Article

An Institutional Analysis of the Rise of Benefit Corporations Outside of the US: The Case of Italy

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Abstract: This paper contributes to the current debate about Benefit Corporations, presenting the development of this organisational model in Italy, the first country to introduce this hybrid form after the US. Grounded on an institutional logic perspective, it provides a picture of the institutional dynamics that have characterised the rise of this new entrepreneurial form outside the US. The analysis provides an in-depth foundational study of the Italian case and highlights the relevant influence of different institutional pressures in explaining the rise of and constraints in the diffusion of Benefit Corporations. Empirically, it combines secondary data, available from different public sources, and primary data collected through interviews with a series of knowledgeable informants. Based upon the analysis, two aspects appear peculiar for the development of Benefit Corporations in Italy: the interplay between the Benefit Corporation legal form and the certified B Corp model, and the rise of tensions between social entrepreneurship and the third sector ecosystem. This paper concludes that the peculiar institutional pressures leading to the birth of Benefit Corporations in Italy may be source of permanent tensions and of concern for the diffusion of the model.

Keywords: benefit corporation; b corp; institutional logic; hybrid entrepreneurship; social entrepreneurship; social enterprise

1. Introduction

Grand social and environmental challenges are ushering in a rethinking of entrepreneurial models [1] toward the inclusion of both social and environmental objectives in entrepreneurial business with the goal of developing sustained applications and products for such challenges. Accordingly, in recent years we have witnessed the growing blurring of boundaries between the for-profit and non-profit sectors, with the rise of different hybrid business models that share the objective of combining the need to address relevant social and environmental challenges with the marketplace requirements of profit creation [2 − 5], pursuing blended value paradigms [6 − 7].

In the search of such objectives, these social hybrids have been increasingly seeking a governing infrastructure able to reflect their specificities, opening a debate among legislators and policy makers. One of the results of this debate has been the rise of new institutional forms able to meet the growing demands from social hybrids.

Among various hybrid models, this paper focuses on a particular category that is generating great interest over the world, with several legislative initiatives emerging in different countries—namely, the Benefit Corporation—an entrepreneurial form which [8] defined as a grey corporation
that pursues a public benefit mission coupled with profit generation. In this perspective, the first Benefit Corporations, as ‘for profit, socially obligated, corporate form[s]’ [9], were introduced in the state of Maryland in the US (followed by other more than 35 states in the US and developing in other six new countries) to allow in the entrepreneurial activity to consider a broad spectrum of interests beyond that of shareholder profit primacy. Italy represents the second country to undergo the development of a specific legal form for Benefit Corporations. This began in 2016 when B Corps and the Benefit Corporation phenomena were not centred around sustainability practices.

Moving from these considerations, this paper investigates the institutional factors influencing the process that led to the adoption of the Benefit Corporation form, its characteristics and diffusion in the Italian context. In particular, we focus on how the characteristics of the national and international institutional setting where the Benefit Corporation form has been introduced informed the process leading to its adoption and the subsequent development of this entrepreneurial model.

From a theoretical point of view, the paper is grounded in an institutional perspective, and more specifically on the dynamic framework of institutional logic [9–12], in order to capture how multiple and concurrent institutional pressures—made up of ‘interests, identities, values and assumptions’—informed the rise of the Benefit Corporation form in Italy. This process is also compared to that which took place in the US. Such an understanding appears necessary to capture the degree of legitimacy of the Benefit Corporation form in the specificity of the Italian context.

Empirically, the application of the institutional logic perspective to Benefit Corporations is novel in organisational studies. We expect this in-depth retrospective analysis of the process leading to the inception of the Benefit Corporation to provide a grounded explanation for the factors that empower or constrain the diffusion of these businesses, leading to implications for policy makers and entrepreneurs. Following a case study methodology, the paper combines qualitative data collected through semi-structured interviews addressed to a series of knowledgeable informants with a content analysis of secondary data such as newspaper articles and legislative documents.

The rest of the paper is articulated as follows. The next section describes from an historical perspective the state of the art about Benefit Corporations, starting from the US context. This section facilitates a full comparison of the Italian institutional dynamics compared to those characterising the original model in the US. Section three introduces the theoretical framework adopted, explaining the underpinning principles of institutional logic, through which the Italian case is analysed. Section four presents the research method, with particular attention to data collection and data analysis. Section five discusses the process that led to the approval of the law concerning Benefit Corporations (‘Società Benefit’). Finally, section six reviews the case in light of the institutional logic perspective, and derives a series of conclusions about the birth and growth of this form, three years after the approval of the law.

2. State of the Art: The Rise of Benefit Corporations in the US and Italy

2.1 Benefit Corporations in the US

This section briefly describes the state of the art exploring the theme of Benefit Corporations and their rise within the US context. In spite of the scarcity of specific literature investigating the factors that led to this rise, through the literature it is possible to identify key categories of context-based factors that explain the birth and the diffusion of Benefit Corporation forms in the US.

2.1.1 The Changing Legal Context in the US Framework

The first stream of literature which can be exploited to investigate and reconstruct the rise of B Corps in the US context focuses on the legislative changes that paved the way for the establishment of Benefit Corporation forms. Historically, US legal doctrine has been guided by the principle of shareholders’ primacy and profit maximisation [13,14] bonding corporate directors to pursue shareholder wealth maximisation.
in their decision-making processes. In other words—according to such a doctrine—as managers are agents of the shareholders, all their decisions should be informed by the aim of maximising shareholder profits, in line with neoclassical economic doctrines (among others 15).

Compared to this static situation, a first ‘buffer’ on the path leading to the birth of the Benefit Corporation form was provided by the Business Judgment Rule, which states that when corporate directors make their decisions, they should act in the best interest of the company, displaying ‘good faith’ and ‘honest belief’ [13,14] in their actions. This statement implies that managers’ decisions cannot be questioned if they were made with ‘rational judgments’ when promoting non-shareholder interests (such as philanthropic activities), as long as they support shareholder value creation (13, p. 835).

According to [13], a second step in the direction of Benefit Corporations was represented by the adoption of constituency statutes, also called stakeholder statutes. Introduced for the first time at the beginning of the 1980s, these statutes established the possibility for corporate directors to consider non-shareholder interests when making business decisions, while still maintaining the principal purpose of ‘shareholders’ gain’ and ‘corporate profit’ (13, p. 826). In other words—according to the constituency statutes—managers are permitted (but not required) to make decisions considering external constituencies, which usually include commercial actors, financial actors as well as the community at large [14,16]. These modifications represented a first attempt to introduce the idea of hybrid model in the US [17,18] and they highlight the existence of pressures from legal doctrine to move toward the creation of hybrid forms of enterprises.

These preliminary modifications also signalled a possible disruption, as in the North American context any overlap between the rules of non-profit and for profit organisations was viewed with scepticism by regulators and economic players [19]. On the other hand, these changes left some critical issues unsolved due to the lack of guidance about how to deal with the interests of external constituencies in entrepreneurial activity. Consequently, in spite of changes in the legal doctrine, the lack of explicit guidance on these points generated difficulties for US corporate directors concerning decisions that failed to maximise profit for shareholders despite other gains [14].

2.1.2 B Corps and US Politics

In June 2006, Jay Coen Gilbert, Andrew Kassoy, and Bart Houlahan established B Lab, a private non-profit organisation aimed at promoting ‘a new type of corporation that uses the power of business to solve social or environmental problems’—i.e. B Corps (20, p. 1011). According to the Declaration of Interdependence1 provided by B Lab, ‘B Corps meet the highest standards of verified social and environmental performance, public transparency, and legal accountability, and aspire to use the power of markets to solve social and environmental problems’. B Corps are required to sign the B Lab Declaration of Interdependence to state their commitment to the values of the movement and their participation in it to the global community. Then, in order to provide assurance about their actual commitment to these set of values, organisations that want to become B Corps have to obtain and maintain a certification, issued by B Lab, based on an assessment scheme specifically created for this purpose—the Benefit Impact Assessment (BIA). The BIA addresses four main areas: governance, workers, community, and the environment.

The B Corp certification provided by B Lab aims to work as a signalling mechanism—to achieve higher visibility to consumers and potentially lead to higher revenues funded by green or socially proactive consumers. It is also meant to attract investments from operators who are attentive to environmental and social performance. However, the B Corp certification has no legal validity, meaning that per se, it is not sufficient to change corporate directors’ duties and to beholden them to consider the interests of the stakeholders. Due to this difficulty, B Lab has become one of the primary promoters of the legislative change that led to the adoption of Benefit Corporation legislation across

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1 The full text of the ‘Declaration of Interdependence’ can be found at http://www.bcorporation.net/what-are-b-corps/the-b-corp-declaration.
different US states and the subsequent diffusion of B Corps. At an institutional level, the cofounder of B Lab—working with William Clark, one of the authors of the Model Business Corporation Act—drafted the Model Benefit Corporation Legislation that was adopted for the first time in April 2010 in the state of Maryland, as described by [20].

[21] underlines the relevance and the weight of political and party-led factors in the creation and diffusion of Benefit Corporations. [21] provides the first empirical analysis of the factors which have led to the institutionalisation and the adoption of Benefit Corporation legislative forms in 35 US states. Through an event series study, the author stresses the concurrent role of B Lab pressure and political party pressures in this process, providing evidence that states controlled by Democratic governments appear more likely to adopt benefit legislation, thus showing the instrumental political relevance of the development and the adoption of the Benefit Corporation form.

From this contextual review, it appears that the creation and diffusion of the Benefit Corporation form in the US is the consequence of a series of concurrent factors originating from political, legal, and corporate interests.

2.1.3 The Output of the Process

As a consequence of these trends, B Corps rose in the US context as a form of for-profit corporate entities that have voluntarily chosen to undergo additional specific duties set forth in the benefit statute. [9] defines the main characteristics shared by these organisational forms, which explicitly reject in their ontological constituency the shareholder primacy doctrine [16]. First, B Corps are required to provide a general public benefit, defined as a material positive impact on society and the environment; local legislation characterises specific impact areas, such as health, arts, science, and the preservation of the environment. Second, B Corps are required to adopt a recognised, independent, comprehensive, credible, and transparent third-party standard in order to define, report, and assess their environmental and social performance. Third, B Corps directors, when making decisions, are obliged to consider not only shareholders but also other constituencies’ interests as part of their fiduciary duties. Fourth, B Corps are asked to produce evidence and reports that show whether the company succeeded in pursuing its declared goals. Finally, B Corps are also subjected to a Benefit Enforcement Proceeding to safeguard the public benefit generation aim.

In spite of the strict and formal characteristics designed by US state legislative bodies, [23]—exploiting an institutional theory framework—highlights the discrepancy between the legal objectives and their implementation by local US B Corps when regarded as a new model of social enterprise. Further, [24] analyse the growth and the diffusion of B Corps legislation through a discursive framing approach. In this perspective, focusing on the variety of US state legislation, the authors provide a critical reading of the B Corps form that highlights the risk of shifting to the private sector any responsibility for public welfare services.

2.2 Benefit Corporations in the Italian Context

If it remains rare to find literature investigating and describing the rise of B Corps in the US context, when moving to the Italian case the phenomenon appears even more greatly under-investigated. The few exceptions are represented by [25–27]. [25] specifically focus on the description of performance measurement methods adopted by certified Italian Benefit Corporations2, underlining the role of B Impact Assessment standards (BIA). [26] analyse the effects of the choice of complying to B Impact Assessment standards on the economic performance of a given firm. From a legal standpoint, [27] highlights the dysfunctionalities and problems of the Italian Benefit

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2 With the term “Italian Benefit Corporations” we refer to the Italian “Società Benefit”, namely to Italian entrepreneurial organisations adopting the “benefit corporation” legal form. These organisations are not by-law forced to become certified B-Corps.
Corporation Corps legal form due to the difficulties in introducing an ‘hybrid entity’ in the Italian regulatory system.

In spite of these contributions, studies explicitly investigating the factors leading to the creation of the Benefit Corporation form in the Italian context are still lacking. Consequently, the next section is devoted to the description of the theoretical models adopted to broadly investigate the process that led to the introduction and growth of the Italian Benefit Corporation.

3. Theoretical Framework: An Institutional Logic Approach

In order to highlight the factors informing the growth of the Benefit Corporation model in Italy, this paper embraces an institutional perspective and frames the contents through an institutional logic. Institutional theory allows for the analysis of organisations in respect to the external environment to which they are required to conform. In this view, institutionalism rejects ‘rationality as an explanation for organisational structure’ (12, p. 100) and brings inter-dependencies and interactions among different actors and organisations to the core of the analysis. Legitimacy of organisations rather than rationality becomes central to explaining the success of different models and forms.

From institutional theory it is possible to derive the concept of institutional logics first introduced in 1985 by Alford and Friedland. The authors actually describe institutions as the beliefs and practices that operationally influence how individuals and organisations behave, while focusing on inter-institutional systems and resources. In a milestone contribution to the topic, Friedland and Alford (11, p. 243) define institutions as ‘supra-organisational patterns’ of activities that shape in a meaningful way the ‘individual preferences’, ‘organisational interests’, and behaviours according to a set of shared norms. According to the authors, each institution is therefore provided by a ‘logic’—defined as a set of practices that embed structural, normative, and symbolic dimensions, and constrain and transform organisational principles and individual [11,12].

According to [29] institutional logics are practices that come from shared ‘cultural assumption and political struggles’ (12, p. 101)—from an environment external to the organisation and instead oriented to intra-institutional and organisational dimensions. [30] provide a multidimensional and cross-level model which merges and compares dominant institutional logics, shaping in this way a new wave of institutional theorising [31]. In a related study, [32] stresses that institutional logics define the ‘rules of the game’ (32, p. 140) within which the cultural aspects on which organisational processes and structures are shaped in a certain context and field of activity.

Generally, the same organisations can be embedded into one or more logics. The exposure to different logics may lead to tensions emerging from diversified pressures. Organisations can respond to the different pressures in a multiplicity of modalities. When different logics conflict [4], organisations should strategically be able to exploit organisational peculiarities, converting them into innovative business opportunities. On the contrary, conflicting institutional pressures may also lead to ‘organisational paralysis’ or breakup.

Considering the existence of different institutional logics, different authors [33,34,30,4,35] have provided various taxonomies, depending on the specific problem being analysed. According to [33], for example, the main institutional logics of capitalist western societies include the market, the corporation, the professions, the family, the religion, and the state logics. The influence of ‘nonmarket’ logics—such as the state and the family logics—over corporate organisational behaviour has been confirmed by [34]. In spite of the choice of a taxonomy for the institutional logics, [11], [33], and [34] stress that the concurrent influence of different logics contribute in an integrated way to shape organisational practices across fields or industries.

3.1 Institutional Logic Perspective and Benefit Corporations

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3 For a broader review on institutional logics, refer to [11,12,34,30].
Broadly speaking, the focus of the new institutional logics perspective on organisational legitimacy rather than on efficiency appears vital to the understanding and analysis of CSR and sustainability-related topics, given their stronger social and societal orientation. In line with this perspective, [35] have already explained the differences in corporate social responsibility and social-environmental sustainability—organisational strategies in different countries through institutional logic lenses.

The adoption of an institutional logic to investigate the rise of B Corps in different countries appears a suitable instrument for a multiplicity of motivations. Firstly, Benefit Corporations are hybrid organisations themselves. Due to their hybrid character, they appear ontologically subject to different pressures, as has already been shown by [23]. Moreover, the debate around B Corps in the Italian context includes specific normative and legal aspects clearly related to an institutional logic analytical perspective. Actually, the focus on institutional analysis underlines that ‘each institution function because of a set of formal laws and normative expectations about them’ (12; p. 12).

Accordingly, the institutional logic perspective has been selected as a tool to interpret the rise of B Corps forms regarded as an advancement of traditional corporate social responsibility and sustainability strategies towards the creation of a fully hybrid new organisational model.

In this perspective, the exploration of the growth of a new hybrid model—the B Corp—in the Italian context appears novel. Therefore, this work provides a categorisation that distinguishes between social, market, state, and professional institutional logics. First, social logic is a need-based logic according to which companies perform social and environmental goals to create a public benefit, which is valuable for communities and society as a whole [37]. In the social logic, the organisation contributes to the social and environmental development of communities. This logic embeds relationships with a series of stakeholders (powerful or not powerful) as community actors—third sector organisations or NGOs—through alliances and partnerships pursuing the goal of developing social capital and cohesion.

On the contrary, market logic is a demand-based logic that stresses profit maximisation, efficiency, and effectiveness, mainly resulting in commercial relationships with customers. In this logic, relationships with different stakeholders are built with the goal of reaching the organisation’s economic self-interest [36,37].

State logic refers to the role of the state in ensuring political and social aspects of life, focusing on the historical contexts and the communities’ dynamics that are generated [34] through laws and regulations. State logic is mainly guided by compliance with laws and regulations [35]. In this logic, relationships with stakeholders are bounded by their legitimisation through the respect for and the enforcement of laws and regulations.

Finally, professional logic refers to the ethical behaviours of workers with respect to auditors and reputation according to individual personal skills [36]. When dealing with social and ethical concerns, professional logic refers to the paradigm of shared value (38, among others) according to which there is no prioritisation between social, environmental, and economic objectives.

To conclude, in professional logic relationships with stakeholders are built through the creation of formal networks of professionals guided by the same ethical principles. Now that the theoretical approach has been defined, it is possible to describe the methodology exploited to collect primary and secondary data necessary to analyse the Italian case.

4. Methodology and Data Collection

Focusing on the Italian case, this paper adopts an exploratory case study methodology. The case study approach appears suitable to our goals, given that B Corps in the Italian context are a contemporary and novel phenomenon. Moreover, our goal of understanding the relationship between benefit entrepreneurship and the Italian contexts fits the ability of the case study to inquire into fields where the boundaries between phenomena and contexts are blurred [39]. More specifically, in this paper we adopt an exploratory design suitable to a context where key characteristics are uncertain.
This section illustrates how data were collected and analysed in order to investigate the process leading to the creation and adoption of the B Corps form in the Italian institutional setting. In spite of the adoption of the Benefit Corporation law in April 2015 as part of the Italian Stability Act, the Italian Benefit Corporation phenomenon still appears ‘novel’ in academia, as shown in section 2. Such novelty leads to a scarcity of information available in both the academic literature and secondary sources. Hence, to study the Italian case, archival and documentary analysis has been complemented with primary data collected through interviews with key knowledgeable informants [40] actively involved in the processes of introduction and legal recognition in Italy of the Benefit Corporation and in the debate following the adoption of the Benefit Corporation legal form.

In particular, the interviews were carried out in 2019 and 2020 with five ‘experts’ on B Corps: a lawyer with particular expertise in non-profit and B Corps sectors; a Nativa Lab Benefit Unit Officer; the president of AssoBenefit, the association dedicated to Italian Benefit Corporations; and the spokesperson of the National Italian Third Sector (Forum Nazionale del Terzo Settore). These subjects were active in the Italian debate following the adoption of the Benefit Corporation legislation. Finally, a further interview was conducted with a lawyer in the US who is considered worldwide to be the father of international Benefit Corporation legislation. This final interview was fundamental to investigate the influence of international pressures and to provide an international comparison for the Italian case.

The semi-structured interviews exploited for the analysis covered four main areas: firstly, the perception about the motivations leading to the creation of the Benefit Corporation legal form in the Italian context; secondly an evaluation about the process leading to the adoption of such a form, with a specific focus on the stakeholders showing specific interest or scepticism towards the introduction of such new form in the Italian context; the third component concentrates on the existing relationship between Italian B Corps and the international B Corp movement; and the fourth element focuses on the perceived future and the perspectives of B Corps, particularly in the Italian context.

In addition to the interviews, the secondary sources analysed include normative sources, the official web sites of B Lab, Società Benefit, Nativa Lab, and AssoBenefit, and a selection of articles published on Il Sole 24 Ore (the most important economic newspaper in Italy) and Vita (the most important third sector newspaper in Italy).

Next, the analysis of the data collected in the Italian case has been performed using a deductive coding procedure, deriving the conceptual categories from the theoretical framework of institutional logic. Firstly, the Italian case has been analysed following the historical evolution of the Benefit Corporation legislation phenomenon, paying particular attention to the interplay of the diffusion of B Corps and the change of the corporate legislation. The process covers the timeframe from the introduction of the first B Corps in 2013 and the path towards the recognition of the ‘Società Benefit’ within the Stability Act. Finally, the analysis has been performed according to the theoretical framework in order to disentangle the influence of different institutional logics on the recognition of the legal form.

5. Results

The development of the B Corps model in the Italian context appears as a complex and multi-stakeholder process. Firstly, the B Corp movement appeared in Italy in 2013, when Nativa Lab became the first Italian certified B Corp (B Lab December 22, 2015). Since then, Nativa Lab has been acting as a strategic partner of B Lab, carrying out different advocacy activities aimed at supporting the diffusion of B Corps in Italy and initiating the debate about the possibility of introducing a legal recognition similar to the B Corp.

Overall, Nativa Lab appears to have played a central role in the process leading to the adoption of the Benefit Corporation legal form. For example, Nativa Lab organised meetings and conferences with the aim of disseminating knowledge about the US B Corp vision, the characteristics of this

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4 Nativa Lab is the Italian partner of B Lab—it will be explained later in greater detail.
5 The president is also the centre left-wing author of the legislation introducing this organisational form in Italy.
business model, and the certification process. Nativa Lab also participated in the major Italian conferences on innovation and future economic developments as well as the main social and political conventions as early as 2014, even before the beginning of the process leading to the Benefit Corporation legislation.

In spite of these long-lasting efforts, the number of B Corps grew slowly and, in 2020, there were only 100 organisations certified as B Corps in Italy compared to 500 Benefit Corporations (‘Società Benefit’). Nonetheless, Nativa Lab persisted in its advocacy activities and continued to stimulate the work of the Senate for the introduction of the Benefit Corporation legal form.

Looking at the B movement worldwide, the pressure for the introduction of specific legislative forms coheres with the goal to overcome the misalignment between national corporate laws and the B Lab vision of an entrepreneurial organisation operating in a responsible and sustainable manner. Subsequently, during the summer of 2015, Mauro Del Barba (Secretary of the Senate’s Finance Commission and current president of AssoBenefit) proposed an amendment to the Stability Act, introducing a new legal tool called ‘Società Benefit’. The Stability Act (L.208/2015) defines the ‘Società Benefit’ legal form as:

companies that aim at the distribution of profits, but, at the same time, pursue one or more common benefit goals in favour of stakeholders other than shareholders, including people, communities, territories and the environment, cultural heritage, social activities, entities and associations, by working in a responsible, sustainable and transparent manner’. (Stability Act, L.208/2015, Art 1.1)

Subsequently, the Stability Act (L.208/2015) appears to have been shaped on the basis of ‘model’ legislation provided by B Lab. According to all interviewees, the B Corp is actually the overarching model and structure for the Italian form of the ‘Società Benefit’. Nonetheless, the Italian legislative form, according to Stability Act L.208/2015, displays significant differences compared to the pure B Corp model and to the majority of legislation regarding Benefit Corporations spread throughout US states.

As one distinction, a ‘Società Benefit’ is required to specify—in a bylaw or in the charter—how it aims to contribute to the public benefit, in terms of the creation of intentional positive impacts, or the reduction of negative externalities on different impact categories (L.208/2015, Art 2.1.a). In this way, a ‘Società Benefit’ has to indicate goals, activities, and related responsibilities to show its ability to ensure its contribution to the common good. This is different from the US model, which is centred on the more general idea of considering a broader range of stakeholders other than shareholders [41].

According to interviewees, the explicit definition of a social and environmental purpose appears to lead to an Italian shift from the international B movement model. In the B movement perspective, the generation of a positive societal and environmental impact derives from the modalities through which business is conducted, irrespective of the setting of a specific ‘social and environmental purpose’ for the corporation. This element is aimed at setting a clear boundary between purposeful entrepreneurship and benefit entrepreneurship.

In its peculiar requirement for the stating of a purpose, the Italian legislation for Benefit Corporations appears close to that of Delaware Benefit Corporations (Delaware Law Code Title 8, chap. 1, subchap. 158), which is the only and highly influencing US legislation to require a Benefit

Sources: https://bcorporation.eu/about-b-lab/country-partner/italy; https://unlockthechange.it/tutte-le-b-corp/


See Delaware Law Code: https://delcode.delaware.gov/title8/c001/sc15/ where public benefit means a positive effect (or reduction of negative effects) on one or more categories of persons, entities, communities, or interests (other than stockholders in their capacities as stockholders) including, but not limited to, effects of an artistic, charitable, cultural, economic, educational, environmental, literary, medical, religious, scientific, or technological nature.
Corporation to adopt the ‘purpose’ of generating a ‘public benefit’ and to ask as well for provisions of an explicit certificate of incorporation of this ‘public purpose’.

Secondly, the Italian ‘Società Benefit’ is recognised as subject to stricter accountability requirements compared to the US case and to the B Corp model. In particular, it is required to provide an annual disclosure (Stability Act, Art 5.1), concerning:

1. The outline of the specific actions and methodologies implemented by administrators to pursue the public benefit.
2. An assessment of the impact generated, considering four specific evaluation areas—corporate governance, relationships with workers and stakeholders, environmental impact—and based on a third-party standard that should be independent, exhaustive, credible, and transparent.
3. The description of objectives and targets for the next fiscal year.

Third, there is a significant difference concerning directors’ liabilities. In US legislation on Benefit Corporations, directors are exonerated from personal liability ‘for an act or omission in the capacity of a benefit director unless the act or omission constitutes self-dealing, wilful misconduct, or a knowing violation of law’ (Model Benefit Corporation §302). Italian administrators must be identified as responsible for the development of the tasks described in the bylaw. They have both private and public responsibilities in balancing shareholders’ interests, the general public benefit, and the stakeholders’ needs, thus they are subjected to strict rules (Stability Act, Art 4). Administrators are responsible for any potential legal breach and any action that conflicts with the statutory impact declarations. In case of failure in pursuing the common benefit goal, a Società Benefit could be punished by the Italian Consumer Code for misleading advertising (Stability Act, Art. 6). US directors are exonerated from personal liability ‘for an act or omission in the capacity of a benefit director unless the act or omission constitutes self-dealing, wilful misconduct, or a knowing violation of law’ (Model Benefit Corporation §302) and are punished according the Civil Code.

Such stricter requirements for Benefit Corporation legislation compared to the B Corp model appear in line with the institutional differences existing between the Italian and the US contexts. On one side is the US context, where the B Corp model is led by a strong role of shareholder primacy in the entrepreneurial field and a series of non-entrepreneurial philanthropic agents on the other; in the Italian context, it appears to be characterised by the existence of a wider variety of socially oriented entrepreneurial forms.

According to interviewees, the Italian context is characterised by the existence of a strong third sector and social entrepreneurial infrastructure, where shareholder primacy is questioned. In such a context, the introduction of the Benefit Corporation legal form satisfied and was promoted by a variety of enterprises asking for recognition of their sustainable and socially-oriented business—a ‘locking mechanism’ suitable to approve what enterprises were already doing. The legislative purpose in allowing the recognition of a socio-environmental purpose within existing organisations rather than to stimulate a turn towards sustainability in overall entrepreneurship appears to be a key feature distinguishing the Italian and the Delaware state scenarios.

This may be also regarded as the reason why the Benefit Corporation legislation proposal was accompanied by perceived scepticism in the Italian third sector and social entrepreneurship field, which the collected data well show. In the initial stages the introduction of Benefit Corporation legislation appeared capable to lead to a commercial and profit-oriented drift in the social entrepreneurial sector. Scepticism was lately overcome after the diffusion of the Benefit Corporation forms—interviewees tend also to highlight that the future of the Italian Benefit Corporation in terms of the generation of hybrid value into territories and societies continues to be connected to its relationship with the third sector and to social entrepreneurial forms—both in terms of value sharing and the creation of territorial partnerships.

These results show on one side that in the Italian context the B Corp movement appears to have played a key role in fostering Benefit Corporation legislation and in shaping the actual Benefit Corporation form. The B Corp model is also widely recognised as a leading standard in terms of impact measurement and reporting.
Nonetheless, the Italian Benefit Corporation legislation asks for higher requirements in terms of the liability of directors and social accountability—as well as purposes and objectives—when compared to the internationally-inspired B Corp scheme. The process and the factors leading to the adoption of a Benefit Corporation legal form appear divergent from the ones in the US context.

Data and interviews also highlight an interplay between the discussion about B Corps and the legal recognition of Benefit Corporations on one side, and the debate about the role of third sector and hybrid organisations in the Italian ecosystem on the other. It is clear that B Corps and Benefit Corporations are distinct from the third sector entities and other hybrid forms that are part of the third sector ecosystem in Italy, as for example ex Lege (Law 106/2016) social enterprises namely those “business of general interest, non-profit and for purposes civic, solidarity and social utility, adopting modality of responsible and transparent management and favouring the widest involvement of workers, users and other subjects interested in their activities.”

In spite of this distinction, the presence of a strong social entrepreneurial infrastructure in the Italian context appears to be an institutional factor changing and modifying the development and growth of the Benefit Corporation form in the Italian context. Italian Benefit Corporations and third sector and social entrepreneurial organisations commonly share the capacity of generating a public benefit, a social value, and the exposure to social impact evaluation practices.

6. Discussion

The analysis of the process leading to the growth of Benefit Corporations in the Italian context reveals a series of key noticeable elements in a perspective of institutional logic. Firstly, the Benefit Corporation legislative form has been promoted and shaped by the international B movement, based on the B Corp model, which appears as a benchmark and standard for Benefit Corporation legislation. Nonetheless, the B Corp model originating in the US context and affecting the vast majority of US legislation is characterised by the influence of its origin context—the US scenario appears in a context of strong shareholder primacy and of clear separation between for-profit and non-profit arenas.

In such a perspective, the market signal power to stakeholders of the B Corp model (as well as of the B impact assessment) and of the Benefit Corporation appears highly valuable. The subsequent role of the Benefit Corporation legal form, as inspired and shaped by the B Corp, can be partially read through a market logic perspective in its objective of fostering an overall market move towards a stakeholder capitalism perspective.

Secondly, the B Corp model and its capacity to guarantee a place within the international B movement appear fundamental in a professional logic perspective, underlining the importance of participating in international networks led by a sustainability orientation and oriented by shared ethical values. Nonetheless, in the Italian context the growth of the ‘Società Benefit’ inserts in a highly regulated context where the tensions between market and social logic appears smoother also due to the existence of a social entrepreneurial infrastructure, traditionally guided by the generation of hybrid value and by a widespread social vocation in the entrepreneurial infrastructure where shareholder primacy is questioned.

6.1 The Role of State Logic

The analysis of primary and secondary data shows that the Italian legislation about Benefit Corporations (Società Benefit) and its stricter requirements, when compared to the majority of US legislation applying to B Corps, appears guided by a stronger role of state logic. The Benefit Corporation legislative status mainly aims at answering the need for fixed and regulative compliance requirements requested by socially and sustainable oriented businesses. These organisations have asked for recognition of their capacity and orientation through a set of limitations, regulations, and incentives. The key role of a state logic clearly emerges in the definition of accountability requirements as well as in the setting of personal liabilities.

This specific characterisation can be observed through a comparison with the US—the normative. This normative is linked to a capitalistic doctrine, according to which Benefit Corporation administrators—specifically appointed to put in place all necessary actions to achieve the chosen
common benefit goals—are not liable for their choices or decisions as opposed to their colleagues still aiming at maximising corporation profit. Moreover, US law does not introduce sanctions for those Benefit Corporations not operating in line with their benefit goals—directors can be judged only by the judicial system. Thus, in the US, administrators are not sanctioned when they fail to fulfil the common benefit declared. Instead, they are guided by individual ethical behaviours and operate under the guidance of auditors who become fundamental to the real adoption and diffusion of Benefit Corporations.

It is possible to observe in this the prevalence of market and professional logics if compared to the state. The situation differs greatly in Italy. As shown in section 5 within the Stability Act Law, ‘Società Benefit’ administrators are by law personally liable for the achievement of the common benefit goals listed in the company bylaws. Further, the company can be sanctioned according to the Consumers Code for not performing its activity in consistency with the ‘Benefit’ qualification they declare.

Since administrators’ behaviours and reliability depend on the Stability Act constraints of pursuing what has been declared in the bylaws, the state logic—through a system of compliance sanctions and incentives—seems much more influential than the professional one in the Italian Benefit Corporation form.

6.2 The Role of Social Logic

Moreover, the Stability Act legislation (L.208/2015) regarding the Italian Società Benefit appears to be greatly embedded in a need-based social logic, as emerges from analysing both primary and secondary data. According to the need-based social logic and to the legislative text about a ‘Società Benefit’, the benefit organisations are asked to generate value in local communities and territories—to actually produce ‘a common benefit’. This requirement—coupled with the requirement to make explicit the ‘social’ and ‘environmental’ purpose—highlights the weight of ‘purpose-led’ social logic in the Italian Benefit Corporation legal form.

In this perspective, as confirmed by interviews, the role of the relationship and the pressures with the Italian third sector and the Italian social entrepreneurial infrastructure appears even more evident. The generation of the ‘social value’ and ‘common benefit’ in territories can only be expressed in relation to the existence and the strength of social entrepreneurship and the third sector in Italy. The prospective relationships between benefit entrepreneurship and the Italian third sector is also unanimously recognised as a key to the development of the benefit model in the Italian context.

6.3 Peculiarities of the Italian Context

Hence, the pressures that affect the legislative form in the Italian context are unique and context-based. They also appear different from the US. If US organisational behaviours tend to rely on the market and professional logics, in Italy the situation is different due to the stronger influence of the social and state logics. The strong influence of these logics and of their subsequent regulatory cultures have led to the creation of the ‘Società Benefit’.

In summary, it is possible to state on the one hand that the Italian Benefit Corporation form appears to be inspired by the ‘B Corp model’ and is highly dependent upon the efforts of the B movement. Nonetheless, the Italian Benefit Corporation departs from the international model in a variety of elements, which can be linked to the weight of the social and state logics from which it originates.

As shown in the previous sections, an application of the institutional logic perspective to the Italian Benefit Corporation leads to a series of open questions that may actually affect the future development of these entrepreneurial forms in the Italian context. The recognised role of the B Corp model in shaping the related Italian Benefit Corporation legislation emerges from the analysed data.

In spite of this, the departing elements of the Benefit Corporation Italian form from the B Corp model well underline the different unique pressures and institutional logics to which the Italian benefit does respond.
Figure 1. Summary of the risk of tensions in the Benefit Corporation model due to the connection to different institutional ‘logics’.

The existing overlap between the diverse elements directly drawn from the B Corp to others linked to a social and state logic may hamper the growth and development of Benefit Corporations in Italy as shown in figure 1, which displays the ‘tension risks’ originating from the pressure of different logics.

The collected data underline that such a complex overlap emerges in relation to impact assessment procedures that are directly drawn from the B Corp model and have greatly influenced the Italian Benefit Corporation legislation. Nonetheless, in the Italian context the private B Corp certification scheme does not appear to display a sufficient signalling power in the Italian context. Such a lower signal power of the B Corp model may also be a factor related to the lower number of existent B corps in Italy (shifting from 85 in 2018 to 100 in 2020) when compared to over 500 by-law Benefit Corporations in the country.

Overall, it is possible to state that our in-depth analysis of the Italian case through an institutional logic perspective allowed for the identification of key institutional factors potentially hampering the growth of Benefit Corporation models in Italy. In spite of this, the paper has a few limitations in terms of the exclusive reliance on a limited number of interviewees and the collected primary data, which should be extended and reinforced. Greater heterogeneity among interviewees may guarantee a deeper knowledge and comprehension of the phenomenon.

7. Conclusion

This work contributes to the ongoing debate concerning Benefit Corporations around the world. The paper, through an exploratory design, investigates the dynamics of the development and diffusion of this hybrid form in the Italian context adopting an institutional logic-based theoretical perspective. Italy appears a valuable case, being the first country to adopt Benefit Corporation legislation outside the US.

The discussion highlights the value of an institutional logic perspective in the field of Benefit Corporations, confirming its validity when dealing with hybrid organisations. The paper underlines the relevance of the state and social logic in the development of the Italian legislative form and the differences between such a form and the international B Corp model and—linked to this—the vast majority of US Benefit Corporations.
From the analysis of the Italian context, it appears that the strong influence of the B Corp model—and its interplay with a legislative form grown under the pressures of strong social and state logic—may potentially hamper the development of Benefit Corporation in Italy. This is due to existing tensions which are intrinsic to the benefit institutional model.

Finally, from an academic perspective this paper provides a contribution in the field of hybrid organisations [2,5], analysing a recent and widely debated phenomenon—Benefit Corporations [21, 23, 42, 43]. From a practitioner and policy point of view, the paper suggests that capacity building actions and policies to refine the Benefit Corporation legal form in a direction specifically suitable to the Italian context may be required.

In spite of these contributions, further empirical research is required to investigate the presence of the consequences of such intrinsic tensions in the operative activity of Italian Benefit Corporations.

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References

References must be numbered in order of appearance in the text (including citations in tables and legends) and listed individually at the end of the manuscript. We recommend preparing the references with a bibliography software package, such as EndNote, ReferenceManager or Zotero to avoid typing mistakes and duplicated references. Include the digital object identifier (DOI) for all references where available.

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Appendix A

Semi-structured interview protocol

Questions:

1. Why is the development of a new legal form as the Benefit Corporation important according to you, why is a certification not enough?

2. How would you describe the legislative processes which have led to the adoption of the Benefit Corporation forms in the Country? In a cross-country perspective which factors and pressures influenced the more these processes?

3. How would you describe the relationship existing between the certified B Corp and the legal Benefit Corporation form?

4. To what degree do you think that local institutional contexts influence benefit Corporations legal forms and the processes leading to their adoption? Why?

5. Which kind of differences do you observe between US Benefit Corporations and the Italian Società Benefit?

Appendix B

1. Quali motivazioni vi hanno spinuto a creare anche in Italia una forma legale come la società benefit?

2. Quali sono le differenze che nota tra la forma della società Benefit Italiana e la corrispondente forma legale statunitense, anche nel processo legislativo che ne ha portato alla creazione?

3. Quali sono i gruppi di interesse che hanno mostrato maggiore apprezzamento e attenzione per la creazione della società benefit in Italia? Quali maggiore scetticismo? Perché?

4. Come giudica il rapporto esistente tra la forma legislativa della società benefit e la B Corp certificata?

5. Come percepi il ‘passato’ e il futuro della società benefit in Italia? Quali limiti e quali potenzialità vede? E come vede invece il futuro del movimento internazionale ‘B Corp’ nel paese?