

1 Article

# 2 An Institutional Analysis of the Rise of Benefit 3 Corporations Outside of the US: The Case of Italy

4 Marika Arena <sup>1</sup>, Irene Bengo<sup>2</sup>, Francesco Gerli <sup>3,\*</sup>Paola Colzani

5 <sup>1</sup> Politecnico di Milano, School of Management; Via Raffaele Lambruschini 4/b, 20156 Milano , Italy

6 [marika.arena@polimi.it](mailto:marika.arena@polimi.it)

7 <sup>2</sup> Politecnico di Milano, School of Management; Via Raffaele Lambruschini 4/b, 20156 Milano , Italy

8 [irene.bengo@polimi.it](mailto:irene.bengo@polimi.it)

9 <sup>3</sup> Politecnico di Milano, School of Management; Via Raffaele Lambruschini 4/b, 20156 Milano , Italy

10 [francesco.gerli@polimi.it](mailto:francesco.gerli@polimi.it)\*

11 <sup>4</sup> Politecnico di Milano, School of Management; Via Raffaele Lambruschini 4/b, 20156 Milano , Italy

12 [paola.colzani@polimi.it](mailto:paola.colzani@polimi.it)\*

13 \* Author to whom correspondence should be addressed: [francesco.gerli@polimi.it](mailto:francesco.gerli@polimi.it) Tel.: +39.02.2399.2797

14

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

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

30

## 31 1. Introduction

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

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

43 Among various hybrid models, this paper focuses on a particular category that is generating  
44 great interest over the world, with several legislative initiatives emerging in different countries—  
45 namely, the Benefit Corporation—an entrepreneurial form which [8] defined as a grey corporation

46 that pursues a public benefit mission coupled with profit generation. In this perspective, the first  
47 Benefit Corporations, as ‘for profit, socially obligated, corporate form[s]’ [9], were introduced in the  
48 state of Maryland in the US (followed by other more than 35 states in the US and developing in other  
49 six new countries) to allow in the entrepreneurial activity to consider a broad spectrum of interests  
50 beyond that of shareholder profit primacy. Italy represents the second country to undergo the  
51 development of a specific legal form for Benefit Corporations. This began in 2016 when B Corps and  
52 the Benefit Corporation phenomena were not centred around sustainability practices.

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

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

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

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

81

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

### 83 *2.1 Benefit Corporations in the US*

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

#### 88 **2.1.1 The Changing Legal Context in the US Framework**

89

90 The first stream of literature which can be exploited to investigate and reconstruct the rise of B  
91 Corps in the US context focuses on the legislative changes that paved the way for the establishment  
92 of Benefit Corporation forms.

93 Historically, US legal doctrine has been guided by the principle of shareholders’ primacy and  
94 profit maximisation [13,14] bonding corporate directors to pursue shareholder wealth maximisation

95 in their decision-making processes. In other words—according to such a doctrine—as managers are  
96 agents of the shareholders, all their decisions should be informed by the aim of maximising  
97 shareholder profits, in line with neoclassical economic doctrines (among others 15).

98 Compared to this static situation, a first ‘buffer’ on the path leading to the birth of the Benefit  
99 Corporation form was provided by the *Business Judgment Rule*, which states that when corporate  
100 directors make their decisions, they should act in the best interest of the company, displaying ‘good  
101 faith’ and ‘honest belief’ [13,14] in their actions. This statement implies that managers’ decisions  
102 cannot be questioned if they were made with ‘rational judgments’ when promoting non-shareholder  
103 interests (such as philanthropic activities), as long as they support shareholder value creation (13, p.  
104 835).

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

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

## 122 2.1.2 B Corps and US Politics

123

124 In June 2006, Jay Coen Gilbert, Andrew Kassoy, and Bart Houlahan established B Lab, a private  
125 non-profit organisation aimed at promoting ‘a new type of corporation that uses the power of  
126 business to solve social or environmental problems’—i.e. B Corps (20, p. 1011). According to the  
127 Declaration of Interdependence<sup>1</sup> provided by B Lab, ‘B Corps meet the highest standards of verified  
128 social and environmental performance, public transparency, and legal accountability, and aspire to  
129 use the power of markets to solve social and environmental problems’. B Corps are required to sign  
130 the B Lab Declaration of Interdependence to state their commitment to the values of the movement  
131 and their participation in it to the global community. Then, in order to provide assurance about their  
132 actual commitment to these set of values, organisations that want to become B Corps have to obtain  
133 and maintain a certification, issued by B Lab, based on an assessment scheme specifically created for  
134 this purpose—the Benefit Impact Assessment (BIA). The BIA addresses four main areas: governance,  
135 workers, community, and the environment.

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

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<sup>1</sup> The full text of the ‘Declaration of Interdependence’ can be found at <http://www.bcorporation.net/what-are-b-corps/the-b-corp-declaration>.

143 different US states and the subsequent diffusion of B Corps. At an institutional level, the cofounder  
144 of B Lab—working with William Clark, one of the authors of the Model Business Corporation Act—  
145 drafted the Model Benefit Corporation Legislation that was adopted for the first time in April 2010  
146 in the state of Maryland, as described by [20].

147 [21] underlines the relevance and the weight of political and party-led factors in the creation  
148 and diffusion of Benefit Corporations. [21] provides the first empirical analysis of the factors which  
149 have led to the institutionalisation and the adoption of Benefit Corporation legislative forms in 35 US  
150 states. Through an event series study, the author stresses the concurrent role of B Lab pressure and  
151 political party pressures in this process, providing evidence that states controlled by Democratic  
152 governments appear more likely to adopt benefit legislation, thus showing the instrumental political  
153 relevance of the development and the adoption of the Benefit Corporation form.

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

### 157 2.1.3 The Output of the Process

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

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

### 179 2.2 *Benefit Corporations in the Italian Context*

180 If it remains rare to find literature investigating and describing the rise of B Corps in the US  
181 context, when moving to the Italian case the phenomenon appears even more greatly under-  
182 investigated. The few exceptions are represented by [25 – 27]. [25] specifically focus on the  
183 description of performance measurement methods adopted by certified Italian Benefit Corporations<sup>2</sup>,  
184 underlining the role of B Impact Assessment standards (BIA). [26] analyse the effects of the choice  
185 of complying to B Impact Assessment standards on the economic performance of a given firm. From  
186 a legal standpoint, [27] highlights the dysfunctionalities and problems of the Italian Benefit

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<sup>2</sup> 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.

187 Corporation Corps legal form due to the difficulties in introducing an ‘hybrid entity’ in the Italian  
188 regulatory system.

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

### 193 3. Theoretical Framework: An Institutional Logic Approach

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

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

211 According to [29] institutional logics are practices that come from shared ‘cultural assumption  
212 and political struggles’ (12, p. 101)—from an environment external to the organisation and instead  
213 oriented to intra-institutional and organisational dimensions. [30] provide a multidimensional and  
214 cross-level model which merges and compares dominant institutional logics, shaping in this way a  
215 new wave of institutional theorising [31].<sup>3</sup> In a related study, [32] stresses that institutional logics  
216 define the ‘rules of the game’ (32, p. 140) within which the cultural aspects on which organisational  
217 processes and structures are shaped in a certain context and field of activity.

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

224 Considering the existence of different institutional logics, different authors [33,34,30,4,35]  
225 have provided various taxonomies, depending on the specific problem being analysed. According to  
226 [33], for example, the main institutional logics of capitalist western societies include the market, the  
227 corporation, the professions, the family, the religion, and the state logics. The influence of ‘nonmarket’  
228 logics—such as the state and the family logics—over corporate organisational behaviour has been  
229 confirmed by [34]. In spite of the choice of a taxonomy for the institutional logics, [11], [33], and  
230 [34] stress that the concurrent influence of different logics contribute in an integrated way to shape  
231 organisational practices across fields or industries.

#### 232 3.1 Institutional Logic Perspective and Benefit Corporations

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<sup>3</sup> For a broader review on institutional logics, refer to [11, 12, 34, 30].



233 Broadly speaking, the focus of the new institutional logics perspective on organisational  
234 legitimacy rather than on efficiency appears vital to the understanding and analysis of CSR and  
235 sustainability-related topics, given their stronger social and societal orientation. In line with this  
236 perspective, [35] have already explained the differences in corporate social responsibility and  
237 social–environmental sustainability—organisational strategies in different countries through  
238 institutional logic lenses.

239 The adoption of an institutional logic to investigate the rise of B Corps in different countries  
240 appears a suitable instrument for a multiplicity of motivations. Firstly, Benefit Corporations are  
241 hybrid organisations themselves. Due to their hybrid character, they appear ontologically subject to  
242 different pressures, as has already been shown by [23]. Moreover, the debate around B Corps in the  
243 Italian context includes specific normative and legal aspects clearly related to an institutional logic  
244 analytical perspective. Actually, the focus on institutional analysis underlines that ‘each institution  
245 function because of a set of formal laws and normative expectations about them’ (12; p. 12).  
246 Accordingly, the institutional logic perspective has been selected as a tool to interpret the rise of B  
247 Corps forms regarded as an advancement of traditional corporate social responsibility and  
248 sustainability strategies towards the creation of a fully hybrid new organisational model.

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

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

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

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

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

#### 275 **4. Methodology and Data Collection**

276 Focusing on the Italian case, this paper adopts an exploratory case study methodology. The case  
277 study approach appears suitable to our goals, given that B Corps in the Italian context are a  
278 contemporary and novel phenomenon. Moreover, our goal of understanding the relationship  
279 between benefit entrepreneurship and the Italian contexts fits the ability of the case study to inquire  
280 into fields where the boundaries between phenomena and contexts are blurred [39]. More  
281 specifically, in this paper we adopt an exploratory design suitable to a context where key  
282 characteristics are uncertain.

283 This section illustrates how data were collected and analysed in order to investigate the process  
284 leading to the creation and adoption of the B Corps form in the Italian institutional setting. In spite  
285 of the adoption of the Benefit Corporation law in April 2015 as part of the Italian Stability Act, the  
286 Italian Benefit Corporation phenomenon still appears ‘novel’ in academia, as shown in section 2. Such  
287 novelty leads to a scarcity of information available in both the academic literature and secondary  
288 sources. Hence, to study the Italian case, archival and documentary analysis has been complemented  
289 with primary data collected through interviews with key knowledgeable informants [40] actively  
290 involved in the processes of introduction and legal recognition in Italy of the Benefit Corporation and  
291 in the debate following the adoption of the Benefit Corporation legal form.

292 In particular, the interviews were carried out in 2019 and 2020 with five ‘experts’ on B Corps: a  
293 lawyer with particular expertise in non-profit and B Corps sectors; a Nativa Lab Benefit Unit Officer;<sup>4</sup>  
294 the president of AssoBenefit, the association dedicated to Italian Benefit Corporations;<sup>5</sup> and the  
295 spokesperson of the National Italian Third Sector (Forum Nazionale del Terzo Settore). These subjects  
296 were active in the Italian debate following the adoption of the Benefit Corporation legislation. Finally,  
297 a further interview was conducted with a lawyer in the US who is considered worldwide to be the  
298 father of international Benefit Corporation legislation. This final interview was fundamental to  
299 investigate the influence of international pressures and to provide an international comparison for  
300 the Italian case.

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

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

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

## 321 5. Results

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

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

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<sup>4</sup> Nativa Lab is the Italian partner of B Lab—it will be explained later in greater detail.

<sup>5</sup> The president is also the centre left-wing author of the legislation introducing this organisational form in Italy.

331 business model, and the certification process. Nativa Lab also participated in the major Italian  
332 conferences on innovation and future economic developments as well as the main social and political  
333 conventions as early as 2014, even before the beginning of the process leading to the Benefit  
334 Corporation legislation.

335 In spite of these long-lasting efforts, the number of B Corps grew slowly and, in 2020, there were  
336 only 100 organisations certified as B Corps in Italy compared to 500 Benefit Corporations ('Società  
337 Benefit')<sup>6</sup>. Nonetheless, Nativa Lab persisted in its advocacy activities and continued to stimulate the  
338 work of the Senate for the introduction of the Benefit Corporation legal form.

339 Looking at the B movement worldwide, the pressure for the introduction of specific legislative  
340 forms coheres with the goal to overcome the misalignment between national corporate laws and the  
341 B Lab vision of an entrepreneurial organisation operating in a responsible and sustainable manner.

342 Subsequently, during the summer of 2015, Mauro Del Barba (Secretary of the Senate's Finance  
343 Commission and current president of AssoBenefit) proposed an amendment to the Stability Act,  
344 introducing a new legal tool called 'Società Benefit'. The Stability Act (L.208/2015) defines the 'Società  
345 Benefit' legal form as:

346 companies that aim at the distribution of profits, but, at the same time, pursue one or more  
347 common benefit goals in favour of stakeholders other than shareholders, including people,  
348 communities, territories and the environment, cultural heritage, social activities, entities and  
349 associations, by working in a responsible, sustainable and transparent manner'. (Stability Act,  
350 L.208/2015 Art 1.1)<sup>7</sup>

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

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

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

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

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<sup>6</sup> Sources: <https://bcorporation.eu/about-b-lab/country-partner/italy>; <https://unlockthechange.it/tutte-le-b-corp/>

<sup>7</sup> Translation Italian–English available at: Benefit Corporation seminar – the new B Corp legislation and 'doing business' in Italy today – February 2016: <http://esela.eu/news/benefit-corporation-seminar-new-b-corp-legislation-business-italy-today/>

<sup>8</sup> 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.



372 Corporation to adopt the ‘purpose’ of generating a ‘public benefit’ and to ask as well for provisions  
373 of an explicit certificate of incorporation of this ‘public purpose’.

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

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

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

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

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

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

420 These results show on one side that in the Italian context the B Corp movement appears to have  
421 played a key role in fostering Benefit Corporation legislation and in shaping the actual Benefit  
422 Corporation form. The B Corp model is also widely recognised as a leading standard in terms of  
423 impact measurement and reporting.

424 Nonetheless, the Italian Benefit Corporation legislation asks for higher requirements in terms of  
425 the liability of directors and social accountability—as well as purposes and objectives—when  
426 compared to the internationally-inspired B Corp scheme. The process and the factors leading to the  
427 adoption of a Benefit Corporation legal form appear divergent from the ones in the US context.

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

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

## 441 6. Discussion

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

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

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

### 462 6.1 *The Role of State Logic*

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

471 This specific characterisation can be observed through a comparison with the US—the normative.  
472 This normative is linked to a capitalistic doctrine, according to which Benefit Corporation  
473 administrators—specifically appointed to put in place all necessary actions to achieve the chosen

474 common benefit goals—are not liable for their choices or decisions as opposed to their colleagues still  
475 aiming at maximising corporation profit. Moreover, US law does not introduce sanctions for those  
476 Benefit Corporations not operating in line with their benefit goals—directors can be judged only by  
477 the judicial system. Thus, in the US, administrators are not sanctioned when they fail to fulfil the  
478 common benefit declared. Instead, they are guided by individual ethical behaviours and operate  
479 under the guidance of auditors who become fundamental to the real adoption and diffusion of Benefit  
480 Corporations.

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

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

### 491 *6.2 The Role of Social Logic*

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

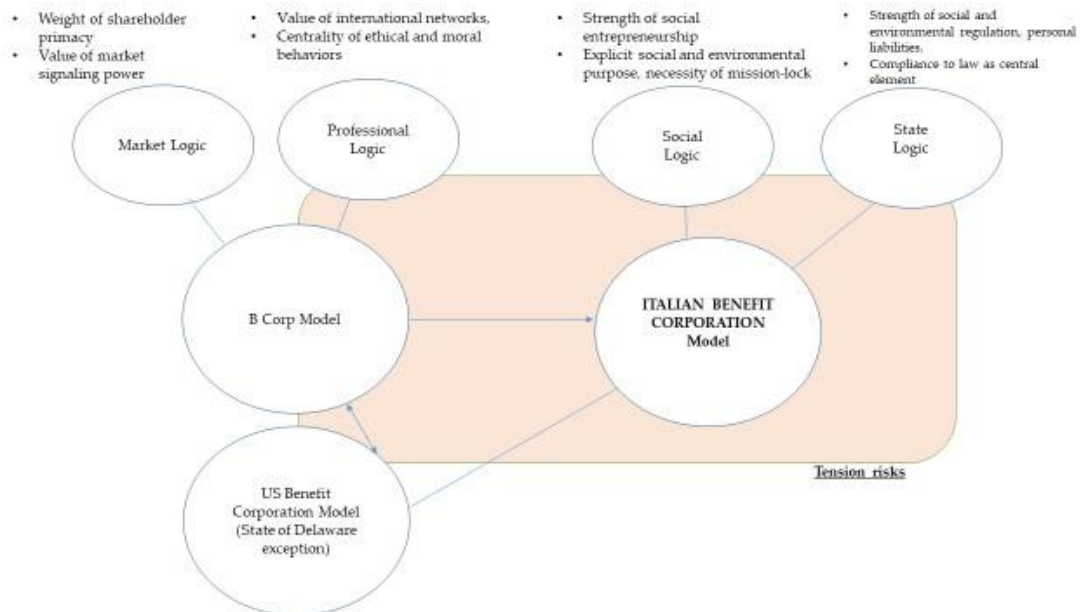
499 In this perspective, as confirmed by interviews, the role of the relationship and the pressures  
500 with the Italian third sector and the Italian social entrepreneurial infrastructure appears even more  
501 evident. The generation of the ‘social value’ and ‘common benefit’ in territories can only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

### 505 *6.3 Peculiarities of the Italian Context*

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

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

516 As shown in the previous sections, an application of the institutional logic perspective to the  
517 Italian Benefit Corporation leads to a series of open questions that may actually affect the future  
518 development of these entrepreneurial forms in the Italian context. The recognised role of the B Corp  
519 model in shaping the related Italian Benefit Corporation legislation emerges from the analysed data.  
520 In spite of this, the departing elements of the Benefit Corporation Italian form from the B Corp model  
521 well underline the different unique pressures and institutional logics to which the Italian benefit does  
522 respond.



523  
524

525 **Figure 1.** Summary of the risk of tensions in the Benefit Corporation model due to the connection to  
526 different institutional 'logics'.

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

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

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

## 544 7. Conclusion

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

550 The discussion highlights the value of an institutional logic perspective in the field of Benefit  
551 Corporations, confirming its validity when dealing with hybrid organisations. The paper underlines  
552 the relevance of the state and social logic in the development of the Italian legislative form and the  
553 differences between such a form and the international B Corp model and—linked to this—the vast  
554 majority of US Benefit Corporations.



555 From the analysis of the Italian context, it appears that the strong influence of the B Corp  
556 model—and its interplay with a legislative form grown under the pressures of strong social and state  
557 logic—may potentially hamper the development of Benefit Corporation in Italy. This is due to  
558 existing tensions which are intrinsic to the benefit institutional model.

559 Finally, from an academic perspective this paper provides a contribution in the field of hybrid  
560 organisations [2,5], analysing a recent and widely debated phenomenon—Benefit Corporations  
561 [21, 23, 42,43]. From a practitioner and policy point of view, the paper suggests that capacity building  
562 actions and policies to refine the Benefit Corporation legal form in a direction specifically suitable to  
563 the Italian context may be required.

564 In spite of these contributions, further empirical research is required to investigate the presence  
565 of the consequences of such intrinsic tensions in the operative activity of Italian Benefit Corporations.  
566

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## 574 References

575 References must be numbered in order of appearance in the text (including citations in tables and legends)  
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577 bibliography software package, such as EndNote, ReferenceManager or Zotero to avoid typing mistakes  
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579 In the text, reference numbers should be placed in square brackets [ ], and placed before the punctuation;  
580 for example [1], [1–3] or [1,3]. For embedded citations in the text with pagination, use both parentheses and  
581 brackets to indicate the reference number and page numbers; for example [5] (p. 10), or [6] (pp. 101–105).

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## 670 Appendix A

### 671 Semi-structured interview protocol

672 Questions:

- 673 1. Why is the development of a new legal form as the Benefit Corporation important according to you,  
674 why is a certification not enough?
- 675 2. How would you describe the legislative processes which have led to the adoption of the Benefit  
676 Corporation forms in the Country? In a cross-country perspective which factors and pressures  
677 influenced the more these processes?
- 678 3. How would you describe the relationship existing between the certified B Corp and the legal Benefit  
679 Corporation form?
- 680 4. To what degree do you think that local institutional contexts influence benefit Corporations legal forms  
681 and the processes leading to their adoption? Why?
- 682 5. Which kind of differences do you observe between US Benefit Corporations and the Italian Società  
683 Benefit?

## 684 Appendix B

- 685 1. Quali motivazioni vi hanno spinto a creare anche in Italia una forma legale come la società benefit?
- 686 2. Quali sono le differenze che nota tra la forma della società Benefit Italiana e la corrispondente forma  
687 legale statunitense, anche nel processo legislativo che ne ha portato alla creazione?
- 688 3. Quali sono i gruppi di interesse che hanno mostrato maggiore apprezzamento e attenzione per la  
689 creazione della società benefit in Italia? Quali maggiore scetticismo? Perché?
- 690 4. Come giudica il rapporto esistente tra la forma legislativa della società benefit e la B Corp certificata?
- 691 5. Come percepisce il 'passato' e il futuro della società benefit in Italia? Quali limiti e quali potenzialità  
692 vede? E come vede invece il futuro del movimento internazionale 'B Corp' nel paese?