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Organizational Capabilities for Shared Value Creation: A Multiple Case Study in four Italian B Corporations

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Abstract

The concept of Creating Shared Value (CSV) was advanced in 2011 by Porter and Kramer: the authors described CSV as the new idea that could give new momentum to business growth and productivity by bringing society and businesses back together. The notion of shared value is coherent -and to some extent overlapping- with several streams of the literature about sustainable development (Babiak and Trendafilova, 2010; Matten and Moon, 2008; Levis, 2006) and corporate social responsibility (Carroll, 1999; McWilliams and Siegel, 2001; Porter and Kramer, 2006), however, academic research on the topic fundamentally lacks theoretical rigor (Crane et al., 2014). Therefore, this study characterizes shared value as a distinct notion within the literature and, through the adoption of the Resource-based view (RBV) (Barney, 1991; Wernerfelt, 1984), it provides sound theoretical basis in order to analyse the concept. More specifically, the aim of this study is to understand the role of organizational capabilities in fostering the development of shared value practices and strategies within small and medium enterprises (SME). In order to observe an operationalization of shared value, the study had to rely on the analysis of a special kind of companies, B corporations, which feature the creation of shared value in their incorporation deeds. Therefore, through a multiple case study, this thesis shows how the development of capabilities such as shared vision, stakeholder management and strategic and environmental proactivity can foster the development of an organizational attitude conducive for shared value creation. All on all, this study provides a contribution which is threefold: firstly, it moves the spectrum of investigation on CSV from the conceptual level to the operational level; secondly, it offers a perspective on CSV in the context of SMEs by leveraging the RBV; and finally, it introduces the reader to novel insights about this newly emerging community of economically sustainable and socially responsible firms, i.e. B corps.

Introduction

In 1970, Milton Friedman wrote an article in The New York Times Magazine in which he stated: “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits”. While this concept has been at the core of capitalist thinking and has represented the paradigm widely embraced by businessmen throughout the last century, it has been increasingly challenged in the decades following Friedman’s article (Drucker, 1984; Porter and Kramer, 2006). Nowadays, the concept that business has to be held responsible for the impact it has on the society and the environment within which it operates has gained significant legitimacy (Babiak and Trendafilova, 2010; Matten and Moon, 2008; Levis, 2006). In a similar fashion, scholar research has produced several streams of literature featuring the principles of sustainable development, such as social entrepreneurship (Pirson, 2011; Santos, 2012), stakeholder theory (Freeman, 1994; Donaldson and Preston, 1995), corporate social responsibility (CSR) (Carroll, 1999; McWilliams and Siegel, 2001; Porter and Kramer, 2006), bottom of the pyramid (BoP), (London, Anupindi and Sateen 2010; Kubzansky, Cooper, and Barbary, 2011). In 2011, Porter and Kramer further extend and contribute to this line of research by introducing the concept of *shared value* (Porter & Kramer, 2011). The former consists in the idea that a firm can increase its own competitiveness and achieve a positive social impact by focusing on the connection between economic and social progress (Porter and Kramer, 2011). The authors advance three ways through which shared value creation can be reached: by redefining products and markets; by redefining productivity in the value chain; by enabling local cluster development (Porter &Kramer, 2011). The notion of shared value has been communicated mainly in association to virtuous examples of successful shared value initiatives undertaken by big global companies such as Coca-Cola, Johnson & Johnson, Nestlé, Unilever, and Wal-Mart (Crane et al, 2014). Notwithstanding the rapid popularity that the concept has gained among practitioners, it has rarely been investigated by scholar research and consequently the majority of these contributions lack theoretical grounds. Therefore, the aim of this study is to provide an analysis of shared value through a theoretical lens and in a different context, namely Italian Small and Medium Enterprises (SME). More specifically, the Resource-based view (Barney, 1991) will be adopted in order to discuss the role of organizational capabilities in the successful implementation of shared value strategies. In order to serve this purpose, the study had to rely on the investigation of firms that operationalize shared value principles (Maltz et al., 2011; Maltz et al., 2012). Accordingly, both primary data in the form of interviews and secondary data in the form of reports, case-studies, newspapers and videos were collected in four Italian SMEs that have recently achieved the certification of Benefit Corporation (B corp). These companies embrace the values of sustainable development, they meet higher standards of social and environmental performance, legal accountability and transparency and as noted by one of the founders of B Lab - the non-profit certifying organization of B corps - they create shared value for all stakeholders through their business model and operations (B corps website). Through the adoption of a multiple case-study research design, thus, this paper will aim to increase our understanding of the distinct organizational capabilities that can be leveraged in SMEs to improve social, environmental and financial performance (Aragon-Correa et al., 2008; Aragon-Correa, 2003; Torugsa et al., 2012), i.e. to create shared value.

The rest of the paper will develop as follows. The next section will provide insights regarding the conceptual foundations of shared value, it will relate the former to previous studies about the environmental and social proactivity of SMEs, and will characterize more in detail the B corp movement, thereby emphasizing its overlapping with the concept of shared value. Then, the second part of the first section will present the literature review and will conclude with the main research question. The second section will delve into the specifics of the RBV as of (Barney, 1986, 1991; Wernerfelt, 1984; Teece et al., 1997), it will discuss its implications in SMEs and will introduce the theoretical propositions. Section three will be devoted to an exploration of the design method and analysis strategy adopted in this study, while section four will discuss insights deriving from the empirical investigation in the form of case study. Finally, section five will discuss the findings and draw some conclusion thereby providing some recommendations for future research.

Chapter one

1.1 Conceptual Foundations: Shared Value as an evolution of CSR thinking

The concept of Creating Shared Value (CSV), broadly defined as the idea that companies can increase profits and enhance competitiveness by solving societal problems, was first advanced by Porter and Kramer in their 2011 article on the Harvard Business Review (HBR). Reactions following the article release are feeding a nascent debate in the management literature which promise to garner increasing attention in scholar research due to the popularity it has rapidly achieved among practitioners. A reason for this, as stated by Crane, is that shared value was developed “with senior leaders for senior leaders” (Crane et al., 2014). Thus, it should come with no surprise that so far it has been successfully adopted by and advocated for by several leading global corporations such as Coca-Cola and Nestlé (Crane et al., 2014). Creating Shared Value was awarded the best 2011 article on HBR by McKinsey, its implications were discussed at several CEO round-tables at Davos and the next generation of managers has already been exposed to its concepts through MBA and executive programs (Crane et al., 2014). However, scholar research is underrepresented in the shared value literature, thus resulting in a fundamental lack of theoretical rigor, which dampens the possibility to advance knowledge on the concept.

The greatest contribution can be found in terms of case-studies analysing successful shared value projects as a part of sustainability efforts exerted by big multinationals. A good example for this would be the often cited Coca-Cola case-study Coletivo Retail in Brazil. Back in 2009, Coca-Cola wanted to expand its share in low-income markets, but it was conscious it couldn’t succeed by applying a “business as usual” approach. The company thus launched a program called Coletivo Retail whereby it offered training and educational programs for youth empowerment. Through the creation of this platform, the company was able to reach more than 60,000 youth as of year end 2013 (sharedvalue.org) and extended the program to 126 sites throughout Brazil. This translated in a 9.5% average increase in yearly sales in Coletivo communities, coupled with an increase in consumer engagement with Coca-Cola brand. On the social dimension, it was assessed that 30% of Coletivo Retail graduates find a job within six months of program completion, thereby contributing to a 50 % increase in household income among those who find employment (sharedvalue.org). Coletivo Retail is a flagship example of how a big, global corporation can embrace and benefit from a shared value approach. A detailed and comprehensive framework of cases and best practices is provided by the Shared Value Initiative (sharedvalue.org) which collects examples of businesses creating shared value and establishes a community were shared value practitioners can interact and rise further awareness about the practice. Nevertheless, these contributions are limited in their usefulness as they are fundamentally lacking theoretical rigor.

The present investigation aims at framing and analysing shared value implications in Italian SMEs, more specifically in Italian B corps. The choice of grounding this study in the context of SMEs is driven by multiple factors. SMEs are of crucial importance for the Italian economy and consequently also for its environment. Overall, roughly 99.9% of Italy’s private companies are SMEs, accounting for more than two thirds of employment and more than half of country’s turnover (Cerved Report, 2014). Whilst the individual social and environmental impacts of each SME are generally small in comparison to those of large companies, the cumulative impact of the sector is considerable. On the one hand, compliance with environmental policy can be an issue for SMEs (Russo and Fouts, 1997; Sharma and Vredenburg, 1998), on the other, however, it may represent an attractive business opportunity (Jenkins, 2009). There is in fact growing evidence for the claim that SMEs can reap the benefits of business greening through adoption of proactive CSR (Aragon-Correa, 2008; Jenkins, 2006; 2009; Torugsa et al., 2012), but none of these study contributed to existing knowledge about the potential for shared value creation by SMEs.

The recognition and successful implementation of strategies aimed at shared value creation is conditional to producing a significant impact on the three areas characterizing sustainable economic development: economic growth and prosperity, social equity and cohesion, and environmental integrity and protection. What differentiate this approach form CSR is that it is strategic, not deliberate (Porter and Kramer, 2006). While firms committing to CSR treat their efforts towards sustainable economic development as bolt-on to their strategies and business models, within firms following a shared value logic, instead, these are built-in (Porter and Kramer, 2011). CSR commitments aim at anticipating and mitigating potential negative spillovers from business activities (Aragon-Correa, 1998; Sharma and Verdernburg, 1998) through shared value, instead, social and environmental problems become business opportunities (Porter and Kramer, 2006; 2011). Arguably, though, shared value strategies mark the emergence of a new business model as an alternative to the traditional profit-maximization model (Florin and Schmidt, 2011; Michelini and Fiorentino, 2012). Within this study, though, the process of selection of the firms to be investigated has to ensure coherence with these peculiar characteristics. This issue has been dealt with through the selection of a number of Certified B corps. These organizations stand out from the traditional dichotomy usually distinguishing businesses in two legal entities, for-profit and not-for-profit. These firms are *For benefit* (B corps website). The B corps movement was born in the USA in 2006 when Coen Gilbert, Bart Houlahan and Andrew Kassoy chose to undertake the challenge of creating a new economic sector whereby the 'force' of private enterprises could be channelled to create social value. They funded B Lab, a non profit organization based on three principles: fostering the creation of a community of firms (Certified B corps) pursuing social and environmental objectives and establishing *shared value* creation as a binding condition in their incorporation deeds; fostering the creation of an appropriate legislative framework for the recognition of the *For Benefit* legal entity; developing innovative standards for corporate evaluation (B impact assessment) to overcome the general flaws of traditional rating systems (B corps website). As emerges from these specifications, thus, B corps and Certified B corps are not synonyms, the first one being a legal entity while the second is a voluntary certification. The two, however, operate following the same values and principles. Since Maryland's recognition of B corps as legal entities in 2010, the community has been rapidly expanding, and today it counts more than 1400 Certified B corps from 42 countries over 120 industries (B corps website). The greater majority of firms in this vibrant community consists of small enterprises and witnesses how shared value is not only a prerogative of big global companies as the literature produced so far seems to suggest (Spitzek and Chapman, 2012; Hills et al., 2012; Pfizer et al., 2013). The three funding principles arguably show how all the elements for successful shared value creation, according to Porter's conceptualization, are incorporated in B corps since inception. The major overlapping between the notion of shared value and B corps, thus, offers an unprecedented opportunity to advance the knowledge on shared value creation and its operationalization. Moreover, this line of research not only affords the opportunity of addressing shared value in theoretical terms, but it also offers the possibility of analysing its implications in a new context, i.e. Italian B corps.

As mentioned above, the project-related nature of the majority of shared value studies and their predominant focus on describing the outcomes of successful initiatives without providing much guidance as to how practically integrate shared value within business strategy, justifies the aim of the present research. Accordingly, providing a more structured way to analyse shared value allegations from a strategic point of view is arguably a promising way to significantly contribute to the existing literature. In line with this, the paper will frame shared value strategies in theoretical terms by drawing a parallel with implications derived from the organization and natural environment literature (Christmann, 2000; Hart, 1995; Majumdar & Marcus, 2001; Marcus & Nichols, 1999; Russo & Fouts). Specifically, within the scope of this study, a shared value strategy is characterized as follows: an organization's strategy for managing its business-natural environment interface on the one hand and its sustainable competitive advantage on the other in a way that ensures a positive social and environmental impact while contributing to business' profitability (Porter and Kramer, 2006; Porter and Kramer, 2011; Pfizer, Bocksette and Stamp, 2013). The term *natural environment* here is used in its broader meaning, by which it accounts for natural and social ecosystems. Through this kind of specification, shared value strategy assumes the connotation of a proactive environmental strategy, i.e. a strategy that aims at managing the interface between its business and the environment in a responsible and profitable way (Aragon-Correa and Sharma, 2003). This passage is noteworthy, in that this paper proposes shared value strategies as the result of bringing proactive environmental strategies one step further. Environmental strategies are usually classified along a continuum ranging from reactive to proactive: being reactive implies responding to regulations and stakeholders pressure by, for instance, investing in pollution control, while being proactive entails an ex-ante effort to prevent environmental impact (Aragon-Correa, 1998; Russo and Fouts, 1997). This kind of conceptualization features these strategies with aspects that fit into the characterization of CSR, which has been criticized because of disconnection from firm's profit generating business (Hart & Milstein, 2003; Porter & Kramer, 2006). Shared value strategies, instead, do not react nor prevent, they apply a strategic lens to the business-environment interface to detect those (social and environmental) challenges which can be turned into business opportunities (Porter and Kramer, 2011; Bockstette and Stamp, 2011). In this sense, the benefits deriving from this approach are likely to exceed those accruing from the implementation of proactive strategies in the forms of reduced compliance and operational costs and improved reputation (Porter and Kramer, 2011). However, a clear understanding of the patterns through which organizational resources and capabilities are coordinated and integrated to address social and environmental challenges and reach sustainable competitive advantage within shared value strategies is still absent.

So far, shared value related studies have paid considerable attention to how firms detect societal challenges in the external environment and develop an understanding of those challenges throughout the organization (Porter and Kramer, 2011); how they can co-create shared value strategies in partnerships (Lee, Moona, Choa, Kangb, and Jeongc, 2014); how to measure shared value creation and how to support implementation and scale (Smith et al., 2014; Porter et al., 2014). However, all these studies – a part for few analyses limited to the value-chains (Lee et al., 2014; Smith et al., 2014)- share a common feature: they overlook the internal dimension of the firm and in particular, firm's resources and capabilities. Reading through these studies, indeed, does not clarify how companies harness their resources and exploit their capabilities in order to reach sustainable solutions for societal challenges. This is quite surprising in the light of research showing how proactive environmental strategies -of which shared value is arguably an advanced example as previously explained- cause significant competitive and environmental improvements only when coupled with specific strategic managerial and manufacturing processes (Klassen & Whybark, 1999). The resource-based view (RBV) of the firm (Barney, 1986, 1991; Wernerfelt, 1984) provides a theory to explain competitive advantage as an outcome of the development of valuable organizational capabilities, such as continuous innovation, organizational learning, and stakeholder integration, associated with a proactive environmental strategy (Aragon-Correa, 2003). Arguably, though, it provides a unique theoretical tool to analyse shared value from a different perspective.

Drawing from recent contributions to the environmental management literature (Aragon-Correa et al., 2008; Torugsa et al., 2012; Alt et al., 2014), the paper will discuss the role of organizational *capabilities* in determining the firm's effectiveness in delivering on what was termed the Triple Bottom Line of social, environmental and economic impact. The insights it mainly seeks to uncover relate to the salience of different organizational resources with respect to their potential to generate valuable organizational capabilities. Most importantly, the aim is to assess which of these capabilities is most relevant to the effective implementation of strategies aimed at a dual impact on the firm's internal (economic) and external (social/environmental) dimensions and thus to the creation of shared value. To address this purpose, the paper will revolve around developing theoretical propositions based on the RBV as envisaged by Barney (1991) and its extensions derived from the organization and natural environment literature; the former will then be assessed against findings stemming from empirical verification in the form of case study.

1.2 Literature review

The Capitalist system is undergoing a phase of unprecedented changes questioning the pillars of its foundation (Garrett, 2012). The financial crisis of the last decade can be interpreted as an explicit symptom of a deeper and more implicit crisis in its fundamental values. Acknowledging the resulting loss in legitimacy of the main actors within the system, i.e. businesses, Porter and Kramer (2011), advance a new conceptual framework through which economic and social actors have the potential to be brought back together, (Porter and Kramer 2011). In their HBR article, the authors propose the concept of creating shared value as the innovative idea lending new momentum to business credibility and having the potential to "unleash the next wave of innovation and productive growth" (Porter and Kramer, 2011, p.64). Porter and Kramer (2011) define shared value as the set of policies and practices that enhances a company's competitiveness while improving the social and economic conditions of the communities within which it operates (Porter and Kramer 2011, p. 66). The appealing nature of the concept coupled with the echoing name of Porter garnered the article, and the concept *per se*, remarkable attention by a plethora of practitioners; the HBR issue, however, received less support and a more critical judgment by researchers (Crane et al. 2014). The literature produced so far about shared value can be classified according to the different sources from which it derives. Thus, in accordance with the noticed unbalance in interest demonstrated by practitioners and academic researchers, it makes sense to distinguish different literature streams on the basis of whom is contributing to the overall research. Accordingly, within this literature review, research about shared value will be divided in two streams: literature deriving from Porter himself and his closely related colleagues operating within the Harvard Business Review, the *Foundation Strategy Group* (FSG) and *Shared Value Initiative* (SVI); and literature deriving from academic research. This kind of separation is arguably useful to grasp potential differences in the way in which the concept is approached by different kind of investigators. Thereby, it offers a promising way to emphasize divergence in perspectives and to appreciate nuances of the concept which are likely to arise in different settings.

1.2.1 Porter and directly related authors

When delving into the conceptual development of creating shared value, finding a single and solid relationship connecting the idea to previously advanced arguments within the literature can be challenging. With its characterization, the concept arguably encompasses broad and disconnected research areas spanning from CSR, to social entrepreneurship, from stakeholder theory to inclusive business models (Crane et al., 2014). A consistent way to start, though, would be by researching the roots of shared value within the work of Porter himself, the first one to frame the idea of simultaneous social and economic value creation in appealing strategic terms (Crane et al., 2014). The background of the author as an acclaimed international authority in terms of strategic issues has undoubtedly paved the route for the success of the 2011 article on HBR (Porter and Kramer, 2011). However, the concept around which the issue revolves, namely shared value, was already contained in its early stage form in a previous article published on the HBR by Porter and Kramer in 2006. Thereby the two authors acknowledge the increased worldwide interest with respect to CSR, but criticize the way CSR efforts are implemented. CSR is seen as essentially disconnected from core business activities and mainly leveraged as a "cosmetic" tool (Porter and Kramer, 2006). In the authors' view, CSR should instead be grounded in the interdependence between business and society, and on this basis, they advance strategic CSR as intrinsically linked to the company's core activities and thus able to deliver effectively on both the social and economic dimensions (Porter and Kramer, 2006). As it is now clear, though, the follow-up article of 2011 represents just a sophistication of the concept, needed to strengthen its punch and to frame it in most appealing terms. Once released, the article began to collect endorsements by a constellation of authors and practitioners gravitating around HBR and FSG (Crane et al., 2014). One of the first works related to the FSG's series of publications to follow Porter and Kramer's (2011) article is Bockstette and Stamp (2011): *Creating Shared Value: A How-to Guide for the New Corporate (R)evolution*. Reinforcing the reasoning behind shared value, rather than providing additional contribution to the development of the concept, the authors devise a ten-step procedure by which companies can allegedly reach shared value creation. The second article published about the topic represents an effort to operationalize the concept. This entails observing how a shared value thinking leads companies to reshape their business strategy (Hills, Russell, Borgonovi, Doty and Lyer, 2012). Notwithstanding the fact that the article reports contribution in the form of case-studies, thus lacking theoretical rigor and not satisficing academic scholars, it is interesting as it offers a perspective on shared value in practice with a focus on developing markets (mainly BRICS). Observing large companies within this setting, the authors conclude with some preliminary guidance as of how external actors such as governments and NGOs can contribute as catalyst for shared value initiatives (Hills, Russell, Borgonovi, Doty and Lyer, 2012). Porter comes back on the issue along with his FSG's co-authors few months later with the publication of *Measuring Shared Value: How to Unlock Value by Linking Social and Business Results,* whereby they underscore the importance of developing consistent shared value measures in order to further the advancement of the concept. The authors focus on describing the importance of producing actionable metrics so as to attract investors' interest and scale-up shared value projects supporting their arguments with evidences provided by leading companies who have undertaken shared value initiatives (Porter, Hills, Pfitzer, Patscheke and Hawkins, 2012). A study broader in scope, but still applying the same formula, i.e. observing best practices in terms of shared value creation within leading companies (more than 30 among which Dow Chemicals, Nestlé, Novartis and Intel) and trying to draw conclusion as to how most effectively implement a strategic shared value approach, is provided by Pfizer, Bockstette and Stamp (2013). The main insights emerging from this study refers to the observation that these leading corporations delivering on both dimensions of business profitability and social prosperity are leveraging on five mutually reinforcing elements (Pfizer, Bockstette and Stamp, 2013). These are: embedding a social purpose, rigorously defining the social need, measuring the social and business value, creating the optimal innovation structure, and co-creating with external stakeholders (Pfizer, Bockstette and Stamp, 2013). While this contribution is arguably refining the notion of shared value conceptually, it does not add the much needed insights on practical implementation, operational clarification and empirical evidence necessary to convince skeptical scholars and to appeal investors (Crane et al., 2014). In line with the previously mentioned works, Pfizer et al. (2013), are supporting the idea of shared value without really delving into the specifics of how it can be brought to life, thus falling short to give the concept new momentum. The prevailing exploratory nature of these case-studies, coupled with the lack of rigor proper of academic research is justified by the relative novelty of the concept. However, in order for shared value to garner increasing attention in scholar research and to gain credibility in front of investors, it has to be raised in its posture by means of contributions deriving from rigorously conducted empirical academic research (Maltz and Schein, 2012).

1.2.3 Academic research on Shared Value

Due to the novelty of the concept, research on shared value spreads in different directions. As previously mentioned, several scholars see the main tenets of shared value as overlapping with other research streams. Florin and Schmidt (2011), for instance, undertake a study whereby they develop a strategy process for the configuration of hybrid business models for shared value creation. They advance the literature on hybrid business models by contributing with novel insights about this new breed of ventures blurring the boundaries of the profit and not-for-profit sectors and upholding a dual value proposition (Florin and Schmidt, 2011). Similarly, Michelini and Fiorentino (2012), offer a perspective on how companies undertaking shared value principles develop hybrid (social and inclusive) business models to translate those principles into practice. Specifically the study shows that there exist some similarities between social and inclusive business models in terms of partner networks, use of knowledge and value chain, development of innovative distribution models and social benefits (Michelini and Fiorentino, 2012). As well as differences in terms of value proposition, governance system and profit management (Michelini and Fiorentino, 2012). Along these lines, Kubzansky, Cooper and Barbary (2011), elaborate on sub-Saharan Africa companies that are using market mechanisms to improve the lives and livelihoods of people living at the Bottom of the Pyramid (BoP). They conclude emphasizing the emergence of three business models which proved particularly successful and recommend ways for impact investors, MNCs, governments and donors to leverage on those. An additional example of BoP study somehow linked to shared value creation is London, Anupindi and Sateen, (2010). This work is particularly interesting as it anticipates issues that have now been developed as pillars of shared value. The paper provides a perspective on how business ventures targeting the BoP address local constraints of BoP producers, thereby successfully creating mutual value (London, Anupindi and Sateen, 2010). Alternatively, Lee et al. (2014), investigate the implications of a shift from CSR to Creating Shared Value (CSV) through the case of a Korean bakery franchise. They focus specifically on

Supplier Relationship Management (SRM) as way to observe this shift, and suggest mutual firm foundations as the representative form of CSV activity (Lee et al., 2014).

A completely different standpoint on the subject comes from Bertini and Gourville (2012), whose main focus is pricing strategy. They reframe the purpose of pricing considering fairness as one of the leading criteria in order to ensure customers' engagement. The authors suggest to think of customers as partners potentially enabling the co-creation of a larger pie through collaboration; they exemplify this by elaborating on the multiyear process of pricing tickets for the London 2012 Olympic Games and by recommending five principles for using pricing to create shared value (Bertini and Gourville, 2012). Scholars within the research area of social entrepreneurship propose an alternative view. The debate on social enterprises and social entrepreneurs is arguably a fertile area for the development and refinement of a novel concept such as shared value (Crane et al., 2014). Even if not directly linking his argumentation with the notion of shared value as articulated in Porter and Kramer (2011), Santos (2012) devises a theory of social entrepreneurship able to accommodate a shared value thinking. Accordingly, his statement "social entrepreneurship is the pursuit of sustainable solutions to neglected problems with positive externalities" recalls Porter and Kramer's (2011) emphasis on internalizing social and environmental challenges in order to turn them into business opportunities. Santos' (2012) perspective is complemented by Szmigin and Rutherford's (2013) behavioural view on how individual values and norms result in a shared value approach. Departing from Adam Smith's *Theory of Moral Sentiment*, the authors rework the notion of "self-interest" in Smith. They rehabilitate the idea of a social purpose for business by considering the existence of an "other's regarding behaviour" (Smith, 1776[1976], Vol. 1, p. 116) that would motivate entrepreneurs to instil a social goal in their mission. Consistent with the ethical investigation by Smzigin and Rutherford (2013) is the contribution by Rocchi and Ferrero (2014). Hereby the authors aim to reshape the nature of shared value from a process-centred approach to a person-centred one in order to reach what they call "Systematic shared value". To accomplish this purpose, the authors complement Porter and Kramer's (2011) theory with the pillar of virtue, and test the new framework in the context of finance. A rather critical perspective is instead offered by Pirson (2012). The author critically embraces the call made by Porter and Kramer (2011) about the alleged potential of social entrepreneur to create shared value. By applying a genealogical perspective he analyses the patterns to shared value creation in three leading social enterprises (Pirson, 2012). His final allegations, however, question the power of a shared value approach as in the three cases that he observes, very innovative shared value creating ventures ended up opting out of shared value creation strategies and embraced either financial or social value primacy strategies (Pirson, 2012).

As witnessed so far, the majority of shared value works–with the exception of Pirson's critique- either support the original concept as devised by Porter and Kramer (2011) or offer a complementary perspective widening its applicability. In contrast, the article from Crane et al. (2014), stands out as one of the main sources of criticism to shared value. In the issue, wittingly called *Contesting the value of "creating shared value"*, the authors voice a number of concerns regarding the originality and validity of the argumentation provided on the HBR article. This is probably the most comprehensive study on shared value so far, and has the benefit of providing a clearer overview of how the concept relates to previously advanced research streams within the literature. Crane et al. (2014) start by acknowledging the strengths of shared value in that "CSV appeals to practitioners and scholars by elevating social goals to a strategic level and offers an umbrella construct to account for loosely connected concepts in the literature", (Crane et al., 2014, p. 132-133). The rest of the paper is devoted to questioning assumptions and allegations undermining the notion's strength. The authors point mainly to the fact that CSV is "unoriginal", that it "ignores the tensions between social and economic goals", that it is "naïve about the challenges of business compliance" and that it is "based on a shallow conception of the role of business in society" (Crane et al., 2014, p. 134-140). They conclude, thus, by recognizing the merits of CSV but warning that its potential to "re-legitimize" business and reshape capitalism is threatened by several weaknesses (Crane et al., 2014). An alternative line of the literature is instead focusing on analysing shared value in different contexts and different countries. For what concerns studies investigating shared value in different geographical settings, the main contribution derive from India (Vaidyanathan and Scott, 2012) and Brazil (Spitzek and Chapman, 2012). Thereby the authors conclude by showing how strong economic growth as well as severe social challenges and national desire for change, put both countries in a unique position to show the world how to create shared value at scale (Vaidyanathan and Scott, 2012; Spitzek and Chapman, 2012). Finally, it is worthwhile to cite Maltz, Ringold and Thompson (2011) who were able to articulate a way to measure shared value creation before the publication of Porter and Kramer (2011). Moreover, the following year Maltz and Schein (2012) were able to create a work which is unique in terms of shared value studies, as their contribution consists of a *liaison* of theory and practice to identify where both are consistent in the implementation of shared value initiatives (SVI). The study takes on a RBV perspective on the issue by emphasizing the fact that firm's capabilities constitute an indispensable criteria in order to deliver on the social and economic dimension (Maltz et al., 2012). The authors acknowledge the power of SVIs leveraging leading MNC's capabilities in a consistent way in terms of their potential to drastically affect worldwide social change (Maltz et al., 2012). Interestingly, they devise a conceptual framework which arguably refines the concept and they suggest that “the resource-based perspective on creating shareholder value may need to be adapted when considering SVIs, as it can be in the firm's best interest, or at the very least not detrimental to the firm, for the social value it creates to be imitated” (Maltz et al., 2012, p. 65). Their analysis stands out for its in-depth understanding of the linkages between the practical implications of shared value and its theoretical underpinnings. Furthermore, their use of a well known and widely embraced theory as the RBV increases the appeal of the concept on the academic audience, thus, increasing the opportunity for further research.

As emerges from this section, the debate on shared value is still in a flux. Contributions from authors related to Porter and gravitating around the FSG and HBR (Porter and Kramer 2011; Porter et al., 2012; Bockstette and Stamp, 2011) are informing about best practices and reporting successful initiatives but still fall short from providing clear guidelines on how to implement shared value strategies. Moreover, their predominant focus on leading MNEs (Pfizer et al., 2013) does not clarify whether and how shared value may be applied in smaller and less resourceful enterprises. On the other hand, academic research on the topic is enriching our understanding of how the notion of shared value relates to other stream of the literature (Crane et al, 2014; Florin and Schmidt, 2011; Michelini and Fiorentino, 2012), it attempts to offer a systemic view of the concept (Szmigin and Rutherford, 2013; Santos, 2012) and also provides some empirical evidence on how operationalizing shared value may look like in practice (Vaidyanathan and Scott, 2012; Spitzek and Chapman, 2012; Lee et al., 2014). However, academic contributions are still too scattered, with studies often undertaking analysis in unrelated research areas, thus failing to create a sound theoretical background against which assessing empirical evidence. Nonetheless, as emphasized above, this study wants to provide a contribution able to strengthen the theoretical background within which shared value is rooted. Consequently, by taking a deductive approach and elaborating on the underpinnings of the RBV (Barney, 1986; Barney, 1991) to understand shared value allegations, this paper demarcates a fundamental difference with previously conducted studies. Indeed, by clearly setting the theoretical boundaries with the RBV and by grounding the investigation in a different setting, this research mitigates the major flaws which characterized previous studies. Along the lines of Maltz et al. (2012), the present analysis will adopt an inside-out perspective focusing on organizational capabilities in order to shed light on how the firm’s internal dimension can be leveraged to trigger changes in the external dimension, i.e. how firm’s capabilities drive social change. Additionally, this investigation will arguably further the input provided by Maltz et al. (2012) by exploring shared value allegations in a different setting, i.e. Italian B corps, in the hope to offer an additional angle to draw significant insights about the concept.

All on all, the preceding discussion unfolds in the following research question:

- *What capabilities are developed and leveraged within Italian SMEs implementing shared value strategies ?*

Chapter two: Theoretical Framework

2.1 The RBV: resource and enterprise level of analysis

As already highlighted in the Literature Review, academic research has tried to investigate and gain knowledge on the concept of shared value by relating the former to various stream of research (Pfizer et al., 2013; Crane et al, 2014; Florin and Schmidt, 2011; Michelini and Fiorentino, 2012; Szmigin and Rutherford, 2013; Santos, 2012). However, while these efforts were undoubtedly useful to broaden and deepen the general understanding of the notion, their theoretical contributions were limited. These studies are ontologically and conceptually enriching, but they are arguably of little help to any firm or firm's manager willing to understand how to effectively implement and reap the benefits of a shared value approach in practice. In order to overcome this common flaw in previous literature, this study applies a sound and well-known theoretical lens: the Resource-based view of the firm (RBV) (Barney, 1986; Barney, 1991). The rationale underlying this theoretical choice is that the RBV offers an analytical tool for resource-level and enterprise-level of analysis (Peteraf and Barney, 2003). This feature, thus, is consistent with the previously confessed aim of this paper, i.e. exploring the firm's internal dimension to understand how organizational resources and capabilities are exploited to reach a sustainable competitive advantage through shared value strategies. Moreover, previous research (Montgomery and Wernerfelt, 1988) has shown that when different level of analysis are used in order to explain performance differential, the resource-level of analysis of the RBV has a considerable explanatory power (Rumelt, 1991). It is interesting to note how, Porter's historical work as a strategist has predominantly culminated in theoretical frameworks emphasizing the importance of the attributes of the context within which organizations operate, i.e. the external environment (Porter, 1980; 1985). Similarly, the impetus of research following the release of Porter and Kramer (2011) has focused on analysing the potential for shared value creation by screening the external environment (Bockstette and Stamp, 2011; Pfizer et al., 2013). However, by acknowledging the multidimensional nature of performance (Kaplan and Norton, 2008), and the contingencies implied by both the firm's internal and external environment, this paper recognizes that a successful strategy has to balance its focus on external and internal determinants of performance. Thereby, emphasizing the analysis of the inside-out perspective seems legit in order to balance the scale that so far has seen the predominance of investigations applying the outside-in perspective with respect to shared value. This observation further legitimates this theoretical approach.

Nevertheless, this approach is also challenging. The RBV was developed in relation to the study of MNCs (Wernerfelt, 1984; Barney 1991) and its implications and explanatory power are less clear in the context of SMEs. There is general consensus in the literature that SMEs and large firms possess fundamentally different kind of resources (Dean et al., 1998). When compared to their larger counterparts, SMEs are usually characterized by a narrower resource base and lower potential to reap the benefits of scope, scale and learning (Dean et al., 1998; Aldrich and Auster, 1986). Moreover, SMEs have hardly been the focus of environmental studies based on arguments regarding their presumed unwillingness to go beyond regulatory compliance (Russo and Fouts, 1997; Sharma and Vredenburg, 1998), the scarce public interest in SMEs (Scott, 1990), and the scant availability of information about SMEs (Aragon-Correa, 1998). Nevertheless, alternative studies suggest that often failing to commit to CSR results in forgone potential opportunities to realize commercial benefits for SMEs (Jenkins, 2009). These aspects, however, underlie the opportunity to simultaneously contribute to existing knowledge and applications of the RBV and to further the literature about CSR and environmental management in the context of SMEs. The conjunction of these two purposes is realized within this paper through the study of how SME's organizational capabilities are harnessed and coordinated through shared value strategies to achieve positive impact throughout the Triple Bottom Line of economic sustainability, social cohesion and prosperity and environmental integrity.

2.2 The RBV in the context of SMEs

In contrast to the literature on shared value, that, as emphasized in the previous sections fundamentally lacks a theoretical approach able to address the novelty and ramifications of the concept, the literature on CSR has already employed different approaches aimed to understand how and to what extent can CSR generate competitive advantage and improve financial performance (Torugsa et al., 2012; Alt et al., 2014). One of the best known and most widely accepted of these approaches is the resource-based-view of the firm: a theoretical framework implying that firms gain a competitive advantage through the development of value creating strategies derived not only from the acquisition of unique heterogeneous resources, but from their ability to integrate and deploy those resources as the basis for core organizational capabilities (Barney 1991; Grant 1991; Wernerfelt 1984). This approach has been deployed in few pioneering studies analysing the role of capabilities in determining the effectiveness of proactive CSR strategies by SMEs (Torugsa et al., 2012; Alt et al., 2014). Within these studies, the authors focused on analysing those organizational capabilities which are deemed to be essential to successfully implement CSR strategies and which are expected to enhance financial performance.

However, the role of organizational resources, which according to the RBV play a fundamental role in determining the potential for the existence and survival of a firm's competitive advantage (Barney 1991; Grant 1991; Wernerfelt 1984) is almost completely overlooked in the former. An additional point which would deserve further clarification is whether these resources satisfy the RBV's requirements of heterogeneity and immobility.

Figure 1: The RBV requirements for achieving a competitive advantage

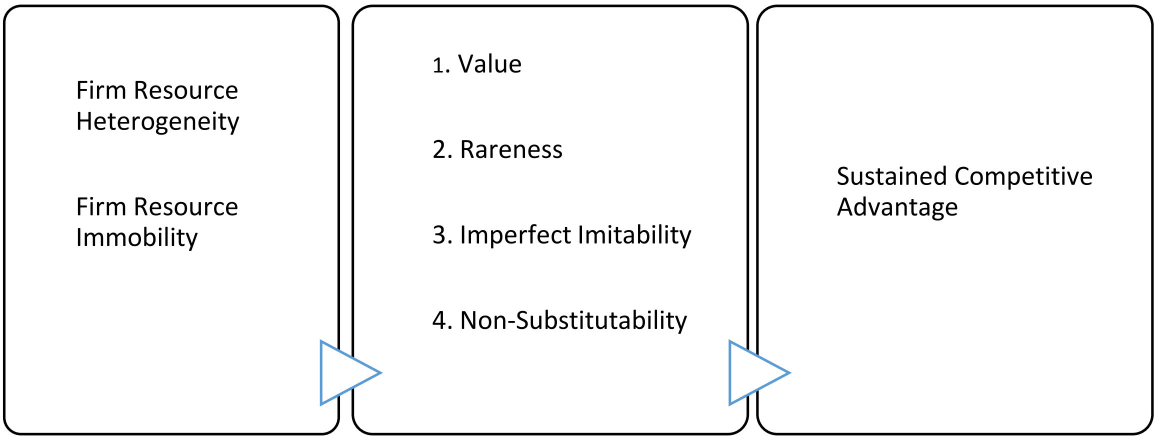

Figure one shows the relationship between resource Heterogeneity and Immobility, Value, Rareness, Imperfect Imitability and Substitutability and Sustained Competitive Advantage.

Source: Barney 1991, p.112

Barney (1991) also devised -as an addition to previously developed resource-based models- a set of conditions for firms' resources to meet in order to be qualified as resources with the potential of leading to competitive advantage, the so called VRIN (Valuable, Rare, Imperfectly imitable, Non-substitutable) framework. Figure one represents the process according to which the RBV conceives the achievement of sustained competitive advantage departing from a set of idiosyncratic resources. Accordingly, once ascertained the heterogeneous and immobile nature of resources, the latter have to bear the VRIN test to make sure they provide a solid ground for the creation of sustained competitive advantage (Barney, 1991). Barney (1991) proposes the VRIN framework as a tool for the formulation of specific empirical questions that need to be addressed before the relation between a particular firm's resource and sustained competitive advantage can be understood. The literature however is rather silent with respect to whether this theoretical lens should apply also to smaller firms. This feature could be ascribed to the previously mentioned general agreement about the fact that SMEs are usually endowed with fewer resources with a lesser strategic potential (Dean et al., 1998; Aldrich and Auster, 1986). Whether smaller firms' resources actually need to respect the conditions of heterogeneity and immobility and fit the VRIN framework in order to lead to competitive advantage, however, falls outside the scope of this study.

Notwithstanding consensus on the disadvantaged resource base available for SMEs, alternative stream of research suggested that these smaller firms possessed properties such as a simple capital structure, internally generated funds and the entrepreneurial orientation of the owner/manager that can contribute to competitive advantage (Rangone, 1999; Yu, 2001). Another attribute very often cited in relation to SMEs arguments is flexibility (Aragon-Correa et al., 2008; Yu, 2001). Being flexible allows SMEs to focus specifically on those external relations which are critical for their procurement of resources, while larger firms can count on larger and deeper internal resource basis (Aragon-Correa et al., 2008). These external relations mainly consist of inter-firm relationships (with suppliers and sub-contractors), personal relationships that would provide potential market opportunities (Aragon-Correa, 2008; Prahalad, 1996), relationships with the community to increase legitimacy and improve reputation and relationships with government agencies aimed at receiving subsidies and technical assistance (Darnall, 2002).

As mentioned earlier, entrepreneurial orientation has been taken into consideration as an additional resource SMEs could enjoy to a greater extent with respect to larger firms. Although this may be a relevant consideration, as noticed by Aragon-Correa et al. (2008), SMEs are usually constrained in their availability and use of human resources. This entails that often the potential for competitive advantage from this resource is synthesized in the owner/manager's visionary and entrepreneurial ability (Merz and Sauber, 1995). The benefits deriving from entrepreneurial orientation thus, hinge upon the capacity of the manager to communicate its vision and instil purpose in the firm so that it triggers employees' motivation and proactive stance (Aragon-Correa et al., 2008). Furthermore, SMEs have also been characterized as having shorter lines of communications, closer interaction among departments and personal links (Kogut and Zander, 1996). These features are conducive for the emergence of a unified culture and stronger identity which coupled with effective communication leads to shared understanding. However, due to closeness and intensity of interaction, if a shared understanding and unified culture are not in place, problems may arise (Lawrence and Lorsch, 1969).

As emerges from this paragraph, there is mixed evidence in the literature on SMEs with regard to their advantages and disadvantages vis-à-vis larger firms. In contrast to the commonly held belief on smaller firms' lack of resources, conflicting evidence has been found (Chen and Hambrick, 1995). In line with previous literature and findings, this paper develops its arguments revolving on the notion that SMEs' exclusive attributes enable them to deploy a set of unique capabilities that would compensate for their narrower resource base and provide an explanation to the previously discussed conflicting evidences. In the following paragraph a detailed analysis of these unique capabilities will be provided along with the development of the hypotheses which will then be assessed against empirical findings.

2.3 SME's Organizational capabilities for shared value creation

Drawing from the RBV of the firm (Barney, 1991; Wernerfelt, 1984) and the unique set of characteristics featuring SMEs discussed previously, this section will elaborate on the nature and salience of different capabilities for the effective implementation of shared value strategies and their impact on the three areas of sustainable economic development. The literature has already treated the effects of a range of capabilities in determining the degree of engagement in proactive CSR (Alt et al., 2014; Aragon-Correa, 2008; Torugsa et al., 2012). However, no research to date has applied the same analytical lens to investigate shared value. Nonetheless, considering shared value as a conceptual evolution of CSR thinking, in that it connects the commitments to corporate social and environmental responsibilities to the profit generating unit of the business (Porter and Kramer, 2011), this study will assess whether the capabilities found in the literature to be positively associated with the adoption of proactive CSR will be the same as the ones leveraged for shared value creation.

In relation to research about organizational capabilities in the context of SMEs adopting a proactive CSR stance, the most relevant studies to date (Aragon-Correa, 2008; Torugsa et al., 2012) emphasise the existence of three capabilities, namely '*shared vision'*, '*stakeholders management'* and '*strategic proactivity'*. Arguably, each of these capabilities can be traced back onto one of the three areas of sustainable economic development according to the impact it is expected to produce. This would allow to clarify specifically how the firm is having an impact, highlighting the effects of different activities, practices and processes and the resulting capabilities, on the overall Triple Bottom Line.

2.3.1 Shared Vision

A shared vision capability consists in the firm's ability to embody the collective values and beliefs of its members in common objectives and mission (Oswald et al., 1994). Shared vision does not entail that employees are knowledgeable about managers' objectives or generally aware of the firm's strategic trajectory. It rather refers to the existence of a shared understanding by all the organizational members about the company's objectives, and a general agreement about the appropriateness of those objectives. Moreover, where shared vision is in place, all the members of the firm have the potential to contribute to objectives' formation and along with the managers share the responsibility for achieving them. Such a capability, though, supports the development of organizational learning, employee involvement and creativity and is ultimately conducive for the accumulation and exploitation of resources and skills necessary to develop a strategic attitude to apply at the business-natural environment interface (Ramus and Steger, 2000). Due to goal clarity, organizational learning and employee creativity, firms developing a shared vision capability are better positioned to innovate and evolve into more efficient and effective business models (Hart, 1995). The effective adoption of a shared value logic, thus, would be compounded by shared vision as it enhances the firm's potential to strategically engage with social and environmental issues due to improved organizational alertness and employees' involvement (Hart, 1995). Additionally, smaller businesses are less 'bureaucratized' and less hierarchical than larger ones, thus allowing them to have more direct and transparent communication among its members. Consequently, shorter lines of communication and simpler management structures foster the establishment of a set of common values and strengthen company's culture, thereby increasing employees' involvement. However, research reports that managers often incur in problems when setting objectives and trying to reach a shared understanding of all the members, mainly due to resource scarcity and inappropriate managerial skills (Way, 2002). Under these circumstances, developing a shared value logic could be particularly challenging. Only by embedding a purpose truly upheld by other members within the organization, and through close interaction with those members, the owner/manager can create the conditions for shared vision to emerge and therefore for shared value to be generated. In this sense, shared vision is needed to produce the organizational focus and impetus for the sake of potential challenges in the external environment to be translated into shared value opportunities. The preceding specification motivates the following proposition:

Proposition 1: *A capability of shared vision will be positively associated with the adoption of shared value strategies by SMEs.*

2.3.2 Stakeholder Management

Stakeholder management, defined as 'the ability to establish trust-based collaborative relationship with a wide variety of stakeholders, especially those with non-economic goals'

(Sharma and Vredenburg, 1998, p. 735), has been found to bear significant influence on firms' ability to reduce their negative social and environmental impacts in the process of generating a competitive advantage (Torugsa et al., 2012; Sharma and Henriques, 2005). These impacts are often 'reflected in context-specific stakeholder pressures along a firm's value-chain' (Sharma et al., 2007, p. 272), and firms that have an holistic conception of the plethora of their stakeholders and are able to address each group's claim are more inclined to adopt proactive CSR (Henriques and Sadorsky, 1999). In a similar fashion, Porter and Kramer (2011, p. 68-70) suggest 'redefining productivity in the value-chain' as one of the pattern that leads to shared value creation; the idea is that by reassessing impact throughout the value chain, it is possible to detect areas for potential improvements and synergies. This is because social and environmental problems may create economic costs in the firm's value-chain. Research on stakeholder management mainly focus on the importance of this capability in large firms (Henriques and Sadorsky, 1999). Similarly, examples for shared value creation through stakeholder management are mainly connected to value-chain or collaborative relations improvements implemented by large global MNCs such as Wal-Mart and Johnson & Johnson (Porter and Kramer, 2011, p. 68-72). Nevertheless, due to the distinguishing characteristics of SMEs cited earlier, there is evidence that this capability can be crucial for smaller firms as well (Aragon-Correa, 2008; Torugsa et al., 2012). Their constrained resource base forces SMEs to develop an organizational ability to be sensitive to the preferences of, and collaborative with, external groups over which the firm may be dependent for procurement of resources, technologies and practices needed for implementing proactive CSR (Aragon-Correa, 2008). Accordingly, detecting, understanding and managing societal and environmental concerns at the business-environment interface is at the core of implementing a shared value strategy. Thereby the need to develop this 'organizational sensitivity' is of paramount importance in order for a stakeholder management capability to emerge and set the grounds for shared value creation. Tying trust-based relationship with internal and external firm's constituents could help SMEs gathering additional resources and knowledge to effectively implement shared value strategies through coalition and alliances, participation in networks and increasing regulatory agent's awareness about the practice (Porter and Kramer, 2011). In line with this, one of the most recent operational studies on shared value (Lee et al., 2014) analysing supplier relationship management (SRM) activity through a Korean bakery franchise, depicts collaborative efforts and mutual firm foundation as engines of business and social value and thus representative of shared value creation. This would suggest:

Proposition 2: *A capability of stakeholder management is positively associated with the adoption of shared value strategies by SMEs*.

2.3.3 Strategic and Environmental Proactivity

A strategic proactivity capability is described as 'a firm's ability to foresee and capitalise on, rather than merely react to, emerging opportunities in its business environment' (Torugsa et al., 2012, p. 487). The notion derives from the work of Miles and Snow (1978) on the prospector orientation typology which suggest that strategically managed firms develop an entrepreneurial orientation which enable them to undertake initiatives to shape the general business environment to their own advantage (Aragon-Correa, 2008). Those firms are also likely to empower employees to deliberately engage in innovations and process improvements aimed at enhancing environmental practices and therefore competitiveness (Aragon-Correa, 1998). These characteristics are consistent with the shared value logic, according to which shared value initiatives will be more likely to be successful the higher the extent of employees involvement and adherence to the initiatives. Accordingly, for instance, within a firm the higher the number of employees having a concern about environmental impact in the form of energy consumption, the more likely it will be for that concern to be addressed through autonomous, proactively produced practices. The former example is even more likely in the context of SMEs, where, as previously discussed, shared vision plays a crucial role in determining strategic buy in of employees and consequently the achievement of organizational objectives. Ultimately, proactivity, by fostering a goal-oriented and continuous improvement climate within the organization favours the development of new capabilities (Torugsa et al., 2012). Although previous studies on the effect of strategic and environmental proactivity on sustainable approaches –as well as all shared value related studies- have been conducted in the context of large corporations, some findings show the importance of strategic and environmental proactivity in SMEs (Torugsa et al., 2012). Dean et al. (1998) found that SMEs are discouraged on average to undertake activities in strictly environmentally regulated market sectors. However, special kind of proactive SMEs are attracted to compete under these conditions (Dean et al. 1998). This evidence offers further legitimacy to the notion that B corps (which arguably fit the specification of 'special kind of SMEs') are better equipped to thrive in this highly regulated environment as they acquired the ability to closely monitor, measure, and manage their impacts throughout the Triple Bottom Line. Thus, B corps demonstrate how strategic and environmental proactivity can be leveraged by SMEs to survive and prosper by initiating change and challenging the status quo in competitive and highly regulated markets (Chen and Hambrick, 1995). In addition to this, SMEs' structural simplicity and streamlined operations grant higher flexibility and adaptability with respect to their larger counterparts (Minztberg, 1979). All on all, these features afford SMEs a greater potential to create a competitive advantage in emerging niche markets by being more innovative and proactive in incorporating economic, social and environmental benefits that value-add to products and services (Torugsa et al., 2012). Therefore this specification would suggest:

Proposition 3: *A capability of strategic and environmental proactivity is positively associated with the adoption of shared value strategies by SMEs.*

Chapter three: Research Design

As emphasized above, the purpose of this paper is to shed light on the nature and salience of those organizational capabilities developed by small enterprises adopting shared value strategies. This research direction provides scope to contribute significantly to existing literature by assessing the potential of shared value creation from the firm's internal perspective and by investigating shared value in the new context of SMEs. This aim is accomplished through the implementation of a qualitative research design. This choice was mainly driven by the objective difficulty to quantitatively measure capabilities, the lack of studies on this matter and the consequent lack of structured quantitative framework of analysis on the issue. The novelty of the concept and the scant availability of information about SMEs also concurred to this decision. More specifically a multiple case study approach will be adopted.

3.1 Case Selection

In the spirit of Eisenhardt's (1989), the case study method was selected in order to delve deeper into the development of organizational capabilities which would support shared value creation. Accordingly, being the notion of shared value still in its infancy, and its relation to capabilities underrepresented in the literature, the case study qualifies as the most effective approach for this investigation. Case studies are particularly well suited to studying complex phenomena from different angles and comparing various organizational situations (Yin 1981, 2003; Eisenhardt 1989). This method also made it possible to collect a large variety of data, which was necessary to analyze the different interpretations and understandings about shared value logic and about organizational capabilities which were likely to vary from firm to firm. Vast amount of data were collected from different sources, both primary and secondary: interviews, case studies, videos, reports, websites etc. Investigation of secondary data sources along with an in-depth analyses of the literature (regarding both shared value and SMEs' CSR related studies, see Section 1) resulted in the emergence of a theoretical framework which has its roots in the RBV of the firm (Barney, 1986, 1991; Wernerfelt, 1984). This framework was then adapted in order to accommodate for the specificities of the investigation, i.e. adapting the assumptions of the RBV to the context of SMEs. Elaborating on the peculiar attributes of the former and considering insights from SMEs' proactive environmental strategies literature (Aragon-Correa, 2003; Aragon-Correa, 2008; Torugsa et al., 2012), three relevant capabilities were detected. The purpose is then to assess whether these capabilities match the ones developed in the case companies. This suggests a deductive research approach. In order to compare the capabilities derived from the literature and thus assess the related theoretical propositions thereby produced, an ad hoc selection process had to be used. Indeed, the complexity of the task of detecting suitable companies for this investigation was heightened by the difficulty of objectively defining shared value creation in operational terms. Also in the literature there is general agreement concerning this challenge (Crane et al., 2014). However, after a first stage of investigation consisting of: analysis of relevant literature (roughly 40 papers retrieved from *Journal of Environmental Management, Journal of Business Ethics, Journal of Management, European Management Journal, Strategic Management Journal* and 10 additional articles from the *Harvard Business Review*); interaction with the Shared Value Initiative Community (through online subscription) and feedbacks from entrepreneurs within available network of contacts, the B corps movement was found to be fitting the requisite of this research. As discussed in Section 1, in fact, this new kind of companies blur the line between profit and non-profit and, by embedding the purpose of creating shared value as a binding principle in their incorporation deeds, they satisfy the condition to partake into the study. The selection of B corps further corroborates the decision of adopting a multiple case study approach given their novelty and neglect on the part of the literature. This approach allows having more depth and breadth of information about the phenomenon and may thus enable the emergence of additional findings and patterns (Yin, 1981). The selected sample consists of four companies operating in different sectors thus affording the opportunity of making comparisons among them (See Appendix 1, p. 65). Drawing from Maltz et al. (2012), by including B corps in different sectors, the paper advances the understanding of how the development of different capabilities concurs to the achievement of a competitive advantage with varying degrees of effectiveness in different sectors.

This study will therefore be a “type 4” case study (Yin, 1989), a multiple unit embedded analysis in multiple B corps. Its aim will be exploratory due to the novelty of the concept and the scant academic research so far produced about the topic. For what concerns the frame of the study, it will consist of a snapshot as due to time and resource limitations no follow-up interview will be conducted.

3.2 Data Collection

Data collection was carried out in three main steps: collection of a vast amount of relevant documents, preliminary e-mail contacts with the certifying non-profit organization B Lab, in-depth unstructured interviews with managers (in some cases owner-manager) and where possible employees. First, external documentation employed to select cases (interviews with managers published in business newspapers, interviews broadcasted on national television channels, B Impact assessments, legal documentation, etc.) were used as much as possible to provide a preliminary overview of each B corp social and environmental commitment along with their potential for shared value creation. In the second step, through reaching out B Lab, detailed knowledge about the practices and the assessment process that B corps have to go through to achieve the certification was gathered. In particular, the B Impact Report was detected as a yardstick against which it is possible to measure the development of different capabilities. Furthermore, the documents collected made it possible to ask more specific questions during interviews to compare the data collected in the field with more formal information and to investigate organizational capabilities from different angles. This triangulation process, based on the integration and comparison of various data sources, tends to improve internal validity (Eisenhardt 1989). Information gathered through secondary sources was then compared with findings deriving from on field interviews showing a high degree of consistency. Primary data sources consisted of a total of 10 interviews conducted with managers (in few cases owner/manager) and when possible employees within the four case companies. Accordingly, having collected information from different individuals within the case companies allows a plurality of perspectives which should provide a more comprehensive view on the topic of organizational capabilities and shared value culture. The selection of this research design, coupled with the use of triangulation method is expected to corroborate research findings (Saunders et al., 2012) and provide an optimal balance between insightful and objective information.

3.3 Measures and Analysis Strategy

In order to analyse qualitatively the great bulk of information gathered, an ad hoc framework was devised. The framework builds on internal and external components. The external component derives from data collected through secondary sources. More specifically, it mainly relies on the publicly available (B corps website) B Impact Reports of the case companies. The first step in becoming a Certified B Corporation is taking the B Impact Assessment, which assesses the overall impact of the company on the Triple Bottom Line. It is a tool that provides an objective and comprehensive rating on how significant a company’s current impact is and results in the B Impact Report (Table 1). The B Impact Assessment is not to be confused with other reporting systems that detail how a company should go about collecting its impact data such as the Global Reporting Initiative (GRI). The GRI indicator is more likely to inform about whether a company is reporting according to best practice, but does not tell anything about the significance of the impact being measured. On the contrary, the B impact Assessment aims to evaluate whether a company achieved some improvement in its practices; for instance assessing whether the company has increased or decreased its emissions relative to the company’s revenues or relative to best practices of other businesses. This is a relevant distinction as it allows to emphasize and measure the creation of a positive impact in a way that is reliable and comparable among different companies and sectors. To this extent, thus, this measurement tool is also useful in assisting those consumers, investors and institutions that want to support businesses that put their values into action. However, it is worth emphasizing that, within this study, the scores shown for each company are the scores provided by B Lab. More specifically, after having filled out the B Impact Assessment, every company is assigned a score by B Lab on each impact area. Accordingly, B Lab's scores offer an opportunity to compare performance differentials among different companies in an objective way.

Table 1: An exemplified version of the B Impact Report

Impact Area	Company 2 Score	Median Score
Environment	40	9
Workers	23	22
Customers	0	N/A
Community	23	32
Governance	5	10
Overall B Score	91	80

Table one shows the B Impact Report of one of the case companies, i.e. Olio Carli SpA. Scores are calculated over a maximum of 200 points. The median score results from all businesses that took the Assessment and represents the threshold to be eligible for certification. Scores do not sum up linearly as they are weighted.

Source: B corps website

The Assessment consists of five main areas of impact: workers, customers, community, governance and environment. However, for the sake of this investigation, the impact areas will be reduced to three (by aggregating the workers and governance sections and the customers and community sections) in order to reflect more effectively the three distinct capabilities relating to each area of impact. The Assessment varies depending on the company's size (number of employees), sector, and location of primary operation. Once completed, the Assessment provides a score about the impact of the business in different areas and on all of its stakeholders, including workers, suppliers, community and the environment. The scores on each of the Assessment's areas are weighted according to the "Assessment Track"- determined by industry, size and geography - of the business taking the Assessment. The Assessment also captures best practices regarding mission, measurement and governance. The last, heavily weighted, portion of the Assessment identifies the company's specific "Impact Business Models," which include the targeted, formal focus on benefiting a particular stakeholder through products and services or internal practices (B corps website). After the Assessment is completed, the ratings on each section are calculated and are communicated through the B Impact Report. All in all, thus, the B Impact Report, represents an effective instrument to take stock of current best practices and to highlight potential improvements. Consequently, the scores assigned by B Lab to each case companies on different impact areas will be used as proxies for their development of the three organizational capabilities presented in the previous section. The internal component of the Analysis, instead, was developed after an in-depth investigation of the literature. Several environmental strategy studies (Aragon-Correa, 2008; Christmann, 2000; Sharma, 2000; Sharma and Vredenburg, 1998) have in fact deployed different set of measures to evaluate the degree of development of the capabilities of shared vision, stakeholder integration, strategic proactivity and their effect on the implementation of successful environmental strategies. These measures were further validated and adopted by several successive researches (Aragon-Correa, 2008; Buysse and Verbeke, 2003; Torugsa et al., 2013). However, those studies adopted quantitative methods to evaluate the contribution of each measure to the development of a certain capability. Within the present study, instead, those items were used to devise more detailed questions during interviews and highlight patterns and deviations in the corresponding answers. Additionally, the former will be used to code the collected data by assigning a *category* to each section of data referring to a different capability. Specifically, a four items scale was used to assess the shared vision capability; a seven items scale was used to assess the stakeholder management capability; and a six items scale was used to assess the strategic and environmental proactivity capability (Aragon-Correa, 2008; Christmann, 2000; Sharma, 2000; Sharma and Vredenburg, 1998). Given the extensive adoption of those measures in previous researches and the proved validity of the former, it seems legitimate to propose their use in a qualitative study in order to categorize different sections of data that can be referred back and are coherent with the previous literature.

Table 2: An Integrated Framework of Analysis

Scores from B Impact Reports (External component)	**Organizational Capabilities**	**Item-scale categorization *** (Internal component)
Environment score	**Environmental and Strategic Proactivity**	• Natural environmental aspects in administrative work • Continuous process improvements • Environmental training for employees • Entrepreneurial orientation • Extended Network of collaboration • Flexible planning system
Workers & Governance score	**Shared Vision**	• Shared responsibility for achieving objectives • Open and extended communication of organizational objectives • Employee participation in decision making • Investor in people
Customers & Community score	**Stakeholder Management**	• Employee stakeholder integration • Customers stakeholder integration • Suppliers stakeholder integration • Local community stakeholder integration • Environmental groups stakeholder integration • Minority stakeholder integration • Engagement in philanthropic activities *Items drawn and adapted from Aragon-Correa (1998), Sharma & Vredenburg (1998), Aragon-Correa (2008)

Table two shows the elements drawn and adapted from previous researches used to carry out the qualitative analysis. Respectively, the scores from the left column and the sub-categories in the right column will be integrated to infer about the development of the three capabilities in the column in the centre.

Source: Aragon-Correa,1998; Sharma & Vredenburg, 1998; Aragon-Correa, 2008.

All on all, the resulting framework aims at providing a balanced analysis accounting for both the subjective perceptions of managers and employees working within the companies and for the objective evaluations provided by B Lab through the B Impact Assessment. This solution will allow for detailed comparisons and the likely emergence of additional findings.

In line with Jacobsen's (2002) recommendations, the analysis process of the collected data will be divided into three main steps with an iterative approach. The first step is to describe all the collected information. Here the aim is to keep the analysis as open as possible in order not to omit any relevant information. First, the "raw data", i.e. the recorded interviews, were transcribed and summarized into the final empirical text. This consisted of individual descriptions of each case company along with a characterization of their capabilities. This text, however, is still too generic and will thus be further analysed. The second step, in fact, entails a detailed assessment through the use of the Integrated Framework of Analysis (Table 2). This will enable systematizing and categorizing data according to the scores of the B Impact Report and to the sub-categories stemming from the literature. This step allows to interpret the material in the light of knowledge and evidence gathered through internal and external sources and thus, it enables to have a more comprehensive view on the subject. This coding process facilitates the comparison between the empirical findings and theoretical themes deriving from the literature. This will simplify and create a clearness of information (Jacobsen, 2002) that will arguably enable to infer more precisely about each individual capability in every case company. This process of analysis of the empirics will be presented in Chapter 4- Case Analyses. In the first part of the chapter, an analysis of individual cases will be presented in order to create an understanding and description of the phenomena in different contexts (Jacobsen, 2002). The second part will provide cross-cases analysis following an inspection of shared vision, environmental and strategic proactivity and stakeholder management, seeking to highlight similarities and uncover deviations regarding the theoretical themes in every case company. The main purpose here is to create a subject centric analysis in order to give a greater understanding of the entirety information. Finally, the third step concerns interpretation and combination of information (Jacobsen, 2002). Drawing from the previous analysis, the literature and the general argumentation presented in the current study, Chapter 5- Discussion-, will search for meaning and causes and will try to bring order to the information. In other words, the purpose is to simplify, conventionalize and present the research discoveries in order to create an overview of what was found. Throughout this stage, while searching for correlations, similarities and differences, it is crucial to critically examine information in order to emphasize deviations from the observed pattern and evaluate the study's validity.

Chapter four: Analysis

This section provides an analysis in the form of multiple case study. It consists of two parts: the first one introduces and characterizes individually every B corp and thereby infers about the development of their capabilities; the second part of the chapter, instead, provides a cross-cases analysis and relates the empirical findings to the theoretical themes previously discussed.

4.1 Case Company 1: Dermophisiologique srl

Dermophisiologique was founded in 1989 in Northern Italy with the mission of being a leader in professional cosmetics by taking a true physiological approach to skincare. The company upholds this principle with its continuous focus on quality excellence on various aspects of the business. Through its proprietary technology, R&D department, in-house laboratories, and collaboration with Universities and Certifying Entities, the company has developed an in-depth knowledge about skincare which along with its physiological approach represents the main business drive. The company is small (with 10 full-time employees) but has a well-established network of clients in Italy, such as Spa and Beauty Centres in addition to individual end customers, but it also has an international presence in ten foreign countries featuring mainly Eastern Europe and the US. Dermophisiologique achieved the B corp certification only a few months before the current research was undertaken. Accordingly, as Table 3 shows, the company was assessed eligible by scoring 81 on a minimum requirement of 80 points. This, however, was considered a success at Dermophisiologique taken in consideration the complex and technical nature of the assessment process. The B Impact Assessment, indeed - even if tailored to a company's specificities - draws from US MNC's reporting practices, which can be hard to understand and effectively apply in a different context such as a foreign country SME. All on all, however, the interviewees have expressed enthusiasm and involvement about the certification and the related initiatives; the belief is that the certification will represent an additional trigger for the company to support its mission and sustain continuous improvement processes.

Table 3: Dermophisiologique B Impact Report

Impact Area	Company 1 score	Median Score
Environment	**22**	9
Workers	**15**	22
Customers	**11**	N/A
Community	**25**	32
Governance	**7**	10
Overall B score	**81**	80

Table three shows the scores for case company 1. Source: B corps website.

Shared Vision

As explained in Section 2.3.1, a capability of shared vision entails shared responsibility and accountability, more generally a common understanding of the company's objectives by all the organizational members. Accordingly, within Dermophisiologique, communication, both formal and informal, seems to be playing a crucial role in fostering the creation of a common mind set. This is probably easier to achieve in a company with 10 employees such as Dermophisiologique, where shorter lines of communication and close interaction facilitate tasks coordination and clarity about individual objectives. Since the certification was achieved, a number of initiatives were developed in order to link consistently each organizational function to the general objective of improving the B scores in different areas. This process, in essence, increases shared understanding by showing clearly how every task and activity is linked to a higher level goal. For instance, the Purchase Department was instructed to purchase green polystyrene only for packaging in order to reduce the impact of the material used; another example is the Marketing Department which is entitled to ensure effective internal communication through Newsletters and forums and external communication through the Charter of Values (a document provided to the entire company's supply-chain). In addition to this, Dermophisiologique is investing in training programs on sustainability for its employees to be always up-to-date on environmental and operational practices and thereby increase the potential for its positive impact. This commitment is reflected by Dermophisiologique's scores in the B Impact Report. Both the sections about *workers* (15 points) and *governance* (7 points) score positively, even if slightly lower than the median scores. This may be indicative of the difficulty in measuring impacts and practices in a detailed and comprehensive manner and to the novelty of the B Impact Assessment to the company. However, this represents just an additional motivation for the company to pursue further improvements.

"Everyone within the company is enthusiast about this initiative and we are already looking forward to next year's Assessment to see how much we were able to improve."

These findings are well aligned with the sub-categories derived from previous research (See Table 2). Indeed, with its focus on communication, employees' involvement and training, the company meets the main features necessary to deploy a shared vision capability.

Stakeholder Management

Dermophisiologique maintains a high consideration of its stakeholders. As discussed in regards to shared vision, it is clear that the company deeply focuses on its internal stakeholders, i.e. employees, with its attention to their training, wealth and participation to organizational initiatives. However, the company's focus goes well beyond its organizational boundaries to account also for the need of customers, suppliers, minority groups and more generally of the surrounding community. In this regard one of the interviewee said:

"*As a company we do business within a context made up of a social community and the surrounding environment and we feel bound to respect and bring prosperity and safeguard this context*."

In this respect, it is worthwhile emphasizing one of the initiatives that more clearly describes this commitment. The company has engaged the whole supply chain as well as its entire customer base in a process of redefining their business practices and consumption behaviours according to those principles which are the foundations of the B corp movement. Dermophisiologique has thus extended the implications of being a B corp both upstream and downstream, encompassing the needs of a wide plethora of stakeholders. Furthermore, the company is also addressing the needs of an underserved group of customers, oncological patients, by becoming one of the funding members of a non-profit organization which provides training for professional cosmeticians to treat patients undertaking oncological therapy. Its continuous focus on employees, suppliers and customers' education, its emphasis on communication of sustainable principles to partners and competitors, and its effort for environmental improvements are all witnessing Dermophisiologique's remarkable interest for its stakeholders. This is visible through the positive scores in the B Impact Report (Table 3) under the *customers* (11) and *community* (25) impact areas. A comparison with the median scores in the table highlights that there is still considerable room for improvements on both dimensions. However, when assessing those scores it is wise to take in consideration the novelty of this assessment procedure to the company which may have undermined to some extent the ability to properly report about its practices and commitment with respect to its stakeholders .Referring to the Integrated Framework of Analysis (Table 2), it is apparent how all the crucial elements needed to develop a stakeholder management capability are present in the context of this company. Also the last item associated with stakeholder management, namely *engagement in philanthropic activities* is matched by Dermophisiologique's donations to foundations for cancer research and through supporting a non-profit organization in Africa. All on all, the company's stance with respect to its internal and external stakeholders proves rather proactive and fostering social cohesion within its community, witnessing thus, the existence of a stakeholder management capability.

Environmental and Strategic Proactivity

The investigation of the shared vision capability has already given some examples of how the company is able to integrate natural environment aspects in the administrative work. Not only its own efforts towards environmental improvements in every organizational function are evidence of this, but also its willingness to convey this attitude to customers, suppliers, partners and competitors and to involve them into this responsible approach. The B Impact Report score on the *environment* impact area (22) indicates the proactive and successful attitude of Dermophisiologique with respect to environmental concerns, and is in fact well above the median score (Table 3). For what concerns instead the strategic proactivity of the company, it is slightly more difficult to assess. This was confirmed even by the interviewees' answers when asked about the company's readiness with respect to strategic change. Accordingly, it was acknowledged that, mainly due to its small size and limited resources, under some circumstances, the company is forced to take a reactive stance. However, through the advancement of an extended network of collaboration and the development of both a shared vision and a stakeholder management capabilities, Dermophisiologique is in an advantaged position to foresee and strategically anticipate changes in the external environment with respect to its direct competitors. This is shown, for instance, by the company's ability to understand customers' needs and even more by its commitment to develop solutions for underserved niche markets such as oncological aesthetics. This overall characterization is coherent with all the elements expected to be found in association with this capability (Table 2) apart from the *integrated strategic planning* attribute. The lack of the former is an element common in SMEs due to their difficulty to apply a longer-term vision to their strategies (Stonehouse and Pemberton, 2002). However, an interesting finding in relation to this is that following certification, the adoption of the B Impact Assessment is not only exploited as a tool to evaluate performance in a backward perspective. On the contrary, it can also be leveraged to forecast future developments and improvements, thereby producing performance targets encompassing different dimension (financial, social, environmental), which can be used as an alternative to usual strategic planning procedures. This corroborates the company's focus on the internal organizational context and the external environment, thus supporting its potential for further progressing its advancement of the environmental and strategic proactivity capability.

4.2 Case company 2: Fratelli Carli SpA

Fratelli Carli is a historical family owned olive oil and gastronomy company founded in 1911in Imperia on the western coast of Liguria. Since its foundation, the company has been selling goods directly to its customers, by mail order and delivery, right to the door and increasingly all over the national territory. Starting from the 2000s, the company also gave life to a retail chain presently including five Empori, namely in Imperia, Turin, Milan, Padua and Cuneo. In a parallel, due to company's growth and surging international demand, Fratelli Carli has expanded its operations into several European countries such as Austria, Germany, Switzerland, France and the UK and has also undertaken foreign direct investments in the US. Through historical collaborations with highly selected suppliers and through strict and permanent monitoring of the different production steps, the company has contributed to create a very short production chain. This allows the company, on the one hand, to guarantee product excellence, on the other hand to respect the ecosystem within which it operates and its employees, by promoting the diffusion of the Mediterranean culture, that has always been related to the olive tree and to olive oil. Fratelli Carli is the biggest company to be investigated in this study with its 288 employees and has been the first Italian manufacturing company to become a B corp. This is a source of pride for the organization, and represents a confirmation of the engagement that has been maintained for the past century towards people's wellbeing and environmental safeguard. Fratelli Carli completed the B Impact Assessment for the first time in 2014, scoring 91 points. Its remarkable performance is undoubtedly determined by the company's culture which has historically prioritized the principles of sustainable development and has consequently allowed it to take a proactive stance and reap the benefits of certification.

Table 4: Fratelli Carli B Impact Report

Impact Area	**Company 2 score**	**Median Score**
Environment	**40**	9
Workers	**23**	22
Customers	**0**	N/A
Community	**23**	32
Governance	**5**	10
Overall B score	**91**	80

Table four shows the scores for case company 2. Source: B corps website.

Shared Vision

The brief introduction of the company outlined above already hints to the crucial role played by the workforce in assisting the achievement of the organizational objectives. Accordingly, 100% of the workforce participates to sustainability training and bonus plans, and this is already quite remarkable for a company with almost three hundreds employees. These practices highlight the direct link between employees' involvement and the successful implementation of initiatives aimed at improving the company's performance under different dimension and thereby to respect the pre-determined goals. Even prior to becoming a B corp, Fratelli Carli run based on the criteria that engaging the entire organization and orchestrating "common actions" was the most powerful way to accomplish its mission. Accordingly, the company did not have to undertake any transition or transformation in order to become a B corp:

"*When we got to know B corps we experienced an epiphany, suddenly realizing we already were one, and then we wanted to take the test*!"

Nowadays, with a century of experience and evidence of ongoing success, these criteria has become just "the way they do business" and are embedded in the company's culture. Among others, examples of this attitude are, for instance, the presence of a portal where all employees can contribute their ideas and opinions, or the launch of the "Fratelli Carli Green Week": a week dedicated to employees and their families to promote virtuous practices regarding themes related to sustainability. Thus, notwithstanding its size which features the company at the boundaries of the SME definition, and which could hinder effective communication and the achievement of shared understanding, Fratelli Carli has retained its ability to engage in a profound and comprehensive way the entirety of its workforce. This characterization features all the elements according to which previous research has assessed a shared vision capability (See Table 2) and the company's proficiency in these terms is also reflected by the scores on the B Impact Report (Table 4). Both the sections on *workers* (23) and *governance* (5) score positively, even if the low number of points gained on the latter suggest that there is considerable margin for improvement relative to control and management systems. Conversely, the remarkable score on the workers' dimension, witnesses that the emphasis on the workforce value and accountability is not a feature deriving from the latest fads following certification, but is part of a culture which sinks its roots in a century of responsible business.

Stakeholder Management

Fratelli Carli recognizes that a healthy community and environment are both essential pre-requisites for a profitable business. Due to the company's growth, the community Fratelli Carli is part of is in continuous expansion. The company, however, has set in place a portfolio of initiatives to meet the interest of its stakeholders that keeps widening in order to account for the growing community. Not only employees, as discussed earlier, are the target of virtuous practices, but more generally, suppliers, customers, non-profit organizations and the local ecosystem. Fratelli Carli reaches out roughly 600,000 people periodically with its publications on themes regarding sustainability, thus proposing itself as 'paragon' of virtuous behaviour and contributing to create awareness about the topic. This channel of communication is corroborated by "Buongusto" a magazine which is freely distributed to the company's customers which features articles and studies about healthy culinary habits and lifestyle in accordance with the core values of the Mediterranean tradition. On the top of these 'soft' communication and education tools, Fratelli Carli owns an arsenal of more tangible instruments. Years ago the company realized in Imperia the "Olive tree Museum", which so far has been visited by more than half a million people, and through its collaboration with the Technology and Science Museum of Milan, it has had the possibility to meet and involve students of different grades in interdisciplinary projects. Alongside these activities, Fratelli Carli is committed on an ongoing basis in the organization of social events in its Emporio of Imperia. However, the company's effort to improve the impact on its stakeholders stretches farther than the local community, as it engages in a number of philanthropic activities. Fratelli Carli supports through donations AIFO, a non-profit organization which carries out charity work in underdeveloped countries in the South of the world in order to relieve the indigenous population from the leprosy plague end ensure basic health assistance. Additionally, the company funds and supports with its knowledge and resources a Research Institute developing products and solutions for skin diseases through the use of materials and active ingredients deriving from olives.

The above characterization provides several elements upon which a capability of stakeholder management can be predicated. It shows how all the sub-categories in the internal component of the Integrated Framework of Analysis (Table 2) find a tangible representation in several of the company's initiatives. For what concerns the external component instead, the score on the *customer* (0) section is rather perplexing. While the positive and high score on the community (23) section is in line with the findings previously discussed, the score on the customer impact raises some questions. However, due to the complexity of the assessment procedure and the lack of detailed technical information regarding the mechanism through which B Lab translates company's data into the scores in the B Impact Report, advancing arguments in the attempt to explain this differential seems rather pointless.

Environmental and Strategic Proactivity

The strength of the relationship which ties the organization's core business activities to its natural environment is reflected by the company's devotion to its preservation. Fratelli Carli is in fact committed to continuously reduce its footprint in terms of energy consumption throughout its production and logistics processes. The peculiarity of its delivery system, namely the door to door distribution to the end customers, represents an advantage for Fratelli Carli, affording the company the opportunity to communicate more effectively and establish lasting and trustworthy customer relationship. Consequently, the company constantly monitors the energy consumption produced through its delivery system, i.e. its fleet of trucks, which is being progressively replaced with the new generation of eco-friendly vehicles. The greatest efforts and achievements in terms of reduction of energy consumption comes however from a set of practices implemented in the production stage. Hereby, the company has devised a model for reducing its CO2 footprint which is based on the synergies arising from three fundamental activities: the utilization of electricity produced 100% from renewable sources; the autonomous production of energy through photovoltaic installation; and the reduction of marginal consumption. Additionally, 100% of waste produced are recycled. Nevertheless, Fratelli Carli's willingness to be at the forefront of innovative practices aimed at improving its impact on the society and environment and at enhancing its products' quality is not restrained to these sustainable production and consumption measures. Keeping always high its focus on those peculiar characteristics which distinguish the company's culture and products from competitors', Fratelli Carli is increasingly engaging its whole supply chain to uphold values and carry out monitoring and operational activities with the purpose of increasing its overall sustainability. This was done through the development of "The Code of the Olive Tree", an instrument that the company has provided to all its suppliers and which allows them to accurately monitor the sustainability level of all their agricultural and transformational operations. Through the development of this project, a significant part of the supply chain was asked to fill in the Probe (Promoting Business Excellence) questionnaire developed by the PROBE Network with the collaboration of The Natural Step (non-profit international organization), the London School of Economics and the Harvard Business School. This initiative is noteworthy as:

"The outcome of this project was to produce the most complete and accurate analysis on olive growing so far, and to foster further awareness about those operational practices throughout the company's supply chain."

Furthermore, the benefits deriving from this kind of collaborations do not only entail improvements in sustainable practices and consequently also in products' quality, but they are also reflected in improvements in the company's strategic posture. The market's and product's insights gathered through these activities contribute to a better understanding of the potential for seizing growth opportunities as witnessed by the recent introduction of a new product line (Mediterranea) within the company's portfolio.

All on all, it comes with no surprise that Fratelli Carli scores so high on the environment section (40) (See table 4). Arguably, its commitment toward operating in the full respect of the environment is hardly met by any of its competitors, and has availed the company the recognition of its merits in different settings. Even the adoption of the internal component of analysis (Table 2) in the evaluation of this capability confirms the presence and, advanced development, of all those elements which were detected in previous studies as the foundations for a capability of strategic and environmental proactivity to emerge.

4.3 Case company 3: D-Orbit

D-Orbit is a young, innovative company founded in 2011 that develops smart satellite disposal systems (D-Orbit Decommissioning Devices, D3) that can be installed on spacecraft and launcher stages before launch and are able to remove them in a quick, safe and controlled manner from their orbit. The company's current mission is to stop the systematic increase of concentration of uncontrolled objects in space, promoting a sustainable and profitable future for the Space industry, and a clean and safe environment for space missions. The objective is to help operators saving their assets (i.e. orbital slots), reducing operational costs and risks, and consequently providing an easier, sustainable and profitable access to space. D-Orbit's founder had previously funded The Natural Step Italia, a non-profit organization providing consulting services on strategic sustainability, following that experience, he embedded the same principles of sustainable development in D-Orbit's culture. Funded on those same principles, D-Orbit was born since inception as a B corp; the fact that the decommissioning device D-3 was conceived before the company's foundation as a product whose function was aimed at fulfilling the requirements of strategic sustainability is a proof of this. D-Orbit creates tangible and intangible benefits and profits opportunities for customers and positive societal impact. The strategic process that led to the design of D-Orbit Decommissioning Device permit to transform the “problem makers” in “problem solvers” through sustainable space missions. D-Orbit belief is that doing well in business and doing right by the environment are not mutually exclusive, but that businesses have an opportunity to do environmental good on an unprecedented level. Walking his talks, in the summer of 2014, the company became a Certified B Corporation as synonymous of quality and transparency.

Table 5: D-Orbit B Impact Report

Impact Area	**Company 3 score**	**Median Score**
Environment	**45**	9
Workers	**18**	22
Customers	**0**	N/A
Community	**14**	32
Governance	**8**	10
Overall B score	**84**	80

Table five shows the scores for case company 3. Source: B corps website.

Shared Vision

D-Orbit is a young entrepreneurial company with 30 employees operating over three countries driven by the strong lead of its founder. The three teams active in different locations work on distinct projects but their objectives are aligned according to the company’s long term vision and short term priorities. Knowledge flows among the different offices are not homogeneous due to their distinct roles, but each team is active in sharing relevant information in order to keep the whole organization up to date with latest developments. In Italy resides the pivot of the organization, where the majority of the staff is working and where core activities take place. The Portuguese team is well aligned with the company’s vision and mission, their proposals and projects reflect the core competencies of the organization and confirm the subsidiary’s proactive stance. An interesting aspect is the difference observed with respect to the US office. The US office is the newest and is run by experienced senior associates, who so far have been manly receiver of information and knowledge. Compared with the younger Italian and Portuguese teams the US’s one is less innovative and more resistant to change, but looks at the ideas and projects of the European counterparts with interest and curiosity. An interesting principle that D-Orbit applies to its employees is to foster the utilization of local workers in order to shorten the supply chain of labour. This practice entails several benefits. It is advantageous for employees as it enables them to enjoy a better work-life balance by avoiding frequent travels. Furthermore, disposing of a shorter 'employees' supply chain', and therefore employing local workers is beneficial from a business perspective, as it provides better knowledge of the host country business climate, administrative practices and can be a mean to bridge the cultural gap which has often resulted in forgone opportunities and in the emergence of different kind of liabilities (Zaheer, 1995; Johnson and Vahlne, 2009).

Notwithstanding D-Orbit's geographic spread, communication is not an issue being the company's size still small and due to the continuous improvement in ICT (Information and Communication Technologies). The company, for instance, uses cloud storage for sharing documents and relevant material, thus ensuring complete transparency and availability of information. A formal structure is in place, which, however, does not compromise D-Orbit's flexibility and ability to communicate effectively its objectives both horizontally across every department and vertically to every employee within each department. Thus, everyone working for the company has the potential to access knowledge produced in different part of the firm and independently, based on his/her interest can dig deeper and assume a proactive stance in proposing new and challenging organizational objectives. As acknowledged by the founder, the concept driving this participatory behaviour is that:

"*The firm consists of its people and belongs to its people; thus everyone is responsible and accountable for caring about its well-being"*.

Observing D-Orbit's Report (Table 5), it can be seen that both sections associated to shared vison, *workers* (18) and *governance* (8), score positively. However, one could expect those scores to be higher given the sustainable principles which are driving the company since inception and given the extensive importance assigned to the transparency of governance and to employees' participation and accountability. This note, signals again the difficulty to assess the extent of the development of certain intangible practices and capabilities (such as a transparent and responsible governance in this case) with a sheer numerical value. Nevertheless, through the adoption of the Integrated Framework of Analysis (Table 2), and specifically by using the internal component of analysis as a measurement tool, major overlapping emerge between the elements expected to be found in association with a shared vision capability and the ones observed in the company under investigation.

Stakeholder Management

D-orbit stakeholders can be classified into different categories: its stockholders (those providing financial resources to the company, i.e. investors), its partners (shareholders), its employees, its corporate clients and the aerospace industry at large. The stockholders are allegedly the most sceptical towards the for Benefit approach, but confronted with the ongoing company's growth and increasing awareness about the B corps movement, they are responding well and seem satisfied with the current performance. There is still diffused ignorance about the for Benefit business models and consequently a lack of understanding of those which could be the huge benefits deriving from a scaled adoption of the former. However, D-Orbit is progressively gaining the attention of the media which are a formidable mean for the dissemination of the B corp paradigm. The interest stake of partners is for the company to grow and to advance its innovative potential. This task is addressed through investments in R&D and through cooperating with companies having complementary skills and resources in order to leverage synergies in operations and proprietary practices. As stated by the founder, D-Orbit's most valuable resources are represented by its employees. The engine of all the company's activities is its people, as they are the ones who allow the company to aim higher and move beyond its current boundaries. The focal determinant of success can be resumed in the quality and productivity of the people which contribute to achieving it. These considerations are in line with the emphasis placed on employees well-being through the adoption of a short labour supply chain mentioned above. Furthermore, alongside the B impact assessment, the company is developing an Internal Improvement Plan. Among the different initiative encompassed by the plan, the area of labour contracts is the one on which the company is focusing more:

"*Italy's labour laws are quite stringent on the availability of contract types, and we are committed to find a way to shape our employees' contracts in the most flexible and adaptable way possible*."

D-Orbit's pioneering character and innovative product, avails the company a place in the forefront of the aerospace industry. The company's visionary attitude has in fact contributed to create a new sector in the aerospace industry, and by being the first mover in the development of a product for decommissioning services for satellites, D-Orbit is arguably expanding the boundaries of the sector and providing a new wave of productive growth. Counterintuitively, however, the points gained on the B Impact Report (Table 5), do not portray the same picture, featuring both *customer* (0) and *community* (14) with rather low scores. The customers section, is the most perplexing. Here the differential among the score and the evidence drew from investigation of primary and secondary data is highest. However, this can be understood in terms of the difficulty to evaluate the positive implications that the purchase of D-3 (D-Orbit's main product) can determine to its adopters, i.e. customers. The company, and its product, are in fact extremely young and this of course has a bearing on the ability to realize the benefits the former may produce on clients' businesses as well as on the industry at large. Therefore, the expectation is that the scores on the customer and community sections will progressively increase in the following assessments due to clearer and more diffused evidence of the benefits accruing to its adopters.

Environmental and Strategic Proactivity

As emerges from the analysis provided so far, the company has a strong proactive character. The breakthroughs provided by its technology hold promise to benefit the environment and to contribute to the growth and advancements of a new sector in the aerospace industry. D-Orbit's uniqueness rests on the fact that it was able to rise the principles of sustainable development from the earth to the space. This represents just a slight deviation in thinking whose implications, however, have a great potential to produce positive and impactful outcomes. D-Orbit successfully integrates the principles of sustainability with scientific know-how, allowing space operators to make a better commercial and environmental use of their satellites. The company's proactivity, and its ability to develop solutions to problems that so far stayed unchallenged (like the systematic increase of concentration of uncontrolled objects in space), is a feature that partly derives from the adoption of a strategic sustainability framework. Therefore, it seems legitimate to assume that blending together commercial and sustainable goals improves the company's strategic orientation. A more insightful scanning of the natural and competitive environments, coupled with the adoption of sustainable solutions will likely result in the realization of more useful and better products whose features go well beyond current standards and will be compliant with future standards as well. Overall, D-Orbit's flexibility and strategic alertness are reflected by its dual focus on short term objectives and long term vision.

"Selecting the right timing is essential to be successful in our sector. You may develop a terrific product, but if the market is not ready for it, it will not sell."

In line with the general characteristics of knowledge intensive sectors, in the aerospace industry time is often the most crucial resource, as being a first-mover in the development of a technology usually determines significant competitive advantages. Accordingly, D-Orbit keeps its long term goals fixed, while adjusting its decisions and behaviour in the short term according to market conditions. In addition to this, leveraging the strategic sustainability framework, the company is in a better position with respect to competitors to select the right timing for innovation and to produce technologies with a greater competitive edge due to their sustainable nature. The adoption of Integrated Framework of Analysis (Table 2), confirms D-Orbit's proactivity under the different dimensions (environmental training; entrepreneurial orientation; flexible strategic planning; networks of collaboration) of the internal component, and underscores its outstanding environmental performance by displaying the highest score among all the companies analysed within this study under the section of the *environment* (45).

4.4 Case Company 4: Nativa

Nativa is the first certified B Corp in Italy since 2013 and one of the first in Europe. Its purpose is to create a net positive impact on society, the biosphere, and the economy. Nativa is born and evolves around the framework for innovation guided by sustainability principles coded by the international non profit The Natural Step, a leader in this field since 1989. Consequently, Nativa did not become a B Corp, but was designed as such since inception. The company is also country partner of B Lab for the diffusion of B corps in Italy. Nativa fosters the evolution of business and society through helping companies incorporate social and environmental sustainability into their 'DNA' and strategy, improve their business results, and create authentic economic value. The company helps its clients to evolve a long term vision accounting for the urgent need to feature sustainable principles in the development of their strategies. Nativa, however, does not only support its clients in redefining their products, processes and services, but it aims to sustain and advise the company throughout the shift to a sustainable paradigm. The final aim is thus to reshape the entire client organization rather than its output. The company's ambitious mission materializes through different activities: Nativa offers several business services aimed at advancing the sustainable evolution of its clients, such as advisory services, product design, process design and supply chain management. In addition to these activities, the company is also committed in the production of content regarding B corps and the evolution of sustainable thinking, it performs market research and through networking and collaborations fosters the expansion of the Italian B corps community.

Nativa's B Impact Report overall score is the highest among the four case companies, witnessing how sustainable principles were embedded in the company's culture since its foundation and how they keep on inspiring its employees and leading the company in its day-to-day business with clients.

Table 6: Nativa B Impact Report

Impact Area	Company 4 score	Median Score
Environment	**11**	9
Workers	**26**	22
Customers	**28**	N/A
Community	**31**	32
Governance	**13**	10
Overall B score	**108**	80

Table six shows the scores for case company 4. Source: B corps website.

Shared Vision

When analysing the extent of development of shared vision within Nativa, it is important to bear in mind that, as in the case of D-Orbit, the company was conceived and designed as a B corp. This has important implications as it entails that the company, since its foundation, embeds a purpose shared by all its employees. Accordingly, as the findings with respect to D-Orbit confirm, these preconditions increase the likelihood for a shared vision capability to emerge.

In line with the other case companies, Nativa considers its employees the company's most valuable resource and is committed to create an accommodating working environment for its people to employ their skills and competencies at best. Therefore, the company monitors the organizational climate, employees' involvement and well-being through an instrument called "Happiness at Work" consisting of a questionnaire gauging employees satisfaction on the job under different dimensions. This practice is arguably useful to monitor employees' morale and to make sure that a positive organizational climate is in place. On the other hand, Nativa addresses the need of creating a common understanding of the organizational objectives by scheduling weekly meetings attended by all employees. During these meetings, the results of previous week's works are evaluated and targets for the new week are set. These represent the occasion for employees to share their ideas, to contribute feedbacks about past performance and future improvement potential, to ensure the work they plan to carry out is well aligned with the rest of the company's objectives. Discussions during these meetings mainly hinge upon operational issues due to the short time span for planning, but occasionally more strategic questions may emerge. However, longer term planning and innovative developments are paramount for Nativa. Accordingly, the company devotes a period of few days twice a year for its employees to gather together, get inspired, confront and discuss about ideas for growing Nativa's impact in the future. Through research, market scan and open discussion, the company aims at harnessing those global trends through which it has the greatest potential to enhance its positive impact on the TBL (Triple Bottom Line). For instance, last year, the outcome of this long term strategic planning materialized in the foundation of Croqqer, a spin-off of Nativa, which connects job seekers to job providers through a business model inspired by the principles of the sharing economy.

In a similar fashion, Nativa shows its commitment and high regard towards its employees by providing them bonus plans options, sustainability trainings, soft and professional skills courses in order to enhance their productivity and involvement. All this array of measures contributes to create a sense of belonging which value adds to the professional experience and further motivates people to challenge themselves and increase the company's stature. Nativa's regard for its employees and its ability to foster a shared vision capability are mirrored by its results in the B Impact Report (Table 6). Accordingly, both sections show positive and relatively high scores, workers (26) and governance (13). Additionally, by employing the internal component of analysis (Table 2) and matching its sub-categories with the evidence from the case, it can be shown how a shared vision capability is associated with shared value creation in this company.

Stakeholder Management

The preceding discussion demonstrates that Nativa's strategic focus on sustainability affords the company unprecedented opportunities to positively impact its different stakeholders and therefore to create authentic economic and social value. For what concerns its employees, in addition to the virtuous practices described in relation to shared vision, Nativa also offers them time off to volunteer and engage with local non-profits organizations. A part of these initiatives for instance, is concerned with educational programs whose purpose is to diffuse a culture of sustainability among school students. The company's commitment however, extends to its suppliers as well. The former are in fact encouraged to follow responsible and sustainable practices, and are selected on the basis of their proficiency in these terms. Naturally, the main beneficiary of Nativa's activities are its clients. In this regard, the benefits they receive from engaging Nativa are two-fold:

primarily, through Nativa's assistance clients redefine their products, processes and business model, thereby achieving improved (financial, social and environmental) performance; secondly, by instilling strategic sustainability principles in the clients' companies culture, Nativa helps them to independently develop a long term vision and to evolve a 'future-fit design' accordingly. Thus, through the services provided to clients, Nativa indirectly benefits the environment and society at large, supporting the creation of a healthier economic system.

Moreover, Nativa's agenda features research and communication about sustainability and B corps community as additional priorities. Its contribution to increase the awareness about the potential improvements and productivity gains entailed by these approaches, can be characterized as an additional effort to cater to the needs of other stakeholders, such as local governments and regulatory agencies. All in all, Nativa's distinct attributes and practices are well aligned and, to some extent go beyond, the practices according to which previous studies have predicated a stakeholder management capability (See, Table 2). Also the B Impact Report (Table 6) alludes to a remarkable development of the former, displaying notable scores on both the *customers* (28) and *community* (31) sections.

Environmental and Strategic Proactivity

As outlined in the introduction, Nativa - as other case companies did - has integrated the strategic sustainability framework developed by The Natural Step into its planning process. The company leverages this instrument as a catalyst for innovation and continuous improvements. Following the same logic, Nativa adapts and applies this strategic framework to clients' companies, thereby discarding obsolete and harmful products, practices, and business models and developing new, future-fit solutions. Through the ameliorations operated in clients' businesses, therefore Nativa has an indirect positive impact on the environment. Accordingly, depending on the size and kind of the client's business, the impact produced by the environmental improvements associated with Nativa's services have varying potentials. However, due to its small size, Nativa has little opportunity to directly create a significant impact; indeed it does so mainly through upholding environmental friendly practices, which constitute the standard way of doing business for its employees. The greatest impacts are in fact the ones deriving from challenging its clients to reach a sustainable business. Nativa in fact refutes a CSR approach to business even for its clients as the socially responsible activities thereby launched would separate from the company's core business:

"Nativa's objective is instead aimed to transform its client's core business into a sustainable business. By setting sustainable principles as the new rules of the game, we assists our clients in developing future-fit designs"

Nativa's innovative nature breaks through the boundaries that have usually set the constraints for long term business planning. The company in fact, approaches the task of planning for the future by adopting the concept of 'backcasting'. The former is central to a strategic evolution towards sustainability: it is a way of planning in which a successful outcome is imagined in the future followed by the assessment of the present conditions. This process boosts the creativity to move step by step towards the vision. The adoption of this concept provides a framework which clarifies the pattern through which a desired outcome can be reached in a systematic way, and coupled with a constant market scan ensures the company's readiness and flexibility.

Furthermore, Nativa is also proactive in promoting the awareness and interest of policy makers with respect to the emergence of the B corp movement and for Benefit sector. The company in fact has been actively collaborating with the Italian Senate, lawyers and legislators to work on a Law Decree acknowledging B corps as a new legal entity. This law decree is included in the broader set of reforms under the name of Stability Pact and is still under scrutiny. However, if approved, it would represent a head start for the national system in terms of innovation as Italy would rank globally as the second country after the US to formally recognize the legitimacy of these new economic sector. Once again, though, the preconditions uncovered in previous literature and explicated by the internal component of analysis (Table 2) are met and satisfied by the peculiar characteristics developed within this case company. However, as already noticed in other instances, the score on the B Impact Report (Table 6) under the *environment* (11) section for Nativa, are not well aligned with the findings highlighted through the present analysis. Nevertheless, as hypothesized earlier, in the case of Nativa, this mismatch can be ascribed to the difficulty of including the improvements realized within clients organization in the company's B Impact Assessment.

4.5 Cross-cases Analysis

While the previous section performed an in-depth investigation of the different organizational capabilities within each of the four companies, this part of the analysis is devoted to emphasizing differences and similarities among the empirics in order to provide additional implications. The sample of B Corps selected in this study is quite heterogeneous both in terms of industry, sector, revenues, type of product (products or services) and size of the companies, therefore ensuring a relatively high degree of external validity. The purpose of considering SMEs in different contexts is to provide a sample of firms representative of Italian SMEs; however, it can be objected that the same companies, being B corps, will present some fundamental distinguishing factor with respect to standard for-profit small businesses. The aim, in this part, is to create a subject-centric analysis moving away from individual cases to focus on findings about the theoretical themes (Jacobsen, 2002), i.e. organizational capabilities, across all the companies. Accordingly, the section is structured in four paragraphs: the first three paragraphs elaborate on similarities and deviations about the extent of development and practices that support shared vision, stakeholder management and environmental and strategic proactivity; the fourth paragraph is instead devoted to developing an argument about the different potentials of the case companies to achieve shared value creation.

Shared Vision in B Corps

The analysis of individual cases highlighted several analogies with respect to the practices undertaken in order to foster a shared vision capability. Firstly, through the investigation of each firm, and above all through the interviews, this study uncovered the importance - within the firms analysed - of embedding a set of common values within the company since its foundation. Arguably, B corps are in an advantaged position with respect to this necessity, as participating in this network of innovative companies already signals a fundamentally different attitude to business and has the positive effect of attracting talents and like-minded individuals (B corps website). This, in turn, results into a better matching between company's and individual employees' values and beliefs, thus enabling a correct and homogeneous interpretation of mission and vision statements and the emergence of a shared understanding. Several interviewees had expressed similar opinion in this respect:

"*Within a smaller enterprise it is easier to develop a shared vision as it comes from closer ties and more direct relations which are likely to develop in smaller contexts*"

In a parallel, this translates into greater employees' accountability and responsibility, elements that confirm the findings of previous research (Sharma and Vredenburg, 2005; Aragon-Correa, 2008). What has been noted, is that by increasing the stake of responsibility of each individual employee in regard to the development and achievement of the organizational objectives, i.e. empowering employees, has positive results on performance and organizational climate. Different set of practices evidenced in the case companies, such as the use of tools for internal and external communications, the involvement of all the personnel in the planning procedure, the provision of on the job training and bonus plans for employees, are all signalling the importance of human resources to these companies. More specifically, through the interviews it was possible to appreciate the particular emphasis placed on education and training: the recurring argument being that increasing the awareness and developing a spontaneous interest and drive towards these themes is indispensable for strategic sustainable practices to gain traction and permeate the whole firm. These methods are a way for B corps to unlock additional value from their employees, to support the development of organizational learning, and are ultimately conducive for the accumulation and exploitation of resources and skills necessary to develop a strategic attitude to apply at the business-environment interface (Ramus and Steger, 2000). Noteworthy, however, is the case of Fratelli Carli. In contrast to what found in the rest of the sample, in fact, within this B corp, the process of strategic planning does not involve the entirety of the workforce. Although this lack of complete transparency in the control and management system is in conflict with the general expectations, it can be justified by the size of the firm. Fratelli Carli is in fact the biggest firm within the collected sample, and with its 250+ employees, it would be difficult to imagine how it can possibly achieve a collective planning procedure. Nevertheless, the company is not excessively bureaucratized and tries to offset this lack of transparency in governance through massive engagement of its employees through an arsenal of initiatives and programs (See section 4.2). On the other hand, the rest of the companies in the sample - whose sizes range between the 10 and 30 employees - enjoy simpler management structure and shorter lines of communications, both conducive for strengthening company's culture and thereby employees' involvement. All on all, it seems that due to goal clarity, employees' creativity and organizational learning, B corps are on average more inclined and better equipped to develop and leverage a capability of shared vision. Additionally, the research findings confirm that the former is a formidable instrument for producing the organizational focus and impetus needed to detect challenges in the business-environment interface awaiting to be turned in shared value opportunities.

Stakeholder Management in B Corps

A high regard towards the entirety of stakeholders is a recurring theme in all the case companies. To a certain extent this finding follows quite obviously from the fact that all the companies investigated are B corps, and thus, as previously discussed, they are bound to create benefits for all those entities having an interest in the companies' business. However, although this is generally true, some differences were detected in the ways and extent to which, the interests of different stakeholders is integrated in the companies' business models. In relations to this, it has been observed that the factors that are most likely to determine this variation in behaviours are the kind of industry the companies belong to and the typologies of products (product or service) that they provide. Accordingly, the four case companies can be categorized in two groups: the first one featuring those firms actually creating tangible products, namely Dermophisiologique and Fratelli Carli; while the second one includes companies providing services, namely D-Orbit (the company does actually create a product, D-3 decommissioning device, but the benefits deriving from its adoption are better understood as a service) and Nativa.

The companies in the first group, due to their production processes, use of materials, creation of waste and energy consumption bear a higher exposure to the interests and pressures coming from all those entities concerned with their environmental practices. The expectations coming from this group of stakeholders, however, are fulfilled through the adoption of a proactive environmental stance by these companies, thereby acting as paragons of environmental proficiency in several occasions. Furthermore, both Dermophisiologique and Fratelli Carli are placed at the bottom of their respective value chains, and thus have to ensure that their sourcing practices are sustainable every step of the way, down to their last contractor. Naturally, this is easier for Dermophisiologique, due to its small dimensions, than for Fratelli Carli that through its suppliers manages the olive growing district in Imperia province. Nonetheless, both firms appear extremely successful not only in ensuring the highest compliance with environmental and quality standards, but increasingly in rising awareness about sustainable and responsible practices in the community within which they operate.

Conversely, D-Orbit and Nativa, being mainly concerned with services whose substance is intangible, are less likely, for instance, to directly impact the environment and thus to set in place specific requirements and standards for their sourcing. However, their commitment towards the stakeholders takes the form of education, training and iterated communication. More specifically, these companies leverage heavily on sustainability training both for the general public (for example in schools) and for partners and collaborators. However, in addition to promoting sustainable principles the two are also deeply committed to advance knowledge on this topic and contribute to develop further the for Benefit sector by performing research and producing publications. A positive outcome of these activities is that these are extremely relevant for increasing the regulatory agents' awareness about these virtuous practices and the B corp community in general.

An overarching theme across all the four case companies - and in line with previous research (Sharma and Vredenburg, 1998; Aragon-Correa, 1998) - is the reliance on an extended network of collaboration. In fact, while to some extent these companies are all part of the same network - being B corps and relying to varying degrees on the sustainability framework developed by The Natural Step - they also leverage collaborations with competitors, non-profits and organizations in other sectors in an effort to widen the pool of available resources and capabilities. As reported by one of the interviewees from Nativa, indeed:

"Leveraging collaborations and networks is crucial for us given our small scale; we are particularly keen to collaborate with other B corps as we already speak the same language and avoid fighting over who is reaping the most benefits out of the deal"

This finding, in turn is extremely coherent with the implications derived from the literature. In a similar fashion, indeed, previous studies have suggested that SMEs, due to their constrained resource base, tend to develop an organizational ability to be sensitive to the preferences of, and collaborative with, external groups over which they may be dependent for procurement of resources, technologies and practices (Aragon-Correa, 2008). The only distinction with respect to this collaborative attitude is represented by D-Orbit's approach to cooperation with other firms. In this context, in fact, collaboration takes place only when the firm perceives the need for some complementary resource or capability that it is not able to develop autonomously. However, this deviation from the pattern found for the other case companies can be explained by the need to protect the company's proprietary knowledge and technology, which in the aerospace sector is of paramount importance in order to secure a competitive advantage.

The devotion of time and resources to volunteering, charitable donations and more generally philanthropic activities is an aspect characterizing all the case companies. The end purpose of these financial and non-financial commitments is far from being commercial, given that the same efforts are hardly advertised by the companies themselves. The emphasis placed on this kind of virtuous practices seems to emerge from a spontaneous and disinterested attitude, a willingness to impact positively disadvantaged or underserved group of people and thus to accomplish a social purpose. If anywhere, the origins of this philanthropic attitude are to be found in those core values and beliefs that underlie these companies' mission and vision since inception. All on all, the implications concerning the capability of stakeholder management drawn from the cross-cases analysis are in line with the arguments outlined in the section of the Theoretical Framework (Section 2). These findings suggest, as Porter and Kramer (2011) advocate, that tying trust-based relationship with internal and external firm's constituents could help SMEs gathering additional resources and knowledge to effectively implement shared value strategies.

Environmental and Strategic Proactivity in B Corps

The discussion articulated so far portrays these special kind of SMEs as distinct from standard for-profits under a variety of dimensions, with the widest gap between the two groups represented by the difference in their proactive stances. Similarly to what advanced in reference to the other peculiar characteristics of these firms, proactivity, as a distinctive feature, can be ascribed once again to their very nature, i.e. for benefit. It is interesting to note how all the companies in this study apply to a certain extent, and with the due adjustments and variations, the strategic sustainability framework developed by The Natural Step. Nevertheless, the within cases analysis has shown how proactivity is developed to different degrees within each company. More specifically, based on the findings it seems legitimate to emphasize the differences between the proactivity of the case companies with respect to their environmental practices and their proactivity with respect to their strategic planning.

Environmental proactivity is a feature common to all the case companies. As reported in each of the individual case analysis, every company in the study has set in place virtuous practices and procedures to ensure the reduction of their environmental footprint. These measures go well beyond standards and witness the willingness to reshape the way in which impact, on several dimensions, is assessed. The focus and involvement of the entire organization in producing actionable initiatives in line with sustainability principles in order to improve environmental performance has spawned innovative approaches which, in some cases, for instance in Fratelli Carli' experience, were reflected in improved financial performance. Overall, these evidences are coherent with insights from Aragon-Correa (1998) who infers that environmentally proactive firms are more likely to empower employees to deliberately engage in innovation and process improvements, thus corroborating their proactive stance and further contributing to strengthen the organization' competitiveness. The same, however, does not hold for strategic proactivity. The literature has long recognized the objective difficulty for smaller firms to develop appropriate strategic frameworks able to account for the necessity of both the long and short term (Stonehouse and Pemberton, 2002). This study provides interesting insights to elaborate on this theme. The analysis has in fact demonstrated that, notwithstanding their small sizes, companies such as D-Orbit and Nativa concentrate to a large extent their efforts on both business and strategic planning. While they may not apply widely known instruments such as Porter’s five forces or the generic strategies methods, they develop actionable plans with short term objectives which are tied in a modular way to their long-term vision. Nativa’s ‘backcasting’ approach is exemplary in this sense, as the simple use of the strategic sustainability framework of The Natural Step coupled with constant market scan ensures the company’s readiness and flexibility. In the same fashion, D-Orbit leverages the same framework to devise its long term goals and to take short term decisions in an effort to improve its strategic orientation. However, this strategic planning process is not developed to the same extent in Dermophisiologique, where the small dimension of the firm and the relatively more stable market conditions decrease the need to rely on long term planning and consequently the company banks mainly on business planning and financial analysis. The case of Fratelli Carli is less clear in regards to the company’s commitments to future planning. The large size of the firm requires a sound process of business planning, while it would seem as if the company tries to foster its longer term strategic fit by leveraging insights and relationships within its network of collaborations and with communications with its various stakeholders. However, the differences found between the first two companies (Nativa and D-Orbit) and the latter (Dermophisiologique and Fratelli carli) can be ascribed to the fact that the latter mainly stress the internal analysis of their organizations in order to produce a strategic orientation. This attribute would characterize them as adopting the core competence and capabilities approach to strategy formulation (Prahalad and Hamel, 1990; Rumelt, 1991), thus sticking to an inside-out perspective. The main determinant of variation that can be suggested from what evidenced within this analysis is that the organization’s age is negatively correlated with the extent of strategic planning, with younger firms showing a more structured and long term attitude towards planning. Conversely, the younger firms with greater proactivity seem to espouse the emergent or learning approach to strategy (Grant, 1997), allowing greater flexibility and responsiveness. To conclude, on the basis of these findings, it can be advanced that, within the companies included in the current study, a capability of environmental and strategic proactivity was found, however, the extent of its development is dependent on different factors among which company’s age and its approach to strategy formulation.

4.6 Patterns of Shared Value Creation

The analysis of the results has highlighted the homogeneity of the case companies with respect to features such as their founding values, their regard for employees’ well-being, their focus on the connection between social and economic goals, and their proactivity with respect to environmental issues. However, the same companies are also fundamentally different. They have different sizes, operate in different industries, produce different products (and services), face different competitors and market conditions. Nevertheless, all of them produce a positive impact on the Triple Bottom Line and achieve shared value creation. The coexistence of similarities and discrepancies, however, is reflected by the different ways through which they create shared value. Porter and Kramer (2011) suggest three ways for accomplishing this (See Table 7): by redefining products and markets, by redefining productivity in the value-chain; and by enabling local cluster development. In the authors’ view, unmet societal needs like health, nutrition, and environmental protection offer unprecedented opportunities for business to create economic and social value by designing innovative products and creating new markets able to cater to those specific needs (Porter and Kramer, 2011). Within this study, for instance, this pattern of shared value creation was observed in Dermophisiologique - which is developing skincare products for an underserved customer group, i.e. oncological patients - or in D-Orbit - whose innovative product contributes to the creation of a new market sector and rises sustainability concerns from the earth to the space – and also in the business services provided by Nativa which supports its clients in conceiving future-fit design products. Moreover, opportunities to create shared value arise because societal problems can create economic costs in the firm’s value chain (Porter and Kramer, 2011). Many so-called externalities actually inflict internal costs on the firm, even in the absence of regulation. Accordingly, the findings of this study reveal that the congruence between societal progress and productivity in the value chain is far greater than traditionally believed. Drawing form the experience of Fratelli Carli, it is possible to show how a meticulous approach towards ensuring and moving beyond compliance can have a greater return under different dimensions: financial and environmental performance and reputation. The same benefits were also emphasized in the case of Dermophisiologique. By increasing access to inputs and providing knowledge about best-practices, the company has engaged the whole supply chain - improving its quality and productivity - as well as its entire customer base in a process of redefining their business practices and consumption behaviours according to sustainable principles. The third way to create shared value, i.e. enabling local cluster development, builds on Porter and Kramer' (2011) idea that "no company is self-contained"(Porter and Kramer, 2011, p. 72). The authors justify this affirmation by advancing that the success of every company is affected by the supporting companies and infrastructure around it (Porter and Kramer, 2011). As shown through the investigation of Nativa, for instance, the adoption of innovative practices by a client within a cluster of firms has the potential to boost dramatically the productivity of the whole cluster and thereby increasing the share of value accruing to each participant in the cluster.

Table 7: Patterns of Shared Value Creation

Company name:	**Redefine products and markets**	**Redefine productivity in the value-chain**	**Enable local cluster development**
Dermophisiologique	X		
Fratelli Carli		X	X
D-Orbit	X		
Nativa	X	X	X

Table 7 shows a representation of the different ways through which the case companies accomplish shared value creation.

All on all, the analysis of the results shows how, according to their contextual conditions, each B corp in the sample is capable of creating shared value. This finding is extremely relevant, as it shows that shared value creation is not only a prerogative of big leading multinational companies but can successfully be implemented in SMEs as well. However, a closer inspection of the patterns through which shared value is achieved and an examination of the fit between those patterns and the strategy and structure characterizing the organization creating shared value, reveals a fundamental insight. There is an essential difference between shared value as a business model and shared value as a practice. While both are beneficial to business and society, the former has a greater potential to result in better financial, social and environmental performance, as every organizational activity is aimed implicitly or explicitly at widening the total pool of value. Nativa is arguably the only example of such a company within the sample analysed in this study. Nativa, however, represents a case in point with respect to shared value, and thus it comes with no surprise that it is the only company whose business model qualifies as leveraging shared value creation. Its mission statement in fact reads that "its purpose is the evolution of business and society, in order for them to create a positive impact on people and on the planet" (Nativalab.com). Accordingly, its operating practices and business models are completely devoted to detect opportunities to leverage its sustainability framework in order to create win-win situations for itself and for its clients. Naturally, the capability to permeate the whole business model with a shared value logic will depend to a great extent on the specific sector where the business is active. The opportunities will thus vary markedly, but, as this study shows, they exist for every company in every sector (Porter and Kramer, 2011), and their range and scope is likely to be far broader than has been acknowledged.

Chapter five: Discussion and Implications

This study has presented an investigation of shared value creation in a special typology of SMEs. More specifically, the confessed aim was to uncover the role of organizational capabilities in fostering the appropriate conditions for shared value creation. This purpose was motivated by the scant availability of shared value studies embracing an inside out perspective and the resulting prevalence of frameworks emphasizing the analysis of the external environment as an instrument for realizing shared value opportunities (Michelini and Fiorentino, 2012; Spitzeck and Chapman, 2012; Pfizer et al., 2013). Furthermore, the study provides valuable insights as it is one of the first studies discussing the notion of shared value outside the context of leading multinational corporations, which since the release of Porter and Kramer (2011) have been the incubators of shared value projects and experiments (Crane et al. 2014). In addition, this study also introduces B corps, a business reality which is likely to garner increasing attention and importance in the years to come as witnessed by the rapid expansion of its international community.

5.1 Theoretical Implications

Since one of the criticism raised with respect to previous research on shared value was that it fundamentally lacked theoretical grounds, this study had to rely on strong theoretical underpinnings. Accordingly, departing from the Resource-based view of the firm (Barney, 1991; Wernerfelt, 1984), and integrating its implications with evidences deriving from the literature about SME's environmental strategies (Aragon-Correa, 1998; Aragon-Correa, 2008; Torugsa et al., 2013), the Theoretical Framework within this study resulted in the characterization of three organizational capabilities: shared vision, stakeholder management and environmental and strategic proactivity. It is interesting to note how, the RBV is a flexible theory able to accommodate - with the due adjustments to its assumptions - for the specificities of both large MNCs and SMEs. However, as discussed in previous research (Dean et al., 1998; Aldrich and Auster, 1986) it is less clear whether SMEs' resources have to bear the VRIN test in order to qualify as resources able to produce valuable capabilities for the achievement of a sustainable competitive advantage. Through the present investigation, however, it was shown that smaller firms often do not place a high emphasis on the rareness or non-substitutability of their resource basis, rather, they prioritize the complementarity and consistency of newly acquired resources with the existing resource basis. In addition to this, the case-study findings point to an interesting insight, already advanced by Maltz et al. (2012), which is in contrast with one of the main tents of the RBV: in the context of shared value creation, the "RBV's requisite of non-imitability may need to be adapted as it can be in the firm's best interest for the social value it creates to be imitated" (Maltz et al., 2012, p. 65). This is a recurring aspect in the case companies, where often the companies themselves act as paragons of social value creation and try to instil the same attitude within their networks of suppliers, customers and competitors.

Through the case study findings, it was shown that the associations predicted by the Theoretical Propositions developed in Section 2 are accurate. Accordingly, when considering the Research Question originally motivating this study, it seems appropriate to advance that both a capability of shared vision, stakeholder management and environmental and strategic proactivity, are conducive for the adoption of shared value strategies within Italian SMEs. More specifically, this research has demonstrated that the development of all the three organizational capabilities is an advantageous and actionable practice for SMEs. While each of them is positively associated with the adoption of a shared value strategy, their development in isolation is less likely to produce the same results as the one shown within this study. Drawing from the experiences of the case companies, in fact, a simultaneous development of the three capabilities is recommended for the synergies they produce from the integration of the virtuous practices at the organizational level with positive attitudes at the individual level. Consequently, this suggests that SMEs leveraging concurrently the three capabilities will increase their likelihood of developing shared value strategies.

Furthermore, it is interesting to note that the novelty of the concept of shared value, impairs, to some extent, the companies' ability to recognize that they are implementing a shared value strategy. What emerged from the interviews, in fact, is that these companies' strategies are better understood as a set of practices embedded in a common set of values. When asked about their knowledge with respect to shared value, in fact, the majority of the interviewees was rather puzzled, notwithstanding their companies were already creating it.

The study findings, thus, provide support for the notion that strategic engagement in socially and environmentally responsible practices is an appropriate business model for SMEs. In specific, the study findings confirm the importance of capabilities that: facilitate the strategic integration of collective values about organisational goals; create sound trust-based relationships with internal and external stakeholders; and, support the exploitation of new business opportunities as fundamental drivers for SME adoption of shared value strategies. They also indicate, as already suggested in previous studies (Aragon-Correa, 2008; Torugsa et al., 2013), that the distinctive characteristics of SMEs (e.g. simpler organisational structures promoting closer interaction and communication within a firm, greater flexibility, adaptive and innovativeness, better entrepreneurial alertness) can provide a basis on which the limitations imposed by size-related resource constraints might be overcome in pursuit of competitive advantage. Accordingly, the alleged relationship between SMEs constrained resource basis and their consequent difficulty to proactively engage in innovative and socially responsible practices is not in line with what emerged in this study. The analysis has in fact evidenced how firms' proficiency in terms of shared value creation is not univocally determined by firms' size and resource endowments.

Another interesting discovery highlighted especially through the cross-cases analysis points to the need of developing an integrated strategic planning procedure in order for the case companies to reach an optimal strategic posture. This is coherent with the RBV's rationale that sustains the need for the adoption of a competitive strategy effectively leveraging organizational capabilities as an essential element for the former to result in performance improvements (Grant, 1991). This theoretical condition is fulfilled in case companies as shown by the findings about Nativa' and D-Orbit's business and strategic planning, thus demonstrating that SMEs have the potential to apply both a long and short term focus to their planning and adjust their strategies accordingly.

5.2 Practical Implications

The study findings can be of interest for SMEs managers as they clearly indicate the potential benefits stemming from the development of the three capabilities of shared vision, stakeholder management and strategic proactivity. The former can corroborate the effective response to stakeholder pressure for sustainability in business, and provide the organizational context needed for securing the benefits to financial performance that can follow from the adoption of a proactive and strategic stance with respect to the firm's economic, social and environmental dimensions. A vision and understanding of organisational goals shared widely in the firm is essential for a shared value oriented culture to be realised and new ideas and breakthroughs for innovation to be generated. Additionally, leveraging the experiences and knowledge of the range of an SME's stakeholders can be of utmost importance for a firm to raise its strategic posture and secure a competitive advantage. Furthermore, as shown by the case study, disseminating knowledge and increasing awareness about innovative approaches to business within a firm's value chain may avail the firm an improved reputation and standing with both suppliers and customers. Monitoring and proactively managing new opportunities and changing societal expectations can enable SMEs to take advantage of new emerging niche markets for responsible innovative products or services as portrayed by D-Orbit's case analysis.

The findings offer compelling evidence to claim the significance of both shared vision, stakeholder management and strategic and environmental proactivity in determining the achievement of shared value creation. Moreover, through the adoption of the case study approach, this research clearly describes organizational activities, practices, routines and relationships associated with the different capabilities. This could be arguably helpful to clarify how to develop those capabilities whose nature and source is very often unclear. All in all, thus, this study shows an operationalization of shared value, it describes instruments and tools that can be leveraged both at the individual and organizational level for setting the ground for shared value creation. While previous research have predominantly discussed shared value at a conceptual level (Porter and Kramer, 2006; Porter and Kramer, 2011; Szmigin and Rutherford, 2013; Pfizer et al., 2013; Pirson, 2012; Spitzeck and Chapman, 2012), this paper is more granular, it evidences the microeconomics of shared value through an assessment of organizational capabilities. Notwithstanding the critiques voiced by several authors with respect to the inability of companies to measure reliably the benefits provided to society and the performance improvements brought about by a shared value approach (Crane et al., 2014), this study has shown how for benefit firms can leverage instruments such as the B Impact Assessment to take stock of their level of shared value creation. Tools exist also for communicating firms' results along the Triple Bottom Line, i.e. B Impact Report. These instruments assess performance in a more comprehensive way than standard assessment framework, where the leading evaluation criteria is financial only. The commonalities found among the case companies with respect to their funding values, visions and way of doing business, demarcate how B corps conceive their role in society in a fundamentally different way than other for-profit businesses. While for-profits see their business as essentially separate from society, for benefits recognize the interdependence between the two. The predominant focus on economic needs has brought businesses to overemphasize the need to reach the short-term (financial) target at the neglect of their long-term success. Through the analysis of B corps, instead, this study demonstrates how this special kind of firms, by adopting a broader conception of value creation, accounting for social and environmental dimensions other than financial, are able to devise effective competitive strategies and to balance their short-term goals and long-term visions. While these findings cannot be widely generalized to the population of SMEs due the peculiar characteristics of B corps, the implications hereby provided are likely to be of interest for traditional SMEs as well. As shown, in fact, the basic prerequisite to reap the benefits of this strategically sustainable and responsible approach to business are to be found in the organizations' funding values and vision. On a related note, it seems legitimate to call the attention of policy-makers and the general public upon the themes treated in this study, as their awareness and endorsement will arguably favour the diffusion of a shared value approach and therefore contribute to shape a healthier and wealthier society.

5.3 Concluding Remarks

The contribution provided through this study is mainly one of filling the theoretical gap that has so far characterized shared value studies. Leveraging the insights of the RBV for understanding the role of organizational capabilities enabled to clarify how shared value is operationalized. Contrary to previous contribution depicting shared value initiatives as mere sustainability projects undertaken by leading MNCs in an effort to green their businesses, this research has shown that shared value can be an actionable practice for SMEs as well. The case study analysis has also shown how, under certain circumstances, shared value becomes effectively an innovative business model rather than a practice, thus alluding to the potential strategic and performance implications that may arise from its effective application. An additional contribution derives from the selection of B corps as empirics of investigation. Their novelty and their appropriateness for studying innovative strategic management approaches, such as shared value, promise to offer interesting insights to future studies.

This paper has waded into a novel and poorly researched area of the literature by describing how shared value may look like in the context of a special kind of Italian SMEs. The small sample of companies analysed and their heterogeneity represent the main limitation of the research, which, however, provided preliminary insights into the study of organizational capabilities for shared value creation. In order to complement the present findings, future research could adopt quantitative methods of analysis in order to add on the qualitative evidences uncovered within this investigation. The development of quantitative frameworks for translating the impacts on the various dimensions of performance (Triple Bottom Line) into financial figures seems of paramount importance for the concept to gain traction among practitioners and acquire legitimacy in the academic context. As emerged from the interviews, indeed, one of the main barriers to the diffusion of the B corps movement and more generally to the adoption of innovative, sustainable approaches to business is the opacity of the link between the adoption of the former and financial profitability. The instruments provided by B-Lab and adopted by B corps in order to produce alternative metrics and standards are unquestionably useful to challenge the traditional perspective evaluating performance only on financial basis. Nonetheless, traditional for-profits businesses continue to stick to short-term financial metrics as leading criteria to drive decision-making, thereby remaining trapped in an outdated and narrow conception of value creation. For benefits, instead, have a broader, more inclusive view about their role and purpose within society, which, according to the 2013 Nobel Prize winner Robert Schiller, will avail them to thrive and outcompete their for-profit rivals “for the employee and community support they inspire” (B corps website). The peculiarity of these companies is that they fundamentally refute and move beyond the trade-off between economic efficiency and social progress institutionalized in decades of myopic economic policies. However, while these companies are initiating a change in the status quo of capitalism as we came to know it in the last century, the shift their advocating for on the part of businesses may still take a long time to occur due to frictions and resistance to change opposed by institutions and vested interests groups so deeply embedded in our post-modern societies.

Appendix 1: A characterization of the four case companies

Company name	Industry sector	Size (n° of employees)	Year of foundation	B score
Dermophisiologique	Consumable goods (Cosmetics)	10	1989	81
Fratelli Carli	Consumable goods (Gastronomy)	288	1911	91
D-Orbit	Aerospace industry	30	2011	84
Nativa	Business services	10	2012	108

Appendix one outlines the main features of the four case companies.

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