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THE EVOLUTION OF BENEFIT CORPORATIONS – THE CASE OF ITALY

DISSERTATION

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Abstract

This thesis has studied to what social and environmental needs Benefit Corporations respond. Existing literature on the purpose and impact of corporations has shown that an excessive focus on profits have led to unintended consequences for the environment, society, and corporations themselves. Benefit Corporations are required to have a double purpose, profits and public benefit, and as such represent a corporate form that fully integrates sustainability and merges the dichotomy of profits vs. public good. This thesis has further studied how, why, and by whom the law on Benefit Corporations was introduced in Italy in January 2016, conducting interviews with the founders of two Benefit Corporations and the Senator who first signed the law. The institutional entrepreneurship framework has also been used, which functioned as an instrument when studying the protagonists, the processes, and the underlying conditions that enabled the introduction of the law.

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1 Introduction

Back in 2012 a couple of Italian entrepreneurs wished to found a limited liability company named Nativa Lab and to register the company’s purpose as “the happiness of all those who are a part of it”¹. The Chamber of Commerce of Milan rejected their application four times before the entrepreneurs managed to convince the Chamber of Commerce to allow (illegally) their company purpose and register the company. The issue here was that the purpose, “oggetto sociale” in Italian, was not a description of an economic activity and there was no declaration of their intent to distribute profits and as such, the company had no valid reason for existing. This experience was the spark that motivated the two entrepreneurs to take action against Italian corporate law. Four years later the company, Nativa Lab (from hereon Nativa), became the first ever Benefit Corporation in Italy, and the first one outside of the U.S. As a Benefit Corporation,

¹ “Lo scopo di Nativa è la felicità di tutti quanti ne facciano parte...”[Statuto di Nativa, Art. 2]

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Nativa would now have the full legal right to state their company purpose as the happiness of all those who are a part of the company, as this new type of legal form requires the company to have a double scope: profits and a common benefit. Pursuing other purposes than profit, alongside profit seeking, was something that was considered far too blurry with previous corporate law for for-profit corporations.

More specifically, the Benefit Corporation legislation requires the corporation to, apart from profits:

1. have a corporate purpose to create a material positive impact on society and the environment;
2. consider the impact of their decisions not only on shareholders but also on workers, community, and the environment; and
3. make available to the public an annual benefit report that assesses their overall social and environmental performance against a third party standard.

Today Benefit Corporation legislation is effective in 31 states plus the District of Columbia (Maryland was the first state to introduce it in 2010) in the U.S. and there are currently more than 3 000 Benefit Corporations in the U.S.² On the 1st of January 2016 Benefit Corporation legislation was introduced in Italy (naming it “Società Benefit”), as the second country in the world after the U.S. to introduce it, but the first country in the world to have it on a nationwide level, as not all states in the U.S. have introduced the law.

This thesis will research how Italy came to be the second country in the world to implement Benefit Corporation legislation and it is more specifically about the people who made it happen. It is intended as a deepening of knowledge on the topic and a

² Benefitcorp.net. (2016). Find a Benefit Corp | Benefit Corporation. [online] Available at: http://benefitcorp.net/businesses/find-a-benefit-corp?field_bcorp_certified_value=&state=&title=&submit2=Go&sort_by=title&sort_order=ASC&op=Go [Accessed 17 Mar. 2016].

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discovery of how, why, and by whom the law was introduced, as well as to what social and environmental needs the law responds. Since the implementation of the law in Italy, there have been on average three events and conferences per week about the topic as well as numerous news articles, a “Report”³ episode on the subject of Benefit Corporations, and most importantly approximately 11 companies in Italy have transformed into Benefit Corporations (see Annex 3 for full list). Furthermore, there are numerous books (“The Solution Revolution”, “Conscious Capitalism”, “Building Social Businesses”, movements (Occupy Wall Street), documentaries (“The True Cost”, “Cowspiracy”, “Unlearning”), businesses (social entrepreneurship, sharing economy businesses, microfinance, Circular Economy business models), foundations (The Rockefeller Foundation, The Bill and Melinda Gates Foundation), and numerous other initiatives that are hypothesizing, theorizing, imagining, and creating blueprints on a revised or new type of economic system that is more sensitive to social and environmental issues. Benefit Corporations are without a doubt a part of this and add to the economic and social innovation that is taking place.

1.1 Purpose of the thesis and research questions

The evolution of the Benefit Corporation is an interesting phenomenon in business and in society; it has often been named a “paradigm shift”⁴ by its proponents and is a sign that something may be changing. In order to understand this change one can tackle the topic from different angles. The purpose of my thesis will be to first define, describe and critically analyze the Benefit Corporation, both in the U.S. context and the Italian context. I have chosen to do so as Benefit Corporations are a recent phenomenon and as such it is useful to gather in one place existing voices and studies on it. Secondly, the purpose of my thesis is to produce original research through interviews, visiting events and conferences, and news articles on the protagonists (both politicians and the founders of Benefit Corporations) behind the legislative initiative in Italy and the change it implied and how it came about. There is very limited academic work done on the *people* behind

³ Report is a prime-time Italian investigative journalistic TV program with award-winning journalists. It airs on Sunday evenings on Rai 3, one of the state-owned TV channels.

⁴ Words used by: Mickels, A. (2009:5); Haskell Murray, J. (2012:1 and 52). Clark, Jr., W. and Babson, E. (2012:838); Senato della Repubblica, (2015:2)

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Benefit Corporations, in terms of the actual companies, the legislators, and the supporters. As such my thesis will be both explanatory and exploratory: the former because it will aim at sorting out Benefit Corporations and their added value as well as their limits and the latter as it will dive into the world of the people of Benefit Corporations, which has rarely been done up until now. The second part of this thesis will utilize the framework of institutional entrepreneurship in order to analytically map out the process and the enabling conditions behind the legislation, which was done in record speed, and the months that followed its introduction. My research questions are thus:

1. To what social, economic, and environmental needs do Benefit Corporations respond and what is the impact of Benefit Corporations on society and the economic system as a whole?

2. What were the underlying conditions and the process of introducing the law on Benefit Corporations in Italy and who were the protagonists behind it?

The added value of this type of research is to gain a deeper understanding of where these types of initiatives come from – it goes beyond the study of the legal structure of the Benefit Corporations, which has been the most common academic work produced on them thus far. Indeed, if we are to be able to construct a society in which corporations have a positive role, it is of fundamental importance that we gain knowledge on the role of business and this implies not only understanding corporate law but also who the actors behind corporations are and what their motivations are. What actually constitutes a positive role of a corporation can be debated, and has been debated ever since the advent of corporations, and will in this thesis be dealt with in Section 2. This section will also discuss the current literature on Benefit Corporations and will thus serve to contextualize Benefit Corporations in today's discussion on corporate form, purpose, role, and impact.

In order to answer the second research question I will make use of the institutional entrepreneurship framework, which is a potent tool when studying change. In this thesis it will function as an instrument when studying the actors, the processes, and the

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underlying conditions that came together when the law on Benefit Corporations was introduced and disseminated in Italy. The actors (also named entrepreneurs in the framework) relevant for my thesis are the founders of Nativa, the Senator who was the first signer of the law in Italy, as well as the first entrepreneurs who transformed their companies into Benefit Corporations as soon as the law was introduced in Italy. The change in question is first and foremost related to the introduction of a new law on corporations, but more specifically, it is also related to the shareholder primacy norm (will be fully defined in Section 2), a cornerstone of today's corporation. The introduction of the law on Benefit Corporations challenges the shareholder primacy norm and as such also challenges the corporation as we know it, which could lead to inducing institutional change and as many of the proponents have worded it: a paradigm shift.

1.2 Outline

This thesis will be divided into the following parts:

2. *Background and Literature review:* this part serves to present the literature and theory that discuss the form, purpose, role, and impact of corporations on society. It then passes on to focus on Benefit Corporations and examines and discusses the literature that has been produced thus far. Law scholars, professional lawyers, and the supporters of Benefit Corporations currently write the major part of the academic literature, which leaves room for a new angle on the topic. Section 2 therefore partly answers my first research question, *To what social, economic, and environmental needs do Benefit Corporations respond and what is the impact of Benefit Corporations on society and the economic system as a whole?* This research question will be further discussed in Section 5.

3. *Analytical framework:* In this section I present the analytical framework, namely institutional entrepreneurship, and define and delimit the indicators of the conditions, processes, and entrepreneurs' behavior that can determine when institutional entrepreneurship takes place. These indicators serve as instruments when collecting data through interviews and at the research sites. The indicators then also guide me later in the data analysis in Section 5. Examples of such indicators are the social position of the

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entrepreneurs, upheavals in the social, political, and economic context, mobilization of financial resources, and personal characteristics of the entrepreneurs.

4. Research design: this section presents the research methods I used for my original research, namely interviews and participating in various events and conferences related to Benefit Corporations in Italy. I further present the people that I have interviewed as well as the companies and organizations that I have spent time amongst. The people I interviewed were Senator Mauro Del Barba, Nativa co-founder Eric Ezechieli (consulting company focused on sustainability; on of first five Benefit Corporations in Italy), and D-Orbit founder Luca Rossetini (satellite technology company; one of first five Benefit Corporations in Italy).

5. Analysis: In this section I analyze the data from section 4, using the indicators that have been defined in section 3 in order to make out the role of the protagonists and map out the process of introducing the legislation in Italy. This leads me to answering my second research question: *What were the underlying conditions and the process of introducing the law on Benefit Corporations in Italy and who were the protagonists behind it?* This section also further discusses topics related to my first research question, such as what the future of Benefit Corporations may hold and what the impact of Benefit Corporations is on society and in the economic system as a whole.

6. Conclusion: Finally, I conclude my answers to the research questions and end with some remarks on ideas for further studies.

7. Bibliography: this section includes all the sources that have been used divided alphabetically in the following categories: books, journal articles, websites, newspaper articles, government documents, and videos.

1.3 Delimitations

The natural geographical scope of my paper is the U.S. and Italy as these are the only two countries in the world with such legislation. The first part of the thesis will be more focused on the U.S., while my original research is focused on Italy only.

I have for the past years studied and followed closely the developments in innovation of businesses in social and environmental terms and this thesis is consequently the

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culmination of various work I have produced over the years. This thesis deals with a topic that finds itself in the middle of two extreme points: one which is “optimistic” in the sense that it considers corporations the answer to many of the world’s issues, and the other is “pessimistic” in the sense that it give little credibility to corporations who position themselves as good for the public and environment. I find it interesting to combine these two ideas and present an alternative viewpoint – not only because contradicting ideas are always exciting but also because I have throughout my university studies lived in both of these worlds – on the one hand being enrolled in business schools, which tend to be very optimistic in terms of corporations and on the other being enrolled in institutions that employ a more critical and holistic mindset. Benefit Corporations and their proponents offer an interesting middle point in the sense that they recognize the evident issues with harmful corporate behavior, but they also believe in being able to construct a corporate form in a way that produces public benefit rather than harm. It is important to note however that this thesis is not intended as a manual on how to become a Benefit Corporation, or a piece on why all companies should become Benefit Corporations. Rather, it is intended as a deepening of knowledge on the topic and a discovery of how, why, and by whom the law was introduced, as well as to what social and environmental needs the law responds. This study adds to the literature on corporations and deals with new variants of corporations aiming at achieving an economic system that is more sustainable.

While at this point it is too soon to determine to what extent the Benefit Corporation will in fact be a *paradigm shift*, as it has been frequently named, the important aspect for the scope of this thesis is to study the institutional and structural context that the entrepreneurs have acted upon. While they all operated under the conviction that what they were doing is part of a paradigm shift (something that was revealed in text, during interviews, and during conferences) this does not automatically mean that Benefit Corporations *are* a paradigm shift. More importantly is the fact that it implied some type of change – the scope of that change is yet to be known.

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1.4 Acknowledgements

I would like to thank my supervisor in Geneva, Filipe Calvão, and my second reader in Milan, Clodia Vurro, for their valuable help and guidance. Secondly, I would like to thank Eric Ezechieli, Mauro Del Barba, and Luca Rossettini for their availability and kindness and for having participating in interviews with me. Without their input this thesis would not have been possible to write.

2 Background and Literature review

This section of my thesis will partly answer my first research question, namely *To what social, economic, and environmental needs do Benefit Corporations respond and what is the impact of Benefit Corporations on society and the economic system as a whole?* The question will later be fully answered in the discussion in Section 5.

2.1 Defining the corporation and its purpose

The corporation is one of the key drivers of capital accumulation, economic growth and consequently capitalism. The importance of the private sector has only been growing over the past centuries and its activities, externalities, and responsibilities have become cross-sectorial and far-reaching.⁵ Lines are blurring between public, private, and civil society. While the private sector has created wealth, jobs, innovation, creativity, and allowed people to pursue their passions there has also always existed extensive criticism against the private sector.⁶ The role and purpose of the corporation in society is a long-lived and ongoing debate: it has never been fixed in stone and it is constantly up for discussion and interpretation.

I will in this thesis define the corporation as an institution, and “(...) like any institution, it is an instrument for the organization of human efforts to a common end. This common end is not just the sum of the individual ends of the human beings organized in the corporation. It is a common but not a joint end.”⁷ The corporation is an aggregation of

⁵ Eggers, W. and Macmillan, P. (2013:6)

⁶ Mackey, J. and Sisodia, R. (2013:15)

⁷ Drucker, P. (1946:20)

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human beings, but it is also a legal entity that can outlive those individuals. The common end of an organization, its purpose, has become commonly accepted as the production of goods and services with the maximum economic return (which guarantees its survival in the market).⁸ This purpose, which is also necessary for a corporation to explicitly state in its company statute, has received extensive attention and been applied broadly by companies. I will be discussing in detail the economic purpose of a corporation, and later also what it means for a corporation to have a “higher” purpose. What is important to note already at this stage however is that while companies do have a legally required profit purpose related to economic activities, they can also have other types of purposes that stem from personal convictions of the owners. Senator Mauro Del Barba, in his speech at Conference 2 (see Annex 2) stated that “I do not know anyone in Italy who started a business to make a profit, people start a business because of a dream they have”. Of course, very few companies on their website or through other communication channels will express their purpose as “to maximize profits”, rather they will express a purpose related to the difference they want to make and their reason for existing.⁹ The profit motive may not be the main *personal* driver of entrepreneurs, it has however in the past decades been applied vigorously as the main *functional* purpose and often led to unintended consequences and such been heavily criticized.¹⁰ These matters will be further discussed in the following sections.

Furthermore, a corporation can have shareholders, which are individuals, or legal entities that own a part of (a share) in the corporation (private or public).¹¹ A company can have one single shareholder or many thousands, depending on its owner-structure and how much stock it has made available externally. Owning a share implies certain rights, such as voting on new board members, access to assets if the company is liquidated, and the right to receive profits if they are distributed. The past decades of corporate theory and practice has led to the common belief that managers and directors of firms must operate

⁸ Drucker, P. (1946:20)

⁹ Mackey, J. and Sisodia, R. (2013:47)

¹⁰ Mackey, J. and Sisodia, R. (2013:17)

¹¹ Investopedia. (2003). [Accessed 2 Jun. 2016].

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the firm in such a way to grant these rights (especially the one related to profits) to shareholders and thus they primarily focus on shareholders.¹² This focus has been named the shareholder primacy norm and most typically translates into shareholder value maximization. There exists an assumption that the interests of shareholders lie in maximizing their return on investment, which then results in a prescription to managers to maximize shareholder wealth and consequently profits.¹³

However, it is important to note that *wealth* and *value* are two different things but shareholder wealth and value are often used interchangeably in academic literature.¹⁴ The reason for this is because of some famous and widely cited case laws where court rulings supposedly cemented the notion that corporations are legally obliged to maximize shareholder wealth rather than other values.¹⁵ Legal scholars therefore now tend to equate shareholder value maximization to wealth maximization (and as such profit maximization), because of these various rulings where for-profit companies have lost because *wealth* was not maximized, even though company directors and owners claimed to have pursued other types of values.¹⁶ While this does create confusion, it is an important factor because it goes to show exactly how deep-rooted the norm really is. In other words, even though shareholders may believe in maximizing a value that is not equated to wealth, the debate on the shareholder primacy norm has come to revolve around wealth maximization. This thesis, while presenting the various views on wealth and value, will take the stand that the distinction between the two is important and they are not one and the same. Equating value to wealth creates a limiting economic view of business operations and ignores other types of values. The already stringent focus on shareholders can be seen as limiting, and when also ignoring other values it becomes

¹² Freeman, R. E. (2001:38)

¹³ Smith, N. and Rønnegard, D. (2014)

¹⁴ Haskell Murray, J. (2012:7 in footnote 20)

¹⁵ Examples of case laws: *Dodge v. Ford Motor Co.*, 170 N.W. 668, 684 (Mich. 1919), *Long v. Norwood Hills Corp.*, 380 S.W.2d 451, 475–76 (Mo. Ct. App. 1964); *Granada Invs., Inc. v. DWG Corp.*, 823 F. Supp. 448, 459 (N.D. Ohio 1993); *eBay Domestic Holdings, Inc. v. Newmark 16 A.3d 1* (Del. Ch. 2010).

¹⁵ Clark, Jr., W. and Babson, E. (2012:836)

¹⁶ Clark, Jr., W. and Babson, E. (2012:836)

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even more limiting.

Profit maximization, i.e. the shareholder primacy norm, has become one of the main cornerstones of the corporation and will be further elaborated here under as it is an important piece in the context of Benefit Corporations, as virtually all literature on Benefit Corporations begins by outlining, describing, and criticizing the shareholder primacy norm. In fact, it is in the light of the shareholder primacy norm that proponents of Benefit Corporations argue the need for the introduction of the law. As anticipated above, the shareholder primacy norm was challenged with the introduction of the law and as such, it is very important to thoroughly review the literature on it.

2.2 Shareholders, stakeholders, and profits

The debate on shareholder primacy is long-lived and unresolved and can be divided into two parts, the first entails the question: Should the directors of corporations focus primarily on maximizing shareholder value in their decision-making?¹⁷ In the past decades the answer to this question has most often been “yes”. This holds true both for the U.S. and for Italy, where in the “Codice di Autodisciplina” (the guide on corporate governance for Italian companies produced by the Italian Stock Exchange) the following is stated about for-profit companies: “managing directors acting and deliberating with knowledge of facts, follow the primary objective of creating value for the shareholders in the medium and long term.”¹⁸ The second part of the debate is whether the tendency of companies to maximize shareholder value is a law, a norm, a myth, or a perception.

Scholar J. Haskell Murray outlines in his article “Choose Your Own Master: Social Enterprise, Certifications and Benefit Corporation Statutes”¹⁹ the history of the shareholder primacy norm and the controversies surrounding it. He notes that the topic was famously discussed in the 1930s, through a series of articles in the Harvard Law Review, by law professors Adolf A. Berle and E. Merrick Dodd. In these articles

¹⁷ Haskell Murray, J. (2012:5-6).

¹⁸ Original: gli amministratori agiscono e deliberano con cognizione di causa e in autonomia, perseguendo l’obiettivo prioritario della creazione di valore per gli azionisti in un orizzonte di medio-lungo periodo. Comitato per la Corporate Governance, (2015:6)

¹⁹ Haskell Murray, J. (2012)

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Professor Berle argued in favor of shareholder wealth maximization as the objective of a corporation, while Professor Dodd argued that a corporation should serve shareholders *and* other constituents.²⁰ Even more famous was of course the statement by Milton Friedman in the 1970s:

There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.²¹

After Friedman's famous statement there were numerous others who kept defending the shareholder primacy norm as well as those who opposed it, calling for involvement of shareholders *and* stakeholders, and some who simply rejected it stating that there is no norm and that directors and managers are more flexible and free than what is argued.²² The involvement of stakeholders, defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives"²³ has gained its own theory and extensive attention and calls for the inclusion of customers, suppliers, employees, shareholders, management, and the local community in the decision-making of the future direction of the corporation.²⁴ The reason for integrating stakeholders into business is because profit maximization alone is not seen as enough of a purpose and activity to ensure an environmentally, socially, and economically sustainable role of the business in society.

The reason this debate continues to exist is summed up well by the magazine *The Economist*:

IN 2000 two American law professors, Henry Hansmann of Yale University and Reinier Kraakman of Harvard, pronounced that the most hotly-contested debate in

²⁰ Haskell Murray, J. (2012:6)

²¹ Friedman, M. (1970). *The Social Responsibility of Business Is to Increase Its Profits*, N.Y. Times Magazine, [online] available at <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html> [Accessed 17 Mar. 2016].

²² Haskell Murray, J. (2012:8)

²³ Freeman, R. E. (1984:46)

²⁴ Freeman, R. E. (2001:39)

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corporate law had been resolved. For decades conservatives and progressives had argued over whether the purpose of a company is to maximise shareholder value or pursue broader social ends. Now, the conservatives had won. Anglo-Saxon capitalism was sweeping all before it. And the world's legal systems were converging on the shareholder-value model. The duo could hardly have been more unlucky in their timing. Not long after their article was published, several companies that proudly practiced shareholder-value maximisation went up in flames: Enron, Arthur Andersen and WorldCom, among others. Six years later the collapse of Lehman Brothers triggered a global crisis. Jack Welch, GE's former boss and a poster boy of the conservative school, said pursuing shareholder value as a strategy was "the dumbest idea ever".²⁵

While the magazine goes on to conclude towards the end of the article that shareholder value maximization is in fact the "defining feature of the modern corporation. Change it and you wreck the entire machine.", there are plenty of people who will whole-heartedly disagree. In the article "How benefit corporations are redefining the purpose of business corporations"²⁶ from 2012 the authors argue that the corporate legal framework up until the introduction of Benefit Corporations, which was structured to ensure profit maximization and *not* social responsibility cannot be considered sustainable.²⁷ While the authors also mention several instances where corporations have the possibility to go beyond wealth maximization, these types of activities are either:

1. necessary to be within limits of "reasonableness" and "appropriateness" and as such the primary focus of a corporation remains on corporate profit and shareholder gain²⁸; or
2. related to the so-called business judgment rule.

Essentially, the business judgment rule is an assumption by courts that "in making a business decision the directors of a corporation act on an informed basis, in good faith and in the honest belief that the action taken [is] in the best interest of the company."²⁹ In

²⁵ The Economist. (2015). The business of business. [online] Available at: <http://www.economist.com/news/business/21646742-old-debate-about-what-companies-are-has-been-revived-business-business> [Accessed 3 Jun. 2016].

²⁶ Clark, Jr., W. and Babson, E. (2012)

²⁷ Clark, Jr., W. and Babson, E. (2012:824)

²⁸ Clark, Jr., W. and Babson, E. (2012:826)

²⁹ Clark, Jr., W. and Babson, E. (2012:835). Citation in text refers to *Aronson v. Lewis*, 473 A.2d

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a day-to-day context courts will not question “rational” judgments about how promoting non-shareholder interests (such as a corporation’s decision to make charitable contributions or to otherwise support the community in which their operations are located) ultimately promote shareholder value.³⁰ The authors’ conclusion is thus that while there exists some flexibility for managers and directors it is not nearly enough and the legal confusion hinders corporations to go beyond profit maximization as any activity must somehow, even if only in the long term, be related to profit maximization.

Lynn Stout, who also comes from a legal background, is one of the main skeptics of the shareholder primacy norm and/or shareholder value maximization. Her book “The Shareholder Value Myth: How Putting Shareholders First Harms Investors”³¹ is a key piece to demystify the norm. While she fully recognizes that shareholder value maximization has become the “raison d’être” of companies³² her approach is not to negate the existence of the norm but rather to clarify how useless and harmful the norm is. She takes on a historical perspective noting that although many business experts today take shareholder primacy as a given, the rise of shareholder primacy as dominant business philosophy is a relatively recent phenomenon. For most of the 20th century, large public companies followed a philosophy called “managerial capitalism”.³³ Boards of directors in managerial companies operated largely as self-selecting and autonomous decision-making bodies, with dispersed shareholders playing a passive role. Further, directors did not view themselves as the shareholders’ servants, but as representatives for institutions that should serve not only shareholders but other corporate stakeholders as well, such as customers, creditors, employees, and the community.³⁴ Equity investors were treated as an important corporate stakeholder and there were expectations of investment returns, but they were not the only important stakeholders. Stout further goes

805, 812 (Del. 1984) (citing *Kaplan v. Centex Corp.*, 284 A.2d 119, 124 (Del. Ch. 1971); *Robinson v. Pittsburgh Oil Ref. Corp.*, 126 A. 46 (Del. Ch. 1924))

³⁰ *Ibid.*

³¹ Stout, L. (2012)

³² Quote by Stout, L. In Haskell Murray, J. (2012:18)

³³ Stout, L. (2013:3)

³⁴ *Ibid.*

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on to claim that there is no legal requirement to place shareholders first and maximize their value according to the following arguments:

1. shareholders do not own the corporation, they own shares that represent a contract between each shareholder and the legal entity that is the corporation just like any other stakeholder that has entered into a contract with the corporation, shareholders have limited legal rights;
2. there is no legal requirement for healthy corporations to distribute profits to shareholders, the corporation is free to choose whether to reinvest those profits into the firm or to raise employee salaries; invest in marketing or research and development; or make charitable contributions; and
3. shareholder primacy is a managerial choice – not a legal requirement because of the existence of the business judgment rule.³⁵

Once Stout has argued that there is no legal basis for shareholder primacy, regardless of past rulings such as *Dodge v. Ford* which she declares as “bad law” and a “doctrinal oddity” that is largely irrelevant, she goes on to argue that shareholders are not all the same and that there exists no single shareholder value.³⁶ Shareholders are people, with emotions, different interests and values, different time spans (short terms vs. long term investments) and as such it is impossible to speak of ‘shareholder value’, as it were one and the same. Furthermore, Stout argues that there exists little evidence to suggest that businesses occupied only with maximizing wealth actually make more money than firms with multiple focuses, and as such there is not even a financial argument for shareholder primacy.³⁷ Summing up, Stout is concerned with the importance that is given to shareholder primacy when in fact, there is no legal basis for it and companies should show more openness to pursuing other types of goals.

Business and law schools have played a role in in disseminating and further cementing

³⁵ Stout, L. (2013). The Shareholder Value Myth. Cornell Law Faculty Publications, [online] Cornell Law Library Scholarship@Cornell Law: A Digital Repository. Available at: <http://scholarship.law.cornell.edu/cgi/viewcontent.cgi?article=2311&context=facpub> [Accessed 17 Mar. 2016]. pp. 4

³⁶ Quote by Stout, L. In Haskell Murray, J. (2012:18)

³⁷ Stout, L. (2013:5)

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the shareholder primacy norm. Their role has been studied by authors Smith, N. and Rönnegard, D. (2014).³⁸ In fact, schools teach as part of the “Theory of the Firm” that profit maximization is the purpose of the corporation in society and that it is the duty of managers to pursue this end on behalf of shareholders as their agents.³⁹ There are no or very few required courses that explore alternative purposes of business and as such a too large number of professors are training future corporate leaders and lawyers that corporations have no authority to do good or benefit society other than its shareholders.⁴⁰ Education is not to be taken lightly as the introduction to these norms can and will have profound effects: the authors note, relying also on other scholars, that “what is taught in classes and how students internalize information have consequences for society, government, and business”⁴¹ and some have also suggested that the unbalanced focus on shareholder value maximization by business schools was a contributory factor in the 2008 financial crisis. Consequently, the authors propose instead that business schools should teach a plurality of theories regarding the purpose of corporations, portraying the real and valid spectrum of theories available, including theories such as Shareholder Theory, Stakeholder Theory, and Social Contract Theory.⁴²

Legal rulings, business schools, media, and business culture in general found in books, movies and other material have assisted in cementing the shareholder primacy norm. Even though there exists a continuous and long-lived debate on whether or not this is the right approach no consensus is being reached and confusions persists. While some like Stout, Smith and Rönnegard, may argue that the shareholder primacy norm is a myth or at least rarely enforced, the norm is powerful and has persistently impacted common perception about the duties of the directors of traditional corporations and consequently also impacted the actual behavior of managers, professors, scholars, journalists, and students.

So whether it is a law, a myth, a perception, or a norm, can be discussed much longer

³⁸ Smith, N. and Rönnegard, D. (2014)

³⁹ Smith, N. and Rönnegard, D. (2014:14)

⁴⁰ Smith, N. and Rönnegard, D. (2014:14)

⁴¹ Smith, N. and Rönnegard, D. (2014:14)

⁴² Smith, N. and Rönnegard, D. (2014:2)

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than what has been done here. I believe however the main point here is not whether legally a corporation can or cannot pursue other goals than profits and consider also stakeholders rather than only shareholders, but instead the prevalence of the choice of doing so. Corporations today overwhelmingly chose to pursue profit maximization, both in the short-term and long-term, and as such the capitalist corporate system as it has been for the past decades seems to foster such behavior.⁴³ We must of course be careful here in assuming that profit maximization is naturally and always negative, the history of corporate behavior has shown us great advances in economic freedom, life expectancy, quality of life, and innovation.⁴⁴ But, there are concrete examples of harm by corporations ignoring other factors than those that are of economic nature and these will be discussed below.

2.3 The limits of economic purpose

A corporation does not exist in isolation, it exists in a social and natural environment and as such it is important that:

management realize that it must consider the impact of every business policy and business action upon society. It has to consider whether the action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony.⁴⁵

In fact, corporations have extensive influence and impact on our societies and it is of fundamental importance that we study their various forms, their intentions, their impact, and their purpose in order to better understand how we can achieve a society where the role of the corporation is not harmful. The general idea is that “profit tunnel vision” is harmful for society, the environment, and even businesses themselves in terms of long-term profitability.⁴⁶ Famous examples are Volkswagen’s pollution cover up; WorldCom’s, Enron’s and Arthur Anderson’s accounting scandals; the BP Oil and Exxon

⁴³ Colombo, R. J. (2015:56) AND Mackey, J. and Sisodia, R. (2013:16)

⁴⁴ Mackey, J. and Sisodia, R. (2013:12-14)

⁴⁵ Drucker, P. (1955:382)

⁴⁶ Mackey, J. and Sisodia, R. (2013:16)

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oil spills; the Rana Plaza collapse; Wall Street and the subprime mortgages; the usage of child labor by Nike in the 90's; and many others. Other more systemic examples are:

1. skyrocketing profits but stagnant wages (comparatively, profits in the US are at an all-time high whereas wages are at an all-time low⁴⁷);
2. the process of dis-embedding where producers of an increasing variety of economic goods live in a different society from those who consume them⁴⁸;
3. business models that have ignored the physical and mental health of consumers, through creating unhealthy appetites and addictions, and employees, through creating stressful, unfulfilling, and even dangerous workplaces⁴⁹; and
4. increasing levels of CO₂ and pollution considered as externalities by the corporations and not a responsibility of the corporation itself.⁵⁰

In fact, “for many people, multinational corporations have come to symbolize what is wrong with globalization; many would say they are a primary cause of its problems”⁵¹. Harmful corporate behavior has become one of the main issues discussed in business literature, in media, by NGOs, international organizations and academia. It has given rise to Corporate Social Responsibility (CSR), business coalitions for sustainability (We Men Biz, World Business Council for Sustainable Development), green movements, cause-oriented marketing and purchasing, venture philanthropy, social investing, microfinance, revised theories on the corporation, a wave of certifications for responsible business behavior (Fair Trade, LEED, Energy Star), and sustainability reporting, to name some recent developments. An ever-larger group of people believes it necessary that action needs to be taken to solve issues that come with corporations. As mentioned previously, this thesis will study one such action that has been taken – namely the creation and legal establishment of the Benefit Corporation. Before analyzing in detail the Benefit

⁴⁷ Blodget, H. (2016). These Two Charts Show How The Priorities Of US Companies Have Gotten Screwed Up. [online] Business Insider. Available at: <http://www.businessinsider.com/profits-versus-wages?IR=T> [Accessed 4 Jun. 2016].

⁴⁸ De Neve, G., P. Luetchford and J. Pratt. (2008:4)

⁴⁹ Mackey, J. and Sisodia, R. (2013:18)

⁵⁰ Mackey, J. and Sisodia, R. (2013:18)

⁵¹ Stiglitz, J. (2006:187)

Corporation this thesis will first discuss CSR, conscious capitalism, and other related innovations in corporate form and purpose.

2.4 Alternative corporate forms

Perhaps one of the most immediate examples that comes to mind when thinking of corporations mitigating their harm or attempting to create value beyond money is of course CSR and corporate philanthropy. As of the mid 1990's it has become a standard business practice for firms to adopt some form of CSR; scholars Abott and Snidal explain this by pointing to:

1. the various scandals, disasters and tragic events caused by irresponsible behavior of firms;
2. the parallel growth of social entrepreneurs and NGOs;
3. the low cost of institutional creation, and;
4. the recognition by influential actors such as the UN that business ethics matter through initiatives like the UN Global Compact.⁵²

A second explanation of the emergence of CSR in corporations is the fact that the firm has entered the public sphere offering some services that previously were considered the state's responsibility.⁵³ As argued by Scherer et al., within the context of globalization, nation states are at times severely constrained in their ability to monitor and protect the rights of their citizens and to provide sufficient public goods and as such, many corporations take on state-like roles when and where state agencies are unable or unwilling to supply public goods.⁵⁴ A third way of explaining the emergence of CSR in companies is that the following belief has by now become cemented: "The idea that a corporation can operate free of any moral restraints is absurd. Corporations (...) have a duty not to impose damage or harm to others."⁵⁵ In fact, as of 2009 more than 75% of S&P 500 companies had a section on their websites devoted to disclosing their

52 Abbott, K. and Snidal, D. (2009:55-57)

53 Abbott, K. and Snidal, D. (2009:60) AND Scherer, A., Palazzo, G. and Baumann, D. (2006:508)

54 Scherer, A., Palazzo, G. and Baumann, D. (2006:508)

55 Kilcullen, M. and Ohles Kooistra, J. (1999:159)

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environmental and social policies and performance.⁵⁶ A report produced by The Consulting company Lundquist on European CSR communication contains additional information of use. The 6th edition of the report, for the year of 2014, showed that 80% of European companies studied (a total of 100) provided quantitative environmental performance data and 89% of the companies partially integrated CSR content in their “About Us” sections online.⁵⁷ While very common in all of Europe the numbers are slightly lower for Italy. However, I often heard at both the conferences I participated in and in my interviews that Italy is very sensitive towards sustainability and many believe that there are a vast number of companies in Italy that already operate like Benefit Corporations and now can find a name for it. Senator Mauro Del Barba in one of his speeches stated that there exists in Italy a new terrain for business, of which the base was laid by CSR. In another speech he stated that while the law on Benefit Corporations is innovative it also represents a mature concept in the Italian society, as well as what he considers the last real option for real sustainable development.

However, shareholder value maximization remains a fundamental part of corporations and as such CSR is not a straightforward matter. The mere fact that extensive ambiguity exists on *why* corporations do CSR is a sign that it may not be the single solution to many of the problems arising from the private sector. As Dinah Rajak suggests in her book *In Good company*: “the moral economy of CSR represents, not an opposition to the contemporary world of corporate capitalism, nor a limit to it, but the very mechanism through which corporate power is replenished, extended and fortified.”⁵⁸ Adding to this, Ronald J. Colombo expresses the same type of concern stating that the “beliefs” that motivate CSR programs by corporations “are not genuine because they do not “cost” anything to maintain: they are purely instrumental toward financial gain and profit in the

⁵⁶ Delmas, M. and Cuerel Burbano, V. (2011:3)

⁵⁷ Lundquist, (2014). 6th CSR ONLINE AWARDS Beyond reporting to create distinctiveness in CSR communications White Paper May 2014 European and Italian editions. [online] Available at: http://www.lundquist.it/wp-content/uploads/2014/06/White_Paper_6th_CSR_Online_Awards_2014.pdf [Accessed 13 May 2016]. pp. 3

⁵⁸ Rajak, D. (2011:239)

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long run and lack the backing of a willingness to sacrifice profits to avoid their breach.”⁵⁹ CSR, while mostly coming from good intentions, has been criticized for not going deep enough. For example, CSR can be independent of the company’s purpose or culture, it tends to assume that all good deeds are desirable, its implications for business performance are unclear, and it is often performed by a separate business unit and not wholly integrated into the company.⁶⁰ If CSR is only one of many tools that corporations use in order to maximize shareholder value (even if short-term profits are sacrificed) we cannot expect corporations to pursue a public good for the sake of the public, but rather for the sake of the corporation. Further, if we are to take this inkling seriously, we need to think of alternative and more profound ways in which corporations can actually do business *for* society, not just *in* society.

These more profound changes come from those who believe the economic purpose of the corporation is limiting and therefore propose alternative and more holistic ideas. For instance, it is proposed that the corporation needs a *higher* purpose. This is what Nativafounder Eric Ezechieli described to me in our interview, as using profits as a *means* to reach a higher end; hence profits no longer become the *end*. Further, “Conscious Capitalism”, developed by John Mackey and Raj Sisodia, is based on the idea that “the myth that profit maximization is the sole purpose of business has done enormous damage to the reputation of capitalism and the legitimacy of business in in society.”⁶¹ Conscious Capitalism includes four tenets: higher purpose, stakeholder integration, conscious leadership, and conscious culture and management. The higher purpose is one that goes beyond only generating profits and creating shareholder value.⁶² Other similar ideas are Eggers’ and Macmillan’s “Solution Revolution” and Yunus’ “Social Business”, which are both examples of new theories of the firm that do not deny the potential good of the firm, but also recognize the need to limit its harm. In fact, all these authors have in common their strong belief in capitalism as a force that can do good for the planet, as

⁵⁹ Colombo, R. J. (2015:58)

⁶⁰ Mackey, J. and Sisodia, R. (2013:38)

⁶¹ Mackey, J. and Sisodia, R. (2013:20)

⁶² Mackey, J. and Sisodia, R. (2013:33)

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long as it is a revised version of what we have known up until today. In the Solution Revolution the authors state: “Private enterprise for public gain no longer need be an oxymoron. A growing army of societal problem solvers are rewarded for successfully tackling big, hard problems.”⁶³ These ideas are based on the idea that governments alone can no longer sustain the social and environmental needs of today’s and future generations. The Report⁶⁴ episode on Italian television began by stating that four billion people in the world today enjoy a discrete well-being, whereas three billion people have close to nothing. The four billion people live in a market that is quickly becoming saturated and their well-being will consequently diminish, whereas the three billion still must fulfill their basic needs. Within the next four years in Italy (the situation is similar in many other countries), 90 billion euros will be missing in order to sustain public spending in healthcare and other social matters.⁶⁵ Report goes on by stating that fulfilling social needs is no longer a task that can be performed by the state alone, or by private companies using public funding, rather a new generation of private companies that are creating social value and profits need to emerge, and are already emerging. Some of these companies are social enterprises (world-wide presence), Low-profit Limited Liability Companies (in the U.S.), Community Interest Companies (in the U.K.), Social Purpose Corporations (in the state of California), and of course Benefit Corporations (in the U.S. and Italy). All these company forms have some limits to profits except for Benefit Corporations; normally any profit made needs to be reinvested in social and/or environmental projects. Benefit Corporations, as we will see below, are normal for-profit companies, and as such do not have any limit on profits, what they do however have is a legal requirement to pursue other purposes than just maximizing shareholder wealth. Social Purpose Companies, while legally allowed to pursue other purposes than profits, are not legally required to do so.⁶⁶

⁶³ Eggers, W. and Macmillan, P. (2013:7)

⁶⁴ Report is a prime-time Italian investigative journalistic TV program with award-winning journalists. It airs on Sunday evenings on Rai 3, one of the state-owned TV channels. Report, (2016). [TV programme] Rai 3: Rai. Min. 0-3

⁶⁵ Report, (2016). [TV programme] Rai 3: Rai. Min. 0-3

⁶⁶ Berger, M. (2015). California Social Purpose Corporation: An Overview. [online] Nonprofit Law Blog. Available at: <http://www.nonprofitlawblog.com/california-social-purpose-corporation-an-overview/> [Accessed 9 Jun. 2016].

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The free market is presented as the solution to the issues mentioned above, but as the critical voices of CSR mentioned above anticipate, not everyone will agree with this view. Sociologist Michael Burawoy states: “We now live in a world where state and economy reinforce each other’s tendency to over-reach their own sphere of influence and threaten civil society.”⁶⁷ It is the age of neoliberalism, or as Michael Burawoy prefers to call it: marketization, building on work by Karl Polanyi. Burawoy however replaces Polanyi’s singular wave of marketization with three waves: the first in the 19th century, the second in the 20th and the third, which is still ongoing, stretching into the 21st century.⁶⁸ Each wave of marketization is analyzed through its different dimensions of commodification, in particular land and labor, and the social movements (or the countermovements) it spawns.⁶⁹ According to Polanyi, land and labor are ‘fictitious commodities’ as they were never meant to be bought, sold or traded and the result is labor precariousness and exploitation of land, and consequentially this can generate movements against the marketization that commoditized them to begin with.⁷⁰ However, Burawoy stresses that although movements can emerge as reactions to commodification, they can also have the unintended consequence of extending marketization.⁷¹ To demonstrate this effect Burawoy gives the examples of new markets being established because of environmentalism (ex. recycling and trading carbon quotas) and how labor struggles often have to accept the terms of the market when fighting precarity.⁷² He goes on to say:

Even if these movements are national in scope, fragmented in their interests and deepen marketization, nevertheless they can help call attention to the destructiveness of the market. In a world where markets are presented as the solution to all problems, an ideological challenge to the supremacy of the market is a crucial preliminary to any effective countermovement.⁷³

⁶⁷ Burawoy M., (2015:18)

⁶⁸ Burawoy M., (2015: 27)

⁶⁹ Burawoy M., (2015: 27)

⁷⁰ Burawoy M., (2015: 22)

⁷¹ Burawoy M., (2015:24)

⁷² Burawoy M., (2015:24)

⁷³ Burawoy M., (2015:24)

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Burawoy therefore urges us to critically study movements in order to understand whether they contribute, intentionally or not, to the advancement of marketization or its reversal.

Ethical consumption, another example of a reaction against the destructiveness of the market, is for instance still about *consuming*. This is of special importance as the market is largely driven by consumption (ex. 68% of GDP in the U.S., 64% in the U.K., and 54% in Switzerland⁷⁴) and is as such heavily reliant on it. World consumption is only increasing and there is no sign of it cooling off⁷⁵, rather the market is gaining an ever-larger role in our lives.⁷⁶ However, while some would argue that there has been a shift in market power towards consumers⁷⁷ we must not forget that we are still operating within the structure of the market and accepting its terms, as Burawoy stated above. Only in the case of a boycott does the ethical consumer actually *stop* purchasing and while boycotts are a big part of the ethical consumers available action, only in the best-case scenario does it guarantee a full stop of consumption. More commonly it is instead a shift in consumption towards another company or a temporary boycott that ends once a company has agreed to change. The market may be what is causing the situations that are being contested by consumers, but the market is also what is considered to be able to fix it. However, we shall not underestimate the positive impact rising consumer awareness can have in the world. Being more conscious about our choices and the way products and services come about means that issues with the market are revealed. Ethical consumption as it is right now, does serve to extend the market because companies respond to criticism and invent new ways of selling their products and hence ethical consumption is essentially about buying products that sustain the market being criticized.

⁷⁴ Data.worldbank.org. (2016). Household final consumption expenditure, etc. (% of GDP) | Data | Table. [online] Available at: <http://data.worldbank.org/indicator/NE.CON.PETC.ZS/countries?display=default> [Accessed 4 Jun. 2016].

⁷⁵ Harrison, R., Shaw, D., and Newholm, T. (2005:4)

⁷⁶ Ollman in Harrison, R., Shaw, D., and Newholm, T. (2005:4): “With the explosive expansion of consumerism – of the amount of time, thought, and emotions spent in buying and selling, and in preparing for (including worrying about) and recovering from these activities – the market has become a dominant, if not the dominant, influence in how people act and think throughout the rest of their lives. (Ollman, 1998: 82)”.

⁷⁷ Harrison, R., Shaw, D., and Newholm, T. (2005:5)

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The issue of advancement of the market is complex, something that authors De Neve et al. (2008) also deal with. They differentiate between fair trade movements, that “aim to contest the Market and to replace (or at least reformulate) existing production and exchange relationships” and CSR, which “is keen to promote (and enhance) the “human face” of capitalism as it exists today.”⁷⁸ In this light, ethical consumption through fair trade can be seen as more of a challenge to the market than ethical consumption from a “standard” company with CSR practices. This debate recalls my initial motivation for writing this thesis: combing the ideas of optimism and pessimism when it comes to the private sector and presenting an alternative. Benefit Corporations are presented as an alternative approach to the capitalist corporation as we know it, but it is still found within the capitalist market system.

The purpose of this first part of the background was two-fold. Firstly, it served to illustrate the context in which Benefit Corporations have evolved and the main arguments for it. Secondly, I have shown the main complexities surrounding these types of initiatives, mainly related to the reasons for why corporations do “good” in the first place and the advancement of the market. I will now move on to focus specifically on Benefit Corporations.

2.5 Defining the Benefit Corporation

2.5.1 U.S. Definition

In the U.S. the Benefit Corporation legislation was born out of the initiative B Corporation, or B Corp, Certificate. The B Corporation certification is conducted and organized by the US registered 501(c)3 nonprofit organization B Lab, founded in 2006 by three friends from Stanford University.⁷⁹ B Corporations are companies that voluntarily seek to be certified whereas Benefit Corporations are the legal application of it. The

⁷⁸ De Neve, G., P. Luetchford and J. Pratt. (2008:24)

⁷⁹ Bcorporation.net. (2016). Our Team | B Corporation. [online] Available at: <https://www.bcorporation.net/what-are-b-corps/the-non-profit-behind-b-corps/our-team> [Accessed 17 Mar. 2016].

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difference can be explained in the following way: the B Corporation certification is a snap shot of how a company is doing right now, whereas Benefit Corporation legislation is the insurance that a company is legally obliged to keep producing a common benefit also in the future. B Lab now employs close to 70 people and is based in the US but has recently opened a European branch with an office in Amsterdam, as well as other global branches.⁸⁰

In order to become a B Corp a company must fill out the Benefit Impact Assessment and in order to qualify as a B Corp, companies must score at least 80 out of the 200 points available.⁸¹ The certification is available to any corporation in any country in the world and is voluntary. The criteria for evaluation include Governance, Environment, Customers, Community, and Workers and a significantly large range of questions, such as: Does the company have a policy of sharing financial information with employees? What percentage of overseas vendors have you visited to tour their facilities? What percentage of employees are women? and What percentage of your energy comes from renewable sources?⁸² Today, there is a growing community of 1 713 B Corps, in 50 countries, and operating in 130 different sectors working towards what they consider their unifying goal: to redefine what success in business entails.⁸³ Further, the goals of B Corps are to solve social and environmental issues through their business models and to work with the greater public good in mind, hence not just for the good of a few selected shareholders.⁸⁴ In 2010 B Lab took their voluntary certification model on step further by developing the Model Legislation for Benefit Corporations and since then another main goal of theirs is to spread Benefit Corporation legislation around the world. The idea is

⁸⁰ Ibid.

⁸¹ Bcorporation.net. (2016). How to Become a B Corp | B Corporation. [online] Available at: <https://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp> [Accessed 17 Mar. 2016].

⁸² Livingston, A. (2012). To B or Not to B? Weighing the Benefits of Benefit Corporations. [online] Mashable. Available at: <http://mashable.com/2012/03/02/benefit-corporations/> [Accessed 17 Mar. 2016].

⁸³ Bcorporation.net. (2016). Welcome | B Corporation. [online] Available at: <https://www.bcorporation.net/> [Accessed 17 Mar. 2016].

⁸⁴ Bcorporation.net. (2016). Welcome | B Corporation. [online] Available at: <https://www.bcorporation.net/> [Accessed 17 Mar. 2016].

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that while B Corps are certified voluntarily with no legal implications, true change would come from making it a legal structure, and as such the idea of Benefit Corporation was born.⁸⁵ While Benefit Corporations and B Corps have many things in common, there is no requirement that a B Corp needs to be a Benefit Corporation, or the other way around.⁸⁶ In Annex 1 there is a table comparing the two entities, which has been produced by B Lab.

Lawyer William H. Clark, Jr. and the law firm he works for, Drinker Biddle & Reath LLP in Philadelphia, Pennsylvania, have participated, pro bono, in drafting all legislations thus far passed in the U.S. together with B Lab. The law firm had heard about the idea randomly (on the radio) and became interested immediately.⁸⁷ The Model Legislation evolved based on input from state legislatures, state bar associations, Secretaries of State offices, Attorney General offices, nonprofit groups and businesses.⁸⁸ Each state in the U.S. uses the proposed legislative text by B Lab and Drinker Biddle & Reath LLP. In 2010 the very first state to pass Benefit Corporation legislation was Maryland and now there are currently more than 3 000 Benefit Corporations in the U.S. in 31 states (five are currently working on passing it).⁸⁹ In July 2013, Delaware became the 19th state to enact Benefit Corporation legislation which was a significant event as over one million businesses are incorporated in Delaware, including approximately 50% of publicly traded companies.⁹⁰ Delaware is also notoriously known as one of the main

⁸⁵ Klein, A. (2016). An Epic Tale: The Birth of the Benefit Corporation - RoundPeg. [online] RoundPeg. Available at: <http://www.roundpegcomm.com/epic-tale-birth-benefit-corporation/> [Accessed 9 Jun. 2016].

⁸⁶ This holds true for the first 2 years as a B Corp in Italy, after this companies are required to become a Benefit Corporation.

⁸⁷ B Corporation, (2013). Benefit Corporation Legislation. [image] Available at: <https://youtu.be/SSP5kREBFD4> [Accessed 19 May 2016].

⁸⁸ Benefitcorp.net. (2016). The Model Legislation | Benefit Corporation. [online] Available at: <http://benefitcorp.net/attorneys/model-legislation> [Accessed 19 May 2016].

⁸⁹ Benefitcorp.net. (2016). Find a Benefit Corp | Benefit Corporation. [online] Available at: http://benefitcorp.net/businesses/find-a-benefit-corp?field_bcorp_certified_value=&state=&title=&submit2=Go&sort_by=title&sort_order=ASC&op=Go [Accessed 17 Mar. 2016].

⁹⁰ Drinkerbiddle.com. (2016). Benefit Corporations & Corporate Sustainability | Drinker Biddle & Reath LLP. [online] Available at:

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enforcers of shareholder wealth maximization in case law. Benefit Corporations have most of the characteristics of a traditional for-profit business corporation, but are subject to new legal requirements with respect to purpose, accountability, and transparency:

1. they must have a corporate purpose to create a material, positive impact on society and the environment;
2. the fiduciary duties of directors are expanded to require consideration of nonfinancial interests; and
3. they must report on their overall social and environmental performance as assessed against a comprehensive, credible, independent, and transparent third-party standard.⁹¹

The main difference between Benefit Corporations and traditional corporations is the fact that Benefit Corporations are *legally obliged* to pursue a purpose other than shareholder value maximization, something that before was only a possibility and a managerial choice. This has been considered not only a break from the shareholder primacy norm but a complete “paradigm shift”.⁹²

The official website in the U.S for Benefit Corporations (www.benefitcorp.net) is run by B Lab. On the website it is possible to obtain a wide variety of information on Benefit Corporations whether you are an entrepreneur, lawyer, legislator, investor, and/or curious citizen. It is also here that it is possible to understand the logic behind the creation of the legal framework:

<http://www.drinkerbiddle.com/services/practices/corporate/benefit-corporations-corporate-sustainability> [Accessed 17 Mar. 2016].

⁹¹ Drinkerbiddle.com. (2016). Benefit Corporations & Corporate Sustainability | Drinkerbiddle & Reath LLP. [online] Available at:

<http://www.drinkerbiddle.com/services/practices/corporate/benefit-corporations-corporate-sustainability> [Accessed 17 Mar. 2016].

⁹² Words used by: Mickels, A. (2009:5); Haskell Murray, J. (2012:1 and 52); Clark, Jr., W. and Babson, E. (2012:838); Senato della Repubblica, (2015:2).

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There are legal impediments in traditional corporate law that prevent companies from permanently changing the fiduciary duty of the board to require them to consider additional stakeholders and create general public benefit. One hundred years of case law, starting with the seminal case of *Dodge v. Ford Motor Company* in 1919 and continuing in *Ebay v. Newmarket* and the *Revlon Ruling*, have added to the precedent that current corporate law constrains directors to the sole fiduciary duty of maximizing profit for shareholders. Any consideration beyond the maximization of profit could subject the company to a shareholder suit.⁹³

Clearly B Lab pertains to the group of those who believe there is something wrong with corporate law in the U.S. As we saw above however, there is controversy as to whether these claims are justified *legally* (the norm everyone seems to agree on).

U.S. Benefit Corporations are required to have a purpose of creating “general public benefit” and are allowed to identify one or more “specific public benefit” purposes, both of which need to be clearly stated in the corporations’ founding statute.⁹⁴ This differs from general corporations, which are allowed to form for any lawful purpose.⁹⁵ Understanding what a “public benefit” exactly means is no straightforward task. Just as shareholders are not one and the same, neither is the public one unified group. In the Benefit Corporation legislation of California it is possible to find a definition of general public benefit as a “material positive impact on society and the environment, taken as a whole, as assessed against a third-party standard, from the business and operations of a benefit corporation.”⁹⁶ While the above definition creates more questions than answers, it seems like this was in fact the purpose: the holistic approach is meant to be both comprehensive and flexible according to Clark and Babson.⁹⁷ Furthermore, in order to understand what public benefit is, it is necessary to differentiate between the public and the specific benefit. For the public benefit, the California Benefit Corporation statute redefines fiduciary duties of the directors of benefit corporations: when considering the best interests of the corporation directors,

⁹³ Benefitcorp.net. (2016). FAQ | Benefit Corporation. [online] Available at: <http://benefitcorp.net/faq> [Accessed 17 Mar. 2016].

⁹⁴ Clark, Jr., W. and Babson, E. (2012:839)

⁹⁵ Clark, Jr., W. and Babson, E. (2012:839)

⁹⁶ Clark, Jr., W. and Babson, E. (2012:839)

⁹⁷ Clark, Jr., W. and Babson, E. (2012:839)

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[S]hall consider the effects of any action or decision not to act on:

- (i) The stockholders of the benefit corporation;
- (ii) The employees and workforce of the benefit corporation and the subsidiaries and suppliers of the benefit corporation;
- (iii) The interests of customers as beneficiaries of the general or specific public benefit purposes of the benefit corporation;
- (iv) Community and societal considerations, including those of any community in which offices or facilities of the benefit corporation or the subsidiaries or suppliers of the benefit corporation are located; and
- (v) The local and global environment⁹⁸

The California statute then lists seven non-exhaustive possibilities for specific public benefits, which are:

- (1) Providing low-income or underserved individuals or communities with beneficial products or services.
- (2) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business.
- (3) Preserving the environment.
- (4) Improving human health.
- (5) Promoting the arts, sciences, or advancement of knowledge.
- (6) Increasing the flow of capital to entities with a public benefit purpose.
- (7) The accomplishment of any other particular benefit for society or the environment.⁹⁹

2.5.2 Italian Definition

The Italian version of the Benefit Corporation (“Società Benefit”) will be studied more closely in chapters 4 and 5. The purpose of this section is to briefly lay out what the legislative structure of the Società Benefit is.

The legislative structure can be found in the proposal of the law that was accepted on January the 1st 2016. The legal proposal argues that the law on the Società Benefit is necessary because corporate legislation in Italy, thus far, has not easily allowed an entrepreneur to register a company with a “double scope”, i.e. a scope to maximize profits and a scope to produce a common good.¹⁰⁰ This double scope is defined as: “a company with an economic activity, that not only has as its scope to produce, maximize and distribute profits, but also to pursue one or multiple scopes related to producing a

⁹⁸ Clark, Jr., W. and Babson, E. (2012:839-840)

⁹⁹ Clark, Jr., W. and Babson, E. (2012:841)

¹⁰⁰ Senato della Repubblica, (2015:2)

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common benefit for people, communities, territories, the environment, cultural and social products and activities, entities and associations and any other stakeholder.”¹⁰¹ Benefit Corporations will need to declare what their scope is, who the responsible people within the company are to ensure that those intentions are fulfilled, and they also need to make use of third party independent evaluations in order to establish whether or not the intentions have in fact been fulfilled. In Italy at this moment the main third party evaluator is B Lab as there are no real alternatives, but the expectation of the initiators of the legislation is that more alternatives will emerge once the initiative spreads.¹⁰²

One of the main differences between the Italian and U.S. Benefit Corporations is that in the Italian case there is no distinction between general and specific purposes, rather in the Italian case all company purposes need to be for the general public. Another difference between the countries is that in the Italian law the Benefit Corporations can either *produce* a positive benefit or *minimize* negative externalities.¹⁰³

2.6 Added value

The added value of Benefit Corporations can be divided into several different categories, all of which will be elaborated below.

2.6.1 Enlarging the purpose of the corporation

The main added value of Benefit Corporations that can be derived from the existing literature is the fact that they are a step away from primarily focusing (and excessively so) on profit maximization. Including a purpose based on public benefit adds value as “profit tunnel vision” is seen as having harmful consequences on society, the environment, and also on the businesses themselves. In Italy, the legal text on Benefit Corporations in fact claims that Benefit Corporations are a qualitative jump from the ordinary form of corporate legislation: they even go as far as to say that the Società Benefit constitute a real economic and entrepreneurial paradigm change.¹⁰⁴ Benefit

¹⁰¹ Senato della Repubblica, (2015: 5)

¹⁰² Conference Genova 18/3-16, words spoken by Anna Cogo from Nativa.

¹⁰³ Senato della Repubblica, (2015:2)

¹⁰⁴ Senato della Repubblica, (2015: 2)

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Corporations operate with multiple purposes and go beyond the shareholder primacy norm. Further, a successful Benefit Corporation manages to produce profits in a way that creates a common benefit, which is something that a company ignoring issues other than those economic has failed to do in the past.

2.6.2 Legal obligation

The second added value, which is quite clear to observe is that Benefit Corporations are required by law to have a purpose beyond profits.¹⁰⁵ This can be broken down in the following way: Benefit Corporations are legally obliged to pursue other objectives than just profits whereas standard corporations are only legally obliged to pursue profit maximization in order to satisfy shareholder value maximization, and other activities are voluntary. However, as mentioned earlier in this paper, there is some controversy as to how much legal pressure traditional companies have to maximize profits: the one conclusion that can be drawn though is that traditional companies have the voluntary option to pursue activities beyond profits whereas Benefit Corporations are legally required to do so. This creates a level of legal certainty that Benefit Corporations will take the community, the environment, and other stakeholders into consideration when doing business.

2.6.3 Makes it clearer for consumers, investors, and job searchers

Clark and Babson (2012) argue that consumers, investors, and job searchers are all both driving change and are ready for change when it comes to responsible and sustainable consumption, work, and investments. While a vast majority of studies have found similar results to what Clark and Babson (2012) claim (as many as 87% of Americans would switch to a socially responsible product if price and quality are equal)¹⁰⁶, there are also numerous studies showing that what consumers say and what consumers do are two very different things. For example, no environmentally responsible car, carpet, cleaner, cosmetic, clothing, coffee, credit card or cell phone has captured more than two percent

¹⁰⁵ Clark, Jr., W. and Babson, E. (2012:839)

¹⁰⁶ Clark, Jr., W. and Babson, E. (2012:820)

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of its respective market.¹⁰⁷ In most cases, sales of green products represent much less than 1 % of any given category.¹⁰⁸ Consumers could be resisting green and responsible products for a number of reasons; some being price, quality, availability, perception, knowledge, but another reason could also be the confusion amongst terms (green, natural, safe, responsible, organic, biological etc.) and labels/certificates (Fair Trade, Energy Star, Green Seal, LEED).¹⁰⁹ However, Benefit Corporations are considered to offer a solid alternative to consumers who can know that these companies are in fact truly responsible.¹¹⁰

Further, the market for so-called impact investment (defined by The Global Impact Investing Network: “Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return”¹¹¹) is growing quickly, estimated today to be worth USD 60 billion.¹¹² Benefit Corporations are seen to offer to impact investors the same alternative that they do to consumers: a solid choice where to place money.¹¹³ Impact investing is growing since a larger number of investors are expressing a desire to do good while doing well; leading investors like Kleiner Perkins, Catterton Partners, New Enterprise Associates and American Express have for instance already invested in B Corporations.¹¹⁴ Because of the rigorous Benefit Impact Assessment that B Corporations have to pass they are generally perceived as more

¹⁰⁷ Makower, J. (2013). 5 Reasons Green Marketing Is Going Nowhere. [online] LinkedIn Corp. Available at: <https://www.linkedin.com/pulse/20130312180239-127714-5-reasons-green-marketing-is-going-nowhere> [Accessed 24 Mar. 2016].

¹⁰⁸ Makower, J. (2013). 5 Reasons Green Marketing Is Going Nowhere. [online] LinkedIn Corp. Available at: <https://www.linkedin.com/pulse/20130312180239-127714-5-reasons-green-marketing-is-going-nowhere> [Accessed 24 Mar. 2016].

¹⁰⁹ Makower, J. (2013). 5 Reasons Green Marketing Is Going Nowhere. [online] LinkedIn Corp. Available at: <https://www.linkedin.com/pulse/20130312180239-127714-5-reasons-green-marketing-is-going-nowhere> [Accessed 24 Mar. 2016].

¹¹⁰ Clark, Jr., W. and Babson, E. (2012:821)

¹¹¹ Thegiin.org. (2016). What You Need to Know About Impact Investing | The GIIN. [online] Available at: <https://thegiin.org/impact-investing/need-to-know/> [Accessed 24 Mar. 2016].

¹¹² Thegiin.org. (2016). What You Need to Know About Impact Investing | The GIIN. [online] Available at: <https://thegiin.org/impact-investing/need-to-know/> [Accessed 24 Mar. 2016].

¹¹³ Clark, Jr., W. and Babson, E. (2012:822)

¹¹⁴ The Huffington Post. (2016). [online] Available at: http://www.huffingtonpost.com/shane-paul-neil/the-surprising-competitiv_b_9476380.html [Accessed 4 Jun. 2016].

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resilient in times of financial hardship, which makes them more trustworthy as a company and hence a less risky investment.¹¹⁵ Since B Corporations have received this attention from investors it is probable that Benefit Corporations will also receive the same, if not more, as it is a legal status, not voluntary. During my interview with Luca Rossetini, founder of D-Orbit, he told me how the investors in his company had agreed with little hesitation that D-Orbit should transform into a Benefit Corporation. The economic logic was that as a Benefit Corporation, D-Orbit would have a long-term perspective that mitigates risk and therefor increases the chances of economic sustainability and survival of the company.

Clark and Babson also argue that job searchers more and more care about what type of company they work for: 69% in the U.S. consider the social and environmental track record of the company when deciding where to work and 88% of MBA students have said that they would take a pay cut to work for a company that is sensitive towards topics such as the environment, human well-being, communities, and other stakeholders.¹¹⁶ However, once again it is important to consider the differences between what employees say, and what they do.

2.6.4 Impact on social and natural environment

A very obvious added value is of course the expected improvement that Benefit Corporations are to bring to the environment and society, as this is a part of their purpose for existing. The business model of a Benefit Corporation integrates and is based on doing well for society and the environment; it cannot escape this commitment, as this would lead to a failed report assessment at the end of the year and it could no longer call itself a Benefit Corporation.

2.7 Main criticisms

The main criticisms of Benefit Corporations can be divided into several different categories, all of which will be elaborated below.

¹¹⁵ The Huffington Post. (2016). [online] Available at: http://www.huffingtonpost.com/shane-paul-neil/the-surprising-competitiv_b_9476380.html [Accessed 4 Jun. 2016].

¹¹⁶ Clark, Jr., W. and Babson, E. (2012:821)

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2.7.1 *What is benefit?*

Author Rae André is one of the most outspoken critics of Benefit Corporations. His skepticism lies partly in the vagueness of how “benefit” (both public and specific as required in the U.S. legislation) is presented. Firstly, he points out that what is said to be a public benefit (like preserving the environment) is impossible to argue with, secondly, often public benefit is extremely vague (like improving human health) and as such leaves room for contradicting interpretations, and thirdly many of the benefits cannot be significantly differentiated from what traditional companies are already doing (like providing individuals or communities with beneficial products or services).¹¹⁷ This is a topic that can easily and rapidly become politicized. The Benefit Impact Assessment that already exists and is tailored for Benefit Corporations (and B Corporations) offers an interesting solution to this issue as they have created a system of benchmarking (80 out of 200 points) where a score above 80 points means that your business model is creating more value than it is subtracting from the world. It covers a wide range of issues related to the local community, workers, governance, and the environment and is currently used by more than 40 000 businesses worldwide.¹¹⁸ It cannot be said to include one single type of benefit, but rather a wide range of benefits for a large group of different beneficiaries.¹¹⁹ However, it is up to the Benefit Corporation to choose the third party standard that best fits the statutory definition it has established itself. This free choice is based on a trust in the market, something that Senator Del Barba shared both in our interviews and during his speeches. He says that the law serves to allow companies that are responsible to be able to be recognized as such and they are fully capable to choose the third party standard, and public benefit, that suits them.

André (2012) is skeptical towards a separate classification that implies that other corporations are not creating good, which in his opinion is not true.¹²⁰ Traditional

¹¹⁷ André, R. (2012:136-137)

¹¹⁸ Bimpactassessment.net. (2016). Measure What Matters Most | B Impact Assessment. [online] Available at: <http://bimpactassessment.net/> [Accessed 8 Jun. 2016].

¹¹⁹ Bimpactassessment.net. (2016). Measure What Matters Most | B Impact Assessment. [online] Available at: <http://bimpactassessment.net/> [Accessed 8 Jun. 2016].

¹²⁰ Collette, M. (2012). 3Qs: Benefit corporations raise new questions on business, civics | news

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corporations, in fact, give to charities, create foundations, and provide employment. The idea of the supporters of Benefit Corporations is that eventually all companies will become Benefit Corporations and those who do not are the “rotten eggs” that cannot survive when competition is about doing business for society, not just in society. In fact, Senator Mauro Del Barba and Nativa founder Eric Ezechieli both emphasize that they want a competition to arise between “standard” companies and Benefit Corporations – such a competition would be based on who is best for society, and this type of competition can only be positive.

Furthermore, Benefit Corporations are not immune towards greenwashing¹²¹ and behaving in an irresponsible manner. According to www.benefitcorp.net the ‘general public benefit’ purpose helps prevent abuse of the legislation by corporations interested in greenwashing. B Lab argues that without the ‘general public benefit’ purpose, a corporation could pursue a single, narrow ‘specific public benefit’ purpose (e.g. keeping the river in back of the factory clean from toxic effluents) and then reject all other non-financial interests when making decisions, which would not meet the primary objective of the legislation of creating a new corporate form whose corporate purpose requires it to create benefit for society generally.¹²² Only time will be able to tell if Benefit Corporations do, on a systematic scale, behave “better” than traditional corporations. The Italian legislation includes just one role for a public authority, that of the Italian antitrust authority (Autorità Garante della Concorrenza e del Mercato) to guarantee the correct marketing behavior of Benefit Corporations to avoid greenwashing.

2.7.2 Serving many masters

One of the most controversial and discussed matters on Benefit Corporations is whether or not it will be possible to enforce the dual mission. In other words, how will directors of

@ Northeastern. [online] Northeastern.edu. Available at: <http://www.northeastern.edu/news/2012/12/rae-andre-3qs/> [Accessed 19 Feb. 2016].

¹²¹ Green-washing is the practice by firms that openly communicate positive environmental behavior but in reality their activities are harmful for the environment. A recent example is the Volkswagen diesel car scandal in the U.S.

¹²² Benefitcorp.net. (2016). FAQ | Benefit Corporation. [online] Available at: <http://benefitcorp.net/faq> [Accessed 17 Mar. 2016].

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the Benefit Corporation know when to give priority to profits, and when to give priority to public benefit? As there, up to date, has been no case law in the U.S. on legal issues related to Benefit Corporations it is unclear how issues of not being able to reach goals of public benefit and/or profit will play out in court. Murray (2012) is in fact very skeptical towards the dual mission and several “masters”:

Directors of benefit corporations are told they must consider the effects of any action on such diverse groups as: (1) shareholders; (2) employees (“of the benefit corporation, its subsidiaries and its suppliers”); (3) customers; (4) community and society; (5) “the local and global environment”; (6) “the short and long term interests of the benefit corporation”; and (7) “the ability of the benefit corporation to accomplish its general public purpose and any specific public benefit purpose.” Since Biblical times, it has been well recognized that people cannot properly serve two masters, much less seven or more.¹²³

Murray argues that directors would benefit from having a primary master as well as a clear objective, and that perhaps one of the reasons the shareholder wealth maximization norm has been so widely followed by traditional corporations may be because it provides a clearer corporate objective (similar to the view of the magazine *The Economist* stated above).¹²⁴ Murray, rather cynically, states that without clear guidance and without a clear master, many directors of Benefit Corporations and other social enterprises will likely default to seeking their own self-interest or their own objectives.¹²⁵ A possible answer to this criticism is that the idea of Benefit Corporations is to include responsibility into its core business and operations and as such profits are produced in a responsible way and there is no choice between profits and benefit. In other words, a successful Benefit Corporation is one that cannot produce profits in any other way than in a beneficial way.

2.7.3 Who are the third party standard setters

The role of the third part standard is to provide a framework against which the Benefit Corporation can assess its overall social and environmental performance (which is a legal requirement of the Benefit Corporation). One of André’s (2012) main issues with Benefit Corporation legislation is that it outsources citizen values to an unelected third party – the fact that the third party standard setter is unregulated and does not have to establish what

¹²³ Haskell Murray, J. (2012:27-28)

¹²⁴ Haskell Murray, J. (2012:27-28)

¹²⁵ Haskell Murray, J. (2012:27-28)

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is a public benefit under any specific criteria means that citizens and other stakeholders lose the power they hold over governments in a democracy.¹²⁶ In fact, the third party setters face the challenge of defining public benefit in such a way to make it measurable, credible, real, and universal. Surely this is not an easy task. The statutory criteria for a third party standard is to be comprehensive, credible, independent, and transparent, and authors Clark and Babson (2012) claim there are several in the U.S. that fit this description, such as The Global Reporting Initiative (GRI), GreenSeal, Underwriters Laboratories (UL), ISO2600, Green America, and of course B Lab itself, the originator of the Benefit Corporations.¹²⁷ These ranking and auditing systems can be better understood and examined using the concept of ‘commensuration’. Espeland and Stevens (1998) define commensuration as:

the transformation of different qualities into a common metric (...). Whether it takes the form of rankings, ratios, or elusive prices, whether it is used to inform consumers and judge competitors, assuage a guilty conscience, or represent disparate forms of value, commensuration is crucial to how we categorize and make sense of the world.¹²⁸

Commensuration, they argue, is a fundamental feature of social life and by now it is so taken for granted that we tend to forget the assumptions that it is based on and instead naturally assume that social phenomena can be measured.¹²⁹ What is more, commensuration manages to make everything comparable. Context is stripped away and relationships become more abstractly replaced by numbers, it creates relations between attributes or dimensions where value is revealed in the comparison.¹³⁰ With quantification systems, companies with wildly different purposes, activities, cultures, and structures are made to seem easily comparable. As a tool, it can of course be very practical to be able to turn complex and disparate information into numbers as they then can be easily compared, analyzed, and used for various scopes. The technical advantages of

¹²⁶ Collette, M. (2012). 3Qs: Benefit corporations raise new questions on business, civics | news @ Northeastern. [online] Northeastern.edu. Available at: <http://www.northeastern.edu/news/2012/12/rae-andre-3qs/> [Accessed 19 Feb. 2016].

¹²⁷ Clark, Jr., W. and Babson, E. (2012:821)

¹²⁸ Espeland, W. and Stevens, M. (1998:314)

¹²⁹ Espeland, W. and Stevens, M. (1998:315)

¹³⁰ Espeland, W. and Stevens, M. (1998:317)

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commensuration as such can be enormous but they can also be used for symbolic and political reasons that then become more important than the efficiency issues it resolves.¹³¹

Authors Davis, Kingsbury, and Merry make the same conclusion saying

Indicators often have embedded within them, or are placeholders for, a much further-reaching theory—which some might call an ideology—of what a good society is, or how governance should ideally be conducted to achieve the best possible approximation of a good society or a good policy.¹³²

While the widely used Benefit Impact Assessment by B Lab only results in a numerical score between 0 and 200, Benefit Corporations, in their annual reports, also include qualitative information and hence do not only rely on numbers.¹³³ Including qualitative elements directly into the assessment could be one way to deal with commensuration. Regular critical analysis and evaluations of the various assessments will also be necessary in order to not fall in to the trap of one single ideology.

2.8 Gaps

This background analysis and literature review on corporations has served to partially answer my first research question, namely *To what social, economic, and environmental needs do Benefit corporations respond and what is the impact of Benefit Corporations in society and the economic system as a whole?* I have discussed the issues related to excessive focus on profits and how Benefit Corporations allow for stakeholders and other values than economic values to be integrated into the corporation, and how they pursue a higher purpose and respond to social, economic, and environmental issues today through their business models. Benefit Corporations can in this sense be seen as a way to merge the dichotomy of profits vs. public good.¹³⁴

¹³¹ Espeland, W. and Stevens, M. (1998:316)

¹³² Davis, K., Kingsbury, B. and Merry, S. (2012:77)

¹³³ See for instance Patagonia's Annual Report: Patagonia Works, (2016). Annual Benefit Corporation Report Fiscal Year 2013 May 1, 2012 — April 30, 2013. [online] Available at: http://www.patagonia.com/pdf/en_US/bcorp_annual_report_2014.pdf [Accessed 4 Jun. 2016].

¹³⁴ The Economist. (2015). The business of business. [online] Available at: <http://www.economist.com/news/business/21646742-old-debate-about-what-companies-are-has-been-revived-business-business> [Accessed 3 Jun. 2016].

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There is plentiful academic work, initiatives, and projects that deal with placing capitalism on a more sustainable path. While some believe this to be impossible per se, there seems to be a large part of scholars, entrepreneurs, and other professionals who see the potential. Who are these people? Where do they come from? What background do they have? What are their motivations? There is very limited academic work produced on the actors behind these types of initiatives and specifically there is little work done on those who relate to the evolution of Benefit Corporations. Furthermore, there is limited literature about the Italian version of the Benefit Corporation as it has been implemented so recently, and as such there is ground to break in studying Benefit Corporations in the Italian context. Overall, the majority of the literature coming out on Benefit Corporations is from the U.S. and as such a different geographical perspective is useful in order to add value to the debate. This opens up new research opportunities and is where this thesis now turns: it will explore the evolution of Benefit Corporations in Italy, the people, and the enabling environment behind it. In order to do so I will make use of the institutional entrepreneurship framework, which will be presented below.

3 Analytical framework

The analytical framework that will be used in order to answer my second research question *What were the underlying conditions and the process of introducing the law on Benefit Corporations in Italy and who were the protagonists behind it?*, is the institutional entrepreneurship framework. This framework is a useful instrument that offers tools and structure that aid me in identifying data resources, collect necessary data, and to later also analyze the data on who the protagonists were behind the Benefit Corporation law in Italy, what the process was of introducing the law, and what the underlying conditions were that created an enabling environment.

3.1 Institutional entrepreneurship

Institutional entrepreneurship, which combines institutional theory and entrepreneurial theory, is an academic field that has been growing rapidly in popularity for the past three

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decades.¹³⁵ It is said to have been first introduced in academia in 1988 by Paul J Di Maggio who argued that “new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly.”¹³⁶ Institutional entrepreneurship is considered a concept that reintroduces agency, interests, and power into institutional analysis¹³⁷ as it intends to bridge what have come to be called the “old” (did not consider actors in the institutional environment) and “new” (gave an exaggerated role to actors) institutionalisms in organizational analysis.¹³⁸

I have in this thesis defined the corporation as an institution, and “(...) like any institution, it is an instrument for the organization of human efforts to a common end. This common end is not just the sum of the individual ends of the human beings organized in the corporation. It is a common but not a joint end.”¹³⁹ The corporation is an aggregation of human beings, but it is also a legal entity that can outlive those individuals. However, institutions are composed of more than people, they also have “rules, norms, and beliefs that describe reality for the organization, explaining what is and is not, what can be acted upon and what cannot.”¹⁴⁰ One of those norms inside the corporation is the shareholder primacy norm.¹⁴¹ Further, institutional arrangements bestow legitimacy, which is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of values, norms, beliefs, and definitions”¹⁴², which then constrains behavior through regulative, normative, and cognitive elements. Consequently, actions within a particular institutional field come to be seen as legitimate and make it difficult for actors to deviate from them.¹⁴³

¹³⁵ Leca, B., Battilana, J. and Boxenbaum, E. (2008:34)

¹³⁶ DiMaggio, P. (1988)

¹³⁷ Garud, R., Hardy, C. and Maguire, S. (2007:2-3)

¹³⁸ Ibid.

¹³⁹ Drucker, P. (1946:20)

¹⁴⁰ Leca, B., Battilana, J. and Boxenbaum, E. (n.d.). Agency and Institutions: A Review of Institutional Entrepreneurship. Draft Paper 2008. pp.4

¹⁴¹ Ibid

¹⁴² Leca, B., Battilana, J. and Boxenbaum, E. (2008:5)

¹⁴³ Ibid.

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The shareholder primacy norm is a fundamental component of the institution that is the corporation; it has shaped, constrained and directed the behavior of companies, media, academia, lawyers and regulators in the past decades. This has been done through regulative, normative, and cognitive elements. The shareholder primacy norm as a fundamental part of the corporation has had extensive influence and impact on our societies. The norm has been continuously questioned over the past decades and especially now, with the introduction of Benefit Corporations and all other related initiatives, we find ourselves in an interesting moment of corporate theory and practice where the norm is seriously being challenged and hence also a fundamental part of the corporation is being challenged.

Entrepreneurship, on the other hand, is the recognition and exploitation of opportunities and the entrepreneur is the person that employs this activity.¹⁴⁴ Schumpeter, the most noted scholar when it comes to entrepreneurialism and its impact in society¹⁴⁵, defined entrepreneurship as the engine of economic growth. He theorized the introduction of new technologies and the continuous battle for firms to both survive the disruption and to seize the opportunity that new technology caused, naming the process creative destruction.¹⁴⁶ Schumpeter's approach is primarily technologist and entrepreneurs are in fact not only faced with new technologies but also with new ideas; new insights and disruptions may also emerge from recombination of intellectual resources.¹⁴⁷ Theories on entrepreneurship often deal with change rather than continuity. From a sociological perspective, change when related to entrepreneurship entails people (whether from the public sector, private sector or civil society) deviating from some norm, which can consequently lead to challenging an entire institution.¹⁴⁸ The process of change and introduction of novelty by entrepreneurs is not easy or predictable as it involves politics and constant negotiation and renegotiation of norms and behavior.¹⁴⁹ Entrepreneurs are

¹⁴⁴ De Carolis, D. and Saparito, P. (2006:41)

¹⁴⁵ Leca, B., Battilana, J. and Boxenbaum, E. (2008:6)

¹⁴⁶ Ibid.

¹⁴⁷ Leca, B., Battilana, J. and Boxenbaum, E. (2008:7)

¹⁴⁸ Leca, B., Battilana, J. and Boxenbaum, E. (2008:6)

¹⁴⁹ Leca, B., Battilana, J. and Boxenbaum, E. (2008:7)

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not rational actors in the extreme sense (*homo economicus*) and will therefore not be defined as such in this thesis; while they can produce change they take on different roles at different times in different spaces. Entrepreneurs can be seen as creators of institutions, they can destroy institutions, maintain institutions or modify existing institutions.¹⁵⁰ They can act strategically and with intentions, their behavior can have unintended consequences, and they can both fail and succeed with their intentions. The risk here is now that entrepreneurs can be everything and nothing, in light of this and for the purpose of this thesis, I will study the protagonists behind the introduction of the law in Italy on Benefit Corporations (they will be more comprehensively introduced in section 4) and I will define them as entrepreneurs as they intentionally and strategically deviated from the shareholder primacy norm when they successfully introduced the new law. Institutional entrepreneurs can therefore be defined as those protagonists acting deliberately on a norm and institution, and they can originate from any social setting (they are not necessarily business owners).

3.2 Main criticism and responses

While institutional entrepreneurship accounts for the role of actors in institutional change, the notion of institutional entrepreneurship has been criticized for reawakening the classic debate on structure versus agency, which implies that actors are able to separate themselves from their social context and act to change it.¹⁵¹ This has been denominated the “paradox of embedded agency”¹⁵², which “alludes to the tension between institutional determinism and agency: How can organizations or individuals innovate if their beliefs and actions are determined by the institutional environment they wish to change?”¹⁵³

¹⁵⁰ Weik, E. (2011:4). Referring to the following scholars: Child, Lu and Tsai (2007); Clemens and Cook (1999); Fligstein (2001); Garud, Hardy and Maguire (2007); Garud, Jain and Kumaraswamy (2002); Levy and Scully (2007); Lounsbury and Crumley (2007); Mutch (2007); Perkmann and Spicer (2007); Wijen and Ansari (2007); Zilber (2007); Zilber (2007), Maguire and Hardy (2009).

¹⁵¹ Leca, B., Battilana, J. and Boxenbaum, E. (2008:4)

¹⁵² Leca, B., Battilana, J. and Boxenbaum, E. (2008:4)

¹⁵³ Leca, B., Battilana, J. and Boxenbaum, E. (2008:4)

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This thesis will follow in the steps of authors Garud, Hardy, and Maguire (2007) who respond to the paradox by stating:

One answer to this puzzle lies in conceptualizing agency as being distributed within the structures that actors themselves have created (Garud and Karnøe, 2003). Consequently, embedding structures do not simply generate constraints on agency but, instead, provide a platform for the unfolding of entrepreneurial activities. According to this view, actors are knowledgeable agents with a capacity to reflect and act in ways other than those prescribed by taken-for-granted social rules and technological artifacts (Schutz 1973; Blumer 1969; Giddens, 1984; Garud and Karnøe, 2003; Mutch [2007] in this issue). Conceptualized in this way, institutional structures do not necessarily constrain agency but, instead, may also serve as the fabric to be used for the unfolding of entrepreneurial activities.¹⁵⁴

In fact, we humans have the capacity to use our imagination, something that Marx famously stated in *Das Kapital* “But what distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality.”¹⁵⁵ It is our imagination that allows us to envision alternatives and to contextualize past habits and future projects.¹⁵⁶ These mental exercises are fundamental if we are to be able to alter the status quo by breaking with existing rules and practices that are associated with the dominant institutional logic.¹⁵⁷ As both Luca Rossetini and Eric Ezechieli told me in our interviews, the corporation is a means towards an end; an end that entails improving human life and the environment. The corporation does not only constrain our behavior but can also be a powerful tool.

Further, institutional entrepreneurship scholars have been criticized for focusing too stringently on a few actors and as such depicting them as “heroes”, giving little attention to a wider set of actors and activities.¹⁵⁸ Some scholars have attended to this by for example looking at institutional entrepreneurship from a *practice* point of view and

¹⁵⁴ Garud, R., Hardy, C. and Maguire, S. (2007:9-10)

¹⁵⁵ Marx, K. (1867). Economic Manuscripts: Capital Vol. I - Chapter Seven. [online] Marxists.org. Available at: <https://www.marxists.org/archive/marx/works/1867-c1/ch07.htm> [Accessed 25 Mar. 2016].

¹⁵⁶ Garud, R., Hardy, C. and Maguire, S. (2007:10)

¹⁵⁷ Ibid.

¹⁵⁸ Lounsbury, M. and Crumley, E. (2007:993)

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aiming at exploring the origins of these practices before they become institutionalized and taken for granted.¹⁵⁹ While it is true that actors constitute a major part of institutional entrepreneurship, it is more a scholarly choice how much attention to actually give to them. Below I will lay out various useful indicators useful when studying institutional change and both processes and conditions matter – some driven by actors themselves and other are larger events beyond the control of the single actors. In this sense institutional entrepreneurship offers a theoretical ground to stand on and an analytical framework to use when understanding change and it allows the scholar to take into consideration both actors, processes, and conditions.

3.3 Protagonists, processes, and conditions of institutional entrepreneurship

In this section I will rely heavily on the work by Leca, Battilana and Boxenbaum as they have reviewed more than 60 articles between 1988 and 2007 to find the most typical indicators studied when mapping out process of change with regards to institutional entrepreneurship. I have made a selection of those indicators most relevant to this paper. While they are many and each of them could have been chosen to be studied also singularly and more in-depth, my choice to include them all is based on a desire to have as broad understanding as possible about the introduction of the law on Benefit Corporations in Italy. This thesis was not born out of the idea to produce a theoretical stance on a specific branch of institutional entrepreneurship but rather to understand the evolution of Benefit Corporations and as such all indicators included will be of use to me. The summary of all indicators can be viewed in Table 1 and 2 and they will guide me both when both collecting and analyzing data.

The indicators can be divided into two categories; (1) The conditions under which an actor is likely to become an institutional entrepreneur, and (2) The process of how institutional entrepreneurship unfolds.¹⁶⁰

¹⁵⁹ Lounsbury, M. and Crumley, E. (2007:994)

¹⁶⁰ Leca, B., Battilana, J. and Boxenbaum, E. (2008:6)

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3.3.1 1) *The conditions*

Within this category, it is possible to divide between two types of conditions: 1) field-level conditions, and 2) the entrepreneur's position in the field.¹⁶¹

The different field-level conditions are multiple and can exist simultaneously. They can be for instance shocks in the form of social upheaval, political and economic crisis, technological disruption, competitive discontinuities, complex problems like environmental issues and scarcity of resources, and/or regulatory changes might enable institutional entrepreneurship by disturbing the socially constructed field-level consensus and contributing to the introduction of new ideas.¹⁶² These conditions have already to a large degree been put into context in the above background analysis of Benefit Corporations, however they can be additionally studied for the Italian case. Further, depending on the degree of heterogeneity and institutionalization of the field there will be different opportunities of institutional entrepreneurship. There is a relative consensus that the more heterogeneous a field, the lesser the degree of institutionalization, the more the presence of multiple institutional orders or alternatives, and the more there are contradictory institutional arrangements, the more there is an opportunity for agency and thereby for institutional entrepreneurship.¹⁶³ The recent developments of new corporate forms are of interest here as they have created a more heterogenic field of corporations (institutions).

The position of the entrepreneur in the field is an important aspect to study as it matters both for how the entrepreneur perceives the field she wishes to act upon and also how she perceives her access to resources needed to engage in institutional entrepreneurship.¹⁶⁴ The position of the entrepreneur can be at the center of the field, at its margins, or at the interstices of different fields. Research has had contradicting results on what position of actors enables them to behave as institutional entrepreneurs, perhaps more relevant to

¹⁶¹ Leca, B., Battilana, J. and Boxenbaum, E. (2008:7)

¹⁶² Leca, B., Battilana, J. and Boxenbaum, E. (2008:7)

¹⁶³ Leca, B., Battilana, J. and Boxenbaum, E. (2008:7-8)

¹⁶⁴ Leca, B., Battilana, J. and Boxenbaum, E. (2008:9)

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study then is their social position in terms of “their position in the structure of social networks,” which corresponds to the set of persons with whom they are directly linked.¹⁶⁵ The position of Senator Del Barba (mainly from the political field), Eric Ezechieli, and Luca Rossettini (both mainly from the private sector) will be studied in the analysis. Further related to the entrepreneurs is the enabling role of their specific characteristics. For example, studies have shown that institutional entrepreneurs have the capability of abstracting from the concerns of others and to take an autonomous reflexive stance (empathy).¹⁶⁶ Additionally, institutional entrepreneurs are considered to act in a socially skilled manner (finding and maintaining a collective identity and meeting diverging interests of different people).¹⁶⁷ In other words, “institutional entrepreneurs are able to relate to the situations of other actors and, in doing so, to provide them with reasons to cooperate.”¹⁶⁸ Other studies have shown the tendency of institutional entrepreneurs to have a strong personal connection to their project; they connect the values of the cause to their personal identities. I discussed all these issues with the interviewees in order to better understand their idea of the personal characteristics they have.

3.3.2 2) *The process*

Institutional entrepreneurs face several challenges where the first one is undoubtedly the resistance of those who benefit from the existing institutional arrangements. The process of change is highly political and involves mobilizing allies and key constituents like highly embedded agents, professionals, and experts; mobilize legitimacy and finances; and develop alliances and cooperation.¹⁶⁹ The example of introducing the law in Italy is particularly interesting in this aspect as it was done with remarkable speed and very little resistance. Institutional entrepreneurs have also shown to develop discursive strategies to move forward the process of change. This is an area that has been extensively studied within institutional entrepreneurship and some go as far to say that institutional entrepreneurship is “mainly a discursive strategy whereby institutional entrepreneurs

¹⁶⁵ Leca, B., Battilana, J. and Boxenbaum, E. (2008:10)

¹⁶⁶ Leca, B., Battilana, J. and Boxenbaum, E. (2008:10)

¹⁶⁷ Leca, B., Battilana, J. and Boxenbaum, E. (2008:10)

¹⁶⁸ Leca, B., Battilana, J. and Boxenbaum, E. (2008:10)

¹⁶⁹ Leca, B., Battilana, J. and Boxenbaum, E. (2008:11)

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generate discourse and texts aimed at affecting the processes of social constructions that underlie institutions.”¹⁷⁰ Discourse is undeniably of importance when understanding processes of change and usually it includes two components: 1) *specification*: which is the framing of the existing organizational failing and includes the diagnosis of the failure and assignment of blame for it, and 2) *justification* of the proposed alternative project as superior to the previous logic.¹⁷¹ These activities include the creation of so-called “institutional vocabularies”, defined as identifying words and referential texts to expose contradictory institutional logics embedded in existing institutional arrangements.¹⁷² Depending on who the target is, what the degree of institutionalization is, and what the project is, the discourse will naturally be shaped differently. The entrepreneurs will balance their discourse (and project) between being sufficiently different from the status quo and not so radical as to scare off potential allies and resources.¹⁷³ Further, since institutional entrepreneurs act within a certain context and field, their discourse will be colored by the logic of that specific context which consequently represents both a barrier and an opportunity. Studies have suggested that the more mature a field is, the more the discourse will be adapted towards the dominant coalition.¹⁷⁴ If the field on the other hand is more fragmented or new the discourse and related project will need to speak to various groups of people and their specific interests. Benefit Corporations find themselves within the market logic and as a for-profit institution, it is possible to expect the discourse to be adapted to the market logic, but also to include the criticism towards capitalism that has been discussed above.

The obtainment of financial resources and other tangible resources will be necessary for the institutional entrepreneurs in order to survive possible initial sanctions imposed by those supporting the status quo, to mobilize people, to organize events around the project, and to put pressure on stakeholders.¹⁷⁵ Intangible resources are also considered of high

¹⁷⁰ Leca, B., Battilana, J. and Boxenbaum, E. (2008:12)

¹⁷¹ Leca, B., Battilana, J. and Boxenbaum, E. (2008:12)

¹⁷² Leca, B., Battilana, J. and Boxenbaum, E. (2008:12)

¹⁷³ Leca, B., Battilana, J. and Boxenbaum, E. (2008:13)

¹⁷⁴ Leca, B., Battilana, J. and Boxenbaum, E. (2008:14)

¹⁷⁵ Leca, B., Battilana, J. and Boxenbaum, E. (2008:15)

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value to institutional entrepreneurs and have been studied closely by academia. Three types of intangible resources are said to matter: social capital, legitimacy, and formal authority. Social capital is related to the entrepreneurs social position described above. Legitimacy is defined as “the extent to which an entrepreneur’s actions and values are viewed as consistently congruent with the values and expectations of the larger environment.”¹⁷⁶ Depending on whether or not the field in which they act is mature or emerging, the entrepreneurs will need to obtain legitimacy from either the dominant coalition or from more various groups of people. Formal authority, on the other hand, refers to an entrepreneur’s legitimately recognized right to make decisions.¹⁷⁷ For example, the authority of the state and the authority awarded by official positions, such as the one Senator Del Barba holds, are formal authorities and enable entrepreneurs to realize their projects.

Below are two tables that sum up the different indicators that will be the base for my analysis in section 5 but will be firstly elaborated further in section 4 on how I will use them.

¹⁷⁶ Leca, B., Battilana, J. and Boxenbaum, E. (2008:16)

¹⁷⁷ Leca, B., Battilana, J. and Boxenbaum, E. (2008:16)

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<i>Indicators - Conditions</i>	<i>The conditions under which an actor is likely to become an institutional entrepreneur</i>
Social upheaval	Disturbs the socially constructed field-level consensus and contributes to the introduction of new ideas
Political crisis	See above
Economic crisis	See above
Technological disruption	See above
Regulatory changes	See above
Environmental issues	Scarcity of resources, complex global issues
Degree of heterogeneity of field	High vs. low
Degree of institutionalization of field	High vs. low
Position of entrepreneur	Center, margins or interstices
Social position	In a structure of networks
Social skills/behavior	Ex. Empathy, meeting diverging interests

Table 1 Indicators on the conditions for institutional entrepreneurship

<i>Indicators - Process</i>	<i>The process of how institutional entrepreneurship unfolds</i>
Mobilizing allies	Key constituents, professionals, experts
Mobilizing tangible resources	Finances
Mobilizing intangible resources	Social capital, legitimacy, formal authority
Discursive strategies	Adaptable institutional vocabulary

Table 2 Indicators on the process of institutional entrepreneurship

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4 Research design and data

This section will describe and analyze the methods I have used in order to conduct original research, collect both primary and secondary data, and how that data will be analyzed later.

Typically qualitative methods of data analysis provide ways of discerning, examining, comparing, and interpreting meaningful patterns or themes and they are occupied more with words and are guided by fewer universal rules and standardized procedures than quantitative analysis.¹⁷⁸ What determines whether or not something is meaningful is the researcher and the questions the researcher asks. In the context of this thesis and in order to answer my second research question, *What were the underlying conditions and the process of introducing the law on Benefit Corporations in Italy and who were the protagonists behind it?*, I will be using the indicators identified above. The indicators can be seen as conceptual categories that are to be used in order to identify and puzzle together the context of Benefit Corporations in Italy and understand their legal introduction. It was necessary to collect various types of qualitative data in order to be able to pursue this type of data analysis. Firstly, I conducted three in-depth interviews with the protagonists (see section 4.1 below); secondly I participated in four conferences on Benefit Corporations in Italy in the period February 2016 - May 2016 (section 4.2); thirdly I collected relevant news articles on Benefit Corporations in Italy (section 4.3); and lastly I met informally on several occasions with the protagonists (section 4.4).

The interviews and the conferences were spread over a time period of four months and this allowed me to understand whether any of my findings suggested that additional data needed to be collected or if new questions needed to be asked in order to successfully

¹⁷⁸ Frechtling, J. and Sharp, L. (1997). User-friendly handbook for mixed method evaluations. Arlington, VA: NSF, Directorate for Education and Human Resources, Division of Research, Evaluation, and Communication, pp.[Accessed 26 Apr. 2016]
<http://www.nsf.gov/pubs/1997/nsf97153/start.htm>.

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answer both my research questions. As such I did not operate in fixed stages of first collecting all data and then analyzing it, rather the process was more “iterative”.¹⁷⁹

The main general questions guiding me when analyzing the data collected where:

- What patterns and common themes emerge in the data dealing with specific items? How do these patterns (or lack thereof) help to illuminate my research questions?
- Are there any deviations from these patterns? If yes, are there any factors that might explain these atypical responses?
- What interesting stories emerge from the interviews, conferences and/or articles? How can these stories help to illuminate my research questions?¹⁸⁰

The main specific questions on the other hand that guided me in my data analysis correspond directly to Table 1 and 2. Examples are:

- What social skills does the entrepreneur have?
- What tangible sources were mobilized?
- What is the discourse strategy of Benefit Corporation proponents in Italy?

The data collected was first reduced and categorized according to the indicators and subsequently the data was further analyzed in order to draw conclusions and ultimately answer the research questions.

Hereunder each type of data will be presented and discussed more in detail.

4.1 Interviews

In order to study the evolution Benefit Corporations in the Italian context, with a special focus on the protagonists behind the initiative, it was first necessary identify who the

¹⁷⁹ Ibid.

¹⁸⁰ Questions taken directly from the text of: Frechtling, J. and Sharp, L. (1997). User-friendly handbook for mixed method evaluations. Arlington, VA: NSF, Directorate for Education and Human Resources, Division of Research, Evaluation, and Communication, [Accessed 26 Apr. 2016] <http://www.nsf.gov/pubs/1997/nsf97153/start.htm>.

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protagonists were and in what institutional context they operated. This was possible after conducting some initial research on the topic through online searches and in newspaper articles.¹⁸¹ The three people I identified to be the most important were:

- 1) Senator Mauro Del Barba: the Italian senator that was responsible for writing the legal proposal and presenting it to the Senate and eventually the first to sign the law.
- 2) Eric Ezechieli: the co-founder of Nativa Lab, an Italian consultancy company specialized in sustainability, which represents B Lab in Italy, and the one that introduced the concept of Benefit Corporations to the Senator and worked on the legal proposal and dissemination activities.
- 3) Paolo Di Cesare: the second co-founder of Nativa Lab and the one that introduced the concept of Benefit Corporations to the Senator and worked on the legal proposal and dissemination activities alongside Eric Ezechieli.

These three figured in all the articles talking about the introduction of the law on Benefit Corporations in Italy and were presented as the people who had made it happen. Shortly after I had discovered their identities (which was circa 2 months after the law had been introduced in Italy), I received an email from Università Bocconi about an event that would be held a few days later on the topic of Benefit Corporations and two of the speakers were going to be Senator Del Barba and Eric Ezechieli.¹⁸² I reached out to the two of them for the first time via the Internet, introducing myself and my research topic

¹⁸¹ Examples: Del Barba, M. (2016). Le società benefit alla Camera. [online] Mauro del Barba. Available at: <http://maurodelbarba.it/ottimo-riscontro-alla-camera-per-le-societa-benefit/> [Accessed 5 Jun. 2016]; Rizzo, M. (2016). Benefit Corporation, la sintesi tra imprese profit e non profit è un dato di fatto. Repubblica. [online] Available at: <http://www.repubblica.it/solidarieta/equo-e-solidale/2015/08/27/news/benefit-121745447/> [Accessed 5 Jun. 2016]; Italian Parliament approves Benefit Corporation legal status. (2015). [Blog] B Corporation. The Blog: Voice of the B Corporation Community. Available at: <http://bcorporation.eu/blog/italian-parliament-approves-benefit-corporation-legal-status#.VnPkVxDY0tg.twitter> [Accessed 5 Jun. 2016].

¹⁸² Conference: Ezechieli, E., Del Barba, M., Perrini, F. and Angelinis, S. (2016). Le Benefit Corporations- Origini del fenomeno B-Corp, il caso Usa e le opportunità di sviluppo in Italia. 22 Feb. 2016 at 17.45 in Aula N23, Velodromo, Università Bocconi, Italy.

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and the possibility of interviewing them for the thesis. I also suggested that we meet at the event so that I could introduce myself in person, which is then what effectively happened. This was the first of a series of conferences that I participated in and also the first of several encounters with the protagonists. At a different conference (“Società Benefit – integrazione e valore condiviso”, 26 Feb. 2016 in Fondazione Eni Enrico Mattei, Milan) I introduced myself to Luca Rossetini, the founder of D-Orbit, which is one of the first five Benefit Corporations in Italy and designs and manufactures advanced decommissioning solutions that enable space operators to dispose of space vehicles at end of life.¹⁸³ He had been a speaker at the event and I asked about his availability to partake in an interview for my thesis, to which he responded positively.

For the purpose of this thesis I chose to conduct semi-structured interviews, which is a mix between structured and unstructured interviews. In structured interviews the researcher asks all of the interviewees the same questions that each have a limited set of response categories.¹⁸⁴ Open-ended questions are rarely used and there is little room for spontaneous interaction between the researcher and the interviewee. This type of interview is far too rigid for the purpose of my thesis. Unstructured interviews on the other hand are extremely in-depth, informal, and do not need to take place in a pre-determined setting with pre-determined respondents.¹⁸⁵ In these instances it is acceptable for the researcher to answer questions herself and to let some personal opinions and emotions in. A mix between these two approaches helped me define my interview method as I established beforehand some questions, I knew who I wanted to interview, and I made appointments to meet with them beforehand. However, the relations and conversations have been quite informal and as such I find it of use to base my approach also partly on unstructured interviews.

¹⁸³ D-Orbit. (2016). D-Orbit | Satellite systems company specialized in solutions for optimizing space assets.. [online] Available at: <http://www.deorbitaldevices.com/about-us/> [Accessed 12 May 2016].

¹⁸⁴ Fontana, A. and Frey, J. (2005:702)

¹⁸⁵ Fontana, A. and Frey, J. (2005:706)

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Authors Fontana and Frey make a valid point on risks of interviewing when stating: “more traditional sociologists and researchers from other disciplines still follow this “how to” approach to interviewing, where the illusion exists that the better they execute the various steps, the better they will apprehend the reality that they assume is out there, ready to be plucked.”¹⁸⁶ While it is true that I had an objective with my interviews and I consciously chose my interviewees as I believed them to have the best information available for my purposes, I also acknowledge that the interviews performed by me, in this context, at this time, are no guarantee to obtain the “truth” about anything – it is merely the account of these people. The story could be told differently by the very same people in a different context but this is not a reason to avoid interviews. I am aware of the contextual dependence that my thesis has and this has also been desired from the beginning: in order to get to know the people behind the legal initiative in Italy and their motivations, this thesis will necessarily be context dependent and more close to a “personal” account of what happened. Other important considerations to make in order to ensure that the interviews can be seen as truly valuable data for this thesis are related to access, language, and various constraints.

Access As anticipated above I contacted two of the three people I identified in writing requesting their participation in interviews for my thesis. Eric Ezechieli I contacted via Nativa Lab’s official communication channel on their webpage, whereas I contacted Senator Del Barba via his official Facebook account. I received positive answers from both within a day. I followed up my contact with them through attending conferences where they were speakers, which allowed me to access some of the institutional context where they operate and gain their trust in order to schedule interviews. I interviewed Eric Ezechieli at his office for roughly 40 minutes on the 3rd of May 2016, whereas as Senator Del Barba and I met for an interview before the seminar in Bocconi for a 45 minute interview on the 22nd of February 2016 and I received some answers from him through electronic messaging. I met Luca Rossettini for an interview at a coffee shop on the 19th of April, which lasted circa one hour and 15 minutes. I did not

¹⁸⁶ Fontana, A. and Frey, J. (2005:707)

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interview Paolo Di Cesare personally but heard him speak at Conference 4 and also spoke informally to him at the same event.

Language All of the interviewees are of Italian origin and all of our contact has been in the Italian language, which I speak fluently since having lived in Italy for a total of four years. I did not feel constrained by the fact that we have different native languages, rather my interviewees were at ease speaking their mother tongue and further it helped me immensely in being able to communicate with anyone in this context as they have all been Italian. I have translated all the interviews from Italian to English and believe to have done a good job in presenting accurately the thoughts and opinions of my interviewees, who will all have access to this thesis once it is ready and are free to offer me their feedback.

Constraints In terms of time and space I have suffered several constraints. I only interviewed three people, all of which are very busy people with limited time, which meant that I could meet them either for limited time or for a limited amount of times. While the number is undoubtedly small, the people I managed to interview are however extremely important for my research question and as such I do not doubt their added value to my thesis. My thesis is about the protagonists: which by definition cannot be a large number of people.

4.2 Research Sites

I attended the following four conferences/events related to Benefit Corporations in Italy during the spring of 2016 (see full description in Annex 2).

Conference 1.

Name: “Le Benefit Corporations – Origini del fenomeno B-Corp, il caso Usa e le opportunità di sviluppo in Italia (Benefit Corporations- Origins of the phenomenon of B-Corp, the case of the U.S. and opportunities for Italy)”

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Date and location: 22 Feb. 2016 at 17.45 – 19.30 in Aula N23, Velodromo, Università Bocconi, Milan.

Speakers: Eric Ezechieli (co-founder Nativa Lab), Mauro Del Barba (Senator), Francesco Perrini (professor at Università Bocconi) and Stefano Angelinis (student at Università Bocconi and organizer of the event).

Conference 2.

Name: “Società Benefit – integrazione e valore condiviso (Benefit Corporations – integration and shared value)”

Date and location: 26 Feb. 2016 at 14.00-18.30 in Fondazione Eni Enrico Mattei, Corso Magenta 63, Milan.

Speakers (that will be cited in this thesis): Eric Ezechieli (co-founder Nativa Lab), Mauro Del Barba (Senator), Marcello Palazzi (co-founder of B Lab Europe), Luca Rossetini (founder D-Orbit), Roberto Randazzo (founder of European Social Enterprise Law Association). The other speakers were journalists, working for foundations/social enterprises/non profits, CSR managers, or scholars.

Conference 3.

Name: Il Salone della CSR e della innovazione sociale – Cambiamento, Coesione, Competitività, Scenari e prospettive da e per il nostro territorio. Arriva in Italia un nuovo modello d’impresa: la Società Benefit. Benefit Corporation: B the change! (The CSR and social innovation fair – Change, Cohesion, Competitiveness, scenarios and prospects from and for out territory. A new business model arrives in Italy: the Benefit Corporation. The Benefit Corporation: B the change!)

Date and Location: Mar. 18 2016 at 10.00-17.00 in Palazzo Meridiana, Genoa.

Speakers (that will be cited in this thesis): Mauro Del Barba (Senator), Anna Cogo (employee at Nativa), and Claudia Carli (marketing and communications manager at Fratelli Carli). Other speakers (a total of 50) were discussing other topics related to CSR and social innovation in different rooms. Only the welcoming and closing sessions were held singularly, while other sessions were held simultaneously. Speakers came from private companies, foundations, non profits, universities, public offices and banks.

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Conference 4.

Name: B Corp Day

Date and location: 5 May 2016 at 16.00 – 19.30 hosted by Treedom, in Florence, Italy.

Speakers: Paolo Di Cesare (co-founder Nativa), Anna Cogo (Nativa) Mauro Del Barba (Senator), Federico Garcea (Treedom), Stefano Falbi (Cometech), Massimo Casullo (NWG Energia), and Andrea Filippi (Filippi).

The choice to attend the above conferences was influenced by time and money constraints. There have been numerous other conferences in Italy these past months on the subject of Benefit Corporations (on average three per week), but it has been impossible to attend all of them. The four conferences however represent well different types of speakers, locations, and organizers. They only represent however northern and central Italy, and as is quite well-known, Italy is a young country with strong regional divides. A conference in southern Italy on the same subject might have had a very different outcome. All three conferences were open to the public and were held in Italian. What all four also have in common is that all speakers were positive about the topics discussed – very few critical voices were heard (only occasionally from participants asking questions or during small talk).

4.3 Online sources (interviews, articles)

The Italian news have been reporting continuously, but scarcely (it is getting more frequent however), on the developments of Benefit Corporations. There have been a few articles in the main national daily newspapers (Corriere della Sera, La Repubblica, Il Sole 24 Ore) whereas other thematic media on social innovation and enterprise have been publishing more articles (Vita, Iris, and Etica News). The reason for including news articles as data is to understand how the phenomenon is being portrayed in media: which is directed towards the larger public, and contrast this with what information I collected at the conferences (for a smaller public) and in the interviews (only for me). Data from all three levels will help me in getting a fuller picture of Benefit Corporations in Italy.

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4.4 Informal meetings

At several occasions I met the protagonists behind the initiative, as I was present at the same conferences as they were. I also met Senator Del Barba on two occasions for quick informal chats when we happened to be in same area but unfortunately he did not have enough time for an in-depth interview. On these occasions we would partly discuss the topic of Benefit Corporations but also other topics that has helped me to better get to know them. These informal conversations can be likened to unstructured interviews as I have also casually spoken to numerous participants in the various events during the networking sessions. I would randomly talk to people and listen to their thoughts about Benefit Corporations. This has been a valuable strategy for data collection, albeit less formal, as I have gained a general understanding of people's perceptions. It was also only in these occasions that I heard some critical voices towards Benefit Corporations, once in the queue for the restrooms and once during an aperitivo.

5 Analysis

In this section I will present my findings from the interviews, conferences, news articles and the time I have spent with and amongst Benefit Corporations and its protagonists. The structure of my analysis will follow the logic of the indicators described above but will also take the shape as the story of how the Benefit Corporation legislation was introduced in Italy and what happened in the months afterwards. It has been clear from talking with all protagonists and listening to various talks that the introduction of the law is unique – in approximately one year the law was written, debated, and introduced - which is quite unheard of in Italy. There are already about 10 companies that have registered as Benefit Corporations and this number is only expected to grow (see full list in Annex 3). A timeline of all the major events can be seen in Annex 4.

5.1 The protagonists

As anticipated above, the protagonists of introducing the law on Benefit Corporations in Italy are the following: Senator Mauro Del Barba, Eric Ezechieli, and Paolo Di Cesare. As I was interested in speaking also to one of the entrepreneurs who chose to “convert” their company into a Benefit Corporation as soon as it was possible, to the list of

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protagonists I also added Luca Rossettini. Luca Rossettini has been involved in the months after the introduction of law through speaking at conferences and spreading the initiative in other ways.

Both Mauro Del Barba and Eric Ezechieli are from the town Morbegno in northern Italy in the province of Sondrio, which inhabits approximately 12 000 people. Eric Ezechieli's first encounter with the concept of sustainability was as a child, he tells me that he would contemplate the fact that nature functions very well whereas other things, man made, function less well. At the age of 13-14 he read the by now classic "Limits to Growth" and at that point he states that "things began seeming obvious". As a student of economics at Università Bocconi in Milan he continued to feel that things were not as they should be – economics did not have all the answers he was looking for and as such he started travelling the world for answers. This brought him to the U.S. and Stanford for a few years and eventually Sweden where he began working with The Natural Step, a non-profit founded in Sweden in 1989 with offices all around the world.¹⁸⁷ The Natural Step works with companies, municipalities, academic institutions and other not-profit organizations to reach the goal of a socially and environmentally sustainable world through applying their own sustainability framework. Eric returned to Italy after this experience in 2005 founded the Italian branch of The Natural Step in 2006 (today he is a Chairman) together with some other partners, one of who was Luca Rossettini. The two had met when Eric was teaching a three-month intensive Masters course in Italy called Leadership Towards Strategic Sustainability, in collaboration with The Natural Step (a similar course had already been taught in Sweden). It was the first edition of the Master and only eight people were selected. Eric also later met Paolo Di Cesare, originally from Rome, at a different course he was organizing on behalf of The Natural Step in Italy. Eric says there was instantly a synergy between them and they complemented each other. Paolo Di Cesare went on to leave the consulting company he had founded that had 400 employees to found Nativa with Eric in 2012.

¹⁸⁷ Thenaturalstep.org. (2016). The Natural Step | - Accelerating the transition to a Future Fit society. [online] Available at: <http://www.thenaturalstep.org/> [Accessed 12 May 2016].

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Mauro Del Barba has been involved in politics ever since the early 1990's, after his university studies. He became interested during the historical period "Mani pulite" (Italian for "clean hands"), which was a nationwide judicial investigation and attack on political corruption in Italy. "Mani pulite" caused the demise of the "First Republic", and resulted in the dissolution of many political parties.¹⁸⁸ Mauro says he felt the need to act and fill the space that the old parties were freeing up and as such he became a part of the Partito Popolare. He quickly became the political secretary of the Province of Sondrio, his hometown, and later he became the Councilor of Finance. He is currently a Senator for the Partito Democratico (PD, center-left wing party, which is the biggest in Italy with Prime Minister Matteo Renzi presently in power). In 2005 when Eric moved back to Morbegno after having lived abroad for some time and he and Mauro became neighbors. Each of their second children were also born around the same time and their children went to school together. Both state that 2005 was the year that they began "working as a pair" and it was Eric who introduced the concept of sustainability, and how it could be applied locally, to Mauro. Once Eric had founded The Natural Step Italia he proposed to Mauro that they should introduce sustainability into the community of Morbegno. So they did: Morbegno 2020 was a very successful initiative on sustainable development that used the framework of The Natural Step and included projects on critical consumption, waste, and water. The project was so successful that it was expanded to other municipalities of the Province and impacted 45 000 people and was named Associazione 2020. They received funding and project's themes expanded to include also agriculture, food, and solar panels. Mauro Del Barba remained the president of Associazione 2020 until he was elected Senator in February 2013.

Luca Rossetini is from Veneto in northeastern Italy. He has always dreamt of becoming an astronaut and now works for his own company, D-Orbit, which designs and manufactures advanced decommissioning solutions that enable space operators to dispose

¹⁸⁸ The Economist. (2001). [online] An Italian story. Available at: <http://www.economist.com/node/587107> [Accessed 9 Jun. 2016]

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of space vehicles at end of life.¹⁸⁹ Luca Rossetini's first encounter with sustainability was in 2005 when his ex-girlfriend was working with the subject and he felt he knew too little about it and as such wanted to deepen his knowledge. He applied to the Master previously mentioned (which he states gave him a completely new vision on business and life) and met Eric Ezechieli, the two of them began working together with The Natural Step Italia (as President and Vice-President respectively) until Luca left as he went to work with his own engineering company in 2008. He still remains a part of The Natural Step but does not have an operative role.

All four men have for a long time been interested in and worked with sustainability. They all know each other for years, some for more than ten, both professionally and personally. The relationship between Eric and Mauro will prove particularly important later on. The impression they give you when speaking to them is that they all take an autonomous reflexive stance, as expected by institutional entrepreneurship, on how the world works, what is wrong, and what can be done about it. They all express a negative view of how capitalism has come to focus on profit maximization while forgetting about people and the planet. Eric explains in our interview his mindset as one where he never takes for granted that what the rest are doing is the right and only way of doing things. Further he notes that he is a curious person, always attempting to discover different methods and ideas, which he then combines in order to create a systemic viewpoint. When I asked him how empathetic (placing oneself in the shoes of others) he believes he is, he answers me "I believe I am fairly empathic, but not overly so", which he then explains as meaning he will feel empathy as long as it becomes a creative process and he can actually solve problems. Luca Rossetini also believes in the importance of an open mind, meetings with people from different backgrounds, and he believes himself to be an empathetic person that often makes decisions based on instinct and feeling. When asked about what other personal characteristics he has that allowed him to successfully introduce the law in Italy, he mentions his determination to reach his goals, resilience, hard work, and lastly to

¹⁸⁹ D-Orbit. (2016). D-Orbit | Satellite systems company specialized in solutions for optimizing space assets.. [online] Available at: <http://www.deorbitaldevices.com/about-us/> [Accessed 12 May 2016].

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have no fear. Risk-taking is a common characteristic between Luca and Eric who both mention it. Luca Rossettini does scuba diving, jumps from airplanes and dreams of being an astronaut. Eric Ezechieli believes when going for and trying new things as he does, risk is unavoidable. The personal characteristics that according to Mauro aid him in his political work and particularly aided him when introducing the law on Benefit Corporations are vision, determination, and attention to detail. He emphasizes the importance of empathy: having been able to understand other people's point of views, explain well the initiative, maintain personal relationships, and gain trust from his colleagues.

Both Eric Ezechieli and Paolo Di Cesare have each held a TEDxBologna Talk where they discuss global trends in terms of climate change, energy, technology, and innovative businesses. Their company Nativa is dedicated to strategic consulting for sustainability and works with innovative frameworks and ideas. Luca Rossettini's company is a pioneer in the field and has received extensive attention and prizes. Mauro Del Barba, as described above, piloted the successful and innovative Morbegno 2020 and Associazione 2020. Mauro also recently introduced a new and innovative law on the principles of the sharing economy. The law serves to define the phenomenon, aid it in emerging, regulate it in fiscal terms, and above all promote it.

Another important aspect of institutional entrepreneurship is the entrepreneurs' capacity to not only relate to the situations of others but also to provide them with reasons to cooperate and as such finding and maintaining a collective identity and meeting diverging interests of different people. They all have experience with non-profits, the private sector, the public sector, and civil society. They do not fully partake in any specific dimension of the field of the economic system but instead can represent, and do actively represent, various interests and people. However, Mauro Del Barba can be said to be more at the center of the political field and the others have more connection to the private sector. Mauro played a key role in ensuring that political unity was created in the end. He put much effort into understanding who the right people were to include and what the right ways were to include them. Furthermore, the fact that all protagonists have been involved

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in different dimensions of the economic and political system could be a contributing factor to their success in introducing the law and the positive attention and spread it is having since its introduction. In fact when asking Eric and hearing Mauro talk about who the key actors were to involve in the process of introducing the law and who also supported the project, they speak of a heterogeneous group including: lawyers, politicians, entrepreneurs, representatives from the world of CSR, newspapers, and academia (especially professor Stefano Zamagni who is a noted economics professor at the University of Bologna). Eric tells me that the one of the main reasons the law could be introduced in Italy so quickly and easily is because of the way it was written: “it was written in a way to not create problems for anyone, it offers opportunities and creates conditions for the already existing potential, but it does not require anyone to pay anything. It assists in allowing those entrepreneurs who are already motivated to emerge”.

The large pool of different companies that are already Benefit Corporations in the U.S. and also those in Italy (see Annex 3) show that fundamentally this type of legal form is not exclusive to one type of sector. Further, at all conferences where I participated there was a group of mixed people coming from different backgrounds: private (from oil companies to food to hygiene products), public (local, regional, and national levels), non-profits, lawyers, associations, foundations, and academia (law, economics, business, and sociology). It has been clear from the start that although Benefit Corporations are for for-profit companies only, the interest people show is not restricted to the for-profit world. There is an apparent activity going on to create a collective identity using t-shirts, pins, videos, events, shared materials, and photography as tools. The words “community” and “movement” have been frequently used, especially during Conference 4 where only B Corps or Benefit Corporations were present, which implies a strategic discourse aiming at unifying the actors. While the community is especially reserved for B Corps or Benefit

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Corporations, external actors are also encouraged to “B the change”.¹⁹⁰ The discursive strategy of the Benefit Corporations will be discussed more in detail further below.

Lastly, institutional entrepreneurship has shown the tendency of institutional entrepreneurs to have a strong personal connection to their project; they connect the values of the cause to their personal identities. When questioning Eric Ezechieli about this he tells me that what he is doing now in his professional life is close to what he would do if he could invent a job, adding “if you find what you really like doing you will never work again”. Quite early in the process of getting in touch with Eric, he added me as a contact on Facebook, something Mauro also did, which allowed me to enter into their personal spheres (albeit digitally constructed). What I noticed was a clear proudness of, and conviction in, what they are doing. I now get frequent updates on the world of Benefit Corporations in my Facebook “feed” and this is in fact where most of the online media material I have used for this thesis comes from. There are also regular endorsement activities going on: such as sharing posts of others, highlighting innovative ideas, posting job opportunities for different companies, and sharing interesting events. Eric tells me however that unifying your personal and professional life can be hard and it basically means you are constantly “fully booked”. They all took on the project on introducing Benefit Corporations in Italy as a “side job” and this resulted in many weekends, late nights, personal investments, and no external financial support. Eric Ezechieli continues by saying that on the other hand they believe it is a wonderful and important thing to do even though they are often under pressure. He says that if you discover a solution to a problem it is your responsibility to make it happen, “otherwise you are escaping your duty”.

At each event I participated in the speakers often shared their strong belief in the initiative, many saw it as something obvious that they connected with instantly, they feel that they are participating in rewriting history of the economy, they expressed the honor of being amongst the others present, and the proudness that Italy is the second country

¹⁹⁰ Bcorporation.net. (2016). B the Change Campaign | B Corporation. [online] Available at: <https://www.bcorporation.net/b-the-change> [Accessed 12 May 2016].

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after the U.S. to introduce the law (this last fact has been repeated multiple times by many different people, as Eric Ezechieli said: “I like saying it”).

The unifying characteristic of the protagonists is that they are all “doers” – they make things happen that they care about and they are not afraid to put in the hard work and risk it takes to get there. Further, they effectively use their network of connections and spread their ideas across sectors using the Internet, conferences, meetings, visual materials, and word to mouth. They are used to speaking publicly and using their own person to promote their projects.

5.2 The evolution – the conditions

It is very complicated to tell, with any evidence to the contrary, what the underlying conditions were that ensured that the law could be introduced in Italy. What is possible however is to map out what the political, economic, and social context was at the time and hypothesize its influence. Further, this can later serve as a comparative base for other similar studies.

Italy has a long-standing tradition in non-profits; in 1462 “Monte di Pietà” was founded in Perugia (and quickly spread to the rest of Italy and also Europe) and served as a money lending for those in need at a moderate interest rate, managed by the Catholic Churches. The organization’s principle was based on the benefit of the borrower and not the profit of the lender and many of these institutions still exist today.¹⁹¹ Other examples are the ten hospitals that existed in Milan in 1200 or the various “ricovero per viaggiatori” around Italy in the 700’s. Today there exists close to 300 000 entities that are non-profit in Italy – the so called “terzo settore” (third sector, where the first sector is the public and the second sector is the for-profit) representing 3,4% of the country’s GDP and employs 9,7% of the population.¹⁹² Around half of the organizations in the terzo settore can be

¹⁹¹ Fondazionedelmonte.it. (2016). I Monti di Pietà: le origini - Fondazione del Monte di Bologna e Ravenna. [online] Available at: <http://fondazionedelmonte.it/centro-studi-monti-di-pieta/storia/i-monti-di-pieta-le-origini/> [Accessed 13 May 2016].

¹⁹² Rizzo, M. (2015). Il Terzo settore e le imprese sociali trainano l'economia italiana, lo dicono i numeri. Repubblica. [online] Available at:

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classified as social enterprises, i.e. organizations that are involved in the production and exchange of products and services with economic activities but are not allowed to distribute profits¹⁹³. Amongst these social enterprises there are various legal forms such as associations, foundations, cooperatives, and NGOs.¹⁹⁴ On the 25th of May 2016, after 25 months of parliamentary debate, the Parliament in Italy passed a new law that reforms the “terzo settore”. One interesting change that will come through following the reform is that social enterprises become freer in terms of profits than they have been before. The idea is to allow a certain extent of profit-making and distribution – but it is under the condition that the profit is used mainly for social purposes.¹⁹⁵

Italy has not elected a Prime Minister since Silvio Berlusconi and the establishment of his IV Government in May 2008. The three succeeding Prime Ministers (Mario Monti: November 2011 – April 2013, Enrico Letta: April 2013 – February 2014, and Matteo Renzi February 2014 – present) were appointed by the President of Italy Giorgio Napolitano and this has resulted in an obvious tumultuous political climate. There have been many promises of political reform, austerity measures have been introduced, a constitutional reform is currently under discussion, and civil unions for homosexuals passed on May 11th 2016, to name a few major developments. The current Prime Minister Matteo Renzi has been very keen on introducing initiatives to aid Italy out of the crisis that has been persistent since 2008 (adding 80€ per month for low-wage earners is one famous example). Mauro Del Barba tells me that the political climate in 2015 was very favorable to innovative proposals that could aid Italy to escape a weak economic situation

http://www.repubblica.it/solidarieta/cooperazione/2015/07/18/news/terzo_settore-119352619/
[Accessed 13 May 2016].

¹⁹³ Fiorentini, G. (2006:11) (in footnotes)

¹⁹⁴ Fiorentini, G. (2006:11) (in footnotes)

¹⁹⁵ Senato della Repubblica, (2016). Delega al Governo per la riforma del Terzo settore, dell'impresa sociale e per la disciplina del Servizio civile universale. Rome, Art. 6. Quote: “qualificazione dell'impresa sociale quale impresa privata con finalità di interesse generale, avente come proprio obiettivo primario la realizzazione di impatti sociali positivi conseguiti mediante la produzione o lo scambio di beni o servizi di utilità sociale, che destina i propri utili prevalentemente al raggiungimento di obiettivi sociali e che adotta modelli di gestione responsabili, trasparenti e che favoriscono il più ampio coinvolgimento dei dipendenti, degli utenti e di tutti i soggetti interessati alle sue attività;”

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of 12% unemployment (close to 50% for the young), a negative GDP growth, high government debt, and strong regional divides.¹⁹⁶

Eric and Paolo had first heard of Benefit Corporations in 2011 and they say they immediately recognized themselves in this new type of corporate organization. Eric had already back in 2007-2008 been discussing concepts such as for-benefit, before the birth of Benefit Corporations. The first time Eric introduced the concept of Benefit Corporations to Mauro was in 2014. Mauro explains their relationship at the time as one where they would speak every 2-3 months and Mauro always kept in the back of his head the idea of pursuing sustainability also at a national level as a Senator. Eric and Paolo had become convinced to attempt to introduce the law in Italy, the voluntary certification as a B Corp was not enough, after their experience with the Chamber of Commerce in Milan rejecting their company purpose. At first, together with Mauro, they hypothesized placing the idea of Benefit Corporations into the context of the reform of the “terzo settore” and saw it as a potential add-on to the law, as it had its similarities. Mauro attempted to propose the idea to his colleagues that were working on the reform but no one had considered it and the idea did not establish any roots. The reform was back then stuck in the Senate and was not moving forward. Mauro says after this he needed a few months to consider if Benefit Corporations could really be useful for the country and as such took his time to contemplate the matter. Once he had studied it well and understood its advantages Mauro and Eric decided to test the concept in front of the public at PD’s annual political convention in Florence in November 2014 (originally launched by Matteo Renzi in 2010, then Mayor of Florence). Mauro and Eric had a table set up for them and they spoke to people passing by about Benefit Corporations and only received positive feedback. It was after this experience that Mauro decided to pursue seriously the project and took on the responsibility of writing the law (“DDL – disegno di legge”) beginning in January 2015 together with PD’s legal office, Eric Ezechieli, Paolo Di Cesare, Livia Ventura – a lawyer with an academic position at the university LUISS in

¹⁹⁶ Country statistical profile: Italy. (n.d.). Country statistical profiles: Key tables from OECD. [online] Available at: <https://data.oecd.org/italy.htm> [Accessed 15 May 2016].

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Rome (that they had met at the convention in Florence and she was already passionate about the subject), and other interested Senators. The working team consisted of approximately eight people.

It was also in this moment that they decided not to merge Benefit Corporations with the “terzo settore” as they believed it would create too much confusion and have little possibility of success. Rather they decided to present the law separately, intended for for-profit companies only and to introduce in the context of the construction of the 2016 Legge di Stabilità (annual legal piece that governs the political economy of the country). The Legge di Stabilità is a long piece of law created by many ministries in a very complex process. They early realized it would be impossible to insert the law on Benefit Corporations into the full text and instead aimed at adding it as an amendment, which means avoiding having to re-approve the entire full text. After working on the law for four months it was officially published in April 2015. At this time the European office of B Lab opened in Amsterdam and Mauro tells me that this made him think “perhaps we are not alone in this, if a network is established it might make sense for us to continue to pursue this in Italy”. Mauro met first with Matteo Renzi’s closest collaborators, which went well as he later also met with Matteo Renzi himself to propose the law. Mauro tells me that Matteo Renzi was immediately positive towards the idea (in these moments only fast decisions are made, there is no time to deliberate for too long: it’s either a yes or a no) and gave his permission to Mauro to present the law to the Parliament and attempt to get consensus on its introduction. He goes on to tell me that the road towards the introduction of the law (between April 2015 and December 2015) was featured by a mix of hard work, luck, and a favorable political climate characterized by the willingness to reform and innovate. The process will be further discussed in detail below.

Further, the expansion of B Corps around the world (the voluntary certificate, not the legal form) which now includes 1 713 companies, 50 countries, and 130 different sectors has helped legitimize and spread knowledge about this new type of business form. As well the estimated 3 183 Benefit Corporations currently existing in the U.S (there can be

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more, B Lab attempts to list them all)¹⁹⁷ have given rise to an increased popularity for the subject. Eric Ezechieli insisted on specifying that the law on Benefit Corporations could not have existed without the B Corp certification, which has functioned as a sort of positive lobby. The certification had existed for years before the introduction of the law both in the U.S. and in Italy.

Regarding the degree of heterogeneity and institutionalization of the field and the different opportunities of institutional entrepreneurship that comes with varying degrees, the role of the economic system is interesting in this case. As anticipated above, there is a relative consensus within institutional entrepreneurship that the more heterogeneous a field, the lesser the degree of institutionalization, the more the presence of multiple institutional orders or alternatives, and the more there are contradictory institutional arrangements, the more there is an opportunity for agency and thereby for institutional entrepreneurship. As also argued above, the profit-maximizing firm has become very cemented into the economic system. Further, capitalism as a whole has not been challenged since the Cold War. One could therefore assume that in such a cemented and hegemonic system there would be little room for institutional alternatives. This may hold true for alternatives that lay outside of the economic system – but Benefit Corporations are intended for for-profit companies and do not challenge the economic system as a whole but “only” the shareholder primacy norm, which has not existed for as long as one may believe. Adding to this the CSR trend, social enterprises, non-profits, the spread of B Corps around the world, and a favorable political climate that supports new business forms, there seems to be room for change and as such institutional entrepreneurship. As already stated above, Eric specified that the law was written in such a way to not cost anyone anything but rather it played in the direction of those already convinced and as such there was little resistance and the change did not cost the system anything. One can only image the difference if for instance the legal proposal meant that *all* companies would need to transform into Benefit Corporations.

¹⁹⁷ Benefitcorp.net. (2016). Find a Benefit Corp | Benefit Corporation. [online] Available at: http://benefitcorp.net/businesses/find-a-benefit-corp?field_bcorp_certified_value=&state=&title=&submit2=Go&sort_by=title&sort_order=ASC&op=Go&page=159 [Accessed 13 May 2016].

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5.3 The evolution – the process

This section will deal with the process of introducing the law and the months afterwards. In Italy thousands of laws are proposed every year but only a small percentage ever become actual laws, and if they do - they are usually discussed for 12-18 months in the Senate and Parliament before being introduced.

The one thing that struck me the most when participating in the various events was how extremely positive everyone was about Benefit Corporations. Combining this finding with that fact that the law was introduced so rapidly it makes you wonder whether there was any real resistance, as would be expected from the framework institutional entrepreneurship. When asking around if anyone had encountered any difficulties or resistance I received some information on it. For instance, Mauro Del Barba told me about some issues with a union representative and Paolo Di Cesare about a journalist. The issue with the journalist was that Paolo and Eric had not sent their entire corporate statute (which is a public document), the journalist interpreted this as a case of low transparency from a company claiming to be fully transparent. Eric and Palo's reason for not sending it in its full form was that they doubted the journalist was interested in all of it, not just the part on their company purpose. Further, Mauro tells me that the main fear when presenting the law for the first time was the reaction from, on the one hand, companies who are already heavily involved in responsible behavior and, on the other hand, the "terzo settore" – as Benefit Corporations could be seen to enter into conflict with the new ideas on profits for social enterprises. At Conference 2 one of the speakers was a representative of cooperatives in Italy and he was questioned on whether or not he saw contrasting interests between the "terzo settore" and Benefit Corporations. His answer was positive towards Benefit Corporations and he saw it as a middle ground and a good option for achieving sustainable development. When interviewing Eric he told me that almost all reactions from the "terzo settore" have in fact been positive and he believes this to be related to the fact that social enterprises are an evolution of the non-profits, whereas Benefit Corporations are an evolution of the for-profits and as such people who engage with each of them will do so for different reasons. In essence, they are more complimentary than contrasting. In an article in the Italian newspaper "Il Fatto

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Quotidiano” (famous for being critical) the issue of possible friction between Benefit Corporations and social enterprises was however raised. Carlo Mazzini, a consultant for the non-profit sector and the laws governing it, is quoted stating that in the future when investors will choose where to place their money it is probable that they will go for Benefit Corporations as they have no limit on distributing profits, whereas social enterprises do.¹⁹⁸

Whenever difficulties tensions with possible opponents were encountered, the strategy to deal with it was to create a network of information around Mauro in order for anyone with doubts, concerns, or questions to be able to easily get in touch with someone who could answer these questions. This was done with for instance the union representative mentioned above. Luca Rossettini also shared one of his strategies with me: being extremely prepared to be able to answer any question or doubt. Since they all expected to be questioned about the initiative they all prepared very well for each time they had to speak publicly about the project. They met much less criticism than they expected but when they did they were very well prepared to do so. In terms of mobilizing allies, the first and major body to convince was the PD – the majority political party. While the process was quicker than anyone had expected it to be Mauro informed me it still took numerous personal meetings and telephone calls to first convince the Senate (early November) and later the Parliament (December). The main questions that were raised were “what use is it?” and “who will do it without any fiscal benefits?”. The choice to not include any fiscal benefits (which in fact is also the first question people have asked me about when I describe Benefit Corporations for the first time) is threefold, according to Mauro. Firstly, there are already many advantages with the legal form for companies (in terms attracting talent, long-term sustainability etc.), secondly, they want companies to convert for other reasons than for fiscal reasons, and thirdly (which has been told jokingly by Mauro), was the fact that there was no money for such an initiative. While

¹⁹⁸ Franco, L. (2016). Società benefit, le aziende che uniscono profitti e beneficio comune. “Ma rischiano di fare le scarpe al non profit”. *Il Fatto Quotidiano*. [online] Available at: <http://www.ilfattoquotidiano.it/2016/04/23/societa-benefit-le-aziende-che-uniscono-profitti-e-beneficio-comune-ma-rischiano-di-fare-le-scarpe-al-non-profit/2624515/> [Accessed 13 May 2016].

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the last reason may be half-serious, the fact that the law did not bear any costs for the government has been considered one of its main advantages. Another strategy of ensuring the popularity of the law was to minimize the role and responsibility of the government. In fact, there is literally no role of the state other than the role played by the Italian antitrust authority (“Autorità Garante della Concorrenza e del Mercato”) to guarantee the correct marketing behavior of Benefit Corporations to avoid greenwashing. This basically means that not only did the law not bear any costs in terms of change in the economic system; it also did not bear any costs on the government.

The amendment on Benefit Corporations was first voted on in the Budget Commission (“Commissione Bilancio”) on the 11th of November 2015, where it passed. The entire Legge di Stabilità, with the amendment included, was later voted first in Senate, then in the Parliament, and again one last time in the Senate on the 21st of December 2015 when it officially became law. The final vote counted 162 for and 125 against but it was not until the very last votes the last evening that Mauro, Eric, and Paolo knew if they had succeeded or not to introduce the law – even though there was political consensus in the end it was always very uncertain. One of the main disadvantages with introducing the law so quickly, explains Mauro, is that if you ask some parliamentarians today about the law they may not know about it – but, he continues, the most important aspect is that businesses know about it.

In the end Mauro, Eric, and Paolo were able to obtain legitimacy for their project. It was written in such a way that it pleased everyone and did not upset anyone. They were well-prepared and able to answer to anyone’s doubts. Around them was a favorable political, economic, business, and social environment and together they complimented each other well. Mauro offered the formal authority needed to introduce the law when obtaining support from Matteo Renzi, his colleagues, the Senate and Parliament. Eric and Paolo had the necessary social capital and network to pursue it successfully, they already had contact with several companies that would want to turn into Benefit Corporations and were deeply rooted in the network of B Lab and B Corps. What also added to the success were their discursive strategies, which will be analyzed next.

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As shown through the framework of institutional entrepreneurship, the entrepreneurs tend to develop discursive strategies to move forward the process of change. These strategies can be said to consist of two components: 1) *specification*: which is the framing of the existing organizational failing and includes the diagnosis of the failure and assignment of blame for it, and 2) *justification* of the proposed alternative project as superior to the previous logic.¹⁹⁹ Depending on who the target is, what the degree of institutionalization is, and what the project is, the discourse will naturally be shaped differently. The entrepreneurs will balance their discourse (and project) between being sufficiently different from the status quo and not so radical as to scare off potential allies and resources.²⁰⁰ The moment the protagonists in this thesis decided to not mix the law on Benefit Corporations with that on the “terzo settore” they made a very conscious choice to focus on the for-profit segment of the economy, and not the non-profit segment. When challenging the shareholder primacy norm this could be considered easier when speaking directly to business owners from a profit point of view rather than coming from a non-profit point of view. As such the discourse on Benefit Corporations has kept a very business-like tone, and all interviewees emphasize the importance of actually making a profit. Mauro told me how business is still about making profits – but doing so in a responsible way. He continues by explaining that instead of attempting to grow the world of non-profits, which is more laborious and takes more time, the focus was put on companies that can achieve sustainable results faster. Benefit Corporations as such become a maximization of what is positive from both worlds. Luca also stressed that Benefit Corporations make profits, they have to do so, but the trick is that they will do it for longer periods of time and in a better way than previously. Eric worded the logic by telling me that corporations and the profits they make are to be seen as the means, not the end. The end is instead about improving the lives of people and the biosphere. Eric, at Conference 1, stated that “business are the biggest force of the planet”, which implies

¹⁹⁹ Leca, B., Battilana, J. and Boxenbaum, E. (n.d.). Agency and Institutions: A Review of Institutional Entrepreneurship. Draft Paper 2008. pp. 12

²⁰⁰ Leca, B., Battilana, J. and Boxenbaum, E. (n.d.). Agency and Institutions: A Review of Institutional Entrepreneurship. Draft Paper 2008. pp. 13

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great hope but also great responsibilities. What they all have in common is their criticism against the meaningless hunt for profits that does not lead to any human and environmental benefit. This logic was also expressed continuously at the various conferences. A further specification of the issue that has been used is the statement that social enterprises in Italy have failed to become the success that was expected of them because of the simple reason that they negate profits. Professor Perrini spoke about this at Conference 1, as did Roberto Randazzo (founder of European Social Enterprise Law Association) at Conference 2. The justification of Benefit Corporations is then that they offer the necessary middle ground, unifying the profit aspect with responsibility. It has also been presented as a paradigm shift numerous times: firstly in the law itself, then by both Mauro and Eric at Conference 1 (mentioned several times), by Marcello Palazzi (co-founder of B Lab Europe) at Conference 2, again by Mauro at Conference 3, Anna Cogo (from Nativa) at Conference 3 mentioned it two times, and Luca spoke to me about it during our interview. Corporations are spoken of, on the one hand as the cause of many of the issues we are facing today but also as the ultimate solution to these problems – if they turn into Benefit Corporations. Further, during each presentation made by an employee from Nativa the same punch line has been presented: “the idea of Benefit Corporations is so obvious that the contrary begins to look suspicious.”²⁰¹ Another important discursive strategy is the one used by Mauro in his speeches when justifying the small role of the state in the legislation. He states that he trusts companies, that Italian companies are not created on the basis to make as much profits as possible but rather to fulfill a dream, and that the legislation is based on the free spirit of the market – leaving it up to the companies to regulate themselves and allowing for those that are already doing well, and good, to make it official. Adjusting the discourse to work in favor of the private sector, but still criticizing one of the main controversies of it (relentless profit-seeking), seems to have worked in the favor of the initiative. Companies from all types of sectors are on board, as well as the “terzo settore”, politicians, media, and academia. Virtually all Italian newspaper articles I have read, which are approximately 25 from the past 1,5 years, have been positive (the only exception is the above mentioned article in *Il Fatto*

²⁰¹ “L’idea di B Corp è così ovvia che il contrario suona sospetto.” words spoken by Riccardo Sabatini – scientist and entrepreneur.

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Quotidiano that mentions possible frictions with the “terzo settore”). They all present the legislation as a new evolution within capitalism and the possible solution to environmental and social problems. The institutional vocabulary used can be shortened into focusing on profits, the private sector, community, collective identity, and paradigm shift.

Below are the two tables from before, now summing up the results from this analysis.

<i>Indicators - Conditions</i>	<i>The conditions under which an actor is likely to become an institutional entrepreneur</i>
Social upheaval	General social issues caused by political confusion and persistent economic crisis.
Political crisis	Frequent change of unelected Prime Ministers, introduction of austerity measures, constitutional debates etc.
Economic crisis	High unemployment rates, no GDP growth
Technological disruption	Not relevant.
Regulatory changes	Timing of the Legge di Stabilità and the reform of the “terzo settore”.
Environmental issues	Climate change, pollution, oil spills.
Degree of heterogeneity of field	CSR trend, social enterprises, non-profits, the spread of B Corps around the world.
Degree of institutionalization of field	High as a whole but profit maximization can be challenged.
Position of entrepreneurs	At center of their fields but also at the interstices.
Social position	Close personal ties and also good relations with relevant actors.
Social skills/behavior	Empathy, meeting diverging interests, risk-taking, systemic mind set, “doers”.

Table 3 Results of analysis on the conditions for institutional entrepreneurship

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<i>Indicators - Process</i>	<i>The process of how institutional entrepreneurship unfolds</i>
Mobilizing allies	PD, Parliament, Senate, lawyers, businesses, non-profits, academia, media.
Mobilizing tangible resources	Participating in numerous conferences, no actual funding.
Mobilizing intangible resources	Formal authority from Mauro Del Barba achieving political consensus, legitimacy of a globally well-known project, social skills and connections, well-prepared.
Discursive strategies	Vocabulary such as profits, the private sector, community, collective identity, and paradigm shift.

Table 4 Results of analysis on the process of institutional entrepreneurship

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5.4 Discussion

The main deviations of my findings, with respect to the framework of institutional entrepreneurship, were the aspects about mobilization of financial resources and technological disruption. The protagonists in this specific example did not mobilize any funding but rather pursued the project as a side job, which implied personal costs in terms of money and time. B Lab and Nativa have not themselves organized the many conferences that have been held, and still are on-going. Instead, they have always been invited to speak of the topic and this of course implies a huge saving in costs when disseminating the idea. Further, the age of the Internet reduces costs significantly when promoting ideas intended for a large number of people, and as such this tool has been used strategically. Although technology was used in this sense, the case in Italy further deviated from the framework as technological innovation did not have huge influence on the evolution of Benefit Corporations in general and more specifically the introduction of the law. There was no specific technological disruption that brought it about.

The importance of personal connections in this specific case has been very interesting. The fact that Mauro and Eric knew each personally before working together professionally is an interesting finding. The same holds true for Eric and Luca, and Eric and Paolo. The fact that Luca became interested in sustainability thanks to a personal relationship is a further testimony. The rapid introduction of the law would most likely not have been possible without these close personal relationships; as Mauro stated, it was a pleasure working on something in which you believe and also doing so with your friends.

The framework offered by institutional entrepreneurship has proven useful to study the evolution of Benefit Corporations in Italy. The example of the introduction of Benefit Corporations in Italy is a rare example of legislative success – everyone involved has recognized this. When asking directly the interviewees directly why they think Italy was the second country in the world to introduce the law, Luca answered me “there were people who really wanted to do it, basically a group of people who decided that Italy should have this law”. He also adds that there was receptiveness to the law in Italy. Eric’s

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point of view is that it was a combination of various factors: firstly, there existed a great sensibility in Italy towards the matter; secondly, there was a fortunate political alignment in that moment; and lastly, the way the law was written, in the sense that it does not bear costs on anyone, only creates opportunities. It would be possible to add in Table 3 an indicator named “social receptiveness and sensibility” as this turned out to be an important factor in the present case. The fact that the Italian society and economy responded well to the proposed change and that many companies felt immediately compelled to participate was a major factor in its success. As Mauro said: “the environment, the culture, and the history of our country, make all of this simply unavoidable!”. Even though this specific case was a rare example of success, it can still serve as a valuable study for other countries that are interested in introducing the law on Benefit Corporations (several European countries and South American countries are in contact with Italy to learn more).

Getting to know the people behind companies and initiatives such as the Benefit Corporation reminds you that not all corporations are the same, just as not all shareholders are the same. While for some companies the idea of becoming a Benefit Corporation seemed obvious as they were already doing business in such a way, for other companies it will perhaps seem like a far too utopian idea, or perhaps even impossible with the kind of business they do (take for example complex industries like tobacco, mining, and arms). In fact, companies that choose to become Benefit Corporations will most likely already bear resemblance as well as share the core values of Benefit Corporations, and will therefore have to change very little in the transformation, just like the case in Italy. The real challenge lies in converting companies that do not currently operate in such a way and real impact will truly happen if it possible to convince these types of corporations to become Benefit Corporations. The Italian law on Benefit Corporations has an interesting solution to making this easier as it allows the companies to either *produce* a positive benefit or *minimize* negative externalities.²⁰² This means that a company that is well aware of its negative externalities, but is not able to change all of

²⁰² Senato della Repubblica, (2015:2)

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it within a near future (oil dependence, low wages, using dangerous chemicals, little recycling or re-using of materials etc.) can become a Benefit Corporations if it establishes a plan on how to eliminate or minimize them. In this light, it can be stated that encouraging companies to know their limits and impact is a better start than to exclude these companies all together from the process.

A further challenge will be for large companies to transform into Benefit Corporations, as there are a larger number of people that need to be convinced to do so. It is a straightforward task for a small company where the owners and managers are the same people, but for larger companies with diverse investors and shareholders the task becomes more complex. An example is Fratelli Carli, an Italian olive oil making company, which already has the voluntary B Corporation certification, but is not immediately transforming into a Benefit Corporation. Claudia Carli, marketing and communications manager at Fratelli Carli, mentioned at a conference in a speech that Fratelli Carli is not yet converting into a Benefit Corporation because they have 300 employees and a board of directors that need to be convinced and taken into consideration before a final decision can be made. So while the idea of Benefit Corporations is compelling, for many companies it will not be an immediate transformation because of practical issues, even though their business model is already adapted for it.

Whether or not Benefit Corporations will be the paradigm shift its proponents claim it to be is impossible to tell at this stage. The crucial factor will be the transformation of both large and small corporations that are not already operating in a way that responds to the requirements of the legislation of Benefit Corporations. Further to be seen is also whether or not Benefit Corporations will become a preferred choice of consumers, investors, and job searchers and as such have a competitive advantage over “standard” corporations. This competitive advantage may then become what Eric and Mauro hope is the type of competition that will force out of business companies that do not change their business model. At the present stage, in order for Benefit Corporations in Italy to be classified as institutional change the corporation itself, as an institution, would need to change. This is

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holds true only to a certain extent in this case. The “standard” corporation still exists and is without any doubt the most common form of corporation, both in Italy and in the U.S. However, the change that was introduced was not about replacing the corporation as a whole, but rather it was about amending its current legal and operational structure in terms of purpose, accountability, and transparency. This was done while allowing for the “standard” structure to still exist in parallel. However, if all companies were to become Benefit Corporations,²⁰³ we could speak of a full restructuring of what *corporations* have commonly been known as. A corporation that produces profits in no other way than in a sustainable, responsible, and beneficial way sounds utopian but it represents the middle ground between the business-optimists and the business-pessimists. Such a system of corporations would represent an extension of the market logic, as they would still be profit-seeking companies with economic activities; however, the main difference is that this type of market would not be destructive. Benefit Corporations do expand the reach of the market, but they do so in a manner that has never been attempted before.

6 Conclusion

The purpose of this paper was to answer the following research questions:

- 1. To what social, economic, and environmental needs do Benefit Corporations respond and what is the impact of Benefit Corporations in society and the economic system as a whole?*
- 2. What were the underlying conditions and the process of introducing the law on Benefit Corporations in Italy and who were the protagonists behind it?*

The first research question was mainly answered in Section 2 where the literature on the purpose, form, impact, and role of corporations was presented and discussed. An excessive focus on economic results, by corporations has led to unintended consequences

²⁰³ Mauro Del Barba, Eric Ezechieli, and Luca Rossetini all expressed this desire, as well as other speakers at all conferences I participated in.

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for the environment, society, and also for the corporations themselves. Examples mentioned were skyrocketing profits but stagnant wages; the process of dis-embedding production and consumption; the creation of unhealthy appetites and addictions of consumers; the creation of stressful, unfulfilling, and dangerous workplaces for employees; as well as increasing levels of CO₂ and pollution considered as externalities by the corporations and not a responsibility of the corporation itself. Simply put, the profit purpose when applied excessively by companies creates a market logic that has destructive results. The focus on profits has evolved from the shareholder primacy norm, which has given extensive attention to shareholder value (which has often been equated to shareholder wealth). Even if a company were to not only produce shareholder wealth, but also other types of shareholder value, the narrow focus on only shareholders and not other stakeholders is limiting for the company. This has led to several initiatives that aim to combat this malfunctioning feature of the corporation. The Benefit Corporation is such an initiative, which has the intention to do business (including making a profit) in a truly sustainable way. A successful Benefit Corporation is one that not only produces a positive material impact on the environment and society, but one that also survives economically. Further, the Benefit Corporation takes into consideration in its decision-making stakeholders such as the community, customers, employees, and the natural environment, rather than only shareholders. The impact of Benefit Corporations on the economic system as a whole is not to overthrow the market and the corporation as an institution, but to replace the norm of shareholder primacy with a sustainable business model. Benefit Corporations do not challenge the existence of the market but rather aims at modifying it in such a way that it can keep existing at the benefit of all. Would this have been possible with the standard corporations we know today? CSR is one such attempt to improve standard corporations, but CSR is often not deeply integrated into the company and can be seen as a way to only offset a negative impact. Creating an entirely new form of business, which still is easily accessible for today's corporations, is an effective way to ensure that sustainability is actually part of the DNA of the company. However, some issues remain to be clarified with Benefit Corporations. For example, the fact that a third party standard, and not a democratically elected body, determines what positive impact is, or the fact that standard corporations that do not transform into Benefit

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Corporations will somehow be defined as less “good” even though this is not always the case. Further, transforming into a Benefit Corporation is not an immediate action even though a company may already have the right business model. Shareholders, the board of directors, and employees all need to be informed and convinced that such a move is right for the company.

My second research question was answered in Section 5, using the analytical framework of institutional entrepreneurship, where the findings from my interviews, data collected from various conferences, and news articles were presented and discussed. The protagonists behind the legislative initiative in Italy were the two co-founders of Nativa (first B Corporation and Benefit Corporation in Italy) Eric Ezechieli and Paolo Di Cesare and Senator Mauro Del Barba. I interviewed Eric Ezechieli, Mauro Del Barba, and Luca Rossetini (founder of D-Orbit, one of the first five Benefit Corporations in Italy). The law on Benefit Corporations in Italy was introduced at record speed; in less than a year the law was written, debated, and introduced. It was added as an amendment to the Legge di Stabilità 2016, the amendment was passed in November 2015 and the entire Legge di Stabilità passed in December 2015. Senator Del Barba is a part of the center-left wing political party PD and was the first signer of the law. He has cooperated closely with Eric Ezechieli for years on matters related to sustainability and it was also Eric who introduced the concept of Benefit Corporations to Mauro. The protagonists represent and have been a part of different sectors of society: for-profits, non-profits, and the political sector. They were capable of merging interests, effectively respond to the (limited) criticism, and establish relations with the right and relevant people and entities. The favorable conditions that enabled the law to be introduced in Italy can be divided into broader categories according to institutional entrepreneurship. In terms of politics and economics in Italy, the climate has been turbulent during recent years and as a result there existed an openness towards innovative ideas that could reshape and improve the dire economic situation. Further, Italian companies have for long operated with a sustainable mindset, even though this has not always been articulated in today’s buzz terms. Mauro Del Barba described Italy as a country that was ready for the introduction of the concept of Benefit Corporations because Italian people and companies are able to recognize

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themselves in those types of values. In terms of the heterogeneity of the field, there have been numerous initiatives that, just like Benefit Corporations, aim at placing capitalism on a sustainable path. These alternative corporate forms have established a form of legitimacy and made it easier for Benefit Corporations to be quickly accepted. Further, social, environmental and economic issues caused by companies have all contributed to a favorable climate towards new ideas that propose solutions. In terms of the discursive strategies used by the protagonists and other proponents of Benefit Corporations they have mostly revolved around the importance of not negating profits, creating a community and a collective identity, and the paradigm shift that Benefit Corporations strive to be in the sense of replacing a malfunctioning business model with a new, more sustainable one. Lastly, the law was written in such a way to not cost the government, companies, and other actors anything, but rather it played in the direction of those already convinced and as such there was little resistance and the change did not cost the system anything.

This paper has offered insights on where Benefit Corporations come from, what has brought them about, and who the people behind them are. As Benefit Corporations are presented as a real, credible, and feasible alternative to the destructive side of capitalism, this thesis adds to the literature that strives to understand better what these alternatives can be. Future studies could look at the actual impact of Benefit Corporations, both in terms of their positive impact (qualitative, quantitative, and comparable work) and on their financial performance (quantitative and comparative) in order to understand how they perform compared to standard corporations and compared to each other. In addition to these types of cross-sectional studies it would also be of use to perform longitudinal studies that in an in-depth manner study the same corporation and the impact it has over the long term. A different study could focus on the third party standard setters and compare how they define and measure positive impact. These types of studies will be necessary in order to understand if Benefit Corporations actually do play the role they have set out to do.

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“qualificazione dell’impresa sociale quale impresa privata con finalità di interesse generale, avente come proprio obiettivo primario la realizzazione di impatti sociali positivi conseguiti mediante la produzione o lo scambio di beni o servizi di utilità sociale, che destina i propri utili prevalentemente al raggiungimento di obiettivi sociali e che adotta modelli di gestione responsabili, trasparenti e che favoriscono il più ampio coinvolgimento dei dipendenti, degli utenti e di tutti i soggetti interessati alle sue attività;”

7.6 Videos

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8 Annex 1

8.1 Difference between B Corporations and Benefit Corporations

This table is taken directly from the website www.benefitcorp.net²⁰⁴ and represents the U.S. but can generally be applied also to Italy.

What's the Difference?

Issue	Benefit Corporations	Certified B Corporations
Accountability	Directors required to consider impact on all stakeholders	Same
Transparency	Must publish public report of overall social and environmental performance assessed against a third party standard of their choice.	Same
Performance	Self-reported	Must achieve minimum verified score on B Impact Assessment
		Recertification required every two years

²⁰⁴ Benefitcorp.net. (2016). Benefit Corporations & Certified B Corps | Benefit Corporation. [online] Available at: <http://benefitcorp.net/businesses/benefit-corporations-and-certified-b-corps> [Accessed 4 Jun. 2016].

What's the Difference?

		against evolving standard
Availability	Available for corporations only in 30 U.S. states and D.C. and in Italy.	Available to every business regardless of corporate structure, state, or country of incorporation
Cost	State filing fees from \$70-\$200.	B Lab certification fees from \$500 to \$50,000/year, based on revenues
Role of B Lab	Developed Model Legislation, works for its passage and use, offers free reporting tool to meet transparency requirements; No role in oversight	Certifying body and supporting 501c3, offering access to Certified B Corporation logo, portfolio of services, and vibrant community of practice among B Corps; To learn more about B Corp certification, visit www.bcorporation.net .

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9 Annex 2

9.1 List of conferences and events

Conference 1.

Name: “Le Benefit Corporations – Origini del fenomeno B-Corp, il caso Usa e le opportunità di sviluppo in Italia (Benefit Corporations- Origins of the phenomenon of B-Corp, the case of the U.S. and opportunities for Italy)”

Date and location: 22 Feb. 2016 at 17.45 – 19.30 in Aula N23, Velodromo, Università Bocconi, Milan.

Speakers: Eric Ezechieli (co-founder Nativa Lab), Mauro Del Barba (Senator), Francesco Perrini (professor at Università Bocconi) and Stefano Angelinis (student at Università Bocconi and organizer of the event).

This event was organized by a student and the very first time the university hosted an event related to Benefit Corporations. The event was open to the public. The aula was nearly full (hosting approximately 150 people, a standard aula where lessons are held in Bocconi) and present was a mix of students, professors, and professionals (for example employees of Patagonia, a U.S. registered Benefit Corporation, were present). The event was held in Italian and lasted circa one hour and a half and allowed the audience to ask questions towards the end. The atmosphere was very relaxed, jokes were made, and the setting was informal which was also reflected in the dress code.

Conference 2.

Name: “Società Benefit – integrazione e valore condiviso (Benefit Corporations – integration and shared value)”

Date and location: 26 Feb. 2016 at 14.00-18.30 in Fondazione Eni Enrico Mattei, Corso Magenta 63, Milan.

Speakers (that will be cited in this thesis): Eric Ezechieli (co-founder Nativa Lab), Mauro Del Barba (Senator), Marcello Palazzi (co-founder of B Lab Europe), Luca Rossettini (founder D-Orbit), Roberto Randazzo (founder of European Social Enterprise Law

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Association). The other speakers were journalists, working for foundations/social enterprises/non profits, CSR managers, or scholars.

The attendance at this event was open to the public and fully booked with two adjacent rooms following the conference through video streaming (a total of approximately 300 participants). I was placed in one of the video streaming rooms at first but later found a spot in the main aula. This conference took place in an old and majestic building in the center of Milan. The dress code at this event was more formal (men wore suits and women dresses/skirts) with some participants sporting more informal clothing. The atmosphere was more formal than the previous event and hosted many more speakers (total of 15). The participants were mainly aged 30-50, where some were older and some younger. The conference was organized by Fondazione Eni Mattei (an Italian research institute with a focus on sustainable development and global governance) in collaboration with Aiccon (an Italian Association for the promotion of the culture of co-operation and of nonprofit, formed in 1997 with various Italian universities).

Conference 3.

Name: Il Salone della CSR e della innovazione sociale – Cambiamento, Coesione, Competitività, Scenari e prospettive da e per il nostro territorio. Arriva in Italia un nuovo modello d'impresa: la Società Benefit. Benefit Corporation: B the change! (The CSR and social innovation fair – Change, Cohesion, Competitiveness, scenarios and prospects from and for out territory. A new business model arrives in Italy: the Benefit Corporation. The Benefit Corporation: B the change!)

Date and Location: Mar. 18 2016 at 10.00-17.00 in Palazzo Meridiana, Genoa.

Speakers (that will be cited in this thesis): Mauro Del Barba (Senator), Anna Cogo (employee at Nativa), and Claudia Carli (marketing and communications manager at Fratelli Carli). Other speakers (a total of 50) were discussing other topics related to CSR and social innovation in different rooms. Only the welcoming and closing sessions were held singularly, while other sessions were held simultaneously. Speakers came from private companies, foundations, non profits, universities, public offices and banks.

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This conference was the inaugural conference out of five that make up the annual CSR and social innovation fair and was open to the public. The conferences take place in different locations in Italy, with the “grand finale” in Milan in the fall. The Genoa edition was organized by Etica Lab, an experimental laboratory created by private companies and the Chamber of Commerce of Genoa that aims at spreading responsible business practices in the region of Liguria in Italy. The conference had various partner and funders (business, government, and universities), which was visible in the type of speakers invited. The total number of participants was approximately 140, the atmosphere was relaxed with regular jokes and laughter, and a crowd that held whispered conversations frequently. The dress code was mixed but can be generalized as business casual and had a more relaxed atmosphere compared to conference 2. The participants were mostly aged 30-50 but there were some who were younger and some who were older. The location was undoubtedly however the most upscale; Palazzo Meridiana is an old and historic building in the very center of Genoa and has some very beautiful architecture. During the session on Benefit Corporations there were approximately 40 persons present (the room was full). Senator Del Barba was non present physically but spoke via Skype to the room.

Conference 4.

Name: B Corp Day

Date and location: 5 May 2016 at 16.00 – 19.30 hosted by Treedom, in Florence, Italy.

Speakers: Paolo Di Cesare (co-founder Nativa), Anna Cogo (Nativa) Mauro Del Barba (Senator), Federico Garcea (Treedom), Stefano Falbi (Cometech), Massimo Casullo (NWG Energia), and Andrea Filippi (Filippi).

This event was specifically organized for present B Corps, Benefit Corporations, or those interested in becoming either, or both. The location was at the office of Treedom, a B Corp, just outside of Florence, in the hills under Fiesole, which is a beautiful green setting. There were approximately 10 companies present, where half were Benefit Corporations and the other half B Corps (some were both). The dress code was relaxed, as was the atmosphere (which was also very friendly). Upon my arrival there was instantly networking going on in the garden with non-alcoholic beverages. The event was

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mainly intended as a first gathering of these types of companies in Italy and for the employees to get to know each other and begin to create a community. There were several short presentations but the focus was on networking. After the presentations there were burgers and beer offered from a food truck and participants were all requested to take part in a video documentary and pictures. We all wore a pin with a B on it, produced specifically for the event.

10 Annex 3

10.1 List of Benefit Corporations in Italy

There exists no official register of Benefit Corporations in Italy. Benefit Corporations can voluntarily register themselves online at www.societabenefit.net, but a list of those that have registered themselves is not yet accessible to the public. The list of companies below has been constructed through information given to me by Nativa and through my presence at the various conferences where they have been present.

1. **Arca (Loccioni)**, measurement solutions for sustainable energy, industry and transport, <http://www.loccioni.com/>
2. **Croqqr**, sharing services and goods, <http://www.croqqr.it/>
3. **Dermophysiologique**, skincare, <http://www.dermophysiologique.it/ita/>
4. **D-Orbit**, space technology, <http://www.deorbitaldevices.com/>
5. **ESO**, management service for office waste, <http://www.eso.it/>
6. **Executive**, ICT services, <http://exe.it/>
7. **Little Genius**, education provider, <http://www.littlegenius.it/index.php>
8. **Nativa Lab**, consultancy for sustainability, <http://www.nativab.com/home.php>
9. **NWG Energia**, renewable energy, <http://www.nwgenergia.it/>
10. **Pasticceria Filippi**, pastries producer, <http://www.pasticceriafilippi.it/ita>
11. **Tweegs**, innovative renovation and construction, <http://www.tweegs.com/>

11 Annex 4

11.1 Timeline of the evolution of Benefit Corporations in Italy

