<td>Maturity</td>
<td>Maturity</td>
<td>Growth</td>
</tr>
<tr>
<td>Benefit Corporation</td>
<td>No</td>
<td>Yes</td>
<td>No*</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Informal Environment</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Perlage Winery is in the process of changing the legal form into Benefit Corporation*

Figure 30. Similarities and differences among interviewed B-Corps
It seems that the similar elements are that organizations have:

- **Functional structure**, which is kind of natural given the limited size and the reduced international reach;
- **Concentrated ownership**, with in fact the entrepreneur playing a key role in shaping the company’s strategy;
- **Informal environment**, with no dress-code and informal relationships between colleagues;
- **Medium-low formalization**, which is actually an obstacle to the certification (which requires many formal evidences)

The stage in the company life-cycle seems not a distinguishing factor, as the movement contains both recently incorporated companies and centenary organizations. The general idea that we formed from these cases was that the certification is particularly attractive to ‘ethical’ SMEs, which find an official and synthetic tool to better communicate their CSR efforts, both inside and outside of the company. The size thus is an important element in the likelihood that a company will seek the certification. Bigger companies might be currently less prone to the certification for three main reasons:

- They are not aware of the certification;
- They are not so interested in a movement that has a reduced size;
- They have a considerable budget devoted to communication, so they might see the certification as less necessary than SMEs

Another point that emerged was that not all of the Certified B Corps are also Benefit Corporations. We have seen in the first and second chapter the differences between certification and legal form, but it would be interesting to find out whether the two possibilities have had different impacts on the CSR performance of the interviewed companies. On the matrix below, the interviewed companies have been positioned according to their B-Impact score and their status as Benefit Corporation.
Of course the data are limited to expand conclusions to the whole Italian context, however from the data available it seems that the Benefit Corporation status doesn’t have a concrete impact on the performance of companies that obtained also a certification, as the scores are very similar between Benefit Corporations and Not Benefit Corporations. From a logical standpoint, it seems reasonable that this is the case, because the certification should be a stronger driver of performance in the short-term than the legal status, given that in the certification case there is an external control to what a company states. Consequently, companies that already obtained the certification shouldn’t receive much more motivation to improve their CSR performance with the change in legal status to Benefit Corporation, at least in the Italian context where shareholders often coincide with directors. We could argue that for Italian Certified B-Corps, the change in legal status doesn’t have the same impact that it has in a context with dispersed ownership. The opposite could potentially be true, with Benefit Corporations receiving additional motivation to improve their CSR if they eventually decide to obtain the certification.
e. Improvement in CSR planning and results

It must be highlighted that in all the B-corps of the world a direct consequence of the certification is the nomination of the B Impact manager, a figure who wouldn’t be present in many companies. By giving responsibility on CSR themes to a person (or a team), that person will make sure that CSR will be considered when new decisions are made. This will be particularly effective if that person is within the top management of the firm, as his or her opinion will be heard during the most important decisions. Adding to that, every two years the company must prove again that it satisfies the B Lab requirements, or in the Benefit Corporation case, it has to file every year the Benefit Report. In these occasions, the compilation of a report is a useful tool to focus the company’s efforts on specific goals and specific areas, concretizing values into actions. We have seen for instance how F.lli Carli has achieved important results by setting goals in 5 areas and working daily towards their achievement.

Furthermore, no company wants to see its score decreased, so together with the other reasons just mentioned, the certification could be an effective tool to actually boost companies’ CSR. In order to investigate this point, an analysis has been undertaken on all 51 Italian certified B-corps (as of July 31st 2017), trying to establish whether scores tended to increase over time when companies certified at least twice. Unfortunately, the data are still limited as only seven companies certified at least twice, so it would be early to make conclusions. However, 5 out of 7 improved their score in the second certification. Below in Green are the companies that improved their score, on average by 12.3 points, while in Red are the companies that worsened it, on average by 7 points.
However, according to a Nativa’s report (2015), in the global context companies tend to improve their score over time, and it quotes 5 examples (Patagonia, Etsy, Warby Parker, New Resource Bank and Kleen Kanteen) of companies that improved their score between 2012 and 2014. This might confirm the assumption that companies improve their score over time and the certification is an effective tool to boost CSR performance.

**f. Stakeholders and areas of impact**

We have seen in most cases how the strongest areas of impact in the BIA were also the areas where the most important stakeholders were present. For instance, F.lli Carli, D-Orbit and Perlage Winery have high scores in *Environment*, and environmental protection is very important for their business model. In the same way, Impact Hub Milano, Antica Erboristeria and Mondora give a lot of importance to their communities and consequently score high in the *Community* area. Finally, Zordan’s philosophy to treat their employees as ‘people’ first, is reflected in a good score in *Workers*. So we may conclude that often the BIA reflects which stakeholders are most important for a B-Corp.

**g. Negative changes**

We have seen that no interviewed company highlighted relevant negative organizational changes after the certification (apart from the effort required to complete it). It must be said that they all certified quite recently and they are all enthusiastic about the movement. Consequently, we cannot exclude
that in the future some negative changes might emerge. According to the information collected, these could be:

- **Reduced freedom of initiative**: as B-corps tend to apply practices that improve their score, and might not explore other possibilities that don’t improve it but are still significant;
- **Benefit Corporations could become ‘arrogant’**, believing they are better than other companies and consequently feeling like they are doing good enough;
- **They might focus more on incremental improvement**, adding new CSR activities that go along with their existing and rewarded structure, *rather than implement radical change* that could disrupt the existing business model but improve substantially the overall company’s sustainability.

In general terms, the main negative consequence is the increased effort of resources and time to be devoted to the certification. This could be a serious concern if the effort exceeds the benefits. This was not the case for the interviewed companies, but it might happen in other situations.

**h. Reasons not to become a B-Corp**

We have seen that not all Certified B-Corps are also Benefit Corporations and vice versa. So far, it seemed that it was just a matter of CSR ‘quality’, given that only highly effective organizations can obtain the B Lab certification, while every company can decide to change its legal form to become a Benefit Corporation. Adding to that, basically all consequences highlighted by the interviews are positive. So why many companies, even Certified B-Corps, are not Benefit Corporations? And why not all ‘ethical’ organizations seek the certification? In order to answer these questions, we need to dig deeper.
Companies might prefer not to change their legal form for several reasons and they might not be interested in the certification too. In fact, the certification’s disadvantages could be:

- *Increased control from a third-party.* No company gladly accepts additional external control, especially from a relatively unknown entity such as B Lab;
- *Time-consuming procedure that promises mainly unmeasurable rewards* (e.g. improvement in communication). This is especially problematic for big companies, as assessing their whole business under the 5 areas of the BIA is very hard and effortful. Undertaking an effortful process with no tangible rewards might be undesirable. That’s also why almost all B-Corps are SMEs (Patrick, 2014);
- *Companies with good CSR might see the certification as irrelevant or unnecessary*

On the other hand, the change in legal form to Benefit Corporation presents other reasons for which many companies might not be interested:

- *There is no tax advantage.* Consequently, it is not so attractive to no-profit companies, which usually enjoy such advantage. At the same time, for-profit companies might be not motivated enough to expand their corporate purpose and duties without a direct financial reward;
- *The presence of higher reporting requirements.* Becoming a Benefit Corporation involves yearly reporting and increased external control on CSR practices (by the state and/or by B Lab). Many companies might prefer not to be assessed in details so often;
- *The uncertainty related to a new legal form.* We have seen that there is no clear case law on the subject, which makes it difficult to predict how the new legal form will impact companies. There is also no guidance on how directors should face trade-offs that impact multiple stakeholders, and many companies are rightfully careful before
changing their legal status into something that it is still not well defined. Especially because going back is made difficult by high voting requirements (2/3 majority of the shares);

- Unwillingness to increase directors’ duties. Not all of the companies that have CSR at heart are willing to bind themselves legally to pursue a ‘dual’ mission. That’s especially true in a country like Italy where shareholders and directors often coincide. Consequently, there is less motivation to bind directors to pursue a public benefit. In the US context, shareholders might use the Benefit Corporation form to make sure their directors, who are separate from them, focus also on public benefit. Instead in Italy, shareholders/directors might see this form as simply an unsolicited increase in their obligations without great benefits.

In any case, organizations that choose to become B-Corps practically do so because they share the basic philosophy and values of the movement. Consequently, based on what emerges from the interviews, they don’t really evaluate the pros and the cons of the certification or the change in legal form. They simply want to join a movement that makes them feel part of something bigger and recognizes the principles that they have always implemented. That’s also why they see only positive consequences from the certification. The certification and the Benefit Corporation form are ‘commitment devices’, so ways to make sure a company lives up to its promises (Surowiecki, 2014).

### i. Italy vs World

That being said, it is interesting to see how Italian B-corps perform in the different areas of the B Impact Assessment in comparison with the rest of the World. In the graph below, the average score in each of the five areas of the Assessment has been calculated for Italy (51 companies) and has been compared with the average value for the rest of the World (1922
companies, excluding the Italian ones). This analysis has been carried on the B-lab dataset of July 2017 (data.world, 2017) that has been cleaned and structured for analysis.

As it can be seen on the graph, Italy generally performs worse than the rest of the World. Italy is doing better only in Environment.

So the question here becomes: *are Italian B-corps truly less effective in CSR terms than other companies worldwide?* The answer can’t be straightforward because of a recurring element in some of the interviews conducted: the BIA still seems too tailored to the US context, for instance privileging companies with dispersed ownership, which in Italy are rare as most companies are family-owned. In fact, 1014 companies in the dataset (51%) are US ones. So, if we separate the US from the Rest of the World and we compare Italy with both, we should find some more insights.

*Workers* value doesn’t consider 355 companies worldwide (18% of the total) that have this missing information, while *Customers* value doesn’t consider 766 companies worldwide (40%) that have this missing information.

Figure 33. Average BIA scores for Italy and for the rest of the World.
Figure 34. Italy vs US vs Rest of the World in the BIA scores

We can notice that Italy truly performs better in terms of environmental activities, but lacks behind the US and the rest of the World in all other areas. It is particularly significant that Italy is behind the rest of the World, because the same problems of ‘adaptation’ of the BIA should likely be in place also in other countries outside of the US.

Regarding the performance of a nation though, it would be interesting to understand whether the first date of certification affected the overall average scores. That’s because it seems likely that companies which certified for the first time in 2016 or 2017 might have, in the same year, lower scores than companies who certified for the first time in 2013 or 2014. That’s for two reasons:

- It seems reasonable that companies which adhered to the movement at the very beginning were more in line with the philosophy and therefore scored more points;
- As in the Italian case and as signaled by Nativa, companies tend to improve their score over time, consequently making countries which had the first certification earlier perform also better.
As it can be seen from Figure 35, only in 2016 Italy started certifying a considerable number of companies. Consequently, Italy might perform worse than other countries because it began certifying companies later.

![Figure 35. Number of Italian companies that got certified over time](image_url)

In order to verify this conclusion, we took 2016 as reference year, comparing scores of Italian companies that certified for the first time in that year, with the scores of companies that did the same in the United Kingdom, Australia and the Netherlands (countries with certifications since 2013 like Italy).

![Figure 36. Italy vs other countries with certifications since 2013](image_url)
Actually, we can observe that the overall average score is still lower for Italy than for these other benchmark countries. Even if each country has its own peculiarities, performing better in certain areas and worse in others, the overall result is very similar for the UK, Australia and the Netherlands, showing that Italy is actually performing worse than the rest of the World in overall terms.

In conclusion, we can exclude that Italy is performing worse than the rest of the world because of a ‘late’ beginning of certifications or because of a lack of ‘adaptation’ of the BIA. Some of the reasons behind this performance could be:

• *Sample bias*: given the reduced size of the movement, it is possible that differences among countries are simply due to chance;
• *Structure*: Italian companies might simply pay more attention to environmental themes than to other factors, possibly because it is a key driver for their economic result (e.g. Perlage Winery, F.Lli Carli);
• *Lack of best practices* in the areas *Workers, Customers, Community*;
• *Concentrated ownership*: which impacts the true accountability of Benefit Corporations;
• *Legislation*: Italian legislation might be stricter than the one of other countries in environmental terms, while might be lighter on workers’ and governance’s practices;
• *Size*: in the Italian B-Corp community there could be smaller companies than in the rest of the world, impacting the budget that corporations can spend on CSR activities
6. Conclusions

Starting from a literature review that allowed to put this new movement into perspective, the analysis of seven cases has allowed us to verify certain assumptions and make conclusions.

We have seen how a movement originated in the US has spread to Italy, finding a fertile ground for development. The two contexts are different and B-Corps reflect that. In Italy, the concentrated ownership is common to most companies and represents an important difference with the dispersed ownership of the US. All the American literature in fact highlights the issues arising from the expanded fiduciary duties of directors and the change that this represents in a context where profit maximization is the widely accepted norm. Italy is different, shareholders and directors often coincide, meaning that the B-Corp certification has more a role of official recognition to a corporation’s CSR efforts and the legal form of Benefit Corporation represents a durable commitment to the social mission of the company.

This and other factors impact the motivations which lead companies to seek the certification, with Italian B-Corps mainly doing it to improve their internal and external communication on CSR themes, protecting the social mission of the entrepreneur or benchmarking the corporation’s performance to understand which are the strengths and which are the weaknesses. Every company is different, but we have seen how Italy performs very well in the Environment area, while lacks behind the rest of the World in all the four other areas of the BIA.

Italian B-Corps are usually SMEs with a functional structure, medium-low formalization and concentrated ownership. However, they come from different industries, they have different approaches to business, and they are in different steps of their life-cycle, so it seems that B Lab managed to encompass a wide scope of CSR practices, attracting companies with different backgrounds and practices.
The certification or the eventual legal form of Benefit Corporation didn’t change them radically, but had several impacts. The most common were:

- The improvement in CSR planning and implementation, which turns into better BIA scores over time;
- The networking, which in some cases also turned into commercial opportunities;
- The better communication with external and internal stakeholders, strengthening relationships and improving workforce motivation.

According to the information collected, we could conclude a series of additional points:

- Stakeholders might be impacted by the certification in deeper terms than expected, especially when B-Corps expand strict CSR requirements to partners;
- For Italian Certified B-Corps, the change in legal status doesn’t represent a key factor in their performance or behavior, probably due to the concentrated ownership;
- The certification seems to correctly identify the stakeholders who are considered most important for a B-Corp’s business, as the company scores higher in those areas;
- No negative change has emerged so far, but in the future it might be the case;
- CSR commitment becomes a relevant driver of hiring decisions and it strengthens the company’s culture;
- CSR becomes an important factor for everyday decisions, but business performance tends to remain the priority

However, we have also seen some of the reasons which could prevent many companies from joining the movement, such as the effort required, the increase in reporting requirements, the lack of tax advantages and the lack
of clarity on the consequences of the adoption of the Benefit Corporation form.

Based on all the previous conclusions, we can conclude that the certification does affect companies in several ways. This impact is generally positive and doesn’t simply relate to the CSR sphere.
Appendices

Appendix 1. Sample list of questions present in the BIA

- Governance

  - Does your company have a corporate mission statement, and does it include any of the following? Check all that apply.
    - No written statement
    - A written corporate mission statement that does not include a social or environmental commitment
    - A commitment to social impact (e.g. poverty alleviation, sustainable economic development)
    - A commitment to environmental stewardship and conservation
    - A commitment to serve a target beneficiary group in need (e.g. low income customers, smallholder farmers)

  - What portion of management had a formal written performance evaluation/review in the last year that included social and/or environmental goals?

  - Does the company have a formal process to share financial information (except salary info) with its full-time employees?
    - No
    - Yes - the company shares basic revenue/cost numbers if employees ask for them
    - Yes - the company discloses all financial information (except salary info) at least yearly
    - Yes - the company discloses all financial information (except salary info) at least quarterly
    - Yes - the company has an Open Book Management process
    - In addition, company has an intentional education program around shared financials
• **Workers**
  
  o What % above living wage did your lowest-paid full-time, part-time, temporary workers and independent contractors (excluding interns) receive during the last fiscal year? If workers are paid at or below living wage, select 0%  
  
  o What % of full-time and part-time employees, excluding founders and executives, received a bonus in the last fiscal year?  
  
  o What additional benefits are offered to full-time tenured workers (tenured defined as with the company for 1+ years or life of the company)? [Heavily Weighted]
    - No additional benefits  
    - Dental insurance  
    - Short-term disability  
    - Long-term disability  
    - Structured account mechanism for qualified medical expenses (e.g. HSA, HRA, FSA)  
      Domestic partner, civil union, and/or same-sex marriage spousal benefits  
    - Life insurance  
    - Other benefits (please describe)  

• **Community**
  
  o What % of the company is owned by the following groups?  
    - Women  
    - Low income communities  
    - Other underrepresented populations (e.g. minorities, LGBT community, individuals with disabilities, etc.)  
  
  o What is the ratio of average compensation of women versus men in managerial and non-managerial roles in the company?
Are full-time employees granted in writing any of the following paid or non-paid time-off hours options for volunteer service?

- Non-paid time off
- Paid time off
- 20 hours or more a year of paid time off
- Workers offered incentives for volunteerism (office parties, competitions with prizes, etc.) Do not offer paid or non-paid time off

**Environment**

- What % of company facilities (by square feet, both owned by company or leased) are LEED certified, satisfy the requirements of the Living Building Challenge, or other accredited green building programs?

- Does your company have an environmental management system that includes any of the following? Check all that apply.
  - Policy statement documenting the organization's commitment to the environment
  - Assessment undertaken of the environmental impact of the organization's business activities
  - Stated objectives and targets for environmental aspects of the organization's operations
  - Programming designed, with allocated resources, to achieve these targets
  - Periodic compliance and auditing to evaluate programs conducted
  - None of the above

- Does your company have a formal program or policy in place to reduce the environmental footprint caused by commuting? Examples include use of public transportation, carpooling, biking, virtual office, telecommuting, etc.
• Customers
  o Does your company’s product or service explicitly target users/customers/end beneficiaries from underserved communities?
  o In what way or ways does your product/service conserve the environment?
  o Please provide a brief description of how you track your customer/client/beneficiary figures

Appendix 2. List of interviewed people

<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewed Person</th>
<th>Role</th>
<th>Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nativa</td>
<td>Anna Cogo</td>
<td>Benefit Unit Officer (B Impact Manager)</td>
<td>Skype</td>
</tr>
<tr>
<td>Impact Hub Milano</td>
<td>Claudia Fasolo</td>
<td>Incubation Programs Manager (B Impact Manager)</td>
<td>In-person</td>
</tr>
<tr>
<td>Antica Erboristeria</td>
<td>Serena Stoppoloni</td>
<td>Sales &amp; Marketing Director</td>
<td>Skype</td>
</tr>
<tr>
<td>Perlage Winery</td>
<td>Davide Scroccaro</td>
<td>Environmental Engineer (B Impact Manager)</td>
<td>Call + Email</td>
</tr>
<tr>
<td>Zordan</td>
<td>Maurizio Zordan</td>
<td>CEO</td>
<td>Skype</td>
</tr>
<tr>
<td></td>
<td>Marta Zordan</td>
<td>Administration &amp; Finance Officer (B Impact Manager)</td>
<td></td>
</tr>
<tr>
<td>F.Ili Carli</td>
<td>Claudia Carli</td>
<td>Brand Marketing Manager (B Impact Manager)</td>
<td>In-person</td>
</tr>
<tr>
<td></td>
<td>Damiana De Cantellis</td>
<td>Commercial Director</td>
<td></td>
</tr>
<tr>
<td>D-Orbit</td>
<td>Matteo Trotti</td>
<td>Quality Manager (B Impact Manager)</td>
<td>Skype</td>
</tr>
<tr>
<td>Mondora</td>
<td>Kirsten Ruffoni</td>
<td>Strategy Specialist (B Impact Manager)</td>
<td>Skype</td>
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