



Department of Business and Management

Chair of Corporate Strategies

**FROM CSR TO HYBRID ORGANIZATION.
THE DEVELOPMENT OF BENEFIT CORPORATIONS
AND THE ROLE OF CSR MANAGER IN ITALY**

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ACADEMIC YEAR 2015/2016

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Introduction

In recent years, a revolutionary process in which firms are protagonists has started. In fact, after the years of the crisis, companies have truly understood the importance of behaving in a socially responsible manner. Actually, the CSR's concept was already known in the business community, but its application was not easy to implement. Of course, there have been also successful cases all around the world, but, considering the overall market, we cannot say that CSR have assumed a defined and definite role.

Rather, we are going to examine why the CSR's theories have not been adopted properly and, most of all, why nowadays the main issues on this field look at something beyond the CSR.

We are going to present the most recent theories of Corporate Shared Value (CSV) and the Integrated External Engagement (IEE), and we will analyze their effects.

Therefore, **the first aim** of this thesis is to understand if CSR is really in need of an update and which are the possible paths that companies could follow.

Further, the phenomenon which has invested the traditional companies and their research of new sustainable and responsible solutions, it has also contributed to the birth of new forms of enterprises: The Hybrid Organizations. We are going to present and study these firms, in order to understand their purpose and how they operate. Moreover, we will also present the more recent movement of B Corps and its extraordinary fast evolution. We will also show why B Corps are one of the most concrete examples of hybrid organizations. Their importance is also confirmed by the recent introduction of the law on Benefit Corporations which we will further analyze.

This new form of hybrid organizations is recent, and researches on this field are still few. Nevertheless, researchers are starting to propose the hypothesis that there could be linkages between traditional companies and hybrid organizations. That is **the second aim** of this thesis: to find if there are similarities in these two organizational forms. In the third chapter, we will propose a method to study the approach on which companies apply the new sustainability theories, using the concept of "hybrid organizing". It is an attempt to create a bridge between the two theoretical paths. At the end, we will observe if these linkages actually exist, and where we can find them. Of course, the aim is to increase the spectrum of possibilities for both hybrid organizations and traditional firms.

The third aim of this thesis is to understand what is the actual situation of CSR managers inside Italian companies. We are going to see how they have been the main characters of the change in themes of sustainability and responsibility. In order to give a complete overview of the figure of CSR manager and obtain the most recent and effective information, I have sent a questionnaire, used direct interviews, and directly involving CSR managers. The aim was to find a common line from which identify the most important traits of the Italian companies in theme of sustainability and responsibility. At the end we will also explore the next steps that companies will have to make in according with the European Directive of non-financial information and the Italian laws. In the next year we will see a lot of changes, because companies will have to adjust their actual business approach and try to follow more virtuous practices. The same practices that some companies have already implemented and that we will study. Moreover, there are all the aspects related to the world of Hybrids and B Corps. There are a lot of new paths and possibilities that companies could follow. For sure, the following months will be fundamental to suggest solutions and begin to think on which will be the concrete actions companies should implement and how they may do it.

In this sense, **the fourth aim** of this thesis is to present an overall analysis to understand which should be the following steps of the companies in the next future.

Chapter 1: Is CSR in need of an update?

The aim of this chapter is to present the main theories that have characterized the evolution of the debates on corporate social responsibility. Below, I will present the process that has led to more and more in-depth analysis on all issues related to how companies should conduct their responsibilities to themselves and society as well.

In this chapter I want to talk about the reasons why nowadays the concept of CSR is considered outdated. I know very well that it could seems like a rejection of years of theories, but we will see why economists are considering the idea to go beyond it and what they actually suggest.

Moreover, the aim of the first part of the thesis is delineate the basis to understand what is truly necessary: if is correct modify the past approach analyzing the last twenty years and adjusting the “old” theories to the new market conditions, or if is strictly required go beyond the CSR using a new language which refers to the application of new methodologies.

All the theories that I will use are useful to understand the development of companies' behavior especially in the last 20 years and where the companies fail or succeed in applying these theories. I'm going to present the main theories, which are the possible benefits of CSR measures, to explain what does not work in the companies' traditional approach, how much MNCs can benefit from building a partnership with NGOs and, finally, which are the more recent proposal to the development of a new perspective on CSR.

1.1) An overview of CSR

The responsibility of business to society is always been considered since the end of World War II. There have been many years characterized by debates and discussions, especially inside the business schools, around the topic of spread the competences and responsibilities beyond the mere assumption to create value for shareholders and companies *per se*.

Howard Bowen (1953) was one of the first authors who wrote about social responsibility in his book "Social Responsibilities of the Businessman". In particular, he assessed that businesses with their decision making power have the ability and the potential to impact on society as a whole and he attributed at the social responsibility the role of assist businesses in achieving this goal.

Many authors, pioneers in the field of social responsibility, such as Heald (1957), Davis (1960), Frederick, McGuire (1963), Blomstrom (1966), Walton (1967) offered different perspectives and definitions of CSR in the literature. Their common denominator was to recognize for the first time the relationship between organizations and society and, therefore, giving at social responsibility a defined and prominent role.

Despite these early debates, in the same years' other economists, such as Levitt (1958) and Friedman (1962), moved expressively against the companies' s corporate responsibility. The Nobel Prize Milton Friedman, who is considered the founder of shareholder theory, in his article "The Social Responsibility of Business is to Increase its Profits" argued that CSR was basically a huge cost for companies and a distraction from the primary activity of the firm: make money for its shareholders.

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

Indeed, even if this article was more an accusation rather than a stream of opinions against the CSR' supporters, we cannot blame Friedman's concern about the numerous considerations and "crusades" in favor to social responsibility- how he defined, for example, the attempt by GM to include social responsibility in its valuation-, on the contrary we can say that the basis of his considerations was somewhat founded¹. In fact, what is truly relevant is the problematic referred to the managers' role and power compare to their stakeholders. He looked at the money invested by managers in action "socially responsible" like a taxation for their stakeholders and therefore, more than highlight it as a risk, he considered these actions as a concrete and inevitable system of "taxation without representation".

"In each of these cases, the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money. The stockholders or the customers or the employees could separately spend their own money on the particular action if they wished to do so"

Moreover, in his opinion, managers with their ignorance about social need were not able to create a real value for the society. Therefore, in addition to the loss of value for both companies and stakeholders, there was no guaranty that those moneys would be spent by managers in a right way.

"Whether blameworthy or not, the use of the cloak of social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society."

At the end of this chapter I will explain why nowadays we can consider the problematics expressed by Friedman somewhat surpassed and, especially, not supported if we look at the problem under different perspectives, as, for example, take in consideration the possibilities of a firm to leverage its competences and organizational capabilities when face social issues.

¹ "The way most corporate philanthropy is practiced today, Friedman is right. The majority of corporate contribution programs are diffuse and unfocused. Most consist of numerous small cash donations given to aid local civic causes or provide general operating support to universities and national charities in the hope of generating goodwill among employees, customers, and the local community." Michael E. Porter, Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy", Harvard Business Review, December 2002 <https://hbr.org/2002/12/the-competitive-advantage-of-corporate-philanthropy>

Indeed, one indirect goal of this thesis is exhibit why nowadays this sentences are really far from the reality.

Nevertheless, on an early stage these considerations were basically shared and received a huge attention in the business community, but with the developing of globalization phenomenon, an increased degree of competition, an economic downturn in the late 1970s and the growing awareness about the inefficiencies of market system, all these conditions led the companies, especially MNCs, simply try to survive in the market rather than bring a real contribute to society and communities.

Other authors such as Johnson (1971), Steiner (1971), Backman (1975), Sethi (1975), Preston and Post (1975), sought to better define and frame the CSR. These authors realized how CSR was a necessary requirement within companies in order to improve the economy, ethics and relationship with all stakeholders and therefore employees, local communities, suppliers, state, dealers, Governments and Nations. In their assessments it is outlined specifically a reality in which the CSR contributed to see business as something that went beyond the profit, beyond economic and legal requirements, to consider the companies as part of the society and that they should therefore help to improve it.

Among all, in commenting the study by Eells and Walton (1974), Leighton Wilks and Odd Nordhaug refers about one curious but particular explanatory definition on CSR: it has been see as a ‘good neighborliness’. That means respect two fundamental principles: (1) not doing things to spoil your neighborhood, and (2) volunteering to help solve neighborhood problems.²

At the same time there was an increasingly concern from consumers and investors about the destination of their investments. In particular, one of the main question was referred to the possibility to gain utility from measures of social responsibility conducted by the firms.

Moreover, also thanks to an improved technology and the growing possibilities brought by the internet, this led corporations to increasingly operate on a global scale and the ethical, social and environmental dilemmas started to play out in the court of public opinion. Indeed, in the middle of 1970s, companies such Nestlé were already under attack of a strong boycott, in this case referred to selling breast milk substitutes in developing countries where the water conditions did not permit for sure a healthy solution. Therefore, the new theories proposed were

² Paul N. Gooderham, Birgitte Grøgaard, Odd Nordhaug, “International Management Theory and Practice”, 2013 p.293

also parallel confirmed and supported by the strong results obtained by activists and consumers' campaigns against what were not deemed as socially responsible behavior.

Consequently, during the 1980s there was renewed interest about topics like business ethics, fair operating practices, codes of conduct, and corporate social responsibility, therefore, especially the MNCs became the core of the subject.

As I said in the introduction, the aim of this paper is not mentioning all theories and contributions that have been drawn since 1950s, but below I will present the main theories that fair represent, in my opinion, the most important steps in the evolution of CSR themes and that will be useful for the conduction of this analysis.

Many theories were developed in order to explain these phenomena and to focus the attention on topics unrelated to the shareholder's profit.

In 1984 Robert Edward Freeman developed the "Stakeholder Theory" in which he underlined the need for managers to consider in their valuation not only shareholders, but he catalogued a series of stakeholders defined as *"any group or individual who is affected by or can affect the achievement of an organization's objectives"*. This theory represents a milestone in the evolution of CSR because it shifts the focus from creating shareholder's profit to take care of the entire group of stakeholders involved in the companies' daily operations. Companies will not able to operate in the market unless they obtain from all stakeholders a sort of social license to operate in. Only when companies starting to care about their social and environmental impact and considering stakeholders as a need for the company itself and even obtain advantages from their trust, only when this relationship is root they will become truly socially and environmentally responsible. The question that still remain without a clear answer is if all stakeholders have the same importance or which stakeholder should have a greater consideration and why. As we are going to better understand in the paragraph 3.3, probably was this unclear distinction among the importance of stakeholders that brought problems in how actually involve the organizations to include all of them in their considerations, ultimately transforming the businesses' efforts in most cases as simple facade solutions.

At the beginning of 1990s many MNCs started to present internal criticism in relation to their exploitation of resources and also marketing operations they adopt in developing countries, and the public opinion began to influence directly the way in which companies sustain their business. Companies such Shell, Nestlé, Gap, IKEA, Tesco and Nike were, in different moments and for different reasons, under the attach of public opinion mostly because of

problems connected within their value chain and the way in which they conducted their operations in developing countries without considering the reflection that those operations could have brought upon the consumers' orientation.

For example, one of the most common problems for the organizations was related to following the law of the foreign countries without respecting the minimum legal responsibilities set by local and federal governments. Moreover, their biggest concerns were mostly focused on respecting the law as it was the only way to consider itself "safe" in the way the conduct business, but there were not the same concerns with regard to the response that they could get from consumers, NGOs and public opinion in general.

In 1991 Carroll propose a pyramid model to understand and organize the economic, legal, ethical and philanthropic responsibilities for companies.



Source: Revisiting Carroll's CSR Pyramid

According to this model, that after twenty-five years is still consistent and used, the foundation of any business is to respect its economic responsibilities toward the society, which include maximize profits, minimize costs, maximize sales, providing employment opportunities, generating taxes and evaluate each strategic decision consistently with this goals. Companies, especially MNCs, are often criticized for giving greater considerations to profitable operations over socially responsible operations. But is necessary consider the fact that without the creation

of economic value is also impossible resist to the pressure of the economic competition inside the market.

In the process of achieving profit maximization, firms must meet a minimum level of legal responsibility, abide by the laws and - today we can also add- even if these laws are not present in the host country. The second level of Carroll's pyramid is indeed the legal responsibilities towards the society.

The third level refers to the ethical responsibility of the company to the society. Considering that the conceptualization of "ethic" differs from country to country, what is considered ethic from one country could be un-ethic from another one, Carroll suggests that companies should behave following ethical standards that are consistent with the standards accepted by the society. Therefore, ethical responsibility is a concept that look over the legal requirement that the company should respect. It is related to people's expectations, and often ethical damages can represent one of the most critical situations for companies and it could be really hard and expansive re-establish the credibility.

Margolis and Walsh (2003) tried to better define this concept presenting two different situations. The first occur when a firms directly contributes to or causes a certain condition, like the environmental pollution, or even when is present the potential to do harm, such as dangerous working conditions. In these case the company should respond and prevent the circumstances to do harm. The second conditions happen when the firm indirectly benefit from situations that it has not create. An example would be the case in which the company pays salaries that are below the minimum wages that they would pay if they operate in their markets. Such conditions occur with particular frequency when companies operate in developing countries. Another example is the case in which the company, obeying to the law of its country of origin, cannot sell a certain product because it doesn't respect particular standard of safety, and it decide to sell it in countries with lower safety regulations³.

The last level of the Carroll's pyramid of corporate social responsibility refers to the company's philanthropic responsibilities to society. This could be considered as the highest expectative that people have in relation to how companies behave. It is also the most critical level of the pyramid because it suggests that firms could create benefits for its employees, communities and

³ As happened in the case of IKEA's formaldehyde problem

the general public. In a nutshell, companies should be able to contribute resources to the community and, through their work, improve quality of life.

Of course many critics were made by different authors concerning the difficult to analyze if there is a real return on investment and if it would not represent just a cost for the firms. But in addition to the contribution of authors such Porter and Kramer (2002, 2006, 2011) that we will discuss later, many empirical evidences show that such actions that firms put in place can create win/win situations for both society and the companies as well.

In 1994 John Elkington for the first time presented his triple bottom line theory (TBL) in which he defined three focus that each company should consider: profit, people and planet. Therefore, he defined three separate bottom line that companies must prepare in order to include economic, social and environmental factors. This theory, completely in line with the stakeholders' theory, puts on the same floor three different pillars that a firm should consider in order to actually become socially and economic responsible. The main idea is that following these three pillars companies could achieve a long term responsibility and, at the same time, maintain a good balance scorecard. Indeed, the concept of balance scorecard is strictly connected with the TBL which share the same main principal, that is include in the own assessment only what you want to achieve. When a company succeed in considering at the same level economic, social and environmental aspects, there the sustainability of the firm is achieved. Below there are “the three components of sustainability”



Source: presentation “the value of sustainability” by Luca Marchisio, sustainability responsible of Enel, Rome 19 February 2015

Even if these economists have tried to theorize how companies should operate, surely is not easy find a good balance between “doing business for business” and “doing business for society”. The merits of these theories is that in those years’ managers started to truly realize the importance to behave in a socially responsible manner and understand that both financial and reputational value of their firms had the same importance to get a higher level of trust and belief from all kind of stakeholders.

1.2) Theoretical implications of CSR: how it should work in theory

“Government intervention is required for America to solve its major social problems — whether in education, health care, or the environment — but consumer tastes and political will are ultimately inseparable. If US consumers don’t care about global warming, they won’t buy a Prius — but they also won’t demand that politicians tax carbon emissions either. It is the attitudes of our consumer-citizens that drive both politics and profits.”

Mark R. Kramer

What emerges from the theory is that over the years two different strands of thought have developed: one that looks to the shareholders' theory in which "the business of business is business"; the second, however, is looking at CSR as a way to bring advantage both to society and to firms, giving at the companies, duties, opportunities and this mutual benefit for both sides.

But where this mutual benefit or mutual advantage is? How companies can derive an advantage from situations related to the creation of social benefit?

Often the idea that a firm should be more sustainable and responsible is substantially shared, but the standing debates have the aim to define if there are specific advantages that CSR could offer and what is the effective concretization of these advantages. This is due to the fact that none of the theories that lists the benefits of CSR is demonstrated *a priori*. Rather, sometimes happens that at these benefits corresponds a positive return, but it is unclear how strong is the relationship between cause and effect.

Some opponent, like Robert Rich, argues that the interest on society must be led by governments who are the only actors able to really solve the social and environmental problems. They are still looking at CSR as a charity mechanism rather than an instrument that could bring competitive advantage through solving social issues.

There are many people who still think that the reality is completely distant from the illusion to get some results when companies “do well by doing good”. The aim is not realizing who handle the truth from which consider the CSR as the right way to introduce best practices or who is more in accordance with the supporters of shareholders’ theory, but to analyze the potential benefits of CSR considering, at the same time, the critiques on it.

Here I propose a comparison between what is considered a benefit resulted from CSR related activities and what is considered, however, a minimum return or just an effort without results, or even a waste of time and resources.

First of all, in order to understand what does socially responsible behavior of a firm means, we need to distinguish about an internal and external point of view. Following the structure propose by Patrizia Gazzola and Piero Mella⁴, from an internal point of view, the company must consider four aspects:

1. *managing human resources*, it means take care of the employees by introducing solutions to permit the better condition to work. As an example: in terms of flexible working hours; regular, fair and equity fees; adopting measures of gender equalization; nondiscriminatory possibilities of career development.
2. *health and safety at work*, of course respecting the regular law of the country is the primary condition but also adopting additional measures for employees.
3. *adapting to changes in company reorganization*. Once a company has introduced a change in the structure, which should be done including not just the executives’ manager but all the board of directors, it must constantly manage the new order. For example, adapting the operations to obtain the lowest number of lay-offs; using the asset re-organization or improving the R&D to capture all the future possibilities deriving from the new structure; adapting to a different set of regulatory approach; improving internal standards and behavioral patterns.
4. *managing the effects on the environment and on natural resources*, by understanding that take care of the environment brings benefit for the all society and

⁴ “Corporate Performance and Corporate Social Responsibility (CSR). A necessary choice?”, Regular paper p. 6-7

at the company as well. Examples could be: Improving better system to produce energy; creating patterns of production environmental friendly; adopting prevention measures of natural disaster by improving the relation within the value-chain.

For what about concern the external point of view, other four spheres can be considered to understand the relation that emerge between companies and all the interest parties involved in the companies' business.

1. *Local communities.* Companies constantly interact with the communities in which they operate. Establish a good relation is necessary to avoid hostilities and, in the best scenario, to create a win-win relation in which the interests of the community and the company are interconnected and bring advantages from both the parties.
2. *Business partnership and suppliers.* Socially responsible firms must pay particular attention to the relations created with suppliers, retailers and sub-contractors. A poor management of these relationships can be harmful not only to who is direct responsible, but also have a negative effect on the image of the company involved in these relations.
3. *Rights of man.* a company that does not respect the rights of the person can never be held responsible. For this reasons, is necessary introduce ethical codes of conduct in respect of human rights and sometimes is also essential adopting new approaches in order to improve the working conditions in respect of all. This topic assumes an even more important mean especially when the firm operates in developing countries, where working conditions and laws are extremely weak
4. *Environmental concerns.* The company must look at the impact of its operations also at a global level. The influence that each company has on the environment assume a greater importance if we consider the entire system (ex. Emission of polluting gases, sale of materials harmful to the environment...). Moreover, often when a firm is responsible to a natural disaster the impact is widely spread and assume greater proportion. For a willful disdain for the environment or a little error could arise a huge detrimental impact on the environment (garbage discharged into the sea, discharge of debris and rubbish, oil spill into the sea...).

What we can deduct from these lists is that there exist different categories of benefits that CSR could bring and these are characterized by no hierarchy, actually benefits are often overlapping and strictly connected.

One benefit deriving from an implementation of the CSR' function is connected to the creation of a better relation with suppliers, retailers and customers. The company can enhance and develop a system in which everyone is involved in achieving the best result from "doing good". In this way the company represent the heart of a positive network which share a common goal: doing profit creating positive externalities.

This condition brings an overall range of possibilities in which the company can find new measure to save money on energy and operating costs thanks to an accurate research of new methods to conduct the business through its value-chain and a methodological way to manage the risk of related activities. Potential measures could be: an increasing development of asset reorganization or invest more in R&D to catch new opportunities or to better utilize their liabilities; adopting measures of reporting that look at not only the economic result but also, as the company "Puma" did in 2011, an environmental accounting or, at least, try to introduce a more transparent reporting; changes in regulatory approach; and, at an industry level, development and deployment of voluntary standards of behavior.

The idea to do a constant research of new solutions creates possibilities in terms of generating innovation and new ways of learning. Furthermore, this way to think and create can enhance the influence of the company and provide access to investment and funding opportunities.

In addition, becoming more socially responsible necessitate also the creation of a work environment in which employees must be valued and supported and maintain a happy workforce means be able to attract and retain employees, to create real career opportunities and to retain people that feels a greater sense of belonging to the enterprise. Moreover, the company should be able to offer a wide choice to its employees in terms of working positions.

Of course, when a company start to create this virtuous circle, it also became able to have an improvement in business reputation.

This improvement brings the possibility to generate a positive image for the company. This implication *per se* is surely true and open the door to many considerations. What is necessary to underlying is the fact that even though consumers are certainly more willing to rely on socially responsible firms- this consideration is correct especially for a particular cluster of industries- what is not demonstrate is the positive correlation between the actions undertaken

towards the usage of CSR and the respective higher return. What we can affirm with certainty is that the consumer's preferences are shifting towards companies who have interested in to society and which demonstrate an ethical behavior. Below I'm going to examine where and how it could be an advantage.

First of all, the opportunity to generate a positive image involve directly the possibility to obtain a good publicity and a better impact on the public. As I mentioned in the first paragraph of this chapter, the globalization's phenomenon, the advent of technologies and internet have drastically improved the impact that image have upon consumers. Obtain a good public opinion and, most of all, never be in the spotlight of court of the public opinion is necessary for maintain a good reputation and a high customer retention.

Therefore, it implies that obtain and maintain a positive image is convenient not only for catching a limited cluster of consumers that are more interest in sustaining a particular way to conduct business, but it refers to the overall market in which media's interest on ethical issues represent a critical point to cultivate.

Moreover, different studies, for example the one presented by Geoffrey Heal of the Columbia Business School in the conference "Doing Wellby Being Green", have demonstrated that consumers at the presence of two identical products prefers to buy the one that is produced in an eco-friendlier way.

Another aspect connected to obtain a good image is the way to differentiate the company from its competitors. Considering the evolution of CSR's concepts and the overall market situation, this condition can arise just if companies are able to realize something that could be considered truly socially and environmentally responsible and have the capability to show their efforts. This circumstance must be the resultant of a substantial transformation that involve all the aspects of the organization and just in this case it achieves its peak. This means that the entire transformation must be conducted by an overall strategic planning that involve the board of directors and which brings to a structural transformation of the whole company.

Furthermore, once even the top management is actually involved in the issue, the company should not only be able to understand the need to change, but also actively work on the process and find the better way to manage its "contract".

This process should be led by an approach conducted by business leaders who have the aim to elevate the social responsibility of the firms at all the companies' functions. These leaders must find the way to adapt their company to social needs and this also implies increase the transparency within the firm and find a way to transform the debates and theories in practical solutions for their own company.

Nick Blyth from the Institute of Environmental Management and Assessment in a recent interview said that "The job is evolving along the lines of the business-critical model to ensure sustained business viability. This is one way it's beginning to differentiate from corporate social responsibility and compliance. In these terms, innovative collaborations across industry and disciplines are going to be vital. Perhaps this will mean less focus on a single person, but I still think there will be a need to champion sustainability at a senior level."

Until now, we have drawn the principal characteristics that a company should consider to conduct a real change. These characteristics basically include an economic transformation, which assume a values transformation guided by the implicit economic goal to maximize profits and minimize revenues but, at the same time, including ethical, social, sustainability issues to obtain the maximum result; and a managerial transformation, which has the aim to include inside the process of maximizing the efficiency also a direct effort to catch the possibilities arose by the CSR.

Now we are going to present as the CSR has been applied so far in a practical way: the negative and positive applications deriving from its usage.

1.2.1) Practical applications: greenwashing phenomenon.

In our digital social economy era characterized by a strong networking and where is incredibly easy to get information, companies have no possibilities to preserve in the long run a positive environmental communications and not have, on the other hand, an environmental impact truly effective.

It is becoming increasingly difficult for companies to maintain separation between positive environmental communications and not-so-positive actual environmental impacts.

The phenomenon of environmental marketing was characterized by a huge increase since 1980s and, following this path, also environmental non-governmental organizations and consumers interest on these topics have arose. Despite this evolution brought by consumers' perception and ENGOs, as demonstrate with the recent case of Volkswagen, there still exist companies that try to make an environmental communication even when this could be misleading, but nowadays there are also "well-informed, tech-savvy activist ready to expose them"⁵. The Oxford English Dictionary (OED) definition of "greenwash" refers to "disinformation disseminated by an organization so as to present an environmentally responsible public image". Of course the most important consequence of this phenomenon is a damage from many point of view: for the consumers, who are accustomed to see in each organization a high interest in the environment, whereas this interest sometimes is just a blanket of smoke in their eyes; for the environment, because companies who applied the "greenwash" don't actually adopt suitable measures to save or conserve or improve it; and to the overall business, because is not easy to distinguish who actually adopt fair measure from who use it just for protect its image.

Fortunately, are always more often the cases in which the company truly care for the environment rather than the opposite case and the situation is deeply changed in the last years.

Nevertheless, this phenomenon is still present even though in some sporadic case and different forms. The problem is that if a MNC fall in this error, deliberately or not, the bad consequences presented above are almost immediate and drastic for the firm. Moreover, the fact that the phenomenon of greenwashing is still present, implies that firms still don't understand the gravity of the problem, maybe they still thinking that is better to derive advantages in the short run and are not sufficiently scared about the impact of public opinion and, last but not least, it means that they don't have the perception of the benefits that a social environmental friendly behavior related to an environmental communication can lead.

What happens with more frequency is that the company wants to convey the message that it is extremely green because it has introduced a product or a service that could enter in the definition of an environmental friendly action, but rather than invest in other actions, measures or business practices to minimize the impact of its activities, it invests in an over-consuming marketing campaign wasting money, time and, if their product or service is not as clean as they claim or it's just a niche that doesn't fit all their market approach, they also lose credibility.

⁵ Frances Bowen, "After Greenwashing: Symbolic Corporate Environmentalism and Society", pag.17

A derivation of this kind of actions is that companies have sometimes used the CSR as an instrument or a mere justification for not complying with, for example, limits set out by the regulation, therefore balancing the negative externalities with positive externalities, instead of solve the real problem (for example changing the organizational structure, the provision of resources or raw materials, developing a new strategy and so on).

We can point out that this way to conduct business through a misleading campaign and non-durable solutions is one of the negative aspect adopted by companies under the umbrella of CSR. Surely the main opponents of CSR theories are completely right in criticizing these actions, but it does not mean that all the solutions adopted by companies fall in this typology. The risk is very significant but we cannot limit our observation of the phenomenon just categorizing what we can surely define as negative derivation of corporate social responsibility. Rather, is necessary individuate what we classify as greenwash and, most of all, understand why is important extent the definition to those kind of operating practices that are only used to clean the conscience from what is considered un-ethical and, therefore, not just categorize greenwash as a marketing phenomenon.

The most recent studies on the phenomenon of greenwashing are giving a definition that is increasingly limited to a deliberative company's behavior, mainly what a company decides or not to disclose. The consequence of this studies is that, by now, we are losing the perception that “greenwash” isn’t just a specific measure adopted by the firms used as a shield, but it should be seen as a voluntary or unintentional action undertaken by the firm to adjust its shortcomings in terms of environmental responsibility. Basically the definition is moving away from the substance of the problem and this is due to enhanced environmental concern and increased possibilities derived from the possibility to obtain each kind of information about companies.

As Frances Bowen propose in his book “After Greenwashing: Symbolic Corporate Environmentalism and Society”, we need to go beyond the narrow definition of greenwash and, instead, consider what he defined “corporate environmentalist”, that is overcome the limits that academics have established to describe this phenomenon. Therefore, we need to stop considering greenwashing as a consequence of company’s information disclosure decisions, deliberative conducted by the company, for which must be considered just as a corporate phenomenon to obtain benefits at the expense of society.

What is truly relevant is to realize that the phenomenon has seen many forms and companies have deeply used it adopting different practices and attitudes in order to take advantage from it. This period of extraordinary perception of the problem and its consequences, both for

consumers and companies, also characterized by an elevated potential of clean innovation and research of new solutions, permits to shift the paradigm from a business to consumer in which green solutions are just used as a test to demonstrate the good intention of the firm, to a business to business perception in which companies internalize the necessity to invest in environmental innovative solutions where the benefits become concrete for both businesses and society.

Analyzing the new paradigm of greenwashing in this way would permit a deeper inclusion of the overall set of consequences derived from the company's behavior in order to include any deviation of the company from the essential necessities of commercial realities.

1.2.2) Practical applications: the relation with Non-Governmental Organizations

“Operating on a global scale means that MNCs will not only face complex ethical and social issues, but that the MNC will be looked at as both the cause and the solution to some of the world's largest issues.”⁶

Undoubtedly the increase in consumer perception and environmental responsibility have had an explosion during the 1990s when companies such as Nestle, Nike, Royal Dutch Shell, Gap went under the court of public opinion. In these years, actions taken by NGOs have had a positive impact for companies, given the fact that they permitted the establishment of a new way to conduct business with Corporations.

In fact, the partnership with NGOs constitutes the possibility to share different perspectives, skills and know-how -doing business for profit and doing business no profit- to the development of new competencies that otherwise would be particularly difficult, or even impossible, to achieve if they were conducted from MNCs or NGOs alone. Indeed, the partnership dropped the basis to create new initiatives on CSR-related activities and opened the door to the development of new creative and effective solutions.

From the NGOs' perspective, it would permit the possibility to be truly operative in bringing solutions to solve concrete social and environmental problems.

⁶ Paul N. Gooderham, Birgitte Grøgaard, Odd Nordhaug, “International Management Theory and Practice”, 2013 p.305

Namely, NGOs are characterized by a recognized legitimacy of “guarantors of the common good”, given their consciousness of social forces and care for social issues, their environment composed by teams of technical expertise and a strong network in which regulators, other NGOs, lobbyists and legislators are the main protagonist.

From the MNCs’ perspective, it represents the possibility to adopt and implement new strategies and individuate strategic possibilities.

Of course it is not easy to establish a constructive relationship between companies and non-governmental organizations given their different interests, but, at the same time, in many cases working together means discover advantages and arise hidden opportunities impossible to individuate without a cooperating and volunteering approach. This exploration process based on finding new opportunities, create the environment to cooperate and share resources, skills, technical expertise, knowledge, moneys, if well-organized and, most of all, if there exist a real will to find concrete solutions and not to put a spoke in the wheels of the other partner, then is possible to obtain benefits in working together and the immediate beneficiary would be the community of reference.

Complications arise because when MNCs wants to get more profits for the firms, NGOs look at the possibilities to find solutions for society.

Theoretically, what an MNC’s added is the financial and human capital to the partnership, whereas the NGO brings human capital but, most important, its expertise and legitimacy to work in a contest in which, before the scandal, the company never would have thought to operate in.

Going in deep to analyze the contests in which these partnerships arise, the results shows that when the combination of forces works, then all the parties involved obtain gains from it. That is true every time a company decides to invest in operations acted to solve social issues through the support of NGOs. The question refers to how the parties involved decide to develop a win-win relation. Of course, if they just trying to get positive results for themselves, the outcome is a disconnection from the reality and no positive results for the society.

One emblematic example refers to the problematic of child labor that invest MNCs when they decide to shift their production in a developing country where the laws and the regulation on this topic are not strong enough or are not even present.

The definition that the International Labor Organization (ILO) gives is that “Child labor refers to any work or economic activity performed by a child that subjects him to any form of exploitation or is harmful to his health and safety or his physical, mental or psychosocial development”⁷

Unfortunately, it is not an old phenomenon but it is actually still present if we consider that, according to the ILO’s 2011 survey on children between the ages of five and seventeen, approximately 306 million children around all the world are in working conditions.

There are different cases in which a company was accused to get benefit from child labor and it had to respond with actions finalized to restore their precedent status before the claim.

The IKEA’s rug case in India is a good example because it permits a clear analysis to understand the possible paths that a firm can follow to bring solutions for solving the issue.

The problem arose when media realized that IKEA’s suppliers in India exploited child labor in their production. Of course, the company was just outsourcing its production abroad and, in doing this, established contracts with local suppliers probably without making a deep control as they should have. When the consumers perceived that IKEA’s rugs were produced in this way, in order to solve this issues, the company devised a code of conduct specifically addressing the issue of child labor and it was called ‘The IKEA way of preventing child labor’, for which it consulted the International Labor Organization (ILO). Although India does not fall in the signatory convention of ILO, still child labor is regarded as a major ethical issue.

Nowadays, the company have understood the importance to have its own trading service offices in the foreign countries in which it operates, with staff which speak the local language and are familiar with the culture and working conditions. This is necessary because permits to obtain a good understanding and insight into production and the way in which consumers approach the product in various markets and how much they appreciate the company’s efforts. IKEA co-workers visit all suppliers which are approximately 1,800, on a regular basis and conduct audits within the framework for the general code of conduct: “The IKEA Way on purchasing Home Furnishing Products”. Therefore, the company has adopted a lot of “individual” measure to solve the issue, adding also compliance and monitoring group supports to the local offices in their work and they are also responsible for monitoring the work done on local level. Moreover, external verification companies conduct audits on a random basis, in order to support and monitor the compliance of IKEA’s own auditing. In two countries, with special emphasis on

⁷ 2011 SURVEY ON CHILDREN 5 to17 YEARS OLD, FINAL REPORT, Chapter 8, p. 52

child labor, IKEA has additionally assigned third party companies to make regular monitoring through unannounced random checks - KPMG and PricewaterhouseCoopers in India, and Inspectorates Corporation International (ICIL) in Pakistan. This monitoring part would help the company in publicity and media and make things fairer in the eyes of the public. All the measures described above are surely useful and appreciate form the consumers, but in order to develop long-term project able to attach the rooted causes of child labor, the company cannot fight alone.

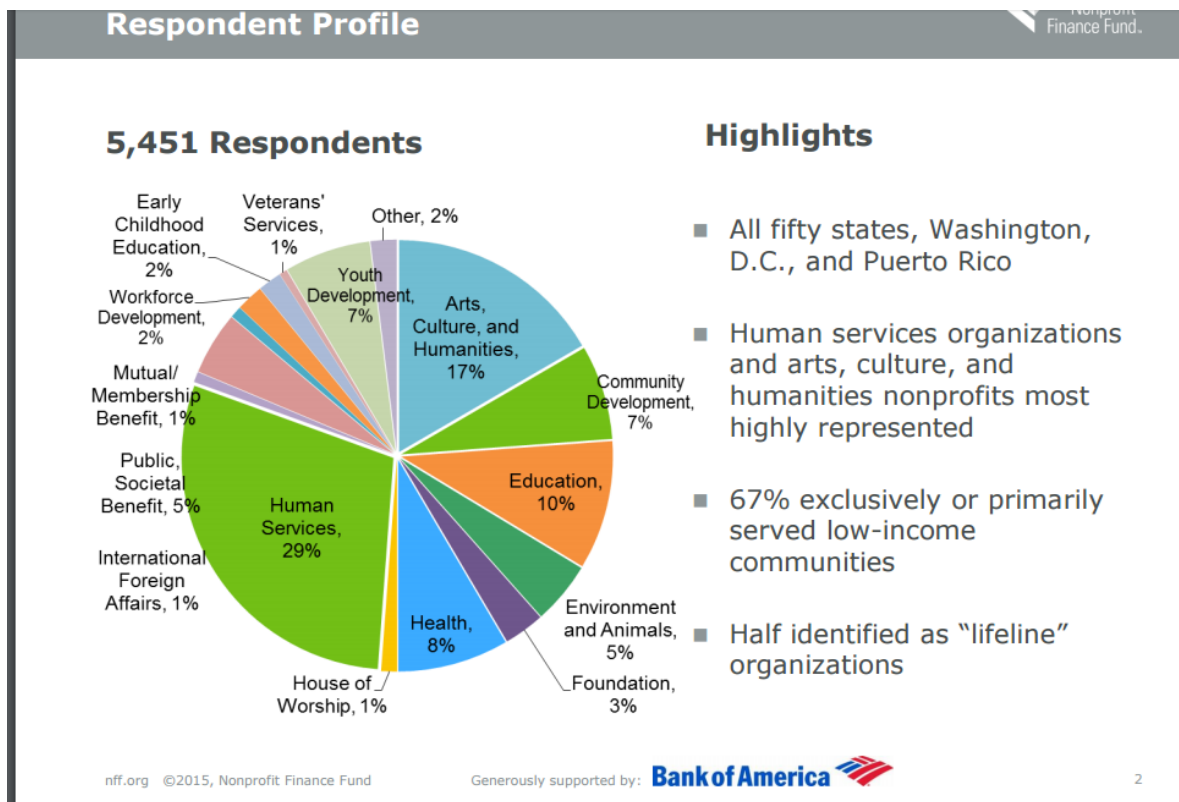
IKEA collaborated with different NGOs and undertook many projects regarding child labor in India.

IKEA collaborated with UNICEF and initiated a three-year children right project in 200 villages in the carpet belt in the state of Uttar Pradesh in India. With this project, the company not only wanted to establish a better image or obtain appreciation from the media, but, through the help of UNICEF, its aim became the one to radically eliminate the problem. The main reasons for child labor are poverty and education. This project aimed at creating awareness of education and also help the rural women to enhance their economic status by improving access to credit and income generating opportunities. The project has proved to be very successful: 24,000 children are now attending school and more than 6,000 women, because of education and their own microcredit schemes, have got the possibility to contribute to the income of their families. IKEA and UNICEF therefore decided to enlarge the project into another 300 villages in the same area, starting in January 2003. This means that in total 500 villages, with a population of about 1 million people, will benefit from the project. IKEA finances the project fully, with total USD 1.4 million.

Similar partnership can be done to fight against phenomenon of corruption and briberies, gender discrimination, disruption of the environment, lack of medicines and health services in particular zones, and so on.

Nowadays there are many proposals to create a stronger partnership and, most of all, to improve the power of NGOs when they have to address a social issue.

Nonprofit Finance Fund's 2015 annual survey, where the respondents are just US nonprofits, is the right instrument to understand the funding challenges that the NGOs faces.



It highlights that “the majority of nonprofits have reported an increased demand for services every year since 2008”, confirming that the long-term effects of the recent recession are still being felt by the NGO’s clients, which are mostly low-income communities. Therefore, human services organizations and art, culture and humanities nonprofits have reported a constant and permanent increase in services, it means that their communities not show an improvement in their situation despite an improved economy. In 2014, 52% of nonprofits weren’t able to meet the demand and the same situation, assuming an additional growth of requests, was repeated in 2015. The most serious case refers to the increased demand of affordable housing which have achieved the peak of 76%, and 71% reported client needs were unmet.

There is an evident problem of funding which could be hardly solved by nonprofits alone.

In America, 53% of nonprofits had three months or less of cash on hand and 12% had one month of cash on hand.

Governments and NGOs work in partnership to create positive responses and effective solutions in realizing the society’s needs, but this partnership often creates also indirect costs for the nonprofits. In addition, the survey confirms that approximately half of governments funding are received late and nonprofits must constantly try to maintain their reserves greater than zero.

Moreover 68-71% on a champion of 5451 respondents say that government funders never or rarely cover full costs.

The percentage diminished at 47% when we look at foundations, nevertheless is clear that nonprofits suffers a huge lack of funding.

“Government funding is tightly restricted due to certain eligibility criteria, activities, and outputs. We are building up more foundation support to decrease our dependence on government contracts.” Human Services organization, MN

Of course, managers’ duty is trying to fulfill short-term needs with a long-term perspective, so the primary challenge they face is constantly improving innovation, efficiency, savings, but an impellent second challenge refers to diversifying the program funding streams.

The new surveys’ results look at the necessity to give at nonprofit partners more freedom in their management of gifts, obtaining a similar degree of flexibility that the companies have when they have to decide how to spend their moneys or how to manage their resources. In a nutshell, companies in their partnership with NGOs should provide them of more flexible funding in order to better align resources with the communities’ needs. These considerations came to light because today companies still don’t have a completely open conversation with nonprofits in terms of general funding or flexible funding for organizational needs. Furthermore, the more a nonprofits have a transparent conversation about the alignment of the financial resources with its funders, the higher will be the return they both obtain in meeting the increasing demand for services.

Antony Bugg-Levine & Kerry Sullivan presents the corporate leaders as “the best positioned to change standard practices by providing types of funds that other supporters are unlikely to provide”.

One concrete example on how businesses can help nonprofits in overcoming the funding problem is represented by Bank of America’s Neighborhood Builders program, a supporting financial system for NGOs to develop their long-term programs. This system provides nonprofits of the possibility to invest in innovation, technology, strategy, financial education and programs to create leaders. The long-term perspective is as difficult to achieve as it is extremely important in the realization of organizational goals to serve the community’s needs. The more the nonprofit is truly direct to achieve its long-term solutions the more attractive it will be for other funders.

This is far from the common perception that organizations and governments have had until now, where financing resources are provided just for specific projects or mostly short-term programs, but is perfectly in line with the actual needs of NGOs who need more room to discover the right path to better realize social requests.

What we can derive from this analysis is that cooperation between firms and NGOs can create long-term benefits for the both parties involved. Moreover, this kind of approach permits to create and develop synergies that otherwise could not be achieved. The overall investigation on data and long-term perspectives based on past cases and theories, has the aim to understand which are the possible paths that firms could intraprend and which are the possibly beneficiaries. When we observe the relation with nonprofits, we can address that a good market research added at a real interest in creating social benefit can create positive results in the long run. It is interest of the parties involved to implement the efforts on this system of exploitation, which surely can bring errors, but is just through this process of exploration of solutions and correction of the errors that we can actual create a healthier society and a better corporations system.

1.3) Perspectives and theories that try to surpass the CSR: Porter and Kramer's Shared value theory

“Not all profit is equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity.”

What emerge after years of CSR debates is that, despite the efforts to strengthen it and to realize the so called social responsibility, business have been mostly concentrated to realize short term financial benefits, overcome social issues with actions finalized to improve their public image or strictly defined in a limited environment, and, at the end, the result is an over-stress of all the methodologies to become truly social, environmental and sustainable in the market place. Moreover, these concepts have become substantially over-used and even wasted, therefore there is a growing need to evolve the terminology and to use a new approach which must be able to look at a more profound union between the needs of the businesses and the interest of the overall society.

Nowadays we assist at a growing awareness of the weaknesses of CSR related-activities, given the fact that companies have always associate them to a narrow definition of CSR which

involved only determinate limited practices, that not corresponds to an actual research of long-term solutions for what about concern the relation between companies and communities.

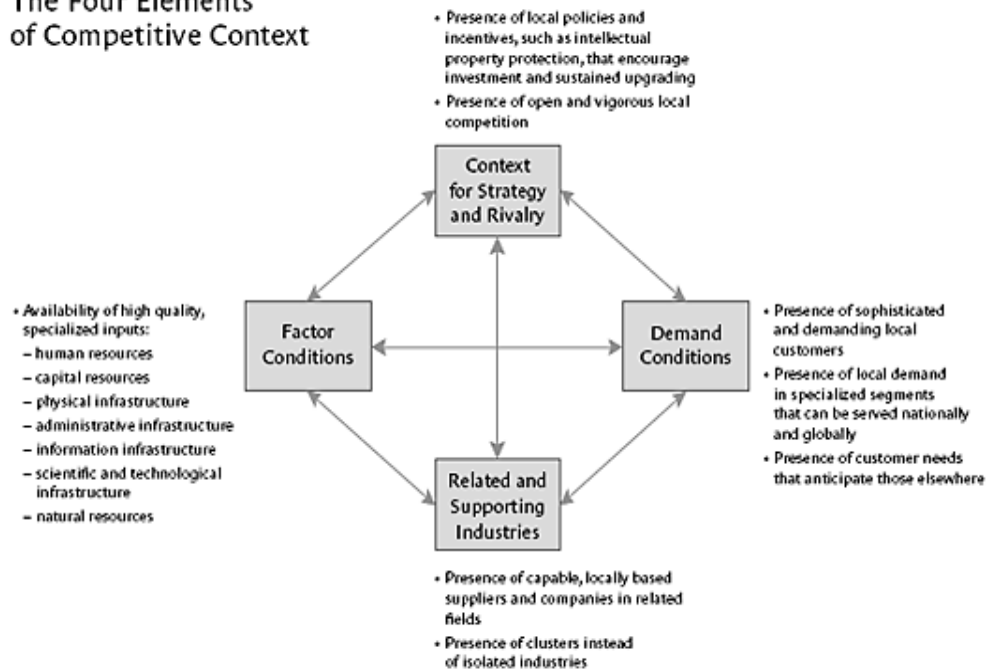
For these reasons, important authors who carried out and supported the debate on corporate social responsibility, now turn their eyes towards new solutions that look at a different way of thinking the market and of doing business today. Recently, many authors follow this path and argue for a stronger integration of CSR into business strategy.

These same authors recognize the need to bring a radical change in the business system, and are looking with interest to theories that investing businesses of a more integrated role in the system. In this respect, is emblematic the new approach proposed by two of the best known authors in issues affecting business.

Michael E. Porter and Mark R. Kramer since 2002 in their article “The Competitive Advantage of Corporate Philanthropy” started to propose a “whole new approach” aimed at the creation of a virtuous cycle where, once the companies understood *how* and *where* operates, they should be able to improving their competences, obtain a competitive advantage, create a better competitive context, and, at the same time, have a real commitment towards the society. This process is divided in five steps that are reported as follows:

1. *Examine the competitive context in each of the company’s important geographic locations.* More a company knows about the context in which it operates, more there will be the potentiality to act and invest in a proper way.
2. *Review the existing philanthropic portfolio to see how it fits this new paradigm.* The company must be able to re-define and shape its philanthropic initiatives towards the goal of enhancing the competitive context. Basically, initiatives that look at the society’s improvement and, for example, at enhancing the workers ‘conditions and supporting customers, are not sufficient if the same initiatives do not also improve the competitive context.
3. *Assess existing and potential corporate giving initiatives against the four forms of value creation.* The two authors have given a re-lecture of the famous Porter’s diamond model, through an exam of the four forces in which the model is build, under the umbrella of social responsibility.

The Four Elements of Competitive Context



Companies that want to realize a strategic advantage through the leverage of CSR initiatives, should understand where they are stronger in one or more dimensions of the diamond and be able to recognize how they could be more effective and, therefore, where concentrate their efforts to obtain more strategic value.

4. *Seek opportunities for collective action within a cluster and with other partners.*

After having individuate the possibilities to improve the competitive context, companies should wonder if the same improvement can be achieved from the other companies and, most of all, if the improvements are better realize with other companies' help. Using other's expertise and contribution, sharing the resources, obtaining stronger results through collaboration, are all consequences of an eventual partnership between companies.

5. *Rigorously track and evaluate results. In order to create long-term results, companies should continuously monitor their results and findings to constantly be able to implement their philanthropic strategy.*

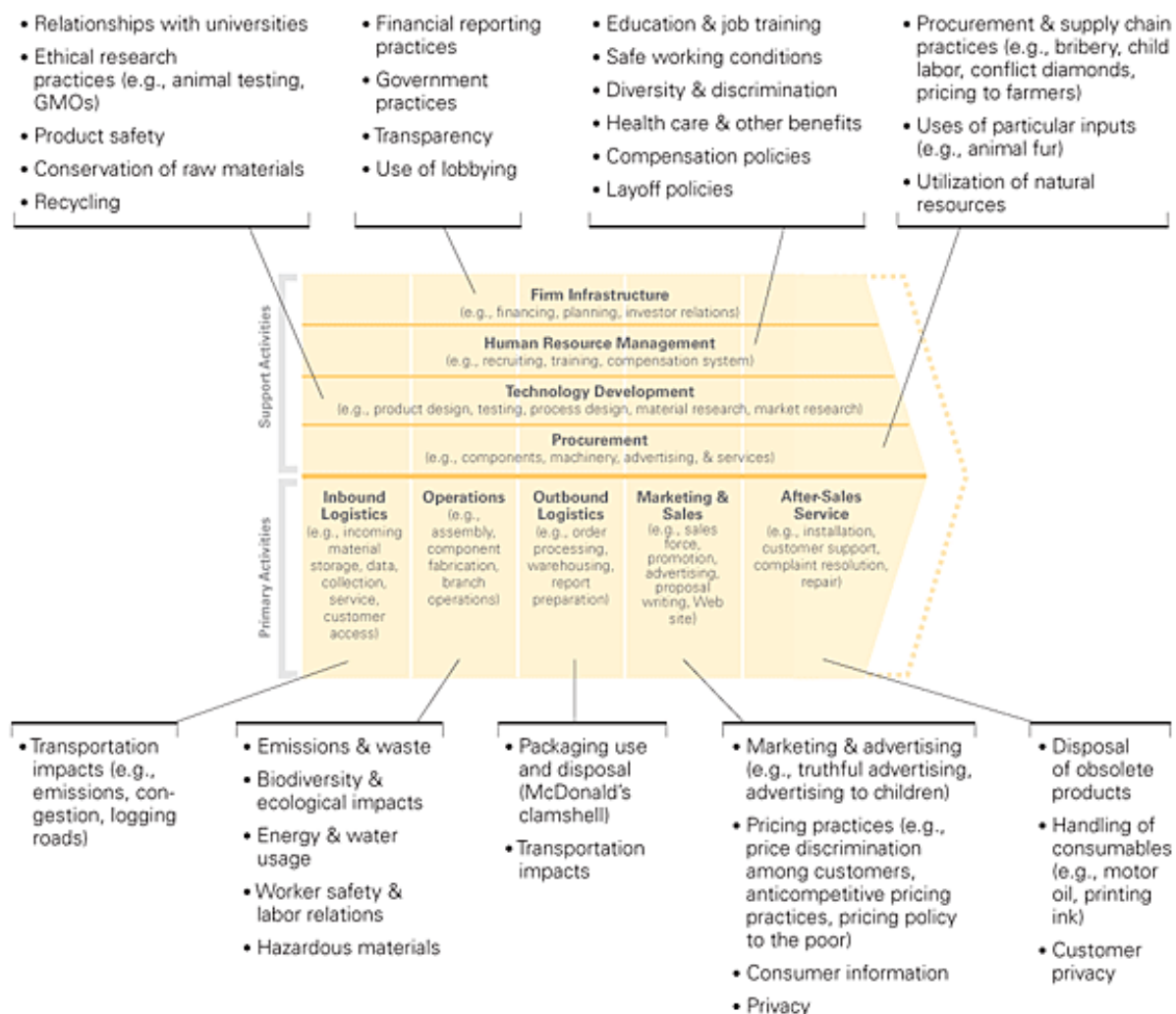
According to this model, the philanthropic contribution of a company is not limited, as Friedman said, to "make charity" toward the society, neither means, as happened with the

greenwashing phenomenon, doing isolated activities to solve some particular social issues or to protect themselves against the accuse of being “not properly sustainable”.

On the contrary, the model clarifies the possibility to arise the company’s advantages and the overall competitive context, with a concrete and “*sincere commitment to bettering society*”.

The two authors in the article “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility” published in 2006, further exploit in deep the concepts propose in the previous article and, furthermore, suggesting new ways to improve the activities in the value chain in light of socially responsible practices.

In fact, what they add in this approach is a deeper analysis of what concern the internal activities of the firm, rather than focalized on the competitive context and the improvement on firms’ external relations as the diamond model focuses more (Looking Outside in: “social influences on competitiveness”).



Source: Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, 1985

Of course, in either case, the main topic remains the convergence between adding value for the firm and society as well. The analysis is just shifted towards internal activities of the firm: both internal and support activities as the value chain model suggests.

What they propose is to observe all the activities of a firm considering the socially responsible actions across the value chain, which can bring a strategic advantage leveraging competences, skills, and general ways to conduct business in a completely “sustainable” way.

Then the analysis shifts toward a deeper understanding of the linkages between companies and societies: the observation that successful corporations need healthy societies and vice-versa; the identification of the intersection’s point which refers to inside-out linkages from society to companies and outside-in linkages through companies to society; the analysis of the corporate involvement in the social order that correspond to a virtuous cycle in which the generic social impact should be seen as the base reference from which start the analysis of value chain social impact, that looks, in turn, at the social dimension of competitive context.

In the 2011 article “Creating Shared Value: How to Reinvent Capitalism—And Unleash a Wave of Innovation and Growth.” Porter and Kramer claim that the only way to legitimize business is to re-consider the approach of the organizations through the creation of what they called “shared value”.

“The solution [to overcome the past social responsibility approach] lies in the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges.”

Basically they continue to sustain a model of business which move beyond the trade-offs between companies’ organizational capabilities and society’s well-being. In order to do it, they create the terminology of “shared value” to express a company’s mindset to recognize the social needs, rather than just focalized on economic needs.

In some way, this article is the result of the previous two articles and the convergence of their themes, with the addition of the conceptualization of a new theory, which support the potential to create an effective benefit to both firms and society and “resets the boundaries of capitalism”.

This process can be led and achieved if and only if companies follow the three steps below, which are mutually reinforcing:

a) *Reconceiving Products and Markets.*

For example: through the creation of innovative environmental friendly products; responding at the growing need of healthy food; serving disadvantages communities in developing countries, which are characterized by countless needs and new customers⁸, and nontraditional communities, as poor urban areas, in advanced countries.

b) *Redefining Productivity in the Value Chain.*

“The essence of strategy is choosing a unique positioning and a distinctive value chain to deliver on it. Shared value open up many new needs to meet, new products to offer, new customers to serve, and new ways to configure the value chain. And the competitive advantages that arise from creating shared value will often be more sustainable than conventional cost and quality improvements. The cycle of imitation and zero-sum competition can be broken.”

Below there are some examples to improve the efficiency, according to the list provided by the two authors:

Energy use and logistics: Innovative solutions in the energy fields as the creation of a better technology to reduce the costs of pollution, systems of energy’s recycling or co-generation;

Resource use: re-utilization of resources, including water, packaging and raw materials

Procurement: involving marginalized suppliers by sharing assets, financing their efforts, or their research of new input, in order to improve their productivity, which leads to a greater efficiency and, therefore, at a better usage of the resources and a reduction of the environmental impact;

Distribution: creating new distribution models;

Employee productivity: providing and helping the employees’ safety with healthy campaign and wellness programs, living wage, opportunities for training, and other activities aimed at lowering the health care costs;

Location: reducing the transportation costs, which include also an environmental cost, due to distant and dispersed locations.

c) *Enabling Local Cluster Development.*

⁸ Since the end of 1990s, companies have already started to make huge investment in the BRICS countries and, in general, all the developing countries represent a considerable un-exploited market. Moreover, some companies consider the investment in these markets as a real potential to improve and enhance their Corporate Shared Value (CSV)

The term cluster is referred to the geographical concentrations in which the firms operate. This include not only suppliers, retailers, infrastructure and other firms, but also governments, universities, researchers, associations and, in a word, all the community.

“The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy. This thinking represents a new way of understanding customers, productivity, and the external influences on corporate success.”

1.4) The Integrated External Engagement

Porter and Kramer’s article won the 2011 McKinsey Award for the best article in HBR, and in a McKinsey report dated on March 2013, the authors John Browne and Robin Nuttall published “Beyond corporate social responsibility: Integrated external engagement”. This paper is deeply concentrated on the hypothesis to move beyond the traditional approach of CSR and look at a new paradigm based on the firm’s necessities to include the external engagement, that is “the efforts a company makes to manage its relationship with the external world”. Despite the positive effect that traditional CSR has brought, above all the increased interest on the environment and the creation of philanthropic programs, the centralized approach is still rooted and represent an insufficient, dispersive approach to bring effective solutions.

First of all, the initiatives promote by the head-office are often too far from the expectations of the ambitious team responsible for CSR. Secondly, CSR offices are always more disconnected with the real needs, whereas management who work on the bottom are more conscious about how local necessities actually moves and how these needs could be satisfied. Third, corporations are more concentrated to limit the downsides protecting themselves rather than create something new, and the risk to fall in the greenwashing phenomenon is still very high. Finally, CSR projects and initiatives have a really short-life due to the weak connection between social responsibility and the way to conduct business, therefore they are extremely vulnerable when there is a new configuration of the organizational structure, or management decides to change the costs system.

Browne and Nuttall uses the contribution of theories such “shared value” or Ian Davis’ “social contract”, to develop the logic of Integrated external engagement, reaffirming the necessity for companies to consider in their everyday business the relationship with all the external world.

Companies must re-defining their way to conduct business, their purpose and, in a word, their vision, with “unremitting energy, both internally and externally”. This process requires leaders able to connect all people involved in the daily work with the company’s vision.

In a nutshell, they suggest to follow three principal points:

1. Understand the contribute company can give to the public in a way that better explicit the nature of this contribute to the well-being of society.
2. Consider their stakeholders as they would be their clients. The stakeholders’ theory has not been truly observed from the companies and it is time to implement the efforts towards a deeper approach.
3. It is necessary to fix goals and objectives and also implement reporting systems on the evolution of the external engagement in order to connect incentives and results.

What the authors propose is not far from CSV and similar contributions, but they insist on those relationships that companies would have already done given the exceptional advantages that can arise. They push companies to invest moneys and, most of all, time on establishing good relations with all the stakeholders and integrate the aspect of responsibility at all levels as they already do around the world when look at recruitment, procurement, and other business’ areas. The most extraordinary contribution of this paper is that it comes from one of the biggest consulting company and it confirms that the transformation required is not just the proposal of some knowledgeable author, but it has been widely confirmed by managers, consultants and experts.

1.5) Critiques on CSV and Integrated External Engagement

Surely Porter and Kramer’s proposal of a new model in the socially responsible field has been useful to create new debates between authors, scholars, but also CEO and managers through the organizations, and is undeniable that one goal of their thesis is to presents the need to overcome the past conceptualization of the CSR. Nowadays, the concept of shared value is very utilized whenever there is a need to address the contribution of a company towards the society. Nevertheless, many authors, even if they recognize some useful aspects of the theory, have also find shortcomings in the corporate shared value approach and others are more willing to find solutions in models and practices that look at a transformational solution rather than something

considered as a mere alternative of utilizing the same concepts. In a nutshell, for these authors, all the concepts propose in the CSR theories must be considered over-dated and it is necessary a new approach based on a radical transformation of the way to conduct business.

In particular, the authors A. Crane, G. Palazzo, L. J. Spence and D. Matten in their “Contesting the Value of “Creating Shared Value””, deeply criticized the theory giving an explanation of the limits of CSV, starting from the assumption that it is “unoriginal, it ignores the tensions between social and economic goals, it is naïve about the challenges of business compliance, and it is based on a shallow conception of the role of the corporation in society.”

Of course, in a first step, they recognize Porter and Kramer’s merits to have brought the social goals to a strategic level inside the organizations, to have gave an explanatory definition of the government’s role in the social initiatives of a firms, and to have contributed at the development of the debates around the forms of “conscious capitalism”.

Further, they move against the CSV claimed that it is not innovative because constructed ignoring the many debates on stakeholders’ theory or those on the social innovativeness. Besides, the article was published in a period in which the law on benefit corporations, forms of companies that I will explain in the 2.3 paragraph of this thesis and in which CSV is basically the consequence of the very companies’ existence, was already enacted in some U.S. countries.

The second opposition made on CSV refers to the over-simplistic assumption of move over the trade-offs and the promise of obtain shared value is not confirmed *a priori*. Explicitly they affirm that this kind of assertion implement the companies’ risk to fall into an evolutionary form of greenwashing’ phenomenon, making action that rather than generate overall benefit, risks to make over-investment and, generally, wrong decisions with the expectation to implement the shared value. In addition, considering that companies which have enthusiastically adopt the CSV approach are mainly MNCs⁹ which mostly have “unresolved issues on social value”, related to past strategies that still influence the present, is a risk to commend their individual efforts on some CSV projects.

Porter and Kramer over-estimated the relation between government and companies where, as affirmed in the third opposition, companies around the world mostly have huge problem in compliance with the laws of particular countries. Again, it is not possible to hide these

⁹ The article “Three Great Examples of Shared Value in Action” published on Forbes CSR Blog, names the companies: Adidas, BMW, and Heinz

communicational problems when they still represent one of the main cause of trouble when companies operate abroad.

Another problem is related to the fact that while CSV would want to be a corporate response to approach at social issues, in many respects it is limited to explain how to converted social problems in win-win situations, following the same approach of Porter's five forces where the company is at the heart of the model and the other actors represent the external parties involved.

Finally, CSV is presented by the authors as the solution to shape the profound form of capitalism, without clearly affirm why is convenient for a company to behave in such responsible way, in fact understand if the socially economic behavior is truly convenient for a firm and, at the same time, the real answer to solve social issues, still remains the "holy grail" for who is interested in this topics.

Basically Porter and Kramer's contribution from one side moves the debate much steps further the ordinary discussions, on the other hand it is strictly connected to the old theories and the solutions proposed are still far to represent a real answer to social, economic, and environmentally issues.

Similar consideration could be done against the Integrated external engagement, given the fact that since 1984 with the Freeman's stakeholder theory, economists have always looked at the importance of directly involve all kind of stakeholders. The real problem lies on *how* companies actually applied and implement these theories.

McKinsey's Iee theory have the merit to underline the still actual need to convert theories in concrete companies' strategies, but is not correct to claim that it represents an innovative approach: it is a sort of accusation against the overall firms' system that didn't manage to involve all the actors as previously suggested by the stakeholder theory and by all its improvements.

Therefore, the most important questions become: is right saying that we have to go beyond the CSR as the McKinsey's article propose, or is the application of CSR that has to be re-innovate? Has the CSR failed in its purpose, or are companies and managers that failed in its application?

In light of what we have seen until now, the shared value and Integrated external engagement are concepts that can be particularly useful in understanding the even more recent theories which look at alternatives solutions to implement the new perspectives.

These theories could be extremely useful and valuable, but there is a growing skepticism around the topic of CSR and even try to find new paths or understanding is starting to become as a way to deny that CSR has not been carried out as it was conceived. Looking at new solutions based on an old system is something that cannot really lead to a complete overcoming of mistakes made to date, with the risk that these same mistakes happen again, and it recurs at long into the future.

Besides specific achievements and victories on CSR, it seems that the response cannot lie on just new ways to call the issue. CSV, Iee, they have *in se* the consciousness about the limits of the actual system and this is our base to understand the new hypotheses and theories that are advancing to create effective solutions beyond CSR.

Chapter 2: A new paradigm: Hybrid Organizations

“Today it is clear that the independence of social value and commercial revenue creation is a myth. In reality, the vectors of social value and commercial revenue creation can reinforce and undermine each other. The social consequences of the recent financial crisis demonstrated with great clarity the danger of “negative externalities”—social costs resulting from corporate profit-seeking activities. But in some cases, “positive externalities” may also exist. It is this possibility that integrated hybrid models seek to exploit.”¹⁰

In this chapter I will explore the new prospective brought by the theories about hybrid organizations: a new structural form that unites the nonprofit spheres whit the profit purpose. In order to understand this new organizational form, I will explain how hybrids generate income exploring the potential of environmental changes and social needs, both at firm and institutional level.

¹⁰ In Search of the Hybrid Ideal, Julie Battilana, Matthew Lee, John Walker, & Cheryl Dorsey, Stanford Social Innovation Review, Summer 2012

The main question that necessitates an answer is understanding if hybrids are an exceptional or a regular phenomenon and if they should be considered the new form to do business or just an exception in the overall context.

The aim of this chapter is also to organize different studies and propose a sequential order to the recent literatures on hybrid's forms.

2.1) The emergence of hybrid organizations and definition

In order to start our analysis, we must consider the scope of the challenges we face today. Nowadays, public administrations, especially the local one, are not able anymore to satisfy the increasingly economic demand of public services and social needs, in addition the social context is more and more fragmented, with the market of social services that being hugely augmented.

From one side, there exist a deep change in the public-private social axis characterized by a shift of public resources from financing the supply horizon to the sustainment of the growing demand from citizens and there is also an enlargement of the number of suppliers of public services who operate in public markets. From the other side, we assist at three level of change on the welfare structure: first of all, companies have recognized that there is an increasing return, not only in monetary terms, investing in social/civic needs; secondly, more and more firms for profit are becoming suppliers of welfare services even in areas of interest that were not considered profitable; thirdly, social and environmental protection is becoming an important factor influencing change in consumption, and the offer is going towards a social and environmental friendly direction.

Looking at this transformation, is necessary to think about the need of a systemic innovation in the way in which companies operates inside the market.

Sara Rago and Paolo Venturi propose in their paper "Hybridization as Systemic Innovation: Italian Social Enterprise on the Move" this definition of systemic innovation: a set of interconnected innovations mutually influenced (Mulgan & Leadbeater, 2013), where benefits can only result from their joint action which creates additional and complementary innovations (Chesbrough & Teece, 1996) and that requires significant adjustments inside the entrepreneurial system in which they fit (Maula et al., 2006).

Hybrid organizations are basically the answer to this need, because they represent a new entrepreneurship model which incorporates the constant trade-off between “make money” and create a good social-environmental impact. The way in which hybrids generate profits may be consistent with both for profit and nonprofit models and, generally, they operate creating profits with actions directly related to satisfy social necessities.

In this sense, hybrids incorporate different kinds of innovation implementing new models of: organizational forms, type of social offer, governance, leadership and funding. The term “hybrid” was coined explicitly to make clear this convergence between financial goals and an organizational approach based on solidarity. In this sense is immediately necessary make a clear distinction between hybrid organizations and all the companies form that could enter inside the definition of social enterprise and social business.

The difference with social enterprises lies on the greater propensity of hybrids to incorporate social value inside productive lines and, most of all, in markets that are usually different for those considered by social enterprises characterized by a strictly high social request. Inside hybrids’ form the focus on economic capital is higher because companies should be able to make huge investment in structural and technological change. Moreover, what is totally new in these new forms of firms is the will to create open partnership with all kinds of operators inside the market, therefore including nonprofits, social enterprises, customers, employees, suppliers, communities, traditional for profits firms and, of course, other hybrid organizations.

The idea behind this approach was synthetized in the term “functional solidarity”, that means start from an integration between markets and social needs and satisfy these needs through financial and non-financial resources in order to create a new value-added for both communities and companies as well.

This method concretizes the theories that we have discussed above, as the Carroll’s pyramid, which look at companies as subjects that, in their evaluation, should include also the necessity to satisfy local and global needs, including ethical issues and not just economic issues. Moreover, the concept that lies under the notion of hybrid organizations is strictly in line with the objectives proposed by the United Nations in September 2015 and defined inside the 2030 Agenda for Sustainable development and the relative seventeen Sustainable development goals. These goals give even more importance and value to the idea of creating social efficiency, and for the companies’ side it means build an approach that look at the achievement of what is delineated in the triple bottom line theory: companies that decide to include the economic, social and environmental aspects not only in their vision, but, most of all, in their very existence.

In other words, have in their corporate purpose the aim to create shared value for themselves and for society in the same measure.

All these elements are simultaneously confirmed by the growing demand of individuals who share a common research for environmental and ecological sustainability, social justice and well-being, healthy living, personal development and they want to find these elements in the products they purchase, in the services they use, and, last but not least, in trustful companies in which they can decide to invest.

This tendency is represented, for example, in the LOHAS market segment, which is composed by all entrepreneurs, managers and consumers that are actually interested in achieving lifestyles of Health and Sustainability.

In a survey conducted on 215 million of the U.S. adult population, it is estimated that approximately a range between 13-19 percent of the U.S. adults are considered LOHAS Consumers.

Table 1: LOHAS Market Sectors

PERSONAL HEALTH \$117 billion Natural, organic products Nutritional products Integrative health care Dietary supplements Mind body spirit products	GREEN BUILDING \$100 billion Home certification Energy Star appliances Sustainable flooring Renewable energy systems Wood alternatives
ECO TOURISM \$42 billion Eco-tourism travel Eco-adventure travel	NATURAL LIFESTYLES \$10 billion Indoor & outdoor furnishings Organic cleaning supplies Compact fluorescent lights Social change philanthropy Apparel
ALTERNATIVE TRANSPORTATION \$20 billion Hybrid vehicles Biodiesel fuel Car sharing programs	ALTERNATIVE ENERGY \$1 billion Renewable energy credits Green pricing

Source : <http://www.lohas.com/about>

As we can observe in the table above the interested sectors are meaningful but, apparently, they don't have so many elements in common. Indeed, there is a commonality brought by consumers that are not interested in just one sector, but are willing to find an offer at least proportional with their demand. LOHAS group, the strategy firms that have been instrumental for the development of the global LOHAS concept, estimated that the marketplace has achieved +300 billion and it is continuously in expansion.

Beyond the LOHAS, referring to all the individuals and, in general, on *how* the market place is evolving, this new "common desire" has surely changed the overall investment world in different ways. Individuals and institutions are now following new paths to invest through the so-called socially responsible investing (SRI).

This is an aspect that has assumed diverse forms and it impacts on the investment decisions, in a way that look not just at the economic results, but also at values and practices related to social justice, environmental measures, consumer rights and so on. Contrary to other traditional markets, SRI has seen a huge incremental growth in recent years, even after the crises of 2008: from 2.71 trillion in 2007 to 3.744 trillion in 2012. In 2012, 11.3 percent of the \$33.3 trillion in total assets under management tracked by Thomson Reuters Nelson., was invested in SRI assets.

Fig. A: Sustainable and Responsible Investing in the United States 1995–2012

	1995	1997	1999	2001	2003	2005	2007	2010	2012
ESG Incorporation	\$166	\$533	\$1,502	\$2,018	\$2,157	\$1,704	\$2,123	\$2,554	\$3,314
Shareholder Resolutions	\$473	\$736	\$922	\$897	\$448	\$703	\$739	\$1,497	\$1,536
Overlapping Strategies	N/A	(\$84)	(\$265)	(\$592)	(\$441)	(\$117)	(\$151)	(\$981)	(\$1,106)
TOTAL	\$639	\$1,185	\$2,159	\$2,323	\$2,164	\$2,290	\$2,711	\$3,069	\$3,744

SOURCE: US SIF Foundation.

NOTE: Overlapping assets involved in some combination of ESG incorporation (including community investing) and shareholder advocacy are subtracted to avoid potential effects of double counting. Separate tracking of the overlapping strategies only began in 1997, so there is no datum for 1995. Prior to 2010, assets subject to ESG incorporation were limited to socially and environmentally screened assets.

Figure C: 2012 Sustainable and Responsible Investing Assets		
ESG Incorporation		Assets Involved
Money Managers & CIs		\$ 1,411.9
Institutional Investors		\$ 2,483.9
<i>Overlapping Assets</i>		\$ (581.6)
<i>Subtotal</i>		\$ 3,314.2
Shareholder Resolutions		
Money Managers		\$ 251.3
Institutional Investors		\$ 1,284.7
<i>Subtotal</i>		\$ 1,536.0
Overlapping Strategies		\$ (1,105.9)
TOTAL		\$ 3,744.2

SOURCE: US SIF Foundation.

NOTE: ESG Incorporation includes community investing institutions (CIs).

Observing these dates, we can deduce that investing in socially responsible companies permits to obtain a higher degree of stability. It is interesting notice that the growth in the total amount of sustainable and responsible investing assets starts from year 2003 and growth rate shows a constant increase year over year.

In light of this transformation, many actors are basically direct involved in translating this huge potential creates by the increasing demand in social needs.

Surely, as we have outlined in the 1.2.2 paragraph, nonprofits suffer this tension to become more attractive in terms of new funds and obtain higher probabilities of satisfying their mission. In addition to the higher demand of civil needs, the problem is also caused by given the increasing costs due to resource scarcity and higher competition in philanthropic funding. Therefore, many nonprofits are shifting towards this new organizational form, where they can sell their products or services in the market. Of course this process brings enormous problems when the social mission of the nonprofits collides with the for profits purpose. That situation leads to an overlap of values calling into question the very nature of the nonprofit which negatively impacts the system of public resources finalized to obtain private gain.

At the same time, for profit companies are the other actors directly involved in this process, indeed they are adopting different measures towards more ethical and social behavior.

So far, we have seen that the evolution of CSR towards new broaden concepts have encouraged economists, researchers and entrepreneurs to embrace new perspectives that look at the creation of shared value for the integration of the overall spectrum of stakeholders.

Some pioneer company have already followed and implemented this transformation. One example is brought by Grameen Bank which, through the microcredit instrument, provides funds for the poor. Others are moving towards this shift and are transforming their corporate practices to integrate the idea of “functional solidarity”. This means that the growing demographic of individuals characterized by a deeper attention to lifestyles values and environmental change is changing the way to conduct business, both outside and inside the firms. In fact, become a hybrid organization also implies a change in the company culture in order to line up personal beliefs and corporate credo and, therefore, build a company able to realize actions according to its employees’ feeling.

Unfortunately, research on hybrid organizations is still at a first stage and the path to define what is the better organizational process for hybrids is still far from an end. The reason is that it is not easy to define this path, because it assumes different forms depending on the target market, the needs to be satisfied, the overall set of competitors, the regulation of each sector, and so on.

What is clear is that the distance that once distinguished for profit firms and nonprofits one is blurring more and more (Nardia High and Andrew J. Hoffman 2012) and there are some key points that, fortunately, we can take for granted.

Nevertheless, there are different literature’s point of view that we should take into consideration. Some authors look at nonprofits which want to shift from a hybrid concept as “multiple-identity organizations”, and the idea to start analyzing these firms from their “organizational identity” could be the best strategy. Other streams of literature suggest to consider hybrids as “Integrated Identity Organizations”, thus removing the concept of dual or multiple mandate.

Probably, the best starting point is to select a good definition of hybrids in order to have at least a general framework on which to begin. Below I recommend the definition proposed by Urs P. Jager and Andreas Schroer in their paper “Integrated Organizational Identity: A Definition of Hybrid Organizations and a Research Agenda”:

“Hybrids are characterized by an organizational identity that systematically integrates civil society and markets, exchanges communal solidarity for financial and non-financial resources, calculates the market value of communal solidarity, and trades this solidarity for financial and non-financial resources. In other words, they “Create Functional Solidarity”.

2.2) Theoretical background: institutional logic

Before starting to analyze how hybrids actually operate, is necessary to decide *which* are the predominant logics that underlie this field. As we have seen, hybrids always incorporate duality and it manifests itself in different forms. Authors express this issue using the name of “institutional logics” in which falls, for example, the duality between commercial logics and social welfare logics, or between the choice of assuming the public or private form, or between individual and collective systems, or it refers also to particular sectors of the market such as “the clash between medical professionalism and business logics in hospitals (Reay & Hinings, 2009) or the competition between the science and market logic in the biotechnology industry (Powell & Sandholtz, 2012)”¹¹. In general, the institutional logics express the maximum problem of a Hybrid organization: confront a constant dichotomy in each choice they have to undertake, forcing entrepreneurs to adopt the logic of the market which presents, in their opinion, more advantageous results.

Therefore, the main question that necessitates an answer is: *how* are organizations able to internally manage the institutional logics that they contain?

Given the fact that this answer could solve the biggest issue for hybrids and it represent the core subject of this topic, of course many authors have tried to find a solution to this dilemma. Analyzing the main papers on the theme and starting from the contribution of other authors we can derive some conclusions to the internal problem of this logic by analyzing cases and focusing on results.

In the paper of Anne-Claire Pache and Filipe Santos “Inside the hybrid organization: selective coupling as a response to competing institutional logics”, the authors compare four French work integration social enterprises (WISEs) and derive two important conclusions. First of all, they start from the assumption, shared by all the authors of this field, that hybrids are not constrained to the logic of the market and to the social logics, in which companies can assume just one form- for profit and nonprofit, public and private form- but they can assume different forms, also in terms of public-private partnership, including indifferently market, civil-society, and state.

¹¹ Anne-Claire Pache and Filipe Santos “Inside the hybrid organization: selective coupling as a response to competing institutional logics”, Academy of Management Journal 2013, Vol. 56, No. 4, 972–1001. Pag. 995

When hybrids face the multiple demand they are subject to, they handle the possibility to choose the best-fitting solution according to the needs they have to satisfy. The complex environment in which they operate is not precluded the possibility to choose different and variable solutions. This is due to the plurality of institutional logics and the hybrids' capacity to encompass different logics. Of course, the main problematic is related to the not easy task for the company to manage these logics and try to convey them and create synergies. When the company is not able to find the right trade-off or if the logics are not compatible, there lies internal conflicts and the potential failure of the company. In the short run is easier to get some provisional balance. Rather, the risk is assumed to have high probability of occurrence because hybrid typically wants to obtain long-term benefits, for themselves and for the societies' needs, therefore they also have to manage the balance between long-term logics.

For these reasons, some authors, have assumed that the likely solution is to fully distinguish the two logics or try to solve the internal conflicts. Overall, main theories on institutional logic have focused on this principle. For these reasons, from 2010 to 2013 there are different works that analyzed the combined logics inside hybrids. For example, the one of Julie Battilana and Silvia Dorado in "Building sustainable hybrid: the case of commercial microfinance organizations" published in 2010, moved toward the conclusion that, in order to manage the different logics, companies need to develop a strong organizational identity. In analyzing the approach of two innovative microfinance organizations, BancoSol and Los Andes, found out that organizational identity should start from good hiring and socialization policies. In both cases, the focus on these two practices was really high, but substantially different. BancoSol approach, that they defined "mix-and-match approach", was characterize by "prioritizing individuals' capabilities", "Socializing Members through Commitment to the Organization's End Goal" and, therefore, that is an approach based on hiring people who have experience and good skills for the logics that the hybrid desire to combine; whereas, Los Andes approach, what they called "tabula rasa" approach, is characterized by "Prioritizing Individuals' Sociability in Selection Decisions", "Socializing Members through" and, in a nutshell, where managers gives a priority to the sociability above all and it means having people able to not have problems in combining the two different logics. This sentence below summarizes the differences in these two approach:

"The willingness to sacrifice capabilities for sociability derived from top management's belief that preconceived notions would present the biggest obstacle to developing the behaviors required to strike the desired balance between the development and banking logics."

Both approaches present advantages and disadvantages. From one side, “mix-and-match approach” permits a faster growth but, at the same time, there is also a huge risk of internal conflict because individuals are probably more attached to the logical they belong to. From the other side, the “tabula rasa” approach permits long term capability thanks to a strong organizational identity, but it also doesn’t permit a secure and constant growth where the demand is high.

Despite the fact that the paper does not find a pre-determinate solution for hybrids, the conclusions drawn by Battilana and Dorado are extremely useful because they highlight the importance of particular steps for all kind of hybrids: it is necessary to focus on developing an organizational identity that strikes the right balance between the two logics that coexist inside a hybrid organization; a socialization approach that is only oriented towards the realization of the end-goals could be incomplete because it probably would fail at the presence of internal conflicts; an effective socialization approach could be the one in which hiring policies are finalized to leverage the competences of employees trying to create the best *operational effectiveness* inside the company.

This is just an example of the difficulty of examining different hybrid cases and deriving certain conclusions when the two logics that live inside the organization are placed separately.

Instead, the results of Pache and Santos research open the spectrum of possibility. In fact, starting from wondering *how much* hybrids have internalized their different logics, they derive that by separating each time the elements of the logic they need, according to the necessities of the moment and with decisions undertaken at the top of the organizational level, hybrids deeply reduce the risk of internal conflicts. Moreover, this way they increase the possibility to obtain a positive outcome and, therefore, a higher stakeholders’ satisfaction. It means that they also will obtain a greater sense of legitimacy from all stakeholders which also means, for a hybrid firm, that other hybrids will imitate their behavior.

In this sense the theory makes a further step: instead of looking at how hybrids deal with different logics, researchers are starting to analyze which parts of logic are to be considered, by examining the elements each time according to the necessities. Once the elements that the logic enacts are selected, it is possible to understand “the key linkages between institutional logics and intra-organizational processes”. Basically, instead of selecting the market logic rather than the social welfare logic and vice versa, hybrids should be able to “couple the intact demands imposed by each logic”. This way, the sense behind this procedure is no longer focused on

choosing which logic is more appropriate, but the point is becoming that of bring possibilities from both market and social welfare' sides.

“In contrast to decoupling, which entails the ceremonial espousal of a prescribed practice with no actual enactment, selective coupling refers to the purposeful enactment of selected practices among a pool of competing alternatives. [...] selective coupling may be a less costly strategy than compromising because it does not require organizational members to come up with alternative ways of doing things. It may thus be more accessible to resource-constrained organizations.”

In addition, the two authors also identify something completely new comparing to old research. Contrary to traditional theory that considered the logic applied by the company as the result of a strategic choice of the hybrid, Pache and Santos' findings shows that the initial decisions are particularly influenced by the hybrids' origins. They define this pattern as “Trojan horse” and it describes a counterintuitive implication for which organizations that assume the commercial logic “*strategically incorporated elements from the social welfare logic in an attempt to gain legitimacy and acceptance*”. It means that hybrids with a high level of experience in commercial logics will try to implement their welfare side. In doing so, they have the possibility to obtain higher results comparing to other hybrids that use a social welfare logic. The commercial legitimacy added to a minimal level of commitment towards the social benefit, permits to include a broader spectrum of possibilities. They are able to “*gain local political support, mobilize public funds, secure the sourcing of social employees, and guarantee mentoring by partner social organizations. [...] interact on a more equal footing with industrial partners, clients, and investors*”, this way they also obtain a higher legitimacy to “negotiate more favorable conditions to sustain their commercial activity.” This form can derive even better results when there is a high level of central control and a relatively high level of local engagement.

What is described above represent, in the opinion of the writer, one of the most important contribution in the field. In fact, it allows to understand the evolution of the hybrid theories and the future prospective that are already characterizing and will continue to influence the literature on hybrid organizations. Indeed, there are other contributions, as the one of Jason Jay in “Navigating paradox as a mechanism of change and innovation in hybrid organizations”, that try to construct a path for understanding the paradoxical results that hybrids face. Often hybrid's results present indirect effect which doesn't allow a clear reading of the outcomes in terms of success and failures. Entrepreneurs should be able to distinguish these indirect effects and be

able to modify the process in an optic of constantly bring innovation and performing better. Other papers, such the one of K. Hockerts in “How Hybrid Organizations Turn Antagonistic Assets into Complementarities”, look at the hybrid’s ability to bring new positive and innovative solutions. In this case, they claim that hybrids have the possibility to leverage their competences utilizing what other companies considered “antagonistic assets” which are mostly people excluded from traditional markets but, thanks to hybrids’ ability to find solutions where other don’t see them, they can be employee in innovative ways.

As we can deduce, all this research is necessary to implement our knowledge of hybrids but, for the aim of this thesis, we have to go beyond in understanding how hybrids actually operate.

Besides, after having theoretically explained the core problem that hybrids face and which still represent the main challenge, what is necessary now- both for the aim of this thesis and also because within literature there is not an overall procedure that guide hybrids in daily work- is to structure the process that hybrids should implement to operate inside the market.

2.3) Strategy

The primary step for hybrid organizations is find the environmental or social problem to compensate. Once they have found the problem, they must considerate how they can efficiently operate to fulfill the particular social or environmental issue. Therefore, the second step refers to which measures should be adopted to better target or totally satisfy the need.

Although there is no over-accepted methodology to use as a benchmark, researchers have found the principal issues that managers have to consider to implement their strategy.

Hence, *how* hybrids actually fulfill the social and environmental needs in order to create shared value and, at the same time, remain economically viable?

First of all, the business model of hybrid organizations is oriented towards sustainability and social value improvements. Following the analysis proposed by Nardia Haigh and Andrew J. Hoffman in “Hybrid organizations: The next chapter of sustainable business” (2012), from a relational point of view the “sustainability driven model” goes beyond the traditional way of conducting business in three different activities:

- 1. Driving positive social/environmental change as an organizational Objective. This dimension involved different aspects on the way to conduct business.**

Mission: In order to pursue the environmental and social change, hybrids through their operations supply products and services that reflect their mission.

Styles of leadership: leaders should be able to incorporate the dual mandate- orientation towards profits and social/environmental values- inside the daily work. The approach that managers and employees should have, must be orientated to constantly improving everyday activities. In fact, the main goal is to bring together the economic and financial logic, typically driven by profit maximization objectives, and the social logic, typically characterized by a long-term vision built on stable and lasting relationships with all stakeholders. Of course, this process can be developed only if there exist a common identity that creates boundaries between these two divergent realities- commercial and social one- that exist inside the organization.

Hence, leaders inside a hybrid reality must be characterized by a strong propensity towards change and they also should be “participative or transformational in their leadership style”.

Long time horizon: Managers of hybrids prefer to focus more on a slow and stable -sustainable- business development to obtain a real long-term benefit.

2. Creating mutually beneficial relationships with stakeholders.

The performance of hybrid organizations is strictly linked with the relation it established within the social and environmental systems in which it operates. Indeed, hybrids’ work consist also in creating a direct relationship with communities. Often this relationship go beyond the traditional approach, investing different areas: employing and training local people, in order to have an “inside voice” and bring benefits directly to people that belong to the community (for example, adopting above-market wages); openly involve communities in decision making, for example through frequent surveys or establishing a one-to-one relation, in order to constantly follow the demand of needs and, at the same time, build a system based on trust, positive recognition and vivacity. These aspects allow to create the best organizational structure in line with the communities’ needs and also the development of a “learning-by-doing” process opening the space for innovative sustainable solutions.

This process allows for an economic viability for the firm even in the long period.

We find the same set of values and partnership between hybrids and their employees and consumers. For the *employees’* point of view, this organizational approach allows to work in an environment where they are encouraged to find new solutions and express their sensibility. Moreover, positive leaders promote a support system for employees creating a system in which

diversity is deeply accepted and encouraged, where there are measures for child care, where health benefits are granted and so on. *Consumers* receive particular attention because products and services are developed considering their desire to conduct healthy and responsible lives.

3. Interacting progressively with the market, competitors, and industry institutions.

Of course, hybrid organizations and traditional enterprises share the interest to be accepted in the market from consumers, institutions and other competitors. However, they have a particularly relevant difference in terms of how they consider the meaning of competition. In fact, while for profits firms want to obtain competitive advantage and leverage their core competences to determine a distance from their competitors, on the contrary hybrid organizations seek other companies which emulate their business model and products. This means, first of all, that in addition to being a sort of recognition for their work so as to improve their reputation and legitimacy, it is also the appreciation of other companies in their positive results to solve social issues. In this way they can spread their competencies and create a broader network for the benefit of society and their benefit as well. So, where other companies create, for example, entry barriers to protect themselves, hybrids invite others to join their innovative mission and creative solutions. This characteristic of hybrids changes the roles of competition and highlights the incredible potential that these form of companies have in changing the market's structure.

The three points above state the different activities which will impact the way to conduct business outside hybrid organizations. Of course, the relation that a firm has with the other actors of the market will directly influence the internal organizational purpose, the way to conduct operations, and the overall organization's design.

Below, we are going to analyze the approach proposed by Helmut K. Anheier and Gergi Krlev in their paper "Governance and Management of Hybrid Organizations" published in 2015 and based on the idea that organizational practices in hybrid organizations are shaped by organizational purpose, forms and practices.

Starting from the approach offered by research on multilevel analysis which observe the hybrids under different focus- funding mechanism, organizational structure, operational purpose, leverage of competences, innovation, human resources and so forth- they define three main points following the paradigm of "structure follows strategy" proposed by Chandler in 1962¹²

¹² "Strategy and structure: chapters in the history of the industrial enterprise", Cambridge: M.I.T. Press, 1962. In this book Chandler predicted that the approach in which structure must follow strategy is possible if and only

and applying it on the hybrids' idea. Under this logic they propose three consequential cardinal points that hybrids must put into consideration since the beginning of their activities:

1. The organizational mission, purpose, and objectives, which are the starting point that will influence all the future decisions the company undertake. Surely, this first step is the same from both hybrids and traditional firms. But, when a company decide to satisfy a social need, this phase is crucial because it represent the most important strategic decision from which companies can start to consolidate their future steps. Once a company have clear the mission, purpose and objectives, then it is more prepared for the second step;

2. The organizational and legal form, including organizational self-conception,

Which will influence all the future actions of the organization. Decisions on which kind of legal form should be adopt, will influence both the internal and the external dimensions. At a corporate level it will influence the organizational structure, corporate identity and, in some way, even the culture will be influenced; and this decision will direct impact on the organizational operations and practices.

3. The organizational operations and practices, which are the result of continuous research of resources, from raw materials to human and financial resources, and which can space from diverse sectors or even segments characterized by a mobilization of diverse and sector-spanning resource streams (including financial and human resources).

These are the three steps that define hybrid's operative procedure when they decide to operate inside the market. These procedures characterize the internal tasks that a firm will undertake to become a hybrid firm, but, as in the case of the three activities we discussed above, they will affect both the internal and external relation of the hybrid organization.

In light of these considerations, now we have to examine the main challenges hybrids will face.

According to the authors Julie Battilana, Matthew Lee, John Walker, & Cheryl Dorsey that in 2012 published in the Stanford Social Innovation Review the paper "In Search of the Hybrid Ideal", there are four challenges: legal, financing, customers and beneficiaries, Organizational Culture and Talent Development. I will follow this categorization explaining in the next paragraphs the most critical points express by these challenges.

if managers are willing to radically change the organizational form. Of course, this approach could be possible considering the key role of a strong leadership.

2.3.1) Altering legal structure

Until now, companies have had two legal structure possibilities under which operate inside the market and both of them brings *in se* advantages and disadvantages.

For profit firms have always operated with the aim of profit maximization with the possibility to re-invest these profits or confer dividends for the shareholders.

On the contrary, nonprofits based their performance on grants, donations from charitable investors, volunteers and, in general, all kind of no-costs financing (forms of inexpensive resources). Their aim is in fact to seek social improvement and governments, usually, help them in pursuing the results through tax benefits.

Given their deep differences, it is almost impossible to achieve charitable purpose with a for-profit logic.

First of all, because a for profit firm that try to achieve the results of a nonprofit, given its nature it will not obtain tax benefits and, moreover, it will not lose the burden of its taxation. The same is true for nonprofit organizations which would probably lose the resources from volunteers and philanthropic funding and would suffer the high level of market's competition if they tried to satisfy social needs introducing for profits ideology.

In addition, if a hybrid decides to act as a for profit, it would not have the same tax benefits as the nonprofits have, even if their adopted solutions are the best possible ones. Again, if a hybrid decides to register as a nonprofit, it would not have the possibility to access the equity capital markets and, therefore, could not sell stakes to its investors.

Therefore, to overcome these problems some hybrid organizations have chosen to create two separate legal entities where they can exploit benefits from both the for-profit and nonprofit organizations.

Of course, the solution to adopt the both legal entities brought on problems of different nature. There is not a definite solution, rather all over the world there are companies that have found ways to overcome the difficulties.

With more frequency hybrid, nonprofit and for profit firms are building more and more partnership to sustain each other in achieve better solutions. These social alliances allow to

obtain more legitimacy and a higher degree of interdependence which makes the creation of a broader network where other actors are willing to join in possible.

Nowadays, in the U.S we can find mostly three forms of hybrids: Flexible (or Social) Purpose Corporations, characterized by a degree of collaboration within board, managers and shareholders in the adoption of at least one action with an environmental or social purpose; the L3C (Low-Profit Limited Liability Company), companies are designed to obtain access to forms of tax benefits as nonprofits and private foundations; and Benefit Corporations, that we will discuss further in the 2.4 paragraph.

The driver for the adoption of a particular form of hybrid or a particular solution, as in the case of build partnership, are numerous. Most of the time the choices follow strategic o personal reasons and the authors Nardia Haigh, Elena Dowin Kennedy and John Walker in their paper “Hybrid Organizations as Shape-Shifters: Altering Legal Structure for Strategic Gain” published in 2015 have conducted a survey and drawn the results as reported below:

Drivers of Initial Legal Structure Choice:

Driver	Definition	Strategic or Personal?	Weighted Score
1. Desire to Facilitate Mission	The legal structure would best support the mission of the organization.	Strategic	42
2. Need to Raise Capital	The legal structure would allow initial capital to be raised most effectively.	Strategic	38
3. Fit with Founder Values/Identity	Social entrepreneur(s) had a specific preference that aligned with their values and/or identity.	Personal	37
4. Perceived Expedience	Social entrepreneur(s) believed the legal structure was less cumbersome than others.	Strategic/Personal	31
5. Previous Experience of Founder	Social entrepreneur(s) based the choice on their previous professional experience.	Personal	27
6. Proving the Economic Value of the Intervention	Social entrepreneur(s) wanted to prove it was possible to address their mission and make money.	Personal	13
7. Fit with Product	The legal structure was perceived to be a good match for the good/ service provided.	Strategic	8
8. Never Considered an Alternative	Social entrepreneur(s) never considered other legal registration options.	Personal	7
9. Need to be Understood	The legal structure would help position the organization in a way that stakeholders would deem legitimate.	Strategic	7
10. Advice from Others	Social entrepreneur(s) followed advice offered by those close to them.	Personal	4
11. Generate Revenue	The legal structure allowed for effective revenue generation.	Strategic	2
12. Need for Flexibility	Social entrepreneur(s) selected a legal structure they felt gave most flexibility.	Strategic/Personal	2
13. Tax Considerations	The legal structure offered specific tax advantages.	Strategic	1

In this case the desire to facilitate mission together with the need to raise capital and fit with founder values/identity have the higher score. Therefore, we can easily deduce that the main drivers for the change are strictly connected with the necessity to radically transform the organization in order to find alternative solutions to be more effective and innovative. the fourth and fifth point have a strong relevance when finding a cheaper solution or where there is more experience which simplifies the management of the organization.

They have also explored the reasons why companies decide to change their legal structure.

Drivers of Legal Structure Changes:

Driver	Definition	Strategic or Personal?	Weighted Score
1. Desire to Better Facilitate Mission	A change in legal structure would better support the mission of the organization.	Strategic	44
2. Need to Raise Capital	A change in legal structure would allow additional capital to be raised more effectively.	Strategic	19
3. Need to be Understood	A change in legal structure would more clearly position the organization in a way that stakeholders would deem legitimate.	Strategic	13
4. Need to Diversify Income	A change in legal structure would allow for the generation of additional earned income.	Strategic	8
5. Need for Expedience	A change in legal structure would allow the organization to operate more expediently.	Strategic	5
6. Proving the Economic Value of the Intervention	A change in legal structure would enable social entrepreneur(s) to prove it was possible to address their mission and make money.	Personal	4
7. Previous Experience of Founder	Social entrepreneur(s) changed legal structure to match their previous professional experience.	Personal	3
8. Fit with Founder Values or Identity	Social entrepreneur(s) changed the legal structure to align more closely with their values and/or identity.	Personal	2
9. Need for Flexibility	Social entrepreneur(s) switched to a legal structure that gave the most flexibility.	Strategic/ Personal	2
10. Need for Control	Social entrepreneur(s) switched to a legal structure that afforded them more control.	Strategic/ Personal	2
11. Reduce Costs of Doing Business	A change in legal structure offered an opportunity to reduce business expenses.	Strategic	1

Also in this case the desire to facilitate their mission and the need to raise capital are the main drivers towards the change, even if the desire to facilitate the mission represent the highest driver of the change. Moreover, drivers to change the legal structure are more influenced by strategic reasons. This practice of changing legal structure has the aim to create a “mixed-entity

hybrid” which incorporate both the logics with the purpose to obtain advantages from the two forms.

2.3.2) Financing measures

Financing measures adopted by hybrid organizations are not well-defined and certain. Rather, each organization try to find a solution that could represent the best fitting strategy to obtain the investment they need.

Many hybrids have chosen the path to adopt both financing forms. This approach tries to converge the financing measures of for profit firms while obtaining at the same time public subsidies and nonprofits fund raising. This means that hybrids are willing to catch investments from profit-seeking investors but, in order to do it, they have to create a relation for which the same investors want to share the hybrid’s purpose.

So, as in the legal structure’s case, hybrids cannot achieve their goals from just the benefits of nonprofit methods and they cannot exploit the mechanism of financing through equity and debt as they would if they were traditional for profits.

Nevertheless, this last sentence is not completely true.

In fact, even if it is not easy to establish the relation with profit-seeking investors given the fact that they are accustomed to base their valuations mostly on economic returns, as we have said, this path is changing and there are more and more investors that are looking at organizations which incorporate an environmental and social mission.

The main problem lies on the difficulty to estimate the investment risk in such companies, even if the potential return is high. Therefore, what is clearly necessary is to find a way to estimate this risk.

Until now, hybrids’ managers have relied on those philanthropic investors that share the same values and concerns. What is necessary is to find more investors who shares the same vision of hybrids and, most of all, a change on the overall investors’ mindset.

The market orientation is going towards new perspectives and, given the growing awareness of governments and investors, is not utopic hope that this path will change more and more in the coming years.

Considerations on the funding methods will be studied in the next chapter when we will talk about the new forms of integrated and environmental balance.

2.3.3) Customers and beneficiaries

“Traditional businesses usually think of their consumers as customers, whereas traditional nonprofits think of their consumer base as beneficiaries. Hybrids, however, break this traditional customer-beneficiary dichotomy by providing products and services that, when consumed, produce social value.”

This is the assumption from which companies have to start when they look at new ideas for creating and implementing their “customer-driven philanthropy”.

In fact, when a company does not consider growth and mission separately this allows to blur the difference between customers and beneficiaries. The consequential effect is the creation of a virtuous circle in which growth of sales and revenues is not associate anymore to just an increase of the economic value for the company at the society’s expense. On the contrary it is strictly connected to an increasing of shared value creation.

Of course, the creation of this circle is not easy to drive and implement and the literature on consumers, customers and beneficiaries is still nascent. Nevertheless, observing the results of some surveys conducted in this field, also in this case we can notice positive results.

“Last year, a study by Cone Communications and Echo Research found that 90 percent of shoppers worldwide are likely to switch to brands that support a good cause, given similar price and quality. Another very recent study in China showed that corporate social responsibility had a positive impact on customer perceptions of a company and brand loyalty. And a specific study for Hershey’s Company found that, once consumers were aware of its philanthropy, their purchase intent and brand loyalty showed significant increases.”¹³

Clearly, the path toward the creation of social value should change depending on the social sector in question. Hybrid organizations develop different approaches and, usually, they are not able to create this un-differentiation between consumers and beneficiaries.

¹³ Anna Pikovsky Auerbach, “Making “Customer-driven Philanthropy” Work”, Stanford Social Innovation Review, April 20, 2015

As in the case of legal structure and financial method, one possible solution to address this problem is make a differentiation between costumers and beneficiaries. But, what they actually do is making trade-offs between the two parties and their method change over time according to where they decide to concentrate their efforts.

Therefore, driving and implementing an integrated approach able to create the virtuous cycle of shared value is one of the main challenge hybrids face.

When economic activities are strictly focused on the creation of social value and social activities and these are embedded in the organizational purpose, there lies a sustainable and profitable system in which social needs are satisfied.

2.3.4) Organizational culture and talent development

The importance of culture inside organizations has always been highly considered as one of the best drivers for the development of an organizational identity. Indeed, we can consider culture as one of the fundamental driver to maintain focus over the mission. Some authors have defined culture as “the collective programming of the mind that distinguishes the members of one group or people from another” (Hosftede, 1991) or “a shared meaning system” (Sweder, R, & LeVine, R., 1984).

In this case, hybrids have a sort of advantage compared to traditional firms.

For many years inside traditional companies the main focus was the creation of profit for the shareholders and this logic dominated all internal decisions of the company. Instead, nowadays companies are constantly trying to underline the importance of building and maintaining a strong culture, but this is a continuous challenge mostly because it necessitates a strong engagement from all the parties involved. Companies have understood the error contained in entrusting management to spread the culture with a top-down approach. Nowadays, managers know very well that culture should also be guided from the bottom of the companies to be Omni-comprehensive.

Managers and employees of hybrid organizations knows very well from the beginning how much culture will permit them to more strongly maintain the values of the company over time. Moreover, they know very well that their system must be founded on the base that a sharing culture drives the change. Their very existence is based on sharing values and a common desire to obtain the instruments for filling a social gap.

But, when at a first stage a hybrid is sustained by passion and high level of engagement of its employees, given the numerous relations and the constant search of trade-offs and best-practices that the company have to manage, it could encounter difficulty in maintaining its roots stable in the long period.

In fact, once hybrids became big enough to involve many actors, they would run into the risk of focusing more on the pursuit of profitable operations rather than the satisfaction of social need.

Further, when at the beginning there is a direct relation between managers and employees who share identical values and the same level of commitment, when the number of employees increases, the relations and the direct influence from managers to employees weakens.

For these reasons, managers have to make direct actions to sustaining and sharing culture. For example, they must find a way to share an organizational identity which presents a fair balance between make profit and sustain initiatives toward the mission. They also should hire and manage employees who are able to understand and represent this balance, and that are willing to share the social mission.

Hybrid organizations are a recent phenomenon, therefore there are not people with a great experience or which have worked for a long period inside a hybrid. It means that hybrid entrepreneurs have to choose between people who have competences in one particular social or market sector or, alternatively, who have developed skills in the same sector. In this second case, there will be advantages in working with someone who shares the same competences but there is also the probability of not developing new initiatives and falling into old practices instead of moving forward. Conflicts could arise also from hiring people with different skills and backgrounds, because they will create a flexible organization, but it will be difficult to balance the trade-offs between economic and social needs.

Hybrid entrepreneurs should put particular attention in hiring new employees and in establishing paths for talent development. Also in this case, finding the right balance and creating the best environment to work could be the key to enable the virtuous cycle between the search for profits and the creation of new alternative solutions to solve social issues.

2.4) Hybridization markers and the future of hybrid organizations

We now turn to analyze the results of a survey conducted in 2013 on hybrids belonging to the network of CGM Cooperative Group from the association Aiccon. The main purpose of this research conducted by the two authors Paolo Venturi and Flavio Zandonai and presented in their book "Organizational Hybrids. Social innovation generated by the Cooperative Group CGM", was to frame the entrepreneurial phenomenon of emerging hybrid within the leading Italian social enterprise network.

The aim of this research was to outline within the cooperative group Cgm, which fell exclusively the social enterprise model characterized by consortia and cooperatives, the presence of these new forms of hybrid, trying to figure out if they were totally a new phenomenon or the linear evolution compared to a past model.

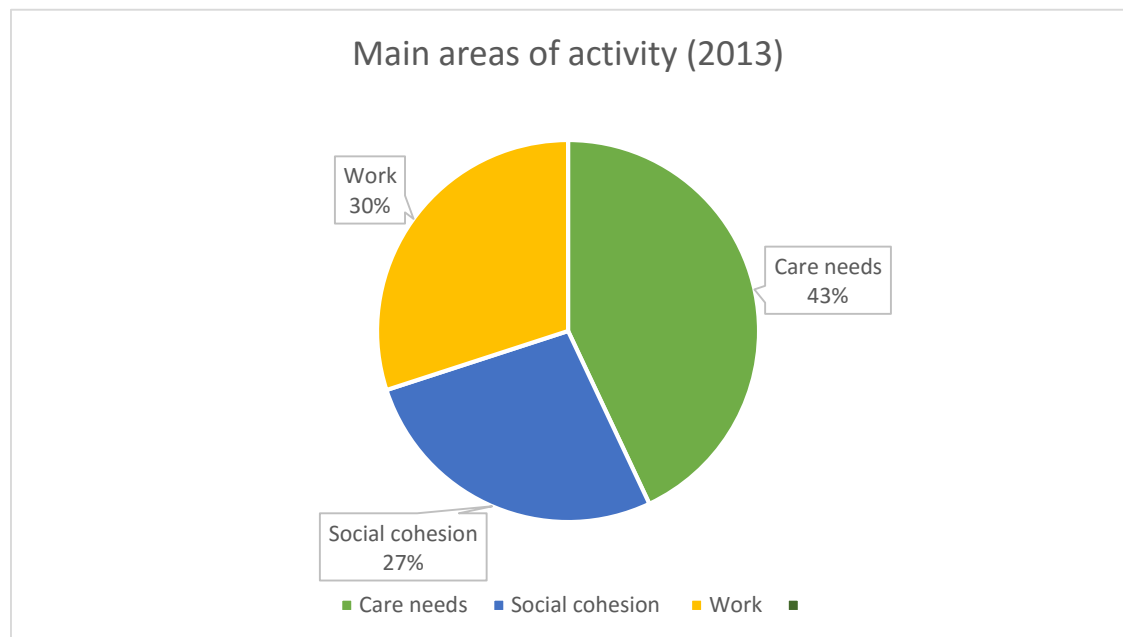
Research was conducted on seventy-four organizations and carried out through a card designed by the research team.

First of all, they defined the general characteristics of the organizations involved looking at aspects such:

1. **Geographical location:** changes relating to the geographical location of hybrid subjects highlights the important aspect that these firms are concentrated in three geographical areas, Lombardy, Tuscany and Emilia-Romagna, characterized by the presence of a rather dense network of local consortia and initiatives that aim, and have aimed for a long time, at broadening the network (both regionally and between different regions).
2. **Territorial scope of action:** the research related to the field of action reveals that 57% of the hybrids identified as the main area of intervention the local dimension, while the remaining 43% identifies its action space in wider contexts. Moreover, 14% of companies operating in a wider context, claims to operate in the national context. This implies that, contrary to what happened in the past, there is an increasing need not only to coordinate the action of local entities, but also begin spreading innovation models that come from the bottom, rather than introducing innovation processes that follow top-down processes.
3. **Taken legal form:** the legal form of social entrepreneurship is an important constitutive feature. In the landscape constituted mostly of consortiums and cooperatives started to emerge forms of social enterprises, 10% of the total, which adopt legal forms of

commercial companies (SpA, SrL). Approximately 41% of the companies belonging to the Cgm network declares in "expansion" and 21% in the "consolidation" phase, 34% defined itself as *start-up* and a residual portion in the form of *business idea*. In addition to a significant component of flexibility regarding the start of the business activity, it was also revealed an accelerated growth process: about 60% of the hybrids now consolidated or in expansion were set up from 2010 onwards and a little less than 1/4 in 2012.

4. **Business sector:** In the first place shows that 1/3 of the hybrids surveyed work in health care, apparently not only with regard to product innovation, but also the forms of organization and production management. The second area relates to the employment of disadvantaged people. The third area concerns the tourism sector and cultural production. Then follow social welfare, education and training, the scope of the *green* (Green agriculture, renewable energy and environment), craft and local food and wine production, and local development agencies. Therefore, there are three particular areas: care needs; interventions that aim to consolidate the level of social cohesion of the territories; and, finally, we note the answers to social inclusion issues through work.



After defining the general characteristics of the structure of hybrids and its evolutionary trend, the work done by the two authors made it possible to investigate what are the hybridization markers, i.e. the specific aspects that characterize the hybrid market within the CGM network.

Below are the main results as defined by the authors through an elaboration of data from Aiccon:

1. Innovation

By analyzing how hybrid entities contribute in generating innovation, innovation has been analyzed from the entity on transformations generated in the markets, in the contexts of activity and compared to the beneficiaries of the offer of goods and services. The results show that hybrids are a source of radical innovation, ie an innovation that introduces elements of discontinuity in production processes requiring products or consolidated services. To be precise, it was taken over an internal segmentation of the hybrids depending on the sector in which they operate. for example, 87% of the total health sector is mainly characterized by a kind of total innovation where you tend to find new service models. In the job placement industry emerges an evolutionary innovation, where new elements are made in areas and types of established users. Finally, there is also a weak signal of expansive innovation in education, which seeks to expand consolidated service models.

On the other hand, by analyzing innovation in its core, that is, by type of innovation, there emerges a divergent trend affecting the diffusion of innovation and organizational processes inside hybrids in comparison with the social entrepreneurship sector. In other words, the innovation introduced by the hybrid is to experiment with new business models and management solutions. From this point of view, we can understand the connection between what was said earlier on innovation in healthcare. The value added in this sector is made up not from a product innovation, but from the new type of welfare services, educational services and inclusion through work.

2. Governance

The manner in which it is applied and shaped the decision-making power within a hybrid enterprise is composed of two elements: the first concerns the accessibility to the corporate governance system, diminishing the link between the intake of the proprietary status and the payment of a certain amount of capital; the second concerns the degree of openness of the system of government to various stakeholders who show a need for different needs and resources. The hybrid form assumes almost always the form of enterprise-network. Moreover, the hybridization of the governance system is designed to search for a homogeneous character of proprietary systems, at least looking at the legal status of members.

3. Partnership

As has been pointed out many times before, the hybrids are also characterized by widespread forms of partnership. Research conducted by Aiccon has revealed that the new models of hybrids within the CGM network are aimed at building networks within which occur mainly commercial exchanges that allow them to convey the goods and services produced. This way will delineate forms of hybrids that are structurally very much in line with business entities that aim to implement production and business processes networks.

4. Markets

The calculations performed on the main market in which they operate hybrids show a strong demand, 38% of the total, coming from private citizens, compared to other institutional clients. Therefore, in the supply markets the hybrid is called upon to meet the needs of individual users who act as clients. In addition, the percentage of hybrid entities that earn their dealings with public bodies is very contained. Furthermore, the share resulting from market transactions with companies does not reach acceptable levels (so-called "second welfare"). In a nutshell, the economies of the hybrids are substantiated by business transactions that take place with individuals and families who purchase services and other goods from these companies

5. Users and beneficiaries

When you consider the entire sector of the beneficiaries of nonprofit enterprises there is a tendency to the segmentation of users in defined categories: the elderly, children, disabled, ex-drug addicts, prisoners, and so forth.

In the case of hybrid organizations members and beneficiaries are more undifferentiated categories such as people, families, young people, and so forth.

The range of beneficiaries is embodied mainly of two focuses: on the one hand, an audience of citizens and families without explicit situations of hardship and social vulnerability; on the other hand, there is a similar percentage of users of services produced by the hybrids as pruners of special needs related to age, health, position in the labor market, and so forth.

6. Finance

the financial dimension, as said earlier, is one of the main factors of organizational hybridization, especially as regards those companies with a background of a nonprofit origin. The analysis showed that the hybrids that have declared they finance investments are 70% of the total, with a total investment amounted to 38.2 million euro. The trend

of size class, however, is rather diversified: over 1/4 of the hybrids does not exceed 100,000 euro's investment, probably because is still in start-up or early expansion, while a slightly lower percentage invests over 750,000 euros.

52% of the hybrids has stated that these investments are used to finance the startup costs of the initiative. Following the 10% investments are intended to strengthen the capitalization of the enterprise. The remaining 38% of the total is intended for tangible investments in renovations, equipment, furniture and so forth.

A final parameter useful to observe the business side of the hybrids compared to social enterprises is the value of production. The absolute figure informs of a production value of 50.7 million euro, equal to an average value of 1.7 million euro. Only 17% of the hybrids produces a profit of more than 1 million euro, and only 13% above the 5 million euro of turnover. The perspective is that of an expanding market but, at the moment, is still composed of many businesses still in start-up and very few of large companies compared to the industry average.

7. Competences

Professional competences that hybrid organizations are using concern the following: a managerial profile regardless of the distinctive features of the organizational context in which the company operates; skills of technical and specialized information concerning the management of enterprise; The third area consists of functional skills related to the technical specifications which the firm needs.

As can be deduced from this classification, hybrids seek a state organization composed of *middle managers*. This denotes the opening of a labor market "generalist" also regarding managerial figures.

Using the results of the survey, the two authors have tried to find an answer to the question: are organizational hybrids able to incorporate a new identity and new management elements from other contexts and synthesize a new business model for social purposes?

The answer to this question is that the phenomenon has certainly had a strong evolution, but there are still too many elements of variability to be able to even recognize in hybrids a new form of social enterprise. Despite often markers denote a deviation with respect to the form taken by social enterprises, the path appears still little consolidated.

From the analysis we can, however, also identify some subsequent issues which concern the possibility of speeding up the process of affirmation of the new hybrid organizations.

Most of the hybrids can be considered a start-up network, or the result of a process promoted by other business organizations. The Cgm group cooperative origin has so far ensured resources and legitimacy to proceed to the constitution and the start of activities. Therefore, since they're now two years since the conduction of this survey, in the near future it will be possible to verify how the network will handle the expansion of the hybrids, which they will be in a more advanced stage of development, inside of the network itself.

Secondly, it is vital that hybrids always give more answers to the needs of the communities in the scale related to health care, jobs and cohesion markets. In order for that to happen hybrids need support in terms of investment, both in their start-up and expansion phases.

Finally, it is necessary to identify some guidelines around which to structure support paths to the creation and consolidation of these new business forms. This way you could really set the hybrids as a new life cycle of the network, a new concrete model of doing business.

In conclusion, the actual situation is characterized by many challenges, but is also very clear the absolute need to bring solutions.

In Italy, the reform of the Third Sector that is about to be passed by Parliament goes in the direction to consolidating the key generative contexts without affecting the traditional aggregates.

As Paolo Venturi and Flavio Zandonai said in the article “Hybrid enterprises that generate shared value. Welfare, employment, new production models: non-profit and for-profit meet to reconcile economy and needs” (03/05/2016):

“It has the merit of incorporating some hybridization markers such as partial compensation of earnings, the opening of the sectors and governance. In addition, it consolidates an important area of social entrepreneurship - the non-profit - but perhaps has less appeal of other phenomena but they will find forms of regulation in the framework of start-ups and innovative SMEs or benefit corporations. It is in any case an advance thought to trigger that entrepreneurship oriented towards social impact that is emerging in the middle ground between profit and nonprofit”.

In this paragraph we have used the research promoted by Aiccon in order to have a clear overview of the Italian system. In the overall chapter 2 we have delineated a framework that permits to better define and understand what are hybrids and which kind of impact they can have on the entire economy. In the next paragraph is presented what is, in the opinion of the

writer, the most concrete form of hybrid organization. As conclusion of this chapter, in the sentence below is included the “essence” of this new form of hybrids and, in some way, the perspective of the future of the managerial world that will be characterized next years:

“The essence of this movement is a fundamental convergence and reconfiguration of the social and commercial sectors, from completely separate fields to a common space. Hybrid organizations that are currently being created serve as a testing ground, and we expect that the most successful models will be replicated. Yet hybrid entrepreneurs are not the only actors through which the hybridization of the economy is happening. Existing for-profit and nonprofit organizations are also part of this trend. [...] The development of this ecosystem will not be the work of any heroic individual or organization; rather, it will require the creation of new systems by elected officials, policymakers, social impact investors, educators, and consumers who lift up a generation of hybrid organizations and their managers.”¹⁴

2.5) The evolution of B Corp and the rise of Benefit Corporations¹⁵

So far we have explored the theory of hybrid organizations, identifying why these organizations exist, as they have developed, which are the main practices and standards they adopt, which forms take on and, finally, what are the future prospects of these organizations. Let's now explore the most effective example, in the opinion of the writer, of hybrid organizations: The B Corps.

B Corps are a very recent and still not widespread topic. That is the reason why several entrepreneurs, managers and students that were been consulted for the preparation of this thesis are still not well informed. Nevertheless, I have observed a deep interest of my interlocutors. Given the fact that all the relevant information relative to B Corp are contained in their website, here it is proposed a methodological approach.

The analysis proposed in this section give answers to the main questions on this theme. The aim of this procedure is to give responses to clarify the main doubts and arise the interest to continue on inquiring and collecting new information. Below, are the principal questions necessary to identify the framework:

¹⁴ Julie Battilana, Matthew Lee, John Walker, & Cheryl Dorsey, “In Search of the Hybrid Ideal” Summer 2012

¹⁵ The structure of this chapter is made following the book of Ryan Honeyman, “The B Corp handbook. How to Use Business as a Force For Good”.

What exactly are the B Corps? Who created the nonprofit B Lab and what is its aim? How B Corps behave and what they do?

Assuming that the idea of a company that has a positive impact is positive for the company itself, and after having consulted with hundreds of entrepreneurs, companies, investors and lawyers, in 2006 Jay Coen Gilbert, Bart Houlahan and Andrew Cassoy founded B Lab, a nonprofit organization which aims to harness the positive power of business to solve social and environmental problems.

This is the definition that is wrote on the B Corp web sites:

“B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. Today, there is a growing community of more than 1,600 Certified B Corps from 42 countries and over 120 industries working together toward 1 unifying goal: to redefine success in business.”

Hence, what distinguished B Corps from other companies is the certification given by B Lab- it assume the role of official recognition- which means that the company respect determinate standards in terms of responsibility and sustainability.

Certified B Corps are companies that evaluates themselves as a whole and which shares the same identical vision of the nonprofit B Lab: that one day all companies compete not only to be the best in the world, but the Best for the World.

Indeed, when a company decided to become a B Corp will follow and respect the principles exposed in the B Corp Declaration of interdependence:

“We envision a global economy that uses business as a force of good.

This economy is comprised of a new type of corporation- the B Corporation-

Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place matter.

That, through their products, practices and profits, businesses should aspire to do no harm and benefit all.

To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.”

Before we starting to analyze how companies can apply for certification of the B Lab to become a B Corp there is one aspect that is crucial to know. B Corp certification does not give any kind of advantage from the point of view neither legal nor even less economical. It confers the only chance to show the mark B Corp on products and on website. After talking with some entrepreneurs and manager involved in Start-up business during the two conferences on the B Corp where I took part, one in Milan and one in Rome, the main curiosity was realizing which kind of advantages involve becoming a B Corp.

What drives certain companies to achieve this recognition goal?

In order to get an answer is necessary a further premise, that is define why B Corp are important:

1. **Because they accelerate the evolution of capitalism.** As we have seen in the first chapter, the new model of capitalism is oriented toward the creation of shared value and stakeholder engagement. B Corps radically incorporates these values and their scope is also to create a more effective and efficient market.
2. **Because they re-define the mean of successful business.** The basic idea is leverage the firm's strength to achieve something more than mere profit.
3. **Because they represent something concrete and measurable.** B Corps meet rigorous, independent and transparent standards with regard to the "respect for the environment" or " social responsibility".
4. **Because they build a collective voice.** B Corp mark identifies a better way to do business and certificates B Corps are able to speak at millions of people when they organize conferences and events.
5. **Because they represent the best companies.** This concept refers to the possibility to attract new talent, investments and win new contracts. Again, as we have said in the first chapter, companies that invests in social responsibility and sustainability resisted more strongly during the years of crisis. certified B Corps have proven ability to emerge unscathed in the period between 2007-2009 with an impressive 63% higher than the average of US small businesses.
6. **Because they help us to live with a higher purpose.** The need to adopt an entrepreneurial philosophy and life that you look at something more than the mere profit, is permeating not only the choices of consumers, but also the whole new generation of workers seeking work something more than just salary.
7. **Because they are in favor of something, not against something.** B Corps looking for positive solutions, and innovative practices to global problems.

In a nutshell, B Corps are important because they are leader in a global movement that has the aim to re-define the concept of managerial success, in order to create better communities, societies and a better world to live in with a shared and durable perspective.

Now we can try to answer referring to which are the principal results that a company can achieve obtaining the B Corp certificate:

1. **Being part of a community who share the same values.** It includes the positive spirit, collaboration, passion, innovation and the joy of being part of a community that aims to drive change.
2. **Attract talent and engage employees.** Goldman Sachs has revealed that for young people of the so-called Y generation, which represent almost the 50% of the World working force, “put in line personal and managerial values is a basic need”. Young people of Y generation seeks not only an equilibrium between private and working life, but a real integration between these two pillars.
3. **Strengthen brands, improve the credibility and foster trust.** The B Corp certification helps from two different points of view: first of all, it helps build credibility and trust in your brand because it is an independent process and rigorous certified by an external body, which assesses every aspect of the company. The second reason relates to transparency and accountability with regard to social and environmental performance of your business.
4. **Generate media visibility.** As well as the visibility given by the interest from the media and journals- more than 2000 articles appeared in the press including the *Atlantic*, the *New York Times*, the *Guardian*, the *Economist* and the *Wall Street Journal*- there are many celebrities who are part of the movement of B Corp. B Lab selects and supports B Corp so that they get prestigious awards and many of these awards have been given in recent years.

For example, the inclusion in the ranking Top Social Entrepreneurs in Bloomberg Businessweek, the recognition by the "Good Company Project" or the inclusion in the Inc. 500/5000 list of the magazine, an annual list of the fastest growing private companies in United States where included twenty-three B Corp. in 2013, the certified B Corp accounted for 31% of the best social entrepreneurs Businessweek and 25% of the finalists of the GOOD Company Project. B Lab has also established an annual ranking of "Best for the World" that rewards 10% of the companies that

get the best results among all the B Corp world in terms of positive social and environmental impact.

5. **Compare and improve performance.** The B Impact Assessment is a questionnaire of two hundred questions that every company can do for free and without any kind of constraint to certify to be a B Corp. The questionnaire represents the instrument to use as a benchmark for the company, in the sense that it can be always used as a reference for improving their performance and implement practices, improving in this way the performance over time.

Moreover, B Lab provides a set of comparable indicators in order to benchmark. Below, we will explore in deep the B Impact Assessment.

6. **Attracting investments.** As already pointed out many times before, investors are increasingly interested in investing in companies where there is a strong focus on ethical values that look to social and environmental responsibility of business. In addition, these types of behavior may also attract the attention of larger companies are aiming to achieve an innovative and cutting-edge brand.

All certified B Corps also receive an evaluation GIIRS (Global Impact Investment Rating System) and are included free of charge on B Analytics, a revolt platform to investors created by B Lab. In addition, B Lab can help you directly raise capital by introducing yourself to the many B Corp certified in the financial services sector.

7. **Protect the company's mission in the long run.** Becoming B Corp companies can amend their statutes. If the top management were to change for any reason, the new managers are still required to respect and uphold the expectations both shareholders and stakeholders when they take a decision in the future.
8. **Communicate with a collective voice.** In March of 2016, companies in the world certified B Corp were 1490. After three months, the certified B Corp companies are 1785, operating in 50 countries and in 130 industries. Therefore, this new idea of doing business is having a very strong growth and a spreading worldwide.

This means that the B Corp community organizes and amplifies these voices so diversified by harnessing the power of a unifying brand. Furthermore, individual initiatives of one B Corp create benefit for the whole community, as they help to spread the message that unifies all of these companies.

9. **Save money.** This is perhaps the most critical point for those who must decide to become a B Corp. In particular, many entrepreneurs who decide to start a startup

and look at the world of B Corp, seeking in this new way of doing business a cost-effective solution.

In fact, becoming a B Corp also has a minimum fee to enlarge, which will subsequently make up for the cost.

Annual Sales

€0 - €499,999
 €500,000 - €1,999,999
 €2 MM - €4,999,999
 €5 MM - €9,999,999
 €10 MM - €19,999,999
 €20 MM - €49,999,999
 €50 MM - €99,999,999
 €100 MM - €999,999,999
 €1 B+

Annual Fee*

€500
 €1,000
 €1,500
 €2,500
 €5,000
 €10,000
 €15,000
 €25,000
 €50,000+(based on company structure)

* Please note: this new certification pricing took effect from July 1st 2015

Source: Italian website of B Corp

Incurring a cost of 500 Euros may not be considered negligible for a business in the very early stages, also we must consider that they do not expect to generate an immediate economic return from it. This fear is appeased when they think at the positive response from investors, as analyzed in the previous point, also they must consider the return in terms of communicability and a new potential return on marketing.

Additionally, the concept of saving money is closely linked by the possibility of realizing partnership developed by B Lab. In addition, the others B Corp offers between them hundreds of discounts on products and services with regard to, for example, consultancy, marketing, office management, collection of capitals, human resources, legal services, design, media and web development services.

10. **Drive the change.** The B Corp movement certainly has the merit of having taken an idea where you recognize entrepreneurs of any part of the planet. The population of the B Corp is having more and more success and awards and B Lab is now spreading worldwide. B Lab Europe was born in 2013 and B Lab UK and B Lab Portugal in 2015, and also a B Lab office in Australia. Now all around the world it is spreading very rapidly this new way of doing business.

Once have described the importance and the results of becoming a B Corp, a company that wants to check whether or not it can become a B Corp, has to fill in the B Impact Assessment:

a free online tool that analyzes every aspect of the enterprise, allowing you to measure the social and environmental performance of your business on a scale of 0 to 200, compare the results with those obtained by thousands of other companies and have access to a range of resources and guides on best practices that can help you improve performance over time. There are one hundred and forty standard types of Impact Assessment and therefore can be done regardless of the type of economic activity, from manufacturing to retail and service companies; from companies of various sizes, from sole proprietorships to multinational corporations; and by companies operating in emerging markets in industrialized countries. Run the B Impact Assessment does not oblige in any case the company to become a certified B Corp. All data entered are treated as confidential and none of the answers will be shared with other companies. The B Lab collects data anonymously in order to create a useful set of indicators, data that will be collected in aggregate form and are not explicable in any way with the specific answers of a particular company. When a company reaches eighty points then it can require the implementation of a verification done by B Lab. If B Lab confirms that the questionnaire was done properly and without giving false information, then the enterprise gets the mark B Corp.

Below there are the main categories reported in the B Impact Assessment, that means the terms in which the company is evaluated:

- Positive impact on *people* in terms of: Compensation, Benefits and Wages; Employee share ownership; Work environment
- Positive impact on the *community* in terms of: Creation of jobs; Diversity; Civic engagement and donations; Involvement at the local level; Suppliers, distributors and products
- Positive Impact on the *environment* in terms of: Land, buildings and installations; Energy, water and materials; Emissions and waste; Transport, distribution and suppliers
- Positive impact in the *long term* in terms of: Mission and involvement; Transparency; corporate form
- Positive Impact on *Business Model* that aims to: Strengthen the community; Responding to those in need; Regenerate the ecosystem; Expanding the concept of common ownership

Of course, each of this section explores the company in deep and the list above just represent how the Impact Assessment is structured and which are the guidelines. As we can see, the term social responsibility comprehend responsibility not only towards the environment, but also people, employees, community, the creation of something durable and sustainable in the long

run, and so forth. Probably a company that is oriented towards the creation of a good social responsibility and the respect of the environment, the first time it will do the Assessment will obtain a score between 40-60. Another crucial point is that it is not easy to get the score of eighty points. Not all the companies can become a B Corp, unless they do a structural and organizational change which will probably involve also a change of the mission.

Looking at the Italian situation, Nativa was the first company to become a B Corp and it happened in 2012. Nowadays in Italy there are twenty-five B Corps, other twenty-five are in the phase of verification and certification by B Lab, and another two hundred are close to achieve the eighty points. Over the past three years, two-thousand between startups and small and medium enterprises have compiled the B Impact Assessment.

We must highlight a further positive addition. With the introduction of the decree number 1882 presented to the Senate on 25.10.2015 and entered into force with the law of stability in 2016, Italy has become the first sovereign state to implement the law on benefits corporations. Companies with a common-benefits purpose started to spread in the United States since 2010 and currently this law is present in thirty-two US states and it allows the creation of a specific legal form that identifies this type of companies. The Law on "Benefit Corporations" permits of including in the corporate purpose to introduce the company's desire of creating benefit for society. These companies will be able to take any legal form envisaged in the Civil Code, with particular reference to those identified in the Book V, Titles V and VI, respecting the specific discipline. Benefit Corporations will have the possibility to include in their goals, in addition to allocate their profits to shareholders, also to declare in the corporate purpose which kind of positive effects will have their action in the territory and the communities where they operate, thus constraining the decisions of the directors.

Before this law was impossible to include in the corporate purpose the specific desire to create value for the community or, as stated in Article 3 of the decree, "the specific purposes of common benefit that it intends to pursue".

This type of company must comply with Article 5 of the decree which states in section 2: "The annual report is published on the website of the company, where applicable. In the interests of beneficiaries, some financial data in the report can be omitted".

Moreover, Benefit Corporations will have to be subject to the control of The Italian Competition Authority, as declared in the article 6 point 2, "within the resources available and without new or increased burden for supervised entities".

To clarify, B Corps and Benefit Corporations are not synonymous. B Corps are companies who filled out the questionnaire of B Lab of which have been verified by the same B Lab the requirements to obtain the brand B Corp. Benefit Corporations are a new legal form that arises between the companies for profit and nonprofit. In particular, companies that want to gain profit and at the same time also create positive results for society as a whole. Of course, a company that is certified B Corp can easily choose to call themselves Benefit Corporations, such as Nativa is now a S.r.l.s.b., while a Benefit Corporations that have not yet been awarded the mark of B Corp, will have to fill the Impact Assessment and, if they reach the eighty points needed, they can require the mark B Corp.

In conclusion, in this chapter we have explored the rise of hybrid organizations and showed the concrete example of B Corps.

What is the main issue that we can derive from these realities?

We live in a period of radical change where are being born and are spreading rapidly solutions completely new. These realities are the result of long years lived with an idea of doing business that was tied exclusively to the vision of making profit. What is happening today is that it is clear how much this idea alone has led us in a busy world, and with little opportunity to invest in values. The answer that has emerged in recent years, especially in response of the crises, is about a total renewal of doing business by leveraging values. There are many answers that are different from business to business. The phenomenon of hybrid organizations, the evolution of the B Corp and the creation of Benefit Corporations are part of this change. A change that looks to the future with hope and that has set itself the objective of improving the way we work, the way to express themselves and look to the future with positivity. This global phenomenon is expected to grow. Today the task is that to determine the most favorable conditions to make this change happen and, above all, to occur even more rapidly than it is happening.

It is necessary to assess which are the solutions proposed. The desire of those who are carrying the B Corps' message in Italy, but it is the same in the rest of Europe and in the world, is to ensure that more companies as possible become B Corps. This feeling, this passion, is more than fair. It is right that a new way of doing business, and this applies to both Hybrid

organizations and for B Corps, which try to fill the gaps that have been created to date, will spread and put into practice as much as possible.

From my point of view, however, it is also strongly necessary supporting all the positive business practices that have developed over the last fifteen years within large companies and have led really important results. Therefore, in my opinion the main issue today is to find if there exist a relation between hybrid organizations and traditional businesses, and, if it exists, where the two way to do business could be combined.

I am not saying that all businesses in the world *should necessary become a B Corp in next years*. I am saying that the idea of doing business by creating a positive impact is the message that is driving many businesses and that will have to evolve even more strongly in the coming years. I'm saying that consumers, end users, workers, managers, all people are turning to models, perspectives and new hopes. Especially younger generation expect from the business a much bigger boost from the right, indubitable, need to get a good salary.

I'm saying, finally, that being a large enterprise that has within itself the DNA to act in a socially responsible and sustainable way, it means that this company is driven by the same principles that guide B Corps.

Or rather, in other words, *not all businesses need to obtain this title right now to express their values*. This is because they have already chosen to follow virtuous paths, sometimes well before the birth of the movement of B Corps. These paths were not pre-determinate: they are the results of a long process characterized by failures, challenges, but also victories. Therefore, in the next chapter we will examine the current status of Italian companies and we will explore the efforts that CSR managers of these companies did to create more sustainable and responsible businesses and if there exist a connection with these two apparently different worlds.

Chapter 3: Empirical investigation: Analysis of the evolution of CSR and the figure of CSR manager in Italy

3.1) How the work is structured and the collection of results: Identify a common trait

The aim of this chapter is to propose a method to understand if there are boundaries between hybrid organizations and traditional companies. The goal is to establish a connection between hybrids, benefit corporations and traditional companies.

Anyway, in order to understand if this connection actually exists, after having introduced hybrids and benefit corporations, we have also to analyze and assess the evolution of CSR in Italy and the role that CSR managers have assumed inside Italian companies.

Yet, how can this analysis be made?

As we have said in the first chapter, nowadays there is a growing awareness about the importance of CSR practices, not just inside companies but also inside business schools. Indeed, the phenomenon that has brought to talk about CSR inside business schools is particularly recent and courses relating to this field are growing in number, but are still considered niche. Nevertheless, this particular period is characterized by growing consciousness that the importance of these themes is vital for companies, thus Universities have caught this feeling and they are starting to fill the gap.

In addition, companies know very well the need to show their “good practices”, so there is also the possibility to find necessary information inside those companies that are advancing solutions to implement their social and environmental responsibilities practices.

Despite the growing interest arisen, there are some critical problems that I could infer also thanks to an interview to Paolo Cerino, CSR Director of SACE and professor of “CSR game”.

Unfortunately, inside continental Europe, the doctrine simply records what happens in the company, with the times, however, typical of the academies, which study it, process it, and return it into the model.

During this period of time, the corporate world has already changed. As this activity of analyzing most recent CSR practices is so new and in the making inside the continental Europe, it has not been possible to change it yet. Moreover, assuming that all companies have the CSR's function, even if they could also not have it yet, everyone inside companies will probably give the most varied responses on what the CSR managers and CSR function are doing inside the organization. The same considerations could be done observing that there are different responses in the surveys inside the CSR Manager Network.

In fact, CSR managers have different focuses: there will be managers involved in the activity related to environmental pollution; oriented managers in the activity of support to local communities where the company opens the establishments perhaps in Asian and African countries; another typology of managers who instead will be occupied with finding a thread in a complicated skein of a large network present in hundreds of countries around the world, where there are different values, cultures, needs, standards, attention to the person, attention to transparency.

Hence, when the topic of CSR is addressed in a book, it is always inevitable to find something that is already past, or about to be outdated. Instead, for example, if you take a manual of human resource management, or staff development, there are some considerations that, although affected by a time gap of a few years, can still be current because the function of the direction of the staff, that is, how to manage people, is a function in the making of course, but with a limited rate of change compared to the trends of the company.

The same can be said for the marketing techniques, for business activities, and for administrative activities that are affected by formal, bureaucratic and regulatory constraints. The activity of CSR manager is about as wide and variable as possible. Furthermore, almost all CSR managers have a background from marketing, human resources, business specialized activities, and from engineering management. Now there is a new generation of managers who start to show interest in becoming managers of CSR, people who want to specialize in this large field. However, it is still a very limited role in the labor market.

Therefore, the doctrine can be the starting point, but there is a risk that part of the doctrine is no longer part of the debate. Today, the debate of CSR is linked to stakeholder engagement. Companies are shifting their attention from the value of production to the distribution of value for the stakeholders, including shareholders. Hence, it is important to understand which are the company's stakeholders. The company is not a "monolith", but has a vital need for constant and continue interaction, with the whole world around it. The first who understood this

conception were the CSR managers in the companies. On the one hand, there is this constant interaction, continuous, transparent and non-utilitarian with suppliers, customers, staff, shareholders, and the world of institutional relations. On the other hand, there is the relation with the world community, the NGOs, the local communities, the places where companies decide to build plants or where they have placed most of their facilities, for example, power lines or telephone repeaters. All these relations imply a comprehensive view. Stakeholder engagement, in a plastic vision, is a bubble that surrounds a sphere. It is important that CSR becomes a driver of the strategy, because it makes possible to understand which is the relation with company's stakeholders and, most of all, which stakeholders need a higher focus. Today this is the debate: the theory of stakeholder engagement. The second step is to move to an exam of materiality: everything the company does when it checks if the materiality analysis has been conducted properly.

First of all, managers have to find what are the issues that might be “material” theoretically. Secondly, they must start to choose a less selected number of these issues through a material analysis, with a deeper involvement of stakeholders. Thirdly, there will be the description of the analysis which will be released in the sustainability report- It will be related to "materiality" issues both for stakeholders and for CSR managers' focus. Hence, the problem is to know how to help the company's strategy. Efforts should be made to find the material's issues for the CSR manager and for companies' stakeholders and to create the best relationship with stakeholders.

In conclusion, we can derive two main things: firstly, to understand the corporate world that moves the companies' sustainability and responsibility practices, it is necessary to operate observing the most recent advancements; secondly, in order to recognize if there is a connection between hybrids and traditional companies and how much this relation has evolved, we need to construct the present Italian approach to CSR or CSV and identify if there exists a common trait between companies of different sectors.

The main goal is to venture a hypothesis: in mid-2016 , to find a trait that identifies how CSR is implemented inside the Italian companies and understand if hybrid organizations are a possible evolution of traditional companies, or if they are a valid alternative, or even only a particular derivation, or if they are two parallel worlds that move towards the achievement of identical, or similar, goals.

In order to prepare this part of the thesis, I decided to operate involving CSR managers to collect their direct point of view, their considerations, and their experience, which is based on long years of challenges in order to make the CSR more effective inside their companies.

The direct involvement was necessary for, at least, three main reasons.

1. The first one is related to the complexity of observing the concrete evolution of CSR practices inside companies. In fact, even if companies are transparent in this sense, often it is not easy to derive the path that they have followed to implement their practices.

This occurs for many reasons as, for example: The need to hide some information during the first years of implementation of CSR practices, in order to see if they will be truly effective or not, as it happens in the case of sustainability reporting; Sometimes, because the main practices adopted are made to develop internal standards that are implemented to create a more efficient system; Other times, because the initiatives are started, but they still have to produce an effect. The result is that an external observer can analyze the more recent initiatives.

This is useful, from one side, because stakeholders can immediately know the company behavior, or at least what the company shows in its website. Yet, if we limit our observations to these results, then we can only perceive the “final product” without considering the efforts made to achieve the goals. Therefore, the observer cannot derive the connection between the theoretical framework and how these practices have taken place inside the firm.

2. The second one refers to the impossibility of understanding the daily work of companies and how they conducted their operations. It means: How CSR is actually implemented and considered inside companies; How employees look at their CSR function, and what is the level of responsibility or the responsibility perceived by the companies' stakeholders.
3. Another reason was that including people with a direct and long experience in the field we have the possibility to catch their feelings and how they imagine the future of CSR. In addition, we are considering a system that was built upon the efforts of CSR managers and some virtuos CEO, who gave more room to people who expressed interest and competence to lead the change.

Hence, with the direct involvement of CSR managers I have had the possibility to create a trait that will guide us through the theoretical paths of the thesis.

The main idea was to sent a questionnaire inside the CSR Manager Network Italy, which is the national association that brings together professionals from all types of companies, corporate foundations, professional societies, public administration, non-profit organizations, which are

dedicated, full-time or part-time, to the management of social and environmental sustainability issues related to the company's activities. The founders were Professor Mario Molteni and Roberto Zangrandi, who back at the time was the head of Enel CSR. They believed that there was the need to collect those few who dealt with sustainability to strengthen the knowledge, the exchange of ideas and spread the practices where it was possible. The current members are about 120 and have around 5 occasions of meeting during each year. The idea is to create together a steady path of self-training through the public presentation of their researches and findings. There are also a number of side activities such webinars and special initiatives.

The starting idea was to directly send a questionnaire, but, thanks to the contribution of Fulvio Rossi, director of the Network as well as CSR Manager of Terna, I realized the difficulties inherent in the derivation of common standards through a general questionnaire which would include several respondents, particularly in such a variable field composed by companies that have applied the themes on sustainability and responsibility with different dimensions, timing, intensity and focus.

Therefore, we decided to send the questionnaire only to a restricted group of CSR managers, but from different sectors and different realities. Additionally, considering the necessity to include as many sectors as possible, I participated to the first public conference of ASviS, the Italian Alliance for Sustainable Development, where I had the possibility to record three interventions of different CSR managers.

Furthermore, in order to get all the necessary information about the new growing world of Benefit Corporations, I participated to two of their conferences, one in Milan entitled "Measure the impact of social innovation in the ecosystem: the B-Corp" and the other one in Rome at Luiss University.

Below, it is presented the table on which are showed the people interviewed and the minutes recorded.

Name	Sustainability referent of	Timing of the interview	Timing of the conference	Informal chat on these issues
Fulvio Rossi	Terna	70 minutes		
Giulio Lo Iacono	Enel	50 minutes		
Paolo Cerino	SACE	60 minutes		
Aldo Cristiano	Ferrero		17 minutes	
Marcella Logli	TIM		19 minutes	
Maurizio Beretta	Unicredit		17 minutes	
Patricia Navarra	Enel			20 minutes
Nicolas Schilder	Nativa B Corp			30 minutes
Enrico Giovannini	ASviS			45 minutes

In conclusion, in the next paragraphs is shown the most recent evolution of CSR functions inside Italian companies and is explored the role of CSR managers, examining and using as an instrument the two most recent researches of the CSR Network adding also the information that I have collected. The applied methodology consists in examining these concepts using an approach that permits a comparison with the hybrid organizations' theory and, in particular, using the five dimensions of hybrid organizing.

3.2) Organizational design and CSR units inside the Italian companies

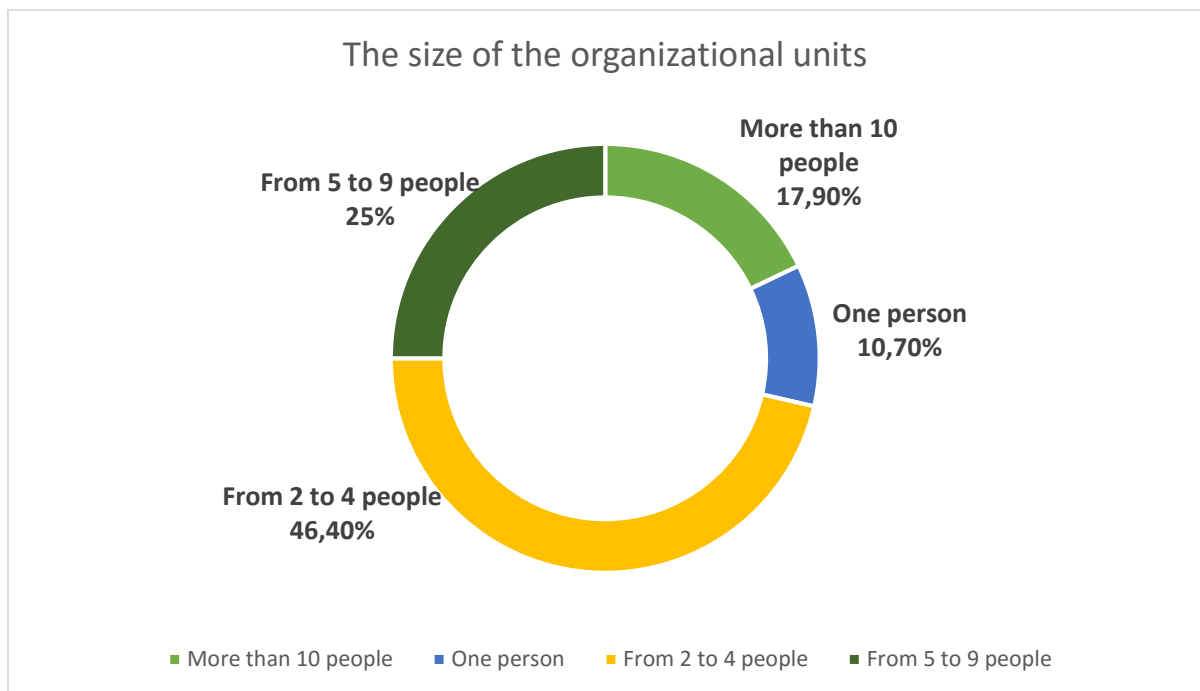
In 2015, CSR Manager Network published the paper "CSR units inside the big Italian companies" edited by Mario Molteni, Matteo Pedrini and Stefania Bertolini. The research conducted is extremely useful to understand the actual situation. In fact, paying attention to the unit of CSR, to its organizational position within the company, to its degree of proximity (ie carryover level) and its size, is useful to be able to better define the concrete development of CSR within the company and therefore the degree of attention given to the topic. The analysis was done on twenty-eight companies and three unit typologies have emerged.

1. dedicated units: In 78.6% of cases, the companies in question have a function within the organizational structure that is completely dedicated to CSR
2. combined units: in 10.7% of cases, companies have chosen to include the issues of CSR in a broader function. in this way the function that incorporates the CSR, in the cases

were "internal auditing" and "innovation management", should extend their field of competence

3. housed units: in the other 10,7% of cases, there is a contributor engaged in topics related to sustainability, but she/he works in a function that does not have the word CSR or sustainability in its name. In this case, either a person or an entire team can work within another function. The function's choice depends on the needs of the company and may be inside the "financial function", inside of the "planning function", or inside the "Health, and Environment Safety" function

The graph below shows the results of the number of components that operate in the CSR. Of these, as easily predictable, analysis shows that companies that adopt a housed or combined unit have a contained average size, while the dedicated units have a higher dimension, up to the four people. Actually, we must also highlight that often CSR units involve external collaborators. Therefore, even when the dedicated unit is composed by ten people, there is the possibility that other internal or external part-time collaborators are involved in the same or similar activities.



Source: "CSR units inside the big italian companies"

An explanatory indicator to understand the degree of importance that is given to CSR is linked to the carryover level. It is interesting to observe how much the carryover level varies from company to company, especially in regard to those companies that have had a formalization of the CSR (dedicated and combined units). Only five of them have a first level of carryover,

reporting directly to the Chairman, the Managing Director or Country Manager. Of these, three belong to the category of CSR combined units and two are CSR dedicated units. Among formalized CSR, seventeen units are placed in a carry second-tier compared to the top management, while the remaining three have a third-level reporting. It therefore emerges a tendency to place the CSR formalized units mainly at a second level of carryover.

It is also interesting to point out how all CSRs have a combined unit reporting directly to the top management, which suggests the existence of a direct relationship between the decision to combine the themes of CSR to a function existing and the ability to influence strategic decisions. The solution that provides the creation of CSR combined units allows the CSR managers to have the possibility to influence the decision making process of the function in which they lie.

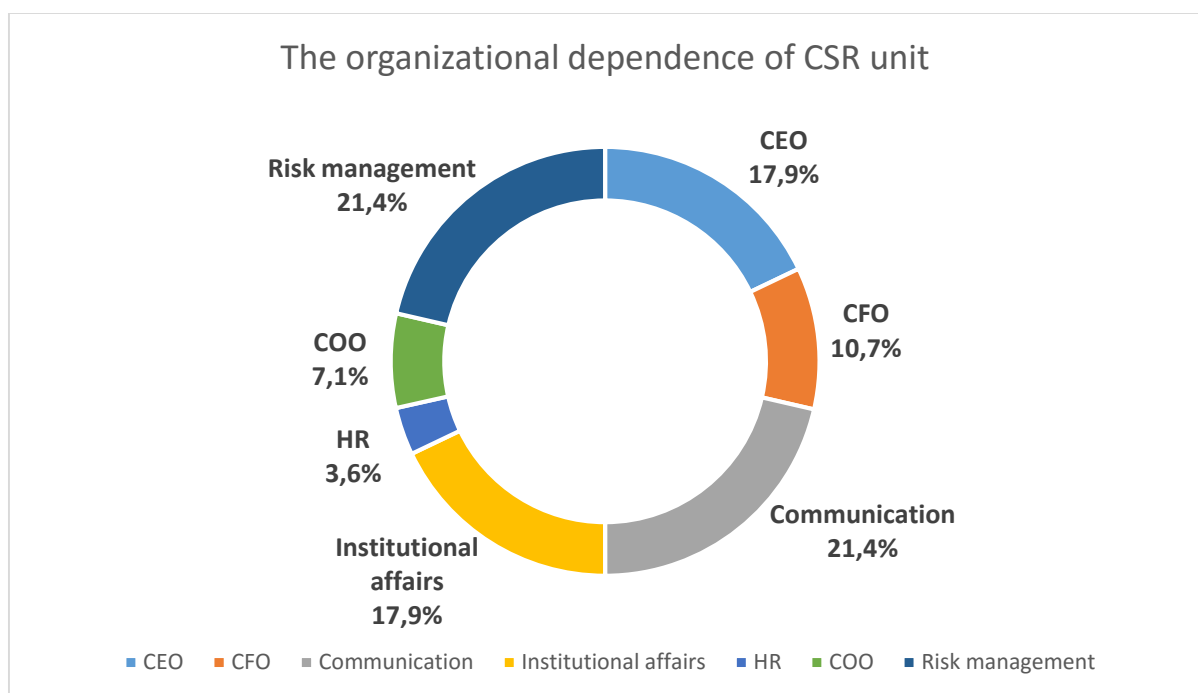
If the attention is focused on housed CSR units, so not formalized, on the contrary, it emerges a tendency to place the responsibility for CSR to a higher reporting level, in some cases even at a higher level than the top management.

Failure to formal recognition of CSR units emerges, then, as a factor that inevitably alienates sustainability issues from the "control room" of the company, indicating a lower ability of those responsible for CSR to interact with top management.

Another explanatory indicator is given by observing the combined function in which top management decides to introduce the CSR. As expressed above, only five companies have a carryover level of the first degree. In most cases, companies are characterized by a carryover level of the second degree. It means that the sustainability function is directly related to the director of the function they belong to. Therefore, the authors have clustered the principal distinguishing functions among:

- Risk management, where are included the six companies with CSR units that depend on functions which have in their name words such "Risk management", "Audit", "Compliance", and "Health and safety Executive".
- CFO, where belong all those units of CSR placed inside the "Administration and control" function. It is possible that these companies want to emphasize the non-financial reporting as a distinctive element of corporate communications addressed to the traditional financial world and to that of responsible finance.

- Institutional affairs, which includes the five companies where aspects of CSR are placed within a function where appear words like "Institutional Affairs", "public affairs" or "stakeholder relations". This organizational placement looks to CSR as a means to improve relations with all stakeholders.
- Communication, where adhere the six cases in which the organizational placement of those involved in CSR is under the direct control of the "Communication" function. Evidently, the aim is creating a positive communication in sense of sustainability, responsibility and philanthropy
- Other directions, where lie the cases in which the CSR functions are under the control of, for example, the human resource function, and mostly the aim is to have a focus on ecological aspects or initiatives for employees.



Source: "CSR units inside the big italian companies"

Also the analysis of the organizational placement of CSR after the many organizational restructuring implemented in recent years, particularly after the recent crisis, helps to understand the increased importance attached to CSR. In fact, an organizational change of CSR is strictly related to the objectives that the top management aims to achieve focusing on social responsibility practices and sustainability. Indeed, it introduces such a process whereby there is an increased focus on CSR, moving it from housed unit to combined or dedicated units.

For the large companies involved in the issues of sustainability, the inclusion in the Dow Jones Sustainability Index (DJSI) is a not negligible goal. Such inclusion is a signal that the commitment in Sustainability has now become systematic, in line with the most advanced international experience. Among the twenty-eight companies analyzed were present all Italian companies to date included inside the DJSI. Companies included in the index have organizational units generally more structured than the other companies analyzed. The common features are:

- They have an organizational unit dedicated to the CSR that, in most cases, reported in the second measure, CEO, and report directly to the function Institutional Affairs;
- among the companies analyzed are those that no longer have a unit engaged in the issues of sustainability, so that eight companies have set up a unit of dedicated CSR before 2007;
- Finally, on average, they have a larger staff dedicated to CSR than other companies not included in the index, with an average of eleven people involved in CSR against an average of four.

Another important index is the FTSE4Good Index. Below, the description of this index taken directly from the website of FTSE.

“The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Transparent management and clearly-defined ESG criteria make FTSE4Good indexes suitable tools to be used by a wide variety of market participants when creating or assessing responsible investment products. FTSE4Good indexes can be used in four main ways:

- Financial products - as tools in the creation of index-tracking investments, financial instruments or fund products focused on responsible investment.
- Research - to identify environmentally and socially responsible companies.
- Reference - as a transparent and evolving global ESG standard against which companies can assess their progress and achievement.
- Benchmarking - as a benchmark index to track the performance of responsible investment portfolios.”

3.2.1) The theory of Hybrid Organizing

In the paper “Advancing Research on Hybrid Organizing” by Julie Battilana & Matthew Lee published in 2014, the authors claim that although hibridization approaches, which, as we have analyzed in depth in the second chapter, contributed to the development of different methodologies, they lack of specified organizational features. What they propose is to focus more on the concept of hybrid organizing, an approach that permits to manage multiple organizational forms with a combination of institutional logics and identities. This approach involved five dimensions: one refers to the externally oriented aspect of hybrid organizational life and it refers to the “inter organizational relationships”; the other four reflect the internally oriented aspects of hybrid organizing and they are “culture”, “organizational design”, “workforce composition”, and “organizational activities”. These five areas refer to many aspects that we have explored in chapter two, thus exploring the hydrids world. The work that will follow is based on the analysis of these dimensions but from the point of view of CSR. We are going to analyze the five dimensions starting from the organizational design which represents the basis from which the company can manage and implement the other four dimensions.

From the scenario described in the previous paragraph, we can delineate different current trends that need examination in order to compare the characteristics of CSR’s evolution with the logic of hybrid organizing. There are many aspects to investigate in depth to understand what moves the organizational design. To proceed with coherence and have a clear framework, we must distinguish a hybrid organizations’ structure as one that should be able to avoid the constrast between social and economic/commercial goals. It means, separating the locations in which these decisions are made and creating space to permit a regular analysis of the trade-offs. Of course, the main goal is to create a hybrid system where the two goals are strictly interconnected and there is no need to create separations inside the companies.

The integration across dimensions is deeply different in traditional firms.

There are three aspects underlined by Battilana and Lee- but that can also emerge from the overall hybrids’ therories- that distinguish the organizational design:

1. The first one refers to the creation of a homogeneous character and a better definition of the objectives.
2. The second one refers to the ability to make less binding the link between shareholders and the company's owners.

3. The final one refers to the creation of a higher degree of openness to stakeholders.

Under this light, we can try to catch the linkages among these three goals for hybrids and the main aspects of CSR evolution.

3.2.2) The attempts to create a homogeneous character and a better definition of the goals

First of all, it is impressive the intensification of measures to confer a growing importance inside the firm to issues related to CSR. In the last ten years, there have been twenty-eight changes in the organizational structure and, precisely, eight in the period from 2004 to 2009 and twenty in the last five years.

As we have said, these re-organizations have had different nature according to the activities involved and they are strictly dependent on the interest of the top management to interact and have a first or second carryover level with the CSR.

Therefore, on one side there is a formal recognition of the CSR units. On the other hand, there is an advancement of responsibilities in order to proceed towards a progressive institutionalization of CSR inside the company. Five CSR units have a direct dependence, a first carryover level, with the top management. Whereas, seven CSR units have a second carryover level, they are combined units inside preconceived functions that have in their denomination key words like “sustainability” or directly “CSR”. To summarize, in 44% of these Italian companies top management has decided to create a direct dependence from a organizational unit which recalls the CSR.

What we can derive is a growing will to focus more on CSR themes and create an organization driven by the higher ideal to bring value from society. That is absolutely in line with the Porter and Kramer’s shared value theory, and it is also demonstrated by the broad tendency to denominate the responsibility and sustainability function as CSV (Corporate Shared Value).

The influence of the organizational restructuring is driven by business needs and the denomination is chosen according to social and environmental issues that the company wants to tackle. The strategic influence necessarily derives from these choices, which are based on the objectives that the company aims to achieve.

The path that companies are setting is therefore toward a greater affirmation and a greater institutionalization of CSR.

A definition of CSR that struck me was the one derived from the interview with Fulvio Rossi, CSR manager of Terna and director of CSR Manager Network, who defines CSR as a set of management tools to: limit the risk mainly related to environmental impacts; renew intangible capital; maximize synergies with stakeholders.

What I have derived from the interview with Fulvio Rossi is that the drive to create a more inclusive CSR is very strong and companies are moving in this direction, but it is not crossed yet. The themes addressed in the routine work could be different from company to company.

There are companies such as the public utility Terna -the Terna Group is a leading grid operator for electricity transmission and it is an independent service provider among the major players in Europe for kilometers of lines managed- where CSR mainly focuses its attention on themes like environment and stakeholder management, renewable energy innovation and infrastructure.

Indeed, what emerged is something more. It is not completely true that CSR concentrated its focus on pre-determinate themes. All the themes are involved. Yet, some themes are controlled by specific functions and other themes by different functions together. In fact, “renew intangible capitals” means also, as an example, that human capital has a dedicated function and its own history. There is not the need of social responsibility to make them informed that some of the practices they adopt are looking towards a responsible behavior. Or, in other words, the Personnel director did not consider his work inherent to sustainability, but “only” his profession. It is clear to the CSR manager how certain functions' activities are related with sustainability concepts and how they can be manipulated externally. He concentrates on the things that the company otherwise would not do, because its duty is to have the overall view. Therefore, the CSR function deals mainly with issues that do not have their dedicated government.

Sometimes it happens that someone, in the legitimate sphere of his competence, does things that the CSR managers consider valuable in terms of sustainability. These are valuable things, but the responsible one considers them only as the completion of his work. Practices with suppliers, integrity, fight against corruption, and so on, are all practices that are treated together.

It is evident that, when we compare two companies that operate in the same sector, the themes in consideration are similar. The change is given by the way in which these problems are faced

and it strictly depends on the strategy adopted by the company and the impact that its activity has on the territory. In fact, if we consider the multinational company Enel- which is the biggest electric company in Italy and operates in thirty countries in the field of power generation from thermal to renewable plants with nearly 89 GW of installed capacity- the topics addressed are mostly the same as Terna. However, the focus on relations with local communities, in Italy and in the world, is probably more pressing given, for example, the numerous investments undertaken in Latin America in recent years and, in general, the enormous impact that their plants have on the territory (for example, to build a dam or plant new electricity generators).

Giulio Iacono and Patricia Navarra have confirmed that all topics are addressed rigorously. In particular: taking steps towards the environment, taking steps to improve the working conditions of employees, searching for solutions to be adopted within the production chain, relations with suppliers, distributors and parties involved in the value chain, an environmental management accounting and, last but not least, relations with local communities.

In this case another problem arises, related to the management of the relationship with the outside community. All the decisions are made at governance level. Of course, the colleagues in the region have more the pulse on the situation, but they have to follow the guidelines and directives that come from the headquarter. Then colleagues of both communication and sustainability locally adopt the appropriate measures. For these reasons it is important that the headquarter level should be composed of people strictly embedded in socially responsible and sustainable issues. Furthermore, it is even more important that there is a CEO who publicly takes responsibility for being the biggest supporter of the sustainability of the enterprise, and who aims to achieve long-term goals through leveraging the responsibility and sustainability concepts.

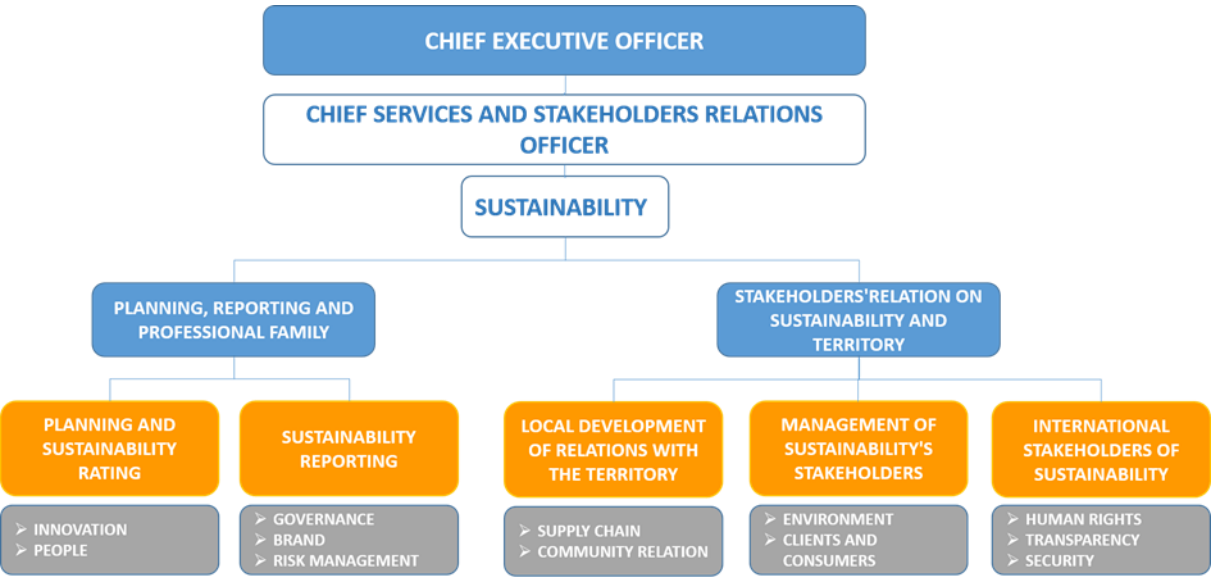
Therefore, to emphasize CSR, a process should be created involving as much functions as possible and in which top management faced constant reporting to the CEO. This process can only be built starting from the structure of the organization. The organizational position of CSR unit is therefore the key to understand the degree of attention to these issues and, at the same time, the objectives that the company aims to achieve in the long run. Thus, it is not sufficient to change the denomination of one's own CSR function in CSV if there is not a strong degree of involvement on the part of all functions.

The research of CSR Network records a sort of adjustment in the organizational position of those involved in sustainability. If in the past every company used to place the CSR in a very diverse position, nowadays two trends have emerged: the first solution is technical in nature,

because the CSR is often combined with or subject to the control and risk management, ie internal auditing or HSE (Health, Safety and environment), and the task is therefore to protection and containment of social and environmental risks; The second solution is related to the world of communications, public relations and institutional relations, therefore, the task here is to communicate as much as possible with all stakeholders.

The result is that each company gives an interpretation to suit its needs, therefore all depends on the choices of individual companies and the CSR concept adopted by the top management, but the focus is mostly on the field of risk and on the field of communication. To better understand this process of CSR's implementation, it could be useful to consider some example of big Italian companies, taken from different sectors, and analyze where and how they have positioned their CSR.

The example of Eni permits to understand how to CSR has been conferred an important role since the beginning until becoming a function with a carryover level of first level. In fact, it has been subject to three different organizational changes, from a direct dependence from the director of Institutional communication and affairs to become, in June 2014, a function with a direct report with the Chief Services and Stakeholder Relation Officer who has a direct report with the CEO. The collocation of CSR unit inside ENI is shown in the chart below.



It assures sharing, transversality and integration with all the company's structure and the internal processes, in order to answer the commitment of the top management, allows an overall vision and pursues a high level of overall performance, with a long-period vision.

As shown in the organizational chart, the internal organization is a matrix structure. It means that every person responsible has the duty to manage one or more processes and she/he is also the internal referent of some of the ESG (Environmental, Social e Governance) thematic, assuring the constant update and promotion of the objectives, the correlated activities and their representation to stakeholders.

Moreover, the sustainability function interacts with all the other functions through formal referents in each functions of the company. This includes the actualization of the planning processes, reporting, internal and external communication of sustainability, for the index responses, and for the realization of sustainability actions and projects which are competence of the specific functions.

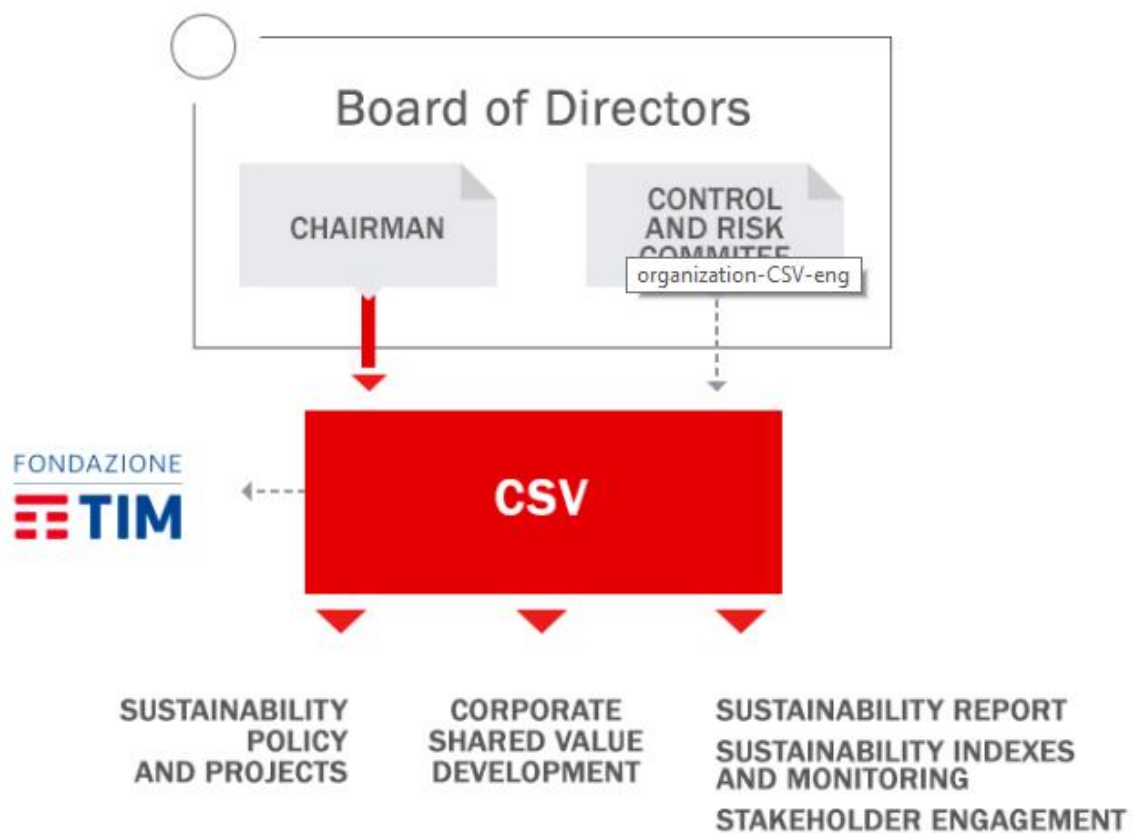
Furthermore, in 2014 was constituted the committee "sustainability and scenarios" inside the administration board "with consultative and advisory functions with regard to sustainability" .

For the FCA group, sustainability represents a way to conduct business that involves all the levels of the organization, from the top management to the bottom level. The company decided to create a team, composed of eight people, who performs the key role to spread the sustainability culture inside the group and promote the process of constant improvement, contributing to the management of risks, to the optimization of costs, to involve all the stakeholders, and to the enhancement of the group's reputation. Of course, in order to create these improvements, the team has also the possibility to interact with the environment, energy, innovation, human resources areas manager and, if there is the need, with all managers. The aim is to work together in the definition of the main intervention areas. The team is mainly supported by the function of Investor Relations because it has also the task to manage the rating agencies and Social Responsible Investors (SRI). As far as the carryover level is concerned, the team has a direct report to the Chief Audit Officer & Sustainability, which reports directly to the CEO.

In the telecom group, after diverse re-organizational structuring since 1997, in 2014 it the actual CSR function was instituted under the direct dependence of the president. The CSR function counts around forty resources distributed in the different structures which are articulated in this way:

- Sustainability Reporting, Monitoring & Relationship (33% of the total resources),
- Institutional Web & Social (33% of the total resources),
- Sustainability Projects (19% of the total resources),
- Organization of Sustainability Events (15% of the total resources).

After only two years the situation has deeply changed.



Source: TIM CSV “Our organization”

Nowadays, they strongly believe that the company must look at the creation of shared value and it could be possible starting from a total commitment to CSV.

“The Control and Risk Committee, whose members are all Board Directors, supervises the Group’s CSV activities. In particular, the head of CSV regularly reports to the Control and Risk Committee on issues such as the Group’s environmental footprint, climate change, social impacts of operations. The CSV team reports directly to the Chairman of the Group’s Board of Directors.”

In the Pirelli group the actual CSR direction “Sustainability, Risk Governance and Corporate Reputation” was created in 2011 and it reported directly to the president. It was composed of three departments: Group Sustainability, Risk Officer and Group Reputation.

The Director will coordinate directly with the Chairman of the Group and sits at the Sustainability Steering Committee (composed of senior management and chaired by President). It also reports to the board committee "Control, Risk, Sustainability and Corporate Governance", composed solely of independent directors.

The resources managed directly are centrally three, but with constant operational coordination with all the central management. Moreover, all countries who have a responsibility towards the National Sustainability CEO will functionally report to the Management Group Sustainability.

Nowadays, the organizational structure of the sustainability governance is presented in the website in this way:

“Governance of Sustainability is centered in the Sustainability Steering Committee. This high-level body was formed by the Chairman at the beginning of 2004 to guide the advancement of sustainability throughout the Group and it’s composed by the top-managers representing each stakeholder. The organizational structure is made up of a Group Sustainability Director, a Group Sustainability & Equal Opportunity Officer and a team of Country Sustainability & Equal Opportunity Managers, guaranteeing a common management among all Group’s affiliates. At a Board level, the Audit, Risks, Sustainability and Corporate Governance Committee monitors on the internal audit activity, governance structure, sustainability governance and risks evaluation. It is composed by independent directors including a minority shareholders’ representative.”

What we can derive from the examination of these different companies is that there is a strong introduction of the CSR’s themes at the board level. By now, it is clear that the implementation of CSR could be done at organizational level only if the CEO and top management create a constant relation with the CSR actors. Therefore, we have examined how companies adopt an organizational structure to permit the CSR to be more inclusive along all the functions.

I would also like to mention the organizational structure of Enel from the point of view of Giulio Lo Iacono, CSR manager of Enel for ten years: “CSR is present and it refers to the entire company’s system. Some years ago, it was only an office inside the communication office. With the arrival of the new CEO, it has become the direction “Innovation and Sustainability” under his direct report. Also in the organizational chart before it was a secondary function of the

communication field, with a very limited power. Nowadays, it is a function with a director who has to direct report to the CEO. Moreover, we can say that the true chief of sustainability is the CEO. In some way, he must be the true leader of sustainability. The Enel CEO has made industrial choices that have integrated the sustainability inside business operating decisions. Probably, it is for this reason that he was called to be part of the global compact board. The CSR function was composed of four or five people. Today, only at the level of central direction there are around thirty people, who are engineers specialized in the environment sector, statisticians and, in general it has increased the range of skills required to meet the challenge at the highest level.”

For hybrid organizations the organizational design must be based on the need to combine the different institutional logics, that is combining social and commercial goals. As we have said, the organizational design must be made to avoid conflicts inside the organization and not to permit that, for example, the commercial focus prevails on the social focus, and viceversa. This is the main challenge for a hybrid firm and researches are looking for definitive solutions. We have said that the theory of hybrid organizing overcomes the limits of some theories- aggregate multiple elements, separate multiple elements to permit the identities’ co-existence, create new elements- and look directly to the identification of organizational features. The main idea is to combine- not aggregate or separate the logics- internal and external aspects of organizational forms in the attempt to create multiple organizational forms. That is the meaning of “creating a homogeneous character” for a hybrid firm and this must be done with a clear definition of the multiple goals that the hybrid sets. Therefore, the organizational structure for a hybrid company affects the way in which trade-offs between social and commercial goals will be managed, as well as the creation of locations in which the decisions of such trade-offs will be faced.

As we can derive from the explanation of the organizational structures in traditional companies, the goal for these companies is not the same. The evolution of CSR has been necessary, and it will continue to be necessary, to strengthen the importance that responsibility and sustainability must have to permit the company to survive in the market. Companies are showing that they have assimilated the concept that the old way to do business doesn’t permit resilience to the change and a long term perspective. Yet, their primary goal is still conferring - they must confer greater importance to their shareholders. So there is no type of conflict between institutional logics, but the awareness that creating value for stakeholders is not against the idea of creating value for shareholders. We can affirm that the main goal for traditional companies nowadays is

to sustain the idea that the creation of shared value is fundamental to achieve long term benefits for both shareholders and society. Therefore, for a traditional company to “create a homogeneous character” means having the strong confidence that creating shared value is necessary to guarantee a higher return and a long term life. For this reason, it is remarkable the effort made by many companies to put CSR at a higher level with a direct report with the CEO and a stronger effectiveness. In fact, this is the first step to create a more sustainable and responsible company. As far as the “better definition of the goals” is concerned, there is a deep difference between fixing the creation of shared value with a high return for the shareholders and solving social issues while obtaining a commercial return.

On one side, we can say that the creation of a homogeneous character is an attempt that both hybrids and traditional companies are trying to achieve. For a hybrid, it consists in creating a homogeneous pattern towards the achievement of the two goals. For a traditional company, it refers to the company efforts to a stronger definition and implementation of shared value.

Of course, here we can still see a huge difference between the two ways of doing business today. From a traditional company’s point of view, even if they don’t have to combine two or more institutional logics, having a clear definition of the goals that they want to achieve cannot be solved only with putting CSR at the highest level of the organizational chart. Hence, we need to explore in depth the change of the organizational structure and, in order to do it, it is necessary to consider also the other two aspects proposed by the hybrid organizing theory: to make less binding the link between shareholders and the company's owners, and create a higher degree of openness to stakeholders.

3.2.3) The link between shareholders, investors and company

“If you can measure it, you can manage it.”

Robert S. Kaplan

The research of Battilana and Lee on hybrid organizing is concentrated on organizational forms but, as they confirm, hybrid organizing relates to both internal and external aspects of organizational life. In this section we must consider also the other levels of impact of different institutional logics. Particularly in our analysis of traditional companies, we will observe how companies organize, inside their organizational design, the different identities that involve the relation between the goal to create shared value and fulfill shareholders’ needs.

The hybrid organizing approach is focused on how companies manage the pressure of competing forces to build an organization capable to distinguish between the shareholder's interest and the satisfaction of social needs.

In this case, there are many similarities in the process that distinguishes hybrids and traditional companies. This is a process that revolves around two concepts: clarifying mission and objectives; and attracting socially responsible investors.

In both cases, shareholders must have very clear the mission that the organization wants to follow. If there is no clear evidence on what the company wants to implement in the course of its daily life, shareholders will always be disappointed, because they would not support initiatives that go outside the creation of short term revenues. On the other hand, if in the implementation of commercial goals, the social needs are not be satisfying, this will create an overall dissatisfaction from the beneficiaries' point of view and a sense of frustration on the part of those who worked in the firm and have the aim to achieve the social needs.

From a hybrid point of view, this challenge is incorporated in their same existence. What they have to do is to convince shareholders and Socially Responsible Investors, that there is a right balance between commercial and social goals. If the organization succeeds in maintaining a balance between these two goals, it will probably attract more investors and it will be seen as a model for other enterprises.

The problem is also related to maintaining unaltered the mission after long years. That is the reason why the process should be well defined, in a way that future owners or future shareholders would not have the possibility to undermine the company's mission.

Nowadays, traditional companies have a very similar path to follow. For long years, they have had just to represent the needs of shareholders and the fulfillment of a social purpose was surely not considered as an "ordinary procedure". As we have said, especially in the last ten years, there has been a change in the perspective. Companies have understood that the clarification of long-term objectives, is a necessary condition to make sure that shareholders invest on sustainability and actions that permit resilience to change.

Again, when Battilana and Lee refer to the organizational design, they look at three aspects involved in this theme: organizational structure, incentives and control systems, and governance.

Therefore, one of the most important points is attracting the Socially Responsible Investors, making clear the direction that the company wants to follow. We have already said that socially responsible investors are those investors who value their investment opportunities considering not only the economic return of a company, but including also if a company behaves in a socially and responsible manner and, most of all, how companies work to implement their socially and responsible practices.

What are the instruments that companies use to demonstrate their efforts towards a sustainability implementation and to be observed from a thorough point of view?

Even on this theme many changes have happened. The result of the interviews I made permits to delineate the path that has distinguished Italian firms in the adoption of adequate standards and measures. The speeches that CSR managers do today are not the same as ten years ago and, also thanks to a strong comparison between companies, a few things have happened that have brought a change. Yet, the real change towards a greater attention to the materiality themes has become very strong with the GRI4 and the Integrated Reporting. Until ten years ago, the Integrated Reporting was a practice adopted by very few companies, but today companies are almost obliged to follow it.

This kind of obligation has given more power to the CSR men to confront the management of material themes and make a transition of issues that initially was very difficult and, sometimes, it is still difficult: to perceive the connection between the two worlds of performance sustainability and value creation which were initially separated. Therefore, this is a big difference that has sparked many interesting mechanisms.

All the interviewed agree on this concept: although some companies adopt the denomination of integrated reporting, it doesn't exist yet. There is not an international framework with common standards for the integrated reporting. In fact, a true integrated report should integrate economic, social and environmental aspects. It means, giving an economic result for all the social and environmental aspects the company impacts as, for example, giving the exact percentage of ROI at zero emission. In order to do it, combined indicators would be necessary, which should integrate the economic, social and environmental dimensions.

There is a committee, the IIRC (International Integrated Reporting Community), that had the merit of having defined a set of principles-a principles framework- with principles that must be respected: materiality, connectivity of the topics and building blocks. There is the GRI, Global Reporting Initiative, and there are work groups. Anyway currently there is not a common

standard in the world yet that quantifies the impact of companies' activities on the social and environmental fields.

The real standard currently utilized is the GRI. It is the most accurate reporting standard on sustainability and the most followed. It proposes quantitative and qualitative indicators divided in sectors: energy, services, finance, communications, chemicals. Some are transversal to all, some are specific to the sector. It is based on the GRI that investors SRI assess as the sustainability performance of the company.

TABLE 5: CATEGORIES AND ASPECTS IN THE GUIDELINES				
Category	Economic		Environmental	
Aspects ^{IV}	<ul style="list-style-type: none">• Economic Performance• Market Presence• Indirect Economic Impacts• Procurement Practices		<ul style="list-style-type: none">• Materials• Energy• Water• Biodiversity• Emissions• Effluents and Waste• Products and Services• Compliance• Transport• Overall• Supplier Environmental Assessment• Environmental Grievance Mechanisms	
Category	Social			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects ^{IV}	<ul style="list-style-type: none">• Employment• Labor/Management Relations• Occupational Health and Safety• Training and Education• Diversity and Equal Opportunity• Equal Remuneration for Women and Men• Supplier Assessment for Labor Practices• Labor Practices Grievance Mechanisms	<ul style="list-style-type: none">• Investment• Non-discrimination• Freedom of Association and Collective Bargaining• Child Labor• Forced or Compulsory Labor• Security Practices• Indigenous Rights• Assessment• Supplier Human Rights Assessment• Human Rights Grievance Mechanisms	<ul style="list-style-type: none">• Local Communities• Anti-corruption• Public Policy• Anti-competitive Behavior• Compliance• Supplier Assessment for Impacts on Society• Grievance Mechanisms for Impacts on Society	<ul style="list-style-type: none">• Customer Health and Safety• Product and Service Labeling• Marketing Communications• Customer Privacy• Compliance

Source: G4 Sustainability Reporting Guidelines

In the table above are described the three categories that each company should consider in their integrated balance: economic, environmental and social categories.

Therefore, analyzing the Integrated or Sustainability Reporting of different Italian companies, these aspects will surely emerge. Here we have to open a little parenthesis and specify a bit more. Each company has the power to decide how to conduct its reporting. For example, Enel has decided, coherently with the fact that a real integrated balance does not exist, to distinguish between consolidated balance and the Sustainability Reporting (even if in the consolidated balance there is a chapter on sustainability). This method permits not to confuse the idea that the possibility exists to economically evaluate the social and environmental impact with certainty. Again, indicators equal for every company do not exist and that should be respected from all companies. Therefore, it is not possible to compare the sustainability, or integrated, reporting from company to company with the idea to compare them. They have just decided to voluntarily follow the GRI guidelines, but not common technical standard. There is not an international reporting standard on the integrated balance, neither a national one.

As Paolo Cerino said: “Many companies make the Sustainability Reporting and the Integrated Reporting, but they are self-certifications. That is, they are tales, a story telling, of your business. There is the high risk that they become a marketing document. What matters is making sure that the sustainability report is a strategy driver, this is the main difference.”

Therefore, it is possible to compare different sustainability or integrated reporting with the only idea to catch the common elements adopted in years 2014-2015. For example, comparing the sustainability report of Terna, Enel, Eni, Unicredit, SACE, Telecom and Ferrero we can observe that they all follows a similar structure:

- 1) Letter of Chief Executive Officer and the Chairman, which demonstrate the direct involvement of the CEO to the sustainability themes
- 2) Company's profile
- 3) Stakeholders management and engagement
- 4) Themes related to the economic, social and environmental responsibility
- 5) GRI content Index
- 6) Independent auditors report

From the author point of view, this way to proceed is perfectly in line with the same idea that hybrids have to attract new investors and create awareness of the sustainable and responsible paths in shareholders' mind. Or, in other words, the sustainability or the Integrated Reporting, which include the CEO involvement, the core interest on stakeholder's engagement, the analysis of indices and, sometimes, the analysis of independent auditors, is the instrument that changes the relation between shareholders, investors and companies similarly to what happen in hybrid firm. Indeed, the core interest of hybrids is to solve a social issue. All these measures self-introduced by the companies and that some companies have decided to implement, are an extraordinary step that narrows the two systems of hybrids and traditional companies.

Of course, all these principles are not easy to implement because they require a high company's maturity. If company could make an integrated report, but this report does not exist, so who have the skills and the right to do so? Who arrogates this bond? It is necessary to create a team.

That in itself is an extraordinary fact: to see how these topics speak to each other, how they integrate different visions, by people who deal with different things.

At the moment, companies can try to explain the connections from the qualitative point of view and theorize some predictions on the economic/monetary effects in the long run. But above all, companies today can and must wonder what value have certain assets and certain processes, which maybe some years ago they took for certain, and what is possible to do or what is deeply necessary doing, to be more careful.

This is true even in human resources and it is true also in other consolidated areas: making a new system of performance evaluation, it is possible to understand the impact on productivity. Or at least, companies can understand what corresponds to the positivity or negativity of a given function and starting to derive some future solutions.

This is a convincing way. Inside academic circles there are already discussion on the concept of natural capital, ecosystem services, i.e. how much the company should pay to get what it needs for ecosystem services that no one pays. That is to say that the concept of enhancing the externalities begins to become more and more concrete. Therefore, companies have already started wondering how they can keep these things.

The integrated report is a very powerful mechanism to wonder how all these topics are held together. One of the slogans that are used is: Integrated Thinking.

The concept of Integrated thinking moves hand in hand with the Integrated reporting. It is possible to make a real integrated relationship only when the company begins to think in an integrated way. That's why it is necessary that teams contaminated one another and viceversa.

Today companies understand that this Integrated Thinking is slowly entering and is convincing. So these steps are concrete. The integrated reporting is part of this mechanism.

We cannot say that the integrated report is crucial, because it is still very little practiced. For sure, it represents one of the instruments for which future shareholders and investors will base their assumption on companies' behavior.

Again, we can find some commonality with the hybrid's case. Hybrids could be small or big companies and they can work in all kind of sectors whatever there is a social or environmental need to satisfy. Indeed, the same considerations can be done for traditional companies, that can assume different forms and can work in all sectors. Therefore, without doubts the considerations made can be applied in different contests independently from the nature of the firm.

For example, the instrument of sustainability report can be useful for all kind of traditional companies, from the energy companies to the financial or insurance companies.

Using the word of Maurizio Berretta director of "Identity and Communication" function of Unicredit: "The goal is to safeguard and follow important projects on sustainability. The photography that comes with the Sustainability Report is how to move in the direction of the business in a consistent manner. The mechanism finds a significant consistency and is an important way of making and decline our business."

As we said before, the real important thing is understanding how the sustainability report can help to derive better strategies in the future. I would like to report the words of Paolo Cerino, CSR Director of SACE because, in my opinion, they are really useful to get the transformation that CSR can bring inside the operational process. They also are particularly explanatory to understand what means create a system that has the goal to draw a good sustainability report:

"We have a function of the environmental impact assessment maintained and strengthened over the years. This function assesses the social and environmental impact that the transactions guaranteed by SACE towards their territories or institutions where they are made: dams, electrodes, railways, highways, to be produced with funding that SACE is called upon to ensure. Before you do something like that, the company must answer to certain questions: are

confirming to international standards, it means the Common approaches¹⁶? Are they complying with the rules of SACE? Are they consistent with the economic, sustainability, financial, social and environmental rules of the project? If this stage of filter that is very strict and very technical is exceeded, then SACE engages in this project.

The guarantee is given further by a third party: TUV Italy. The certifying body ensures that the information told by SACE are true. It is not a sustainability certification. Simply, if SACE choose to comply with the GRI 4, the certification body, once studied the sustainability report, it can affirm that SACE sustainability report is prepared by following timely and correctly with GRI4 standard. The documentation said that the sustainability report exists and is correct. In addition, the Institution does not allow you to omit the negative things. So much so that there are considerations - a sort of assurance - which are recommendations on some areas. So you carry even homework for the following year. Until last year there was an award of a degree (their A +). Now only the compliance or non-compliance.

SACE has drafted eight editions of the sustainability report, but after the first four they have decided to show it, but adding also the certification. That is a support from an assurance by a third party. If the company write the sustainability report alone, those who read it has no guarantee. On one side is a source of pride, on the other side it is a source of great commitment. It involves all the structures, not only in the time of reporting. When you're doing a working activity, you should give an account of that work later this year to a third party and it will look directly in your database. Not the extraction of your work, but where is the information that you tell. In the sustainability report in fact we tell the company, with minor details compared to the administrative budget, also from an economic and financial standpoint, giving the reader the opportunity to have sufficient amount of information to learn well the company in a circular manner.”

Furthermore, some investors ask, in addition to the GRI, also additional questionnaires such the Dow Jones Sustainability Index, the FTSE4Good Index, the VGO (Vogogo Inc), which are

¹⁶ The International Standards are called common approaches. Then there are a series of standard that are used from similar firms which apply common rules and they try to not doing dumping from this point of view. Each firm tries to adapt at a minimum level requested

indexes or funds that evaluates the company's performance and then influence the choices of who invest in the company.

Again, I would like to mention Giulio Lo Iacono that said: "Today, there is a considerable share of the capital of Enel held by socially responsible investors. It is also a concrete way to measure confidence. Socially Responsible Investors do not invest on the company if it does not have certain credentials in terms of economic, environmental and social performance. Investors assess their decisions on the GRI and specific questionnaires. In the world 70% / 80% of the companies that make the sustainability report follows GRI standards¹⁷."

The socially responsible investor -which is part of an entire category- assesses the economic and financial return of the companies, and this assessment also evaluate the company, for example, on how it treats its employees, any dispute that it had with local communities, how to manage the waste disposal system and so on.

Concretely it takes place a conference call among colleagues of sustainability and those of investor relations, as an example with the analyst of London or New York, where they ask them specific questions such as: why there were these disputes with the community? What is the impact of the spillage of liquids or water recycling? And the company has to respond point by point because investors technically evaluate the company on the base of its own performance. Therefore, socially responsible investors are those who measure their own portfolio decisions on these parameters.

Last but not least, there is only one important thing we have to outline. In order to conclude this overview of instruments, which permits a better performance and a more transparent system for shareholders and investors valuation, we have also to include the auto-discipline code for listed companies. This code calls to listed companies in the FTSE-MIB list to adopt a committee of the Board on sustainability. This is an important step because in Italy the existence of regulatory

¹⁷ Between 18-20 of May placed the fifth world conference of the Global Reporting Initiative, where have been discussed themes as: collaboration for action, innovation and the role of business, the technology revolution, building trust and the multi-stakeholder approach, and future considerations. These are the conclusive words of the GRI's Chief Executive Michael Meehan: "*There have been so many ideas tabled, projects discussed, and even new initiatives born. Vision without action is merely a daydream. Action without vision is just passing the time. With both, you can change the world.*"

indication does not necessarily mean a fundamental change in behavior. In a nutshell, companies can just respect the form. But the fact that the term sustainability must enter the agenda of a listed company is something more. Several companies have still nothing in the issue of sustainability. They will must ask themselves a question on this issue and it is an important element.

These are real growth step. As we can see, there is not only the fact that companies talk more about these themes, but there is something deeper in act through a more complete application of sustainability in all its forms.

In conclusion, we have explored the most recent actions undertaken by some Italian companies in terms of reporting their activities with the aim of make their company as transparent as possible to the eyes of investors, shareholders and stakeholders. In the opinion of the writer, these attempts, these paths that companies have built and that are following, shows similarities with hybrid's necessities. The terms of this thinking lies on the fact that business is moving toward new horizon, which are more sustainable and responsible.

Let's going now to examine the approach that both hybrids and traditional companies create to involve their stakeholders.

3.2.4) The development of a higher degree of openness to stakeholders

As we have said, the concept of stakeholder engagement has become central in the discussion of both hybrids and traditional companies. In the previous paragraph we have explored the instruments utilized by traditional companies to make them more transparent at the eyes of shareholders. But of course, the usage of sustainability report is useful under many points of view. It represents the company and permits completely to catch different sensibilities and different needs. In this case, the aim of traditional companies is not different from the aim of hybrid organizations. Indeed, the engagement is a priority for all of them. The only difference could be seen in how this priority has taken place inside the organizations. In small and medium enterprises as well as hybrids, they are strictly embedded in the territory since the beginning.

Or, if we consider the B Corps' case, the concept is creating shared value. As Paolo Cerino said: "They are more a CSV rather than a firm with the aim of develop sustainability. There is not only the fair ethical duty, but something more. There is a sort of survival duty to share their value, both tangible and intangible, with their stakeholders".

Therefore, since the beginning of their activities they have to include as stakeholders as possible.

Big enterprises instead have always considered their stakeholders, but the main attention was being focused more on shareholders. That is the reason why they immediately found measure to adopt the Integrated External Engagement theory, because it was observed a lack on their stakeholder engagement

Yet, the need to include all stakeholders and create a higher degree of openness with them is the core interest of every kind of companies. The aim is that each stakeholder has the awareness to impact with a responsible firm.

The company's mission is to create a strong relationship of trust with all stakeholders. How the company at organizational level analyze this relationship?

The most important instrument is the analysis of materiality: the process by which you define which are the relevant themes. A company defines what are the relevant issues in this way: it does both reporting to the sustainability report and the integrated budget in perspective, both for the planning phase.

Who is responsible for the sustainability report cannot just define by himself which are the priority issues. She/he must listen the stakeholders. The materiality analysis arises from the intersection of the priorities expressed by stakeholders and priorities expressed at the strategic level by the board. Clearly, the issues that will be the priority for both the stakeholders and for the top management, will be a priority issue. There will be the company's focus for both the sustainability plan and the sustainability report. The result corresponds to the most material issues.

When I asked in the interviews if there exist the will inside traditional firms to get involved all the stakeholders, CSR managers gave me similar answers. Precisely, the question was: Is there a common will to get involved all the stakeholders? Stakeholders engagement is inside the entire system? Is it something that everyone wants to achieve?

The answers refer to the difference between B Corps' mission and companies' mission. The B Corp's mission is a polymorphic mission, and the same is true for hybrid organizations: there are, since the beginning, different purposes and that is the most important node.

“If I were to say what is the thing that is less digestible by the enterprise system it is precisely the reasoning on purposes” said Fulvio Rossi. Some CSR managers is attracted from the B

Corp movement. But is still very present inside companies the pressure to generate results in the short term. That is a rooted and sustained vision from cultures generated by markets. Nowadays, companies are trying to make efforts in giving at the company a more “complete” role. Yet, it is possible but with a managerial attitude which stays at the role of the business game. There is a prevalence to create value for the shareholders and that is right. Yet, it doesn’t mean that there is no space for stakeholders, and it is possible to use the numerous arguments that explain that there is no contradiction to have attention towards the environment and the creation of value also for stakeholders. The point is making clear that the short term prospective is less worthy for both companies and shareholders as well. If companies stop to look at the quarterly balance - the short-termism- but they enhance the focus on ten, twenty, or even thirty years, then the company can really assume an attitude much closer to those of hybrids and B Corps.

Nowadays, inside some big Italian companies, there are attempts to include all the stakeholders, but what happened in the majority of cases, is that they considered the most relevant stakeholders according to the company’s needs.

Nevertheless, from the organizational point of view, especially in the last decade, there have been made huge progresses. Nowadays CSR function in the organizational structure is used mainly inside the technical or support function and, except for some rare cases, it has no role in the generation and formulation of strategies. The path towards a greater affirmation and institutionalization is still long and the CSR’s duty is that make its contribution clearer.

How the CSR’s contribution can be more effective and, most of all, precise in its definition?

This kind of change can be done by an examination of company’s culture, workforce, organizational activities implemented, and inter organizational relationship. That are exactly the same areas involved in the definition of a hybrid firm. Therefore, we have taken in exam organizational structure because it is the explicit way for a company to manifest its will to be more effective in the creation of shared value, but we have to examine other dimensions to grasp all the CSR/CSV potential. So, how traditional companies work in these areas? There exists convergence between hybrids’ effort to implement these areas and CSR measures? Are there similarities between the researches on hybrids and traditional companies?

We have studied the stakeholder engagement, as well as the attempts to create a homogeneous goal and a better link with shareholders, under the organizational structure’s point of view. Indeed, these aspects are closely related and particularly influenced by dimensions such culture,

how influence the workforce, how organize the activities, and which relationship should be created to improve the entire process.

In the next chapter we are going to examine these four dimensions, and we will compare them with the hybrid organizing dimensions.

3.3) Hybrid organizing dimensions and the role of CSR manager

Using the hybrid organizing theory we have explored the organizational design both for hybrid organizations and traditional companies. In this section we will observe the other four dimensions proposed by Battilana and Lee in their paper “Advancing Research on Hybrid Organizing. Insights from the Study of Social Enterprises”. Specifically, we are going to observe the concrete actions that companies undertake to implement the four dimensions in the CSR perspective.

First of all, the dimensions of culture and workforce composition are the most relevant issues. The first question that hybrids must respond is “how can we instill value in the culture to better improve our mission?”. The second questions must be referred to “which kind of workforce composition we want?”.

These basic questions are fundamental indeed, because culture and workforce are the internal elements that permits a real change. An organization that base its structure on a strong and well-defined culture, and which employees are proud to work in, it will have more possibilities to concretize its mission. These considerations are true for all kind of organizations. Create the conditions for a bottom up approach, rather than base uniquely the drive of the change at the top management, is more than necessary to create a good and flexible environment.

In the hybrids case, the organizational culture should be based on shared values and norms of behavior that fit the multiple elements that affect the firm. If we refer to a social enterprise, the culture’s aim should be focused on make sure that all the members have a well-defined understanding of the goals that the company wants to achieve. It shouldn’t base on the simple awareness of the composition between business and charity, rather it must affect the daily activities to avoid conflicts inside the firm. This system needs an acquired working experience and people able to accept the necessary trade-offs. Therefore, hybrids should hire people which have different social or business backgrounds, and that understand the values on which

the organization is driven by. The challenge is to attract people disposed to develop new initiatives to manage the limits imposed by the hybrid form. Socialization policies are also fundamental to address individuals towards the research of new innovative solutions.

Of course, impress a broad culture in the workforce is the fundamental step to guarantee a common ethical behavior. The organizational activities in which the company will succeed, there will be the result of this internal virtuous approach. Moreover, as in the hybrids' case, more the activities will be valuable and effective, the higher will be the possibility to create partnership with other actors in the market.

Starting from these considerations, the goal is to explore concrete actions of traditional companies and consider if these actions could be associated with hybrids' behavior.

Researchers suggest a possible comparison between CSR activities and hybrid organizing and our aim is to exploit this path suggest from different authors.

Hybrid organizing can be a method to look at CSR system, or it could also be useful to consider NGOs that want to introduce commercial activities, therefore assuming the hybrid form. In fact, there is a sort of continuum between organizations that pose business and charity at the core, and those organizations, as traditional companies, that put it on the periphery. Battilana and Lee remind that some evidences show that at giving more importance to charitable CSR activities, there will be a corresponding employees' understanding on the importance that their work has. Of course, in these situations could emerge a strong similarity between the two organizational forms.

Yet, we must add the consideration that CSR activities are mostly related to concepts as: bettering workforce conditions, gender equality, adopt and respect the code of conduct, measures to guarantee a better working system, create a good environment to work in, create a system which take care of its customers and people, respect of the environment, and so forth.

The point is that today charitable activities are not exactly the core of CSR, but they represent a sort of peripheral actions adopted by virtuous firm.

Below, we will explore some cases in order to understand which are the principal measures adopted by companies that impact on the overall set of dimensions, and which initiative they have adopted. In the opinion of the writer, the best way to understand how culture, workforce composition, organizational activities and partnerships are managed, what moves them and how they work within the company, you need to understand the specific steps taken from the companies and also, where is possible, as it unfolds every day the working life.

Moreover, this is the most concrete approach to compare the two organizational forms and derive if there are similarities. Of course, below there is the description of those companies from which I have obtained direct information and it means that the following reports are also based on the results of the interviews.

At the end, we will understand if some initiatives could be considered as a measure closer to those relative to hybrid organizations, i.e. measures that have an economic return for the firm, or if they should be considered as “charitable activities” thus eliminating the connection with hybrid firms.

SACE

When it was not burst the financial bubble and the Lehman Brother case, already was important define ethical values. To identify the values and a code of ethics, one must start by listening. Any CSR activities start by listening to stakeholders, and this requires a very strong listening skills.

For example, analyzing the case of SACE, even before the theory of stakeholder engagement, listening to their stakeholders they have distilled five founding values and collateral values. Around these have begun to build up an ethical framework within the company which consists of rules, values, procedures, behaviors, suggestions and stimulations from the simplest to the highest since the company's commitment point of view. To give the impression at people to live in a world that would enhance and develop ethics and contrast and, where necessary, punished all anti-ethical behavior and that has consented through a cultural change, and taking many young (average age under 40 years 33% of staff are under 40 years) to ensure at the root of company's sustainability to going in deep. People have already introjected know that the code of conduct is this. This becomes the layout of the company. It is a criterion for very high transparency. They all work in open stage, from top management to the trainer. There is this concept of high transparency, great sharing, give priority to the team-building method. So it is difficult that the person works alone and there is not the senior manager that works alone. Decisions are always shared. No one has the ability to bind the company's desire and this is also a big deterrent to avoid the issue of non-transparent and non-fair operations. Through this mechanism, sustainability is really entered within the company. When they must express their system in the website, it is done with the story of successful cases against for suppliers, customers, staff, and so on.

The crux of the matter is taking steps to improve the working conditions of employees. Each company has a different approach. If we think about Unicredit, TIM, Ferrero, Enel, Terna, they all will have a need.

SACE has 750 employees, 12 offices in Italy and 8 offices worldwide but small offices in smaller units. To get an idea of the ability to create a value to be distributed to all stakeholders: their wealth are their people. As Paolo Cerino proudly said:

"Our women and our men are the heart of this company. They are holders of those skills, those feelings and those values which constituted the real wealth of the company".

That is why SACE today is growing. He invested all about people: on the selection, training, development of skills, the organizational ability to develop business, the customer care capabilities. But, staking everything on people.

"We do not have an agency network through which convey our products: we are we going by our customers, we who have relations with the institutions, relations with suppliers. Make the most of small size, all focusing on people. To be truly sustainable, betting everything on their women and men. It is our focus".

What is CSR? This is a question that would be better to make employees and all stakeholders and SACE customers. In your opinion, the company meets these requirements? The company every year in a survey on customer satisfaction asks stakeholders if the company meets sustainability requirements. Every year commissioned a research institute, asking through some parameters to see if the company is perceived and lives with a focus on sustainability. The company must always ask what kind of approach offers

In addition, there is a survey on People satisfaction aimed at employees

A policy adopted by SACE is that of transparent doors: there is a mutual transfer of knowledge even just visual. They also create a glass house environment. They will exchange information and ensures effective real level of transparency.

CSR also manages an internal communication newspaper. Every 15 days in three minutes recounts the important things that happened in the company. It is a further signal, didactic work for people.

There is additionally a complex of staff benefits: corporate bike sharing, insurance policies, health policies, support for children, the elderly, parents, blood donation. With these

instruments the company deal with the employees, the aim is to feel them important. It is not instrumental but is educational.

Do it in the company makes sense because people who work in SACE are of a very high profile, the pleasant working environment and free of structural problems, higher salaries, computers last generation: there is a risk that all people inside feel privileged. Through indirect signs creates a relationship between essential subjects.

“The blood donation can bring out your own frailty, or show it to people like you anything if he misses a hoarder by you. In these situations, there is the subject: from top management to the trainer we are all equal. It helps those more aware to bring them back to earth and older to convey value. The company must be unambiguous in the message. Unique in the formulation of concepts definitely people absorb them in a quicker and complete”.

In conclusion, I would like to mention also the fact that SACE has a partnership with the B Corp “Fratelli Carli”. It is an example of a traditional company that know the world of B Corp and it values the B Corp’s quality. This kind of partnership can improve the image of the company and is a concrete example of how these companies’ forms talk each other.

Terna

Terna is a company that is investing in sustainability with a 360-degree view. There is a strong stakeholder engagement. Obviously the impact the company has on local communities is extremely high, and for this you need a direct involvement of land owners to build new facilities; of the energy producers who want to connect to the network; of the shareholders; of the employees; of the environment, and this will include the animals; but there is also a strong emphasis on future generations.

Terna has defined its own "model of stakeholder management", defined following the standard AA1000 Stakeholder Engagement Standard (SES) developed by AccountAbility.

Attention to Sustainable Development Goals is very strong in this case and there are many goals that are directly part of Terna's objectives.

Goal 9: Industry, Innovation and Infrastructure

Goal 7: Affordable and Clean Energy

Goal 12: Responsible Consumption and Production

Goal 17: Partnership for the goals. Obviously it is not easy categorizing the activities and to include them in determinate goals. In Rome, in June 7, 2016, it was signed a new pact for energy and environmental sustainability between Terna, Legambiente, WWF and Greenpeace. This is an example of the very strong and concrete commitment that the company has to improving the process towards a more sustainable development. It is an agreement aimed at better integration of electricity infrastructure on the territory. In addition, over the years there have been many environmental and social partnership also with Lipu, COOPI and ARCI Milano.

In addition, even in the case of Terna they have taken part at many initiatives to have a better relationship with the community. Following his code of ethics and its commitment to sustainability, Terna participated in and financed a number of initiatives in different fields.

For example, by a section of the site "construction transparent sites", implemented not by the CSR function, but by colleagues who manage the relationship with suppliers, where there is all the information on construction sites.

As for the initiatives that fall under the definition of "Charitable activities", there are many initiatives to the community:

- The project of "social farm" in Sicily. "The" Social Farm "will be a sustainable enterprise capable of performing production activities integrated with the supply of cultural services, education, welfare, training and employment for the benefit of vulnerable people".
- The supportive home. "It is a residential, family size, which will respond to emotional and educational needs of children from dysfunctional families strong. With this realization there are three family houses followed by Ai.Bi volunteers and run with the help of Terna. "
- PT06 for art contemporary "art looks ahead" for contemporary art.
- Terna is also characterized by a strong commitment to the nonprofit with different projects.
- It is also right to mention the electrification project in Kami, the Andean region of Bolivia, initiated by the local Salesian mission, developed and supported by the NGO COOPI which Terna has participated with volunteer work skills, supply of goods and economic support.

Enel

It is clear that what produces energy has an impact locally. It can be a more or less important impact, without counting the climate discourse. The choice Enel made industrially is to just go on renewables. That is, try to leave or not to take paths that lead to the construction of large plants (fossil plants and thermoelectric). Large plants also mean large investments. Instead, the new industrial plan aims to investments on renewable, as regards the production, and on the networks, as regards innovation and smart grid. This is because the future is there. On the one hand it means: to be in harmony and respect the Paris agreements, the Sustainable Development Goals of the United Nations. On the other side, it also means go to investments that are more sustainable, that have less impact on local communities and faster because obviously build many small systems it is best that they have / build a giant plant that has a strong impact on the community. So, in this sense, sustainability is fully integrated into the business and this solves all the potential problems that an electric utility has the impact on the community.

Enel also, as now all companies that aim to achieve a more sustainable production and service, gives a high priority to the achievement of Sustainable Development Goals:

Goal 4: Quality Education. As well as TIM, even Enel, with its foundation Enel Cuore, started the pilot project "Doing School" in schools that promotes digital teaching, that "the ability to design and build new cognitive spaces in which technology is tool It supports children and adults in exploring different forms of expression, creating innovative educational pathways. "

Are many other ongoing projects funded and completed by Enel Onlus. These projects range in many fields and help to improve welfare. Are all problems that are fully included in "Charitable activities".

Goal 7: Affordable and Clean Energy;

Goal 13: Climate Action.

Goal 5: Gender equality is another important objective for the group.

Goal 9: Industry, Innovation and Infrastructure.

Goal 11: Sustainable cities and communities for what about concern the concept of smart grid. The evolution has been very strong in recent years, especially with the investment on smart cities. In fact, there have been a number of pilot cities in Italy, with projects in Genoa, Bari, Cosenza and L'Aquila and is providing support to other cities and foundations in Bologna, Pisa and Foundation Torino Smart City. In addition, there have been European pilot cities and

around the world such as: Búzios in Brazil, Malaga and Barcelona in Spain, and Santiago in Chile.

During the Expo 2015 in Milan, Enel has guided the creation of a tangible example of cities of the future: efficient public lighting, transportation zero-emission, energy networks managed smart optics, buildings equipped with sensors and devices aimed at rationalizing consumption.

As regards the electric mobility connected to the renewable then this certainly is a strong driver of development. They have a partnership with Nissan, the “vehicle to greed” that is the re-entry of the electricity network of the machines when the machines are idle. This is because the machines are batteries that are not used in 90% of the time. As Giulio Lo Iacono said:

"The problems are always less frequent. To date, there has been a strong development with regard to the current technologies, battery life and recharge times. The problem remains that the economy spread, but on this we are confident that within a few years these technologies will be much more widespread."

Goal 12: Responsible Consumption and Production. There are in fact lots of offers. The last, for example, the commercial campaign of green energy in which there is the possibility to have a bill with all renewable sources.

Goal 17: Partnership for the goals. The other big issue is to make the public-private partnership. Enel is part of the Global Compact Lead, the 54 world's leading companies for sustainability.

It is interest analyzing how Enel manages the recent problem of dams in Latin America.

These are industrial choices that result from Endesa and the choices made previously which then have been operated in agreement with Enel Central and controlled locally. It is clear that in these situations we must always keep in mind the minority (noisy) and the majority (silent). The assumption is that the company has permission from national governments, certainly cannot build a power plant, a dam or a system without permission from government and local authorities. So always work with all governments and permission of local authorities. This is a necessary condition and not enough because you also need to open a dialogue with the local community.

Internet gives a very strong media impact, even at minority. Obviously what you see on the internet, that is critical, right or wrong, local activists have much prominence thanks to the 'multiplier effect that the internet has. But to do a note: at the local level does not have a

cognizance of the national energy requirements. The government even makes choices, and it is for the company comply with all policy requirements

Another example, is the Italian case where there are wind power opponents, because the blades disfigure the landscape.

Obviously, in this case, you must comply with the requirements, for example, the protection of wildlife-wings, or the distance of the blades.

Considering the activities of ENEL we can mention, as an example, the Program ENabling ELelectricity. This program has the aim to create a new model of business related to the problem energy access. It wants to involve both the people who lives in isolated rural areas, and at who lives in peripheral areas of big urban agglomerate. Today, the program has involved 2,5 million of people all over the world.

TIM

According to Marcella Logli, CSV Director of TIM and President of TIM foundation, there is a path which tries to transforming the good practices in business practice within the company. That is, making of the good practices something that is very close to business strategies, and not something that accompanies the company's business but is not an integral part. Yet, it is not such easy that to happen.

"Still this goal is a bit far. Nowadays, from research done by IPSOS we deduce that this year there is a change on the part of consumers about how important CSR within companies. In recent years we have witnessed events such as Volkswagen crises, the Greek crisis and the drama of non-EU. People want something more from big companies, and there is an increasing familiarity of the Italian to CSR. There is an attraction that people are willing to pay more for sustainable products (10% more). "

The TIM regime has changed. From CSR to CSV: there can be no economic value if you do not simultaneously generate social value in the communities in which the company operates.

TIM is adopting competitive practices as tools to make better results for the company, where these results pervade social welfare. It is therefore a multi-stakeholder approach with a true engagement, in practice are actions that generate answers.

CSV is for us the intersection between business projects and projects that create social value. This means adding to good business practices with good CSR practices

Specifically, the company has carried out the exercise of finding 10 social needs by incorporating some of the Sustainable Development Goals. The social need goes to map three strategic elements that are part of the team's strategy: creation of social innovation (compartment for the digitization of healthcare, government, education); digital culture in the school; environmental Protection.

On these three axes they build and choose business projects that generate not only economic value but social.

The model they created was applied to seventeen projects. And all the parameters by which these projects have been measured are typical of business: those parameters that have an impact on revenues and on the sign of the costs, and the parameters which refers to the risk management and reputation; and those that have an impact on social value, which are more complicated to calculate.

It would be appropriate, together with all the companies, work to provide a common semantics.

They can evaluate: how much was spared in terms of CO2 emissions; what is the level of digital inclusion that is created with their projects; what is the level of employment that generate when using the fiber not only about the people who work in TIM, but also considering the chain of suppliers and the impact that is generated on the other companies that are in the supply-chain. In this way they get a percentage of half a point on GDP that have added to this year's budget.

Project about the school: "educated." It brings together the major projects

Involvement of employees that will make lessons in schools. The theme is to change the perception of the children on what means programming. through these projects made in schools, children observe, for the first time, themes as: Problem solving, team building, team working, and so forth.

crowdfunding platform: "withyouwedo" Take donations. they arrived at 600 thousand euros, with which they have financed more than forty projects and eighteen have reached their goal. this kind of project has two aims: Make the active participation of people and Involve people to donate.

The model has allowed the introduction of the interaction between these projects inside the sustainability reporting. The topics of the sustainability report are: Social, Digital,

environmental. Of course, every topic is seen from the business and social point of views, using as a benchmark the GRI parameters. The total value of CSV generated by TIM was - considering fiber and induced - 12 billion and a half.

this is how they are implementing their medium-long term strategic planning to generate long-term value: with projects that seek mainstream innovation and that catch new investors.

How do the company justify these things to the shareholders? People are willing to pay more for products and services of companies that make these practices?

Ex. Security on the network: Cyber bullying, pedophilia, not giving access to certain types of sites. give the kids some simple tools that are: a more direct conscious control, teach in schools, teaching young people to make donations, and so forth. they also developed 10 rules of behavior of the boys on the network.

This action is at 360 degrees. 1) tools; 2) goals; 3) education which means that when I buy a product are a bit 'more sure, and the consumer will probably be more willing to pay a little' more so knowing that the company from which I buy is committed to improving the use and knowledge of product or service.

Many operations of guys who become ambassadors' spokesmen of good behavior. this is a mix of product that I sell and scope of culture, education and presence that makes you pay more the brand.

Ferrero

According to Aldo Cristiano, Director of Cocoa Procurement of Ferrero, there are two fundamental challenges of Ferrero: climate change and environmental change. These challenges refer to energy consumption, food waste, abandonment of agriculture (90%) and welfare loss. We all consume one and half times the planet's resources. And the demand for energy has increased by 50%.

The program created by Ferrero is called "Program facts" and it refers to a greater commitment towards the implementation of a sustainable supply-chain.

For example, the ingredients that they have bought possess the 100% cocoa certified (120 thousand tons of cocoa). The commitments that they are given to themselves are not only get a clean supply chain certified and sustainable, but they want to be an engine for other companies.

“It is possible to change something, commit and achieve these goals. But we must work with several partners. A company alone does not can do it.”

The goal is to measure their impact along all the supply-chain. In order to do this, is necessary using dates and indicators which follow the developments in science. And this leads to risk assess opportunities and strategic action

The second focus refers to change the actual tendency to follow a linear production and consumption pattern: it means the model take, made, plus. This model has created an ever increasing demand for resources. And with the growth expectations of the world's population, radically changing the consumer. The "fairway" project supports and supports the development of a circular economy. To get to a circular economy is necessary to figure out what is the approach on which is based this fairway. The approach is that of lifestyle utility. Analyze the various life stages of the products and not only those under their direct control. One must distinguish personal and shared responsibility, as indirect and direct. For example, the sphere of influence of Ferrero is 7% of the emissions. Everything else comes from the rest of the chain.

An example of circular economy is shown by the project “eco free”. Of 70000 tons of hazelnut shells, Ferrero takes these shells and seeks to create a sustainable paper for the industry.

Another example refers to the re-usage of the waste on the line that are used to make trays for internal flooring. 180 tons per year. Instead of taking raw materials, they can reuse a first matter of waste. The same applies to 25 tons per year of plastic material recovery from tic-tac packages, with which are created of plastic trays.

Resource efficiency since 2007 has grown from 3 to 11 cogeneration plants. Self-production of energy equal to 60%.

"This has brought us a savings of all our factories in 100,000 fewer tons of emissions per year. Energy efficiency savings and water consumption by 3% year on year. Objective: reduce by 2020 by 40% all entries."

These were concrete examples of their work to achieve not alone but with all stakeholders. Circular economy and sustainability are the core of the company. All must be motivated and committed in this dimension.

Fairway: Ferrero environmental responsibility.

For what about concern the palm oil resource, Aldo Cristiano was really clear.

A year before of the lens 2015 certification: certified palm oil, sustainable and also segregated. They know the traceability of palm oil not only up to the mill, but until the plantation. there are 301 plantations, 63 mills and Ferrero takes goods from 7 countries. More than 70% of palm oil comes from Malaysia. They are able to meet the producers all along the supply chain. The approach is that of transparency, therefore knowing your suppliers and personally visit the realities in the various countries. The path is shared with NGOs and stakeholders.

"There was an attack, but were others to tell our story. This is a good sign to show that what we do is right, it is right and gives us reason"

Unicredit

Maurizio Beretta, Head of Group Identity and Communications of Unicredit, highlights the importance of the SDGs and states that already 11 on 17 goals are directly engaged by the company and in more than one with results of absolute relevance.

Goal 13: the fight against climate change: direct reduction of 30% of nanos' gas by 2020, by 60% in 2020 and 80% in 2030

Goal 5: Gender diversity. With a strong internationalization process is more complex, but is strongly felt. The policies on gender equality is deeply felt and seen. They are proudly to consider since the hiring process an equal number of candidates. GLOBAL IDENTITY and Communication

How can a financial institution like a bank, decline this goal? It is divided into: What is possible to achieve alone and what the entire banking group can do.

Goal 11: Towns and sustainable communities. Through direct activities have concentrated more than 4,000 people in the complex of skyscrapers in a non-central time zone. Today is the first settlement. 16 or 17 different buildings have been substituted from a unique complex of buildings. This solution increases the quality and ease of work. It reduces the negative contribution in terms of emissions significantly. By direct reduction of emissions, they estimate a reduction of 7500 cars on the road for the city and a consequent reduces of the inconvenience.

Smart working project: dematerialize the permanent position and the working position, through the usage of tablets and smartphones. The physical work is changing and is becoming more interesting.

Another initiative that are greeted very positively by the people are: working one day a week from home; Consider the possibility of choosing to work in a more comfortable office.

This new generation of buildings that look at sustainability are a concrete step towards sustainability. This logic is already present in cities as Monaco, Austria, Prague and in Warsaw.

Unicredit, as other financial institutions, look at a strong digital transformation of the activities to concretely transform the way to work. That has a number of positive aspects and allows to do all in absolute safety and increasing simplicity and, even, with a much stronger working contact. Who basically operates physically in the bank has 10/11 contacts with other banks. Instead, those who work with the internet is potentially online with everyone. The goal is qualifying more the banking relationship counseling.

Therefore, Unicredit has a direct engagement in: communication, development and implementation of the business.

Chapter 4: Findings

This thesis has started with an important question: Is CSR in need of an update?

What we have done is exploring the theories of CSR and present the new theories of hybrid organizations. We have seen that the hybrids are new forms of enterprise, born in recent years and which try to give answers in every occasion where is present a social need. Given the importance of the research on hybrid organizations and, most of all, also considering that some authors have assumed the possibility to analyze connections between hybrid organizing and CSR, we have followed this path and tried to cover all the possible assumptions.

Let's now derive the findings of this research. Have CSR failed? Is it really in need of an update? Are there similarities between hybrids and traditional firms? Is there a negative, zero, or positive trend between these two form of organizations?

The theory talks about the need to overcome the CSR. Yet, to be precise, the definition and the description of CSR that the European Commission gave in July 2001 inside the Green Paper "Promoting a European Framework for Corporate Social Responsibility" included also those things that today are considered "beyond". All the interviewed individuals have confirmed my conclusion, that it is not correct to talk about a failure of CSR, but it is right to talk about an update. Of course, the problem is how the concept was interpreted. Nevertheless, as we have said in the previous chapter, it is a really flexible field and it means that, in order to push the

concept over the limits imposed by the same companies and make it more and more concrete inside firms, became fundamental giving the CSR a new image. Therefore, if CSR is considered as something in need of an update, it is right to call it in a different way to show that the company has assimilated the new orientations and wants to move forward to new horizons. What it is truly important are the implementing measures which are coherent with the actual needs: involve the stakeholders and adopt measures towards the creation of shared value.

The truth is that there are not many companies which have implemented these measures, except for the one that we have studied, and few others. Moreover, of those companies which are the most innovative and involved in being on track with the theories' evolution, they have not performed the same things. Indeed, each one of them has developed solutions in line with their needs. There are no many companies that actually did operations of stakeholder engagement. Hence, companies which emphasize the McKinsey's concept of Integrated External Engagement are doing well. But, is necessary to underlie again the fact that it is not a change due to an insufficient validity of the precedent approach, but it is due to a failure in its application.

These thoughts bring also to consider CSR as an old model to do responsibility and sustainability inside companies. In reality, if CSR was something considered as intrinsically reductive, the only result could be its failure. CSR should have been a granting process of protection, care, and attention to avoid fall back into incorrect, unfair, no-environmental, no-responsible behavior, the end-effect is completely different.

CSR has not failed, but for sure it was wrong believing that CSR could have been completely implemented, without considering the evolutionary process.

But reading the situation this way, means also not seeing the huge progress that companies have made. Thanks to the efforts of CSR managers and CEO who approved their proposals or ask for their intervention, the progress that we have examined in chapter three could have not been possible.

It is certain that has not occurred an overwhelming movement of CSR. But who says that this is a failure, either was extremely optimistic ten years ago, or does not take into account that this implementation process of CSR is still in place and could continue to make further progress in the future.

To understand the evolution of CSR within companies it is important to analyze how CSR theories have been translated *within* companies. First we need to understand what has shifted

the focus from environmental sustainability to social responsibility. Fifteen years ago there was a very strong focus on the environment. When it came to social sustainability many have perceived it as philanthropy: donating ambulances, funding local hospitals, and any actions meant to create consensus on the territory

The evolution has been from CSR to SUSTAINABILITY: something that went beyond the social dimension, that is, which would integrate not only the social environment, but also the integration of governance. A company is not only sustainable if it reduces its climatic impact, dialogue with communities and stakeholders, but also if it is a transparent company: that is, a company that has a certain governance, which has an elected board with transparent criteria, which has an internal audit process and transparent disclosure. That has a strong commitment against corruption. This is also a theme of today's sustainability.

In addition, new steps were made to realize the CSV and the Integrated external engagement or, as more commonly called in companies, stakeholders' engagement. The issue is that of creating shared value and make their own this conception.

It's like saying that, with CSV and IEE, companies want to change perspective and they want to go concretely beyond the present results.

The original conception of CSR, at least to the more advanced phase, was already thought in this key. But for many companies, it was no more than an idealistic conception, nothing more than a common logic or philanthropic attempts only towards the environmental aspects. With time this vision has become a more widespread concern. Nevertheless, even though the importance of these issues is higher, it is difficult to spread these concepts also within the same company. It occurred that, even though the CEO has a vision, before that this vision is transmitted to the top management, to managers, to employees, maybe it takes years. It is a slow process of cultural osmosis that takes time, years of implementation and a new cultural mindset. It is clear that it is an ongoing process.

There is no failure, but there is an evolution of CSR that has been for many years the major driver to go in the actual direction. However, it is clear that over the years there have been new terminologies and maybe some labels are in fashion rather than others. But the same speech is true for all different side of business, for example, marketing.

Nowadays in marketing there are the 3C: content, community and commerce. Because in the meantime there has been the advent of the Internet. It is not that the 4P of Product, Placement, Promotion and Price are gone, but alongside these there are other dimensions. And the same is

also the case for sustainability. Because in the meantime it also changes the culture, the political, the country's power. Because very often companies with their international presence have the possibility and the power to do what the states are no longer able to do completely. There is also a process of this type. Just thinking about the new technologies: they go to refine certain aspects and open the door to many possibilities.

However, as we have seen, this evolution did not have an exclusive impact on the traditional enterprises, but on the overall way to do business. The result of this evolution have been the hybrid organizations and the also more recent phenomenon of B Corps. In this thesis we have studied these two phenomenon of traditional companies and hybrids separately trying to compare these two systems in terms of the logics they used, which have a direct impact on the organizational dimensions.

Which are the findings that we can derive from this analysis?

To analyze how much and where the two systems have similarities, there are three aspects that we have studied and which are the key to understand where exist connections:

1. The Sustainability Reporting;
2. CSR organizational activities that traditional firms do beyond their duties;
3. The creation of Shared Value;

The first finding of this thesis refers to the connection between traditional companies and hybrids thanks to the instrument of Sustainability Reporting. We have seen that companies that want to analyze their social and environmental impact, can use the Sustainability Reporting. This means that, in addition to the administrative budget, they can also do an Annual Report and a Sustainability Reporting. As we have explained, they can also call the Sustainability Reporting as Integrated Reporting, the denomination does not make the difference. But, using the denomination of Integrated Reporting, in theory, means also making forecasts on the economic performance of social and environmental facts. There still do not exist common standards which all companies can use. Therefore, the results that the company derived, although they are surely analyzed in deep, they remain not comparable. Therefore, in this sense, these are auto-certifications and they could be considered a premature step until common standards are yet to be found. Nevertheless, this is for sure an aspect that the economists have to solve: even if it is difficult to estimate, or create, indexes which provide answers in this sense, companies have to definitely find common standards to be able to compare and confront them with each other as much as possible.

On the other hand, for some main points companies have wisely followed common standards, measures and approaches.

All companies that prepare sustainability reports seek to tell the company from every point of view, giving at the stakeholder the possibility to observe the company under all perspectives. This, includes all areas: the administrative area; the area of employees; that of the community; and among suppliers, meaning, what are the obligations and benefits to work with the company; that of institutions; and so forth. The company thus has the opportunity to tell all about itself: how it gives training, knowledge, responsibility to the people; as it works at the level of environmental sustainability; what are the supports that the company offers to the society; how it behaves with people; how it manages the system of business risks; what are its objectives; what is its support to other businesses or institutions; and so on. With last year's story made with this in mind, in addition to the Annual Report, complete information on company's activities and financial performance are provided, with also the Code of Ethics, it has a complete view of the company.

Then there are also consequences arising from norms. This concept may seem paradoxical since in the classic definitions of social responsibility the issue about voluntariness is an “ever-green” element, but so is the issue of integration. Some rules are used to implement the integration within the company. The transposition of the Directive on non-financial information is definitely an issue that will go deeper into sustainability and social responsibility in business activities. Having to use the measures is a beneficial element to focus even more on these issues.

Then, if in the past the CSR was considered an important function, but with only a peripheral role, today there is a strong commitment to integrate it more inside the organizations. Some companies, including Terna and ENEL, are among the first to make an initiative strongly promoted by the Global Compact, called Board Program, where they made a specific training to the Board on how to integrate sustainability into business decisions. Although, there still are a lot of companies in Italy which are not following this trend.

However, with respect to climate changes, the COOP 21 and the attention on the SDGs, the importance of CSR concepts is increasing significantly. It begins to spread the practice of making in-depth courses on these subjects. All the interviewed confirm that the degree of maturity that these issues are assuming internally has slowly increased, and it is also the same for how they sound externally. It is something that, after a process that began more than ten years ago, is reaching the whole context.

Despite these considerations, we have to highlight that, those people I have interviewed, are CSR managers of firms which have already implemented many of those measures contained in the Directive 2014/95/UE of non-financial information. Yet, this Directive refers to all firms which have more than 500 employees, and in Italy there are around 1300 companies with this dimension.

The non-financial information perfectly enters inside the SDGs for the 2030 of the United Nations, and, precisely, inside the Goal 12” Responsible Consumption and Production”. The particular target is the 12.6: “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”.

The Directive covers many aspects that will bring huge consequences inside the firms. It expects the preparation, from those *“large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year”*, of a non- financial declaration which shall include *“information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:*

- (a) a brief description of the undertaking's business model;*
- (b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;*
- (c) the outcome of those policies;*
- (d) the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;*
- (e) non-financial key performance indicators relevant to the particular business.*

Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so.”

The Directive examined many aspects which will have a direct impact on companies’ behavior in the future.

One of them affirms that: *“Diversity of competences and views of the members of administrative, management and supervisory bodies of undertakings facilitates a good understanding of the business organization and affairs of the undertaking concerned. It enables members of those bodies to constructively challenge the management decisions and to be more open to innovative ideas, addressing the similarity of views of members, also known as the ‘group-think’ phenomenon. It contributes thus to effective oversight of the management and to successful governance of the undertaking. It is therefore important to enhance transparency regarding the diversity policy applied. This would inform the market of corporate governance practices and thus put indirect pressure on undertakings to have more diversified boards.”*

It provides, as it has already been verified in some companies, for the presence inside the strategic committee, where the board approves the industrial choices, of all directors including the director of sustainability. Of course the companies that we have examined have already voluntarily implemented some of the most important aspects of the Directive, including the one above. In the strategic committee, when managers define next actions the firm will put in place, of course, they also evaluate the investment necessary to permit these actions. The impact of these investments will be estimated considering both the economic return and the social and environmental impact the investment will have on the territory.

Among other things, it is also remarkable the request of *“a description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period. If no such policy is applied, the statement shall contain an explanation as to why this is the case.”*

Nowadays, some companies, like Unicredit, have already applied the rules on gender equality for the board of directors and some companies are avoiding this lack. But many others still do not have balanced boards.

There is a growing number of institutional investors who are convinced of all these measures and that are observing how companies behave accordingly. If the company is not able to show solid performance in terms of sustainability, governance, and also in the attitude towards the stakeholders, it will lose the interest of these investors. The need to apply the norm is also thanks to the interest which these investors show. Today, even shareholders are focusing their attention on these aspects. Questions such as "how do you treat the issue of diversity on the board?" have a very strong effect, especially in companies that have a significant capital.

Therefore, what some traditional companies already have in common with hybrids is that they both have to analyze the commercial side and their social and environmental impact. Indeed, through the tool of sustainability reporting, traditional companies want to observe their organization at 360°. Hybrid organizations do the same when they have to manage their dual mission. Of course, this does not mean that they act in the same way, but we can say that there is a similar trend in making a complete analysis of themselves. Moreover, as we have seen, soon all companies with more than 500 employees, who are in Italy around 1300, will have the duty to make a Sustainability Report. It means that these similarities will be shared with an increasing number of firms.

We can derive this logic: the goal that hybrids want to achieve is to fulfill a social problem and, in doing so, they make efforts to finance their projects ensuring commercial revenues; traditional companies which make the sustainability report, they try to create long-term economic results for their shareholders without compromising their attempts to be more sustainable, doing so investing more in stakeholders' satisfaction and sustainable development.

Further, we can observe that, independently from which typology of firm we look at, each company has an increasing knowledge of the possibility to create shared value. The problem is that, there still exist a huge number of companies that have not made efforts to voluntarily implement initiatives towards a better degree of sustainability and responsibility.

The most important concepts of the present debate on sustainability, for example in the GRI conference of 18-20 of May 2016 or the public consultation of the non-financial Directive proposed by the Italian Minister of Economic and Finance, refers on how a stronger application of sustainability can bring transformational change, more innovation, attract more investors, create benefits for stakeholders and companies as well. In a word, the debate is on how bettering the instruments of sustainability reporting, how can we create better businesses and societies, how can policies help this process. It is clear that all considerations and proposals lie on the concept of creating shared value and developing a better society.

Again, what I have derived from interviews is that, currently, we are very far from being able to say that "CSR is present and concerns the whole enterprise" for one reason: even though the company persistently had a very committed top management- few cases in Italy- then the CSR concept could be spread inside the organization, which does not mean that sustainability and

responsibility are completely part of the culture. It means that a top down approach permits to spread CSR across the board, but maybe there are people inside the company who still do not believe that their work has influenced it or it is part of the CSR, so top management cannot know if these concepts are completely implemented.

If CSR managers, the CEO and, hopefully, even the directors continue down a path of slow diffusion with the aim of making the CSR more inclusive, it is necessary to work more on the culture, but it is a process that takes longer.

From what we saw in section 3.2 on the Organizational Design, we can say that the concept of creating shared value from the organizational point of view, is not comparable to the organizational form of hybrid organizations. The structures differ greatly.

Indeed, the reality is that all the Italian companies, both hybrids, B Corp, SME enterprises, Big firms, try to adapt their activities with shared value or sustainability criteria, but also responding at their business' needs.

The organizational structure of companies which operate in different realities is very different. What is certain is that all the traditional companies can make theoretical reflections thanks to the growing presence of B Corp and hybrid organizations.

The issue becomes even more important for small and medium enterprises that, at least from an organizational point of view, are much closer to what is the reality of a small or medium business which decides to become a B Corp. The question becomes even more compelling by analyzing the increasing world of startups that, since the beginning, have the potential to enter the world of Benefit Corporations, leveraging also on today's possibility to adopt a legal form that allows it.

Moreover, traditional companies can observe the logic of hybrid organizations and B Corp as a mean to further improve its performance and implement, perhaps, new business practices.

In fact, as we saw in section 3.3, companies are also shifting their interest in investing and actively participate in fields which are different from their core business.

The second finding of this thesis is precisely that after having displayed and analyzed these new activities, we can divide these practices, carried out by businesses, into two branches.

In the first branch there are pervasive practices with respect to the business model of companies, such as: the activities in schools to raise awareness about the concept of programming, the network concept, the concept of energy sustainability; the activities of financing and / or directing involvement of employees to bring their own contribution in activities related to the core business (the project in Kemi of Terna, the Enel's project "Enable Electricity"), and so forth.

There are also initiatives that are towards the community, which are not pervasive with the company's business model and that are effective solidarity projects.

In both cases, there are not similarities with the business model of hybrids. In fact, hybrids obtain commercial revenues through actions that have the aim to solve or satisfy a social need. Therefore, in this case there is still not connection between the two forms, but it does not mean that in the future, companies could try to copy this sort of activities. Moreover, as we have explained, hybrids are willing to find new actors who want to join or imitate them. It is a sort of recognition that their work is useful and it is valid. It also opens the doors at new investors and stakeholders and, last but not least, permits to better satisfy the social need or broaden the activities in other places where the hybrid cannot operate.

Conversely from the organizational structure, we can see how the concept of shared value is highly similar in terms of culture, of partnership for goals, of workforce composition and organizational activities. This is the **third finding** of this thesis.

Have knowledge of sustainability and social responsibility throughout the enterprise in the areas of business, commercial, marketing, administration, resource management, and so on, permits at the company to look at each sector in every area. For this reason, the four dimensions regarding the cultural factor, the workforce composition, the organizational activities, and partnerships with other companies and NGOs, have strong similarities in both organizational forms.

In this thesis we have analyzed some of the largest most virtuous Italian companies, but the business sector is still characterized by many companies that still do not have such an extensive level of commitment. To date, the most issue that differentiates the two forms of hybrid organizations and traditional companies, is the concept of *community*. This requires a willingness to review its own mission which is too strong compared to traditional businesses as they are currently. By now, companies are moving to ensure that all managers experience the

element of collective responsibility, and maybe this goal will be reached soon, thanks to the transposition in law of the Directive 2014/95/UE on non-financial reporting.

Anyway, making a firm "for benefits" or transforming the CSR in CSV, means in both cases, to have the priority to create shared value.

Beyond the name, the philosophy is espoused by many large companies, if we consider both the Italian and foreign companies. It is a philosophy that also in terms of organization is changing a lot.

In fact, the evolution of CSR has been and will still be very strong. The B Corps' movement is surely a great solution, however, it is part of a very wide reality. It is great that there are these two things. They are the result of long years of theories without a concrete implementation.

From the strategic point of view, there is in place a very strong change. The phenomenon of Greenwashing, for example, is no longer feasible, all companies know that it is a boomerang.

The B Corps in Italy, although Nativa has been transformed in B Corp in 2012, began to have a very strong impact on the media on May 2016 ("Report"'s episode of May 22nd). On the 1st of July there will be a conference where there will be more than one hundred representatives of the B Corp and this also will have a very large effect.

B Corps are like a spy. Maybe big companies are not and will not be B Corps, but they have the same "shared value" philosophy. Therefore, the process should be based on the common idea of creating shared value and move the focus in this direction.

Conclusions

"Sustainability has certainly a start. But it has no end".

Aldo Cristiano

The profession of CSR Manager, as the CSR manager sees his work, his duties, his responsibilities, it is a vision that does not deviate from the one that a manager has of a hybrid organization. The objectives they pursue have much in common.

The question to which companies have to answer in the long run is whether the figure of CSR managers will have to disappear. When this philosophy will be integrated into the corporate culture, the professional managers of the CSR will no longer be required. In theory, if every part of the business would be aware of its duties on sustainability and responsibility, each

individual within the company, would be able to manage his piece of sustainability together with the economic one. Of course, the situation is still far from being achieved.

In fact, a huge number of companies have still not adopted measures to integrate sustainability along the business. Fortunately, we are living in a moment of great change.

The procedure of recognizing the Directive by the member states, allows some grade of flexibility for certain ranges of activities. These are the activities for which the Minister of Economy and Finance has launched a public consultation with the stakeholders who are potentially interested on the application of the new norm. The aim is trying catching a prearranged comparison and a feedback from the companies involved in the Directive, with 26 questions on the following themes:

- application's field;
- collocation of the non-financial informative;
- reporting standards;
- verification of the informative.

The Italian Alliance for Sustainable Development (ASviS), an organization composed by 120 Italian partners among associations, foundations and NGOs, has already proposed a response on these questions inside the document “Consultation on MEF” of the 26/05/2016:

“The consideration that the subjects of the non-financial initiative should be broaden at all the potential stakeholders is not just an opinion of ASviS and GBS (Social Balance Sheet Group), but it is universally indisputable. In fact, even the United Nations, in defining the 169 Targets of its 17 SDGs (Sustainable Development Goals) has affirmed it. In the Target 12.6 it claims: *Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.*”

Exactly in these months, Italy and other member states, should adopt the Directive within the 6th of December 2016 and the application will be immediate. Therefore, the new duties will be adopted in all those social balance sheets starting from the 1st of January 2017, or later.

Therefore, the year 2017 will be signed by a lot of changes in these issues. What we have presented until now, will be surely considered by all those companies that still have not adopted these measures. Of course, there will be additional efforts even in those companies which have already implemented some parts of the measures presented in the Directive. It will be an

incentive to apply those measures that are still not well defined inside their firms and even to implement measures to strengthen what they already did.

The aim is that sustainability became something truly rooted inside companies. In the sense that each manager, in the exercise of its activity, will make the necessary considerations on sustainability.

For example, it is clear that the impact of energy production will be done from the chief engineer who will make the development of a new division of products, but she/he will also have to introject these sustainability concepts. Another example, sustainability cannot be anywhere but, in marketing, they can raise awareness and improve on these points. However, they should be the leaders of the business that will take these themes into account.

In this sense, all companies will experience a real change.

Basically, one direct goal of sustainability and responsibility is also bettering the way in which managers and employees look at their jobs.

Basically, CSR managers and people who work in a hybrid organization or a B Corp, share the common goal to make their work the transposition of the values they apply in life. Indeed, there is an increasingly strong desire, especially among young people, of "being the work that I do". That is, the propensity to be, both in work and in life, much more than what it could be established by a mere wage. A working concept which is based on values and a common ethic: working as one team in order to achieve not only the economic goal, but also to do something that satisfies social needs.

For this reason, businesses must necessarily: have a shared culture respected by each employee; they have to look for other purposes, in addition to the necessary economic end; they must invest in their employees and constantly improve the working process; they must be on track with the times and create partnerships where there is the opportunity to do something new.

People must be the main resource of a company, the source of all new possible evolutions and the engine for innovation and future.

The margin between the inside and outside environment must be more and more flexible. The aim is to involve all the actors and strengthen their relationship.

The recognition of these efforts by stakeholders, the evolution towards new objectives and the will to create shared value, produces a linkage based on trust which can bring mutual advantages and improve this new market order.

Then, it will be the Socially Responsible Investors, in increasing numbers, to move the axis towards the best companies. The direct beneficiaries will be the people and the environment.

Governments, with the help of international and national independent organizations, association and work-groups, will promote and encourage the best companies.

The example of B Corp and hybrid organizations is a fundamental signal not only for the values that they lead to, which are more and more widely shared, but above all, as regards to the practical application of their method of doing business.

All businesses are turning to these values and the implementation of new practices. There is still a long way ahead and the path will be not easy to follow. But the process is under way and everyone can and must contribute.

We have to do the best to create a better world for future generations.

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Department of Business and Management

Chair of Corporate Strategies

**FROM CSR TO HYBRID ORGANIZATION.
THE DEVELOPMENT OF BENEFIT CORPORATIONS
AND THE ROLE OF CSR MANAGER IN ITALY**

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ACADEMIC YEAR 2015/2016

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Introduction

In recent years, a revolutionary process in which firms are protagonists has started. In fact, after the years of the crisis, companies have truly understood the importance of behaving in a socially responsible manner. Actually, the CSR's concept was already known in the business community, but its application was not easy to implement. Of course, there have been successful cases all around the world, but, considering the overall market, we cannot say that CSR have assumed a defined and definite role.

Therefore, we are going to examine why the CSR's theories have not been adopted properly and, most of all, why nowadays the main issues on this field look at something beyond the CSR.

We are going to present the most recent theories of Corporate Shared Value (CSV) and the Integrated External Engagement (IEE), and we will analyze their effects.

The first aim of this thesis is to understand if CSR is really in need of an update and which are the possible paths that companies could follow.

Further, the phenomenon which has invested the traditional companies and their research of new sustainable and responsible solutions, it has also contributed to the birth of new forms of enterprises: The Hybrid Organizations. We are going to present and study these firms, in order to understand their purpose and how they operate. Moreover, we will also present the more recent movement of B Corps and its extraordinary fast evolution. We will also show why B Corps are one of the most concrete examples of hybrid organizations. Their importance is also confirmed by the recent introduction of the law on Benefit Corporations.

This new form of hybrid organizations is recent, and researches on this field are still few. Nevertheless, researchers are starting to propose the hypothesis that there could be linkages between traditional companies and hybrid organizations. That is **the second aim** of this thesis: to find if there are similarities in these two organizational forms. In the third chapter, we will propose a method to study the approach on which companies apply the new sustainability theories, using the concept of "hybrid organizing". It is an attempt to create a bridge between the two theoretical paths. At the end, we will observe if these linkages actually exist, and where we can find them. Of course, the aim is to increase the spectrum of possibilities for both hybrid organizations and traditional firms.

The third aim of this thesis is to understand what is the actual situation of CSR managers inside Italian companies. We are going to see how they have been the main characters of the change

in themes of sustainability and responsibility. In order to give a complete overview of the figure of CSR manager and obtain the most recent and effective information, I have sent a questionnaire, used direct interviews, and directly involving CSR managers. The aim was to find a common line from which identify the most important traits of the Italian companies in theme of sustainability and responsibility. At the end we will also explore the next steps that companies will have to make in according with the European Directive of non-financial information and the Italian laws. In the next year we will see a lot of changes, because companies will have to modify their actual business approach and try to follow more virtuous practices. The same practices that some companies as Terna, ENEL, Unicredit, SACE, TIM, Ferrero, from which I have had the possibility to obtain direct information thanks to the interviews, have already implemented. Moreover, there are all the aspects related to the world of Hybrids and B Corps. There are a lot of new paths and possibilities that companies could follow. For sure, these months are fundamental to suggest solutions and begin to think on which will be the concrete actions companies should implement and how they may do it.

In this sense, **the fourth aim** of this thesis is to present an overall analysis to understand which should be the following steps of the companies in the next future.

Summary

In the first chapter, there are presented the main theories of CSR which are:

- The Freeman's Stakeholder Theory
- The Carroll's "Pyramid Model"
- The John Elkington's Triple Bottom Line Theory (TBL)

The merits of these theories is that in those years' managers started to truly realize the importance to behave in a socially responsible manner and understand that both financial and reputational value of their firms had the same importance to get a higher level of trust and belief from all kind of stakeholders.

Further, I have presented the theoretical implications of CSR, it means how it should work in theory. In this paragraph is proposed a comparison between what is considered a benefit resulted from CSR related activities and what is considered, however, a minimum return or just an effort without results, or even a waste of time and resources. There exist different categories

of benefits that CSR could bring and these are characterized by no hierarchy, actually benefits are often overlapping and strictly connected.

Here, I have analyzed the principal characteristics that a company should consider to conduct a real change. These characteristics basically include an economic transformation, which assume a values transformation guided by the implicit economic goal to maximize profits and minimize costs but, at the same time, including ethical, social, sustainability issues to obtain the maximum result; and a managerial transformation, which has the aim to include inside the process of maximizing the efficiency also a direct effort to catch the possibilities arose by the CSR.

After having talked about the theoretical implication, I have presented two practical examples of how CSR has been implemented: the negative greenwashing phenomenon, and the positive effects of the partnership with NGOs.

Finally, I have taken in exam the most recent theories of Corporate Shared Value (CSV) and the Integrated External Engagement (IEE), and I have analyzed their effects.

This process can be led and achieved if and only if companies follow the three steps below, which are mutually reinforcing:

- a) *Reconceiving Products and Markets.*
- b) *Redefining Productivity in the Value Chain.*
- c) *Enabling Local Cluster Development.*

In the McKinsey report dated on March 2013, the authors John Browne and Robin Nuttall published “Beyond corporate social responsibility: Integrated external engagement”.

In a nutshell, they suggest to follow three principal points:

1. Understand the contribute company can give to the public in a way that better explicit the nature of this contribute to the well-being of society.
2. Consider their stakeholders as they would be their clients. The stakeholders’ theory has not been truly observed from the companies and it is time to implement the efforts towards a deeper approach.
3. It is necessary to fix goals and objectives and also implement reporting systems on the evolution of the external engagement in order to connect incentives and results.

Further, the phenomenon that have invested the traditional companies and their research of new sustainable and responsible solutions, it has also contributed to the birth of new forms of enterprises: The Hybrid Organizations.

In the second chapter, I have presented and analyzed these firms, in order to understand their purpose and how they operate. Moreover, I have also presented the more recent movement of B Corps and its extraordinary fast evolution. Indeed, B Corps are one of the most concrete example of hybrid organization. Their importance is also confirmed by the recent introduction of the law on Benefit Corporations that I have presented.

This new organizational form of hybrid organizations is recent, and researches on this field are still few. Nevertheless, researchers are starting to propose the hypothesis that there could be linkages between traditional companies and hybrid organizations. In this chapter I explored the new prospective brought by the theories about hybrid organizations: a new structural form that unites the nonprofit spheres whit the profit purpose. In order to understand this new organizational form, I have analyzed how hybrids generate income exploring the potential of environmental changes and social needs, both at firm and institutional level.

The main question that necessitates an answer is understanding if hybrids are an exceptional or a regular phenomenon and if they should be considered the new form to do business or just an exception in the overall context. The aim of this chapter is also to organize different studies and propose a sequential order to the recent literatures on hybrid's forms.

In the third chapter, I have proposed a method to study the approach on which companies apply the new sustainability theories, using the concept of “hybrid organizing”. It is an attempt to create a bridge between the two theoretical paths. Of course, the aim is to increase the spectrum of possibilities for both hybrid organizations and traditional firms. But, in order to understand if this connection actually exists, after having introduced hybrids and benefit corporations, we have also to analyze and assess the evolution of CSR in Italy and the role that CSR managers have assumed inside italian companies. I have analyzed how they have been the main characters of the change in themes of sustainability and responsibility.

Empirical investigation

In order to give a complete overview of the figure of CSR manager and obtain the most recent and effective information, I have sent a questionnaire, used direct interviews, and directly involving CSR managers. The aim was to find a common line from which identify the most important traits of the Italian companies in theme of sustainability and responsibility.

With the direct involvement of CSR managers, I have had the possibility to create a trait that will guide us through the theoretical paths of the thesis. The main idea was to sent a

questionnaire inside the CSR Manager Network Italy but, thanks to the contribution of Fulvio Rossi, director of the Network as well as CSR Manager of Terna, I realized the difficulties inherent in the derivation of common standards through a general questionnaire which would include several respondents, particularly in such a variable field composed by companies that have applied the themes on sustainability and responsibility with different dimensions, timing, intensity and focus. Therefore, we decided to send the questionnaire only to a restricted group of CSR managers, but from different sectors and different realities. Additionally, considering the necessity to include as many sectors as possible, I participated to the first public conference of ASviS, the Italian Alliance for Sustainable Development, where I had the possibility to record three interventions of different CSR managers.

Furthermore, in order to get all the necessary information about the new growing world of Benefit Corporations, I participated to two of their conferences, one in Milan entitled “Measure the impact of social innovation in the ecosystem: the B-Corp” and the other one in Rome at Luiss University. Below, it is presented the table on which are showed the people interviewed and the minutes recorded.

Name	Sustainability referent of	Timing of the interview	Timing of the conference	Informal chat on these issues
Fulvio Rossi	Terna	70 minutes		
Giulio Lo Iacono	Enel	50 minutes		
Paolo Cerino	SACE	60 minutes		
Aldo Cristiano	Ferrero		17 minutes	
Marcella Logli	TIM		19 minutes	
Maurizio Beretta	Unicredit		17 minutes	
Patricia Navarra	Enel			20 minutes
Nicolas Schilder	Nativa B Corp			30 minutes
Enrico Giovannini	ASviS			45 minutes

In conclusion, in the following analysis, it is shown the most recent evolution of CSR functions inside Italian companies and is explored the role of CSR managers, examining and using as an instrument the two most recent researches of the CSR Network adding also the information that I have collected. The applied methodology consists in examining these concepts using an approach that permits a comparison with the hybrid organizations’ theory and, in particular, using *the five dimensions of hybrid organizing*.

Exploring the CSR with practical examples

CSR inside the organizational structure

First of all, I have examined the organizational structure of traditional companies. In fact, paying attention to the unit of CSR, to its organizational position within the company, to its degree of proximity (i.e. carryover level) and its size, is useful to be able to better define the concrete development of CSR within the company and therefore the degree of attention given to the topic. In 2015, the CSR Manager Network published a paper in which we can find an analysis made on twenty-eight companies. Three unit typologies have emerged:

1. Dedicated units: In 78.6% of cases, the companies in question have a function within the organizational structure that is completely dedicated to CSR
2. Combined units: in 10.7% of cases, companies have chosen to include the issues of CSR in a broader function. in this way the function that incorporates the CSR, in the cases were "internal auditing" and "innovation management", should extend their field of competence
3. Housed units: in the other 10,7% of cases, there is a contributor engaged in topics related to sustainability, but she/he works in a function that does not have the word CSR or sustainability in its name.

An explanatory indicator to understand the degree of importance that is given to CSR is linked to the carryover level. It is interesting to observe how much the carryover level varies from company to company, especially in regard to those companies that have had a formalization of the CSR (dedicated and combined units).

Observing the combined function in which top management decides to introduce the CSR, only five companies have a carryover level of the first degree. In most cases, companies are characterized by a carryover level of the second degree. It means that the sustainability function is directly related to the director of the function they belong to. In addition, an organizational change of CSR is strictly related to the objectives that the top management aims to achieve focusing on social responsibility practices and sustainability. Indeed, it introduces such a process whereby there is an increased focus on CSR, moving it from housed unit to combined or dedicated units.

By now, my research is focused on making an analysis of CSR using 5 dimensions which refers on the issue of “hybrid organizing”. It is an approach that permits to manage multiple

organizational forms with a combination of institutional logics and identities. This approach involved five dimensions: one refers to the externally oriented aspect of hybrid organizational life and it refers to the “inter organizational relationships”; the other four reflect the internally oriented aspects of hybrid organizing and they are “culture”, “organizational design”, “workforce composition”, and “organizational activities”.

Therefore, I have started to study the organizational design of traditional companies with three aspects that distinguish the organizational design in Hybrid organizations:

1. The first one refers to the creation of a homogeneous character and a better definition of the objectives.
2. The second one refers to the ability to make less binding the link between shareholders and the company's owners.
3. The final one refers to to the creation of a higher degree of openness to stakeholders.

Exploring the internal and external consequences of CSR

In the paragraph 3.3, I have explored the other dimensions of hybrid organizing’ concept, making a comparison between hybrid organizations and traditional companies. Therefore, I have analyzed the 4 dimensions of: culture, workforce composition, organizational activities, and partnership with other actors.

Of course, impress a broad culture in the workforce is the fundamental step to guarantee a common ethical behavior. The organizational activities in which the company will succeed, there will be the result of this internal virtuous approach. Moreover, as in the hybrids’ case, more the activities will be valuable and effective, the higher will be the possibility to create partnership with other actors in the market. In order to concretely present these dimensions, I have studied the best practices of six Italian companies, using the material derived from my interviews. The companies analyzed are, respectively: SACE, Terna, ENEL, TIM, Ferrero, Unicredit.

Findings

All the interviewed individuals have confirmed my conclusion, that it is not correct to talk about a failure of CSR, but it is right to talk about an update. Of course, the problem is how the concept was interpreted. However, if CSR is considered as something in need of an update, it is right to call it in a different way to show that the company has assimilated the new orientations and wants to move forward to new horizons. What it is truly important are the implementing

measures which are coherent with the actual needs: involve the stakeholders and adopt measures towards the creation of shared value.

The truth is that there are not many companies which have implemented these measures, except for the one that we have studied, and few others. Moreover, there are no many companies that actually did operations of stakeholder engagement. CSR has not failed, but for sure it was wrong believing that CSR could have been completely implemented, without considering the evolutionary process.

But reading the situation this way, means also not seeing the huge progress that companies have made. Thanks to the efforts of CSR managers and CEO who approved their proposals or ask for their intervention, the progress that we have examined in chapter three could have not been possible.

The evolution of CSR inside companies

The evolution has been from CSR to SUSTAINABILITY: something that went beyond the social dimension, that is, which would integrate not only the social environment, but also the integration of governance. A company is not only sustainable if it reduces its climatic impact, dialogue with communities and stakeholders, but also if it is a transparent company: that is, a company that has a certain governance, which has an elected board with transparent criteria, which has an internal audit process and transparent disclosure. That has a strong commitment against corruption. This is also a theme of today's sustainability.

In addition, new steps were made to realize the CSV and the Integrated External Engagement or, as more commonly called in companies, stakeholders' engagement. The issue is that of creating shared value and make their own this concept. However, as we have seen, this evolution did not have an exclusive impact on the traditional enterprises, but on the overall way to do business. The result of this evolution have been the hybrid organizations and the also more recent phenomenon of B Corps.

Discovering the link between CSR and Hybrid Organizations

To analyze how much and where the two systems have similarities, I have focused the attention on three aspects which are the key to understand where exist connections:

1. The Sustainability Reporting;
2. CSR organizational activities that traditional firms do beyond their duties;

3. The creation of Shared Value.

The first finding of this thesis refers to the *connection between traditional companies and hybrids thanks to the instrument of Sustainability Reporting*. Companies that want to analyze their social and environmental impact, can use the Sustainability Reporting. All companies that prepare sustainability reports seek to tell the company from every point of view, including all areas: the administrative area; the area of employees; that of the community; and among suppliers, meaning, what are the obligations and benefits to work with the company; that of institutions; and so forth. The company thus has the opportunity to tell all about itself: how it gives training, knowledge, responsibility to the people; as it works at the level of environmental sustainability; what are the supports that the company offers to the society; how it behaves with people; how it manages the system of business risks; what are its objectives; what is its support to other businesses or institutions; and so on. With last year's story made with this in mind, in addition to the Annual Report, complete information on company's activities and financial performance are provided, with also the Code of Ethics, it has a complete view of the company.

Then there are also consequences arising from norms. This concept may seem paradoxical since in the classic definitions of social responsibility the issue about voluntariness is an “ever-green” element, but so is the issue of integration. Some rules are used to implement the integration within the company. The transposition of the Directive on non-financial information is definitely an issue that will go deeper into sustainability and social responsibility in business activities. Having to use the measures is a beneficial element to focus even more on these issues.

Moreover, with respect to climate changes, the COOP 21 and the attention on the SDGs, the importance of CSR concepts is increasing significantly. It begins to spread the practice of making in-depth courses on these subjects. All the interviewed confirm that the degree of maturity that these issues are assuming internally has slowly increased, and it is also the same for how they sound externally. It is something that, after a process that began more than ten years ago, is reaching the whole context.

Despite these considerations, we have to highlight that, those people I have interviewed, are CSR managers of firms which have already implemented many of those measures contained in the Directive 2014/95/UE of non-financial information. Yet, this Directive refers to all firms which have more than 500 employees, and in Italy there are around 1300 companies with this dimension.

Therefore, what some traditional companies already have in common with hybrids is that they both have to analyze the commercial side and their social and environmental impact. Indeed, through the tool of Sustainability Reporting, traditional companies want to observe their organization at 360°. Hybrid organizations do the same when they have to manage their dual mission. Of course, this does not mean that they act in the same way, but we can say that there is a similar trend in making a complete analysis of themselves. Moreover, soon all companies with more than 500 employees will have the duty to make a Sustainability Report. It means that these similarities will be shared with an increasing number of firms.

We can derive this logic: the goal that hybrids want to achieve is to fulfill a social problem and, in doing so, they make efforts to finance their projects ensuring commercial revenues; traditional companies which make the sustainability report, they try to create long-term economic results for their shareholders without compromising their attempts to be more sustainable, doing so investing more in stakeholders' satisfaction and sustainable development.

Again, what I have derived from interviews is that, currently, we are very far from being able to say that "CSR is present and concerns the whole enterprise" for one reason: even though the company persistently had a very committed top management- few cases in Italy- then the CSR concept could be spread inside the organization, which does not mean that sustainability and responsibility are completely part of the culture. It means that a top down approach permits to spread CSR across the board, but maybe there are people inside the company who still do not believe that their work has influenced it or it is part of the CSR, so top management cannot know if these concepts are completely implemented. If CSR managers, the CEO and, hopefully, even the directors continue down a path of slow diffusion with the aim of making the CSR more inclusive, it is necessary to work more on the culture, but it is a process that takes longer.

From what we saw in section 3.2 on the Organizational Design, we can say that the concept of creating shared value from the organizational point of view, is not comparable to the organizational form of hybrid organizations. The structures differ greatly. Indeed, the reality is that all the Italian companies, both hybrids, B Corp, SME enterprises, Big firms, try to adapt their activities with shared value or sustainability criteria, but also responding at their business' needs. The organizational structure of companies which operate in different realities is very different. What is certain is that all the traditional companies can make theoretical reflections thanks to the growing presence of B Corp and hybrid organizations.

The issue becomes even more important for small and medium enterprises that, at least from an organizational point of view, are much closer to what is the reality of a small or medium

business which decides to become a B Corp. The question becomes even more compelling by analyzing the increasing world of startups that, since the beginning, have the potential to enter the world of Benefit Corporations, leveraging also on today's possibility to adopt a legal form that allows it.

The second finding of this thesis is precisely that after having displayed and analyzed these new activities, we can divide these practices, carried out by businesses, into two branches. In the first branch there are pervasive practices with respect to the business model of companies, such as: the activities in schools to raise awareness about the concept of programming, the network concept, the concept of energy sustainability; the activities of financing and / or directing involvement of employees to bring their own contribution in activities related to the core business (the project in Kemi of Terna, the Enel's project "Enable Electricity"), and so forth.

There are also initiatives that are towards the community, which are not pervasive with the company's business model and that are effective solidarity projects.

In both cases, *there are not similarities* with the business model of hybrids. In fact, hybrids obtain commercial revenues through actions that have the aim to solve or satisfy a social need. Therefore, in this case there is still not connection between the two forms, but it does not mean that in the future, companies could try to copy this sort of activities. Moreover, hybrids are willing to find new actors who want to join or imitate them. It is a sort of recognition that their work is useful and it is valid. It also opens the doors at new investors and stakeholders and, last but not least, permits to better satisfy the social need or broaden the activities in other places where the hybrid cannot operate.

Conversely from the organizational structure, we can see how the concept of shared value is *highly similar* in terms of culture, of partnership for goals, of workforce composition and organizational activities. This is the **third finding** of this thesis.

Conclusions

Have knowledge of sustainability and social responsibility throughout the enterprise in the areas of business, commercial, marketing, administration, resource management, and so on, permits at the company to look at each sector in every area. For this reason, the four dimensions regarding the cultural factor, the workforce composition, the organizational activities, and

partnerships with other companies and NGOs, have strong similarities in both organizational forms.

To date, the most issue that differentiates the two forms of hybrid organizations and traditional companies, is the concept of *community*. This requires a willingness to review its own mission which is too strong compared to traditional businesses as they are currently. By now, companies are moving to ensure that all managers experience the element of collective responsibility, and maybe this goal will be reached soon, thanks to the transposition in law of the Directive 2014/95/UE on non-financial reporting.

Anyway, making a firm "for benefits" or transforming the CSR in CSV, means in both cases, to have the priority to create shared value.

Beyond the name, the philosophy is espoused by many large companies, if we consider both the Italian and foreign companies. It is a philosophy that also in terms of organization is changing a lot. In fact, the evolution of CSR has been and will still be very strong. The B Corps' movement is surely a great solution, however, it is part of a very wide reality. It is great that there are these two things. They are the result of long years of theories without a concrete implementation.

From the strategic point of view, there is in place a very strong change. The phenomenon of Greenwashing, for example, is no longer feasible, all companies know that it is a boomerang.

Two of the main reasons why acting in a socially responsible manner is become truly important are the shift in consumer behavior and the growing need to attract Socially Responsible Investors. For these and other reasons is necessary to make clear the direction that the company wants to follow. Socially responsible investors are those investors who value their investment opportunities considering not only the economic return of a company, but including also if a company behaves in a socially and responsible manner and, most of all, how companies work to implement their socially and responsible practices. In addition, consumers and businesses are turning their attention and their efforts towards more sustainable and responsible practices. The phenomenon of hybrid organizations and, most of all, the raise of B Corps and the introduction of the law on Benefit Corporations, are like a spy.

The B Corps in Italy, although Nativia has been transformed in B Corp in 2012, began to have a very strong impact on the media on May 2016 ("Report"'s episode of May 22nd). On the 1st of July there will be a conference where there will be more than one hundred representatives of the B Corp and this also will have a very large effect.

Maybe big companies are not and will not be B Corps, but they have the same "shared value" philosophy. Therefore, the process should be based on the common idea of creating shared value and move the focus in this direction.

The profession of CSR Manager, as the CSR manager sees his work, his duties, his responsibilities, it is a vision that does not deviate from the one that a manager has of a hybrid organization. The objectives they pursue have much in common. The question to which companies have to answer in the long run is whether the figure of CSR managers will have to disappear. When this philosophy will be integrated into the corporate culture, the professional managers of the CSR will no longer be required. In theory, if every part of the business would be aware of its duties on sustainability and responsibility, each individual within the company, would be able to manage his piece of sustainability together with the economic one. Of course, the situation is still far from being achieved.

In fact, a huge number of companies have still not adopted measures to integrate sustainability along the business. Fortunately, we are living in a moment of great change.

The procedure of recognizing the Directive by the member states, allows some grade of flexibility for certain ranges of activities. These are the activities for which the Minister of Economy and Finance has launched a public consultation with the stakeholders who are potentially interested on the application of the new norm. The aim is trying catching a prearranged comparison and a feedback from the companies involved in the Directive, with 26 questions on the following themes:

- application's field;
- collocation of the non-financial informative;
- reporting standards;
- verification of the informative.

The Italian Alliance for Sustainable Development (ASviS), an organization composed by 120 Italian partners among associations, foundations and NGOs, has already proposed a response on these questions inside the document "Consultation on MEF" of the 26/05/2016.

Exactly in these months, Italy and other member states, should adopt the Directive within the 6th of December 2016 and the application will be immediate. Therefore, the new duties will be adopted in all those social balance sheets starting from the 1st of January 2017, or later.

Therefore, the year 2017 will be signed by a lot of changes in these issues. What we have presented until now, will be surely considered by all those companies that still have not adopted these measures. Of course, there will be additional efforts even in those companies which have already implemented some parts of the measures presented in the Directive. It will be an incentive to apply those measures that are still not well defined inside their firms and even to implement measures to strengthen what they already did.

The aim is that sustainability will become something truly rooted inside companies. In the sense that each manager, in the exercise of its activity, will make the necessary considerations on sustainability. For example, it is clear that the impact of energy production will be done from the chief engineer who will make the development of a new division of products, but she/he will also have to introject these sustainability concepts. Another example, sustainability cannot be anywhere but, in marketing, they can raise awareness and improve on these points. However, they should be the leaders of the business that will take these themes into account.

In this sense, all companies will experience a real change. In fact, one direct goal of sustainability and responsibility is also bettering the way in which managers and employees look at their jobs. Basically, CSR managers and people who work in a hybrid organization or a B Corp, share the common goal to make their work the transposition of the values they apply in life.

We have explored the next steps that companies will have to make in according with the European Directive of non-financial information and the Italian laws. In the next year we will see a lot of changes, because companies will have to adjust their actual business approach and try to follow more virtuous practices. The same practices that some companies, as we have seen, have already implemented. Moreover, there are all the aspects related to the world of Hybrids and B Corps. There are a lot of new paths and possibilities that companies could follow. For sure, the following months will be fundamental to suggest solutions and begin to think on which will be the concrete actions companies should implement and how they may do it.

In this sense, *the fourth aim* of this thesis has been presenting an overall analysis to understand which should be the following steps of the companies in the next future.

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