

**Department of Business and Management**

**Master's degree in Global Management and Politics**

*Chair of Managerial Economics*

**The Integration of Sustainability and Social Innovation  
Practices into the Core Business:  
The Case of Enel**

**Prof. Andrea Filippetti**

---

Thesis Supervisor

**Prof. Corrado Pasquali**

---

Thesis Co-supervisor

**Laura Paris**

---

Candidate

*Academic Year 2021-2022*



# Foreword

Before getting to the heart of the work, I feel it is my duty to provide some background regarding the origins and context of this thesis and the people who contributed to its concrete realization. The inspiration to conduct more in-depth and scientifically sound research on sustainability and social innovation in private organizations stemmed from my personal interest in the social and environmental spheres and from the knowledge of some Enel projects I acquired in my academic and work experience.

The opportunity to be involved in the We Are Energy welfare initiative as an intercultural educator, coming into closer contact with the people and environments of the exceptional company that is the subject of this case study was provided to me by AFS Intercultura, a non-profit volunteer organization to which I owe much of my personal growth and open-mindedness about the world.

Above all, I am grateful to my supervisor, Professor Andrea Filippetti, for giving credit to my research idea and for the constant attention he paid to my work, right from the initial stages. I would also like to express my gratitude to Doctor Raffaella Coletti of CNR for her expert advice and stimulating insights.

Special appreciation goes to the managers of Enel who, despite their busy schedules, showed great willingness to interact with me personally and support me in this project,. During the interviews, their experience and tangible passion for the careful work carried out by their company proved to be essential ingredients in the construction of a robust set of data and real-life examples.

Here I would also like to thank the teenage girls and boys children of Enel employees who, regardless of their young age, showed uncommon enthusiasm in participating in this research and making their bright contribution to building a more sustainable future.



# Abstract

This research work sets out to provide new insights into relevant although underdeveloped topics, namely the managerial integration of sustainability principles and the development of social innovation practices in for-profit ventures. Inspired by Freeman's stakeholder theory and Schumpeter's notions of innovation, entrepreneurship, and social economy, the study sheds light on the possibilities for companies to both create shared value and increase their profit margins or find new sources of competitive advantage by carrying out their core business operations in a socially relevant manner. Since corporate social commitment was limited to peripheral business areas until recently, the aim of this research is to offer evidence of how CSR and sustainability can become an integral part of technological innovation processes within private organizations. The thesis presents and discusses the qualitative case study of Enel, a leading energy company that is setting trends in sustainability. The data is collected in a triangulation fashion, with interviews and focus group providing the bulk of evidence and archival data supplementing it. The case study highlights the importance of an attitude of self-questioning and readiness to innovate in driving changes in corporate values and business model. The data related to Enel confirm that a successful approach to added value generation is one where sustainability is rooted in short-, medium- and long-term targets – including financial ones – and the adoption of new solutions is always coupled with benefits for the firm and society at large. In sum, a guiding framework for innovative companies is offered on how to have a transformative social impact as well as meet the needs of shareholders and stakeholders.

# List of contents

<b>Introduction.....</b>	<b>3</b>
<b>1 Literature review .....</b>	<b>6</b>
1.1 The emergence of CSR concept and practices and their distinct interpretations .....	7
1.2 The structural and conceptual weaknesses of traditional CSR.....	10
1.3 The paradigm shift brought about by CSI and CSV .....	13
<b>2 The context of the Enel case study .....</b>	<b>20</b>
2.1 Enel's historical background: from state monopoly to privately-owned energy company .....	21
2.2 Enel's organizational model shaped by an ever-increasing focus on services.....	24
2.3 Corporate commitment to society and the environment .....	27
2.3.1 The birth of the <i>Innovability</i> function .....	29
2.4 Exemplary projects in sustainability and social innovation .....	31
2.4.1 EGP Scelta Rinnovabile.....	31
2.4.2 Renewable energy communities .....	32
2.4.3 Circular cities .....	33
<b>3 Research methodology.....</b>	<b>35</b>
3.1 Research strategy.....	35
3.2 Sampling and recruitment .....	37
3.3 Procedure followed in data collection .....	39
3.3.1 Archival data .....	40
3.3.2 Semi-structured interviews with Enel representatives .....	40
3.3.3 Focus group with teenage children of Enel employees.....	42
3.4 Data analysis.....	43
<b>4 Presentation and discussion of the empirical results.....</b>	<b>45</b>
4.1 Main findings .....	45
4.1.1 Sustainability as founding principle.....	45
4.1.2 Structures and objectives of Open Innovation and Innovability .....	54
4.1.3 Focus on people and the environment for a better future .....	57
4.1.4 The concrete results for the company .....	60
4.1.5 Recommendations for the future of business .....	63
4.2 Discussion of the findings .....	65
4.2.1 Value added.....	66
4.2.2 Implications of the study.....	67
4.2.3 Limitations .....	69

<b>Concluding remarks .....</b>	<b>71</b>
<b>Appendices.....</b>	<b>73</b>
Appendix 1 - Thesis main arguments and research question .....	73
Appendix 2 – Interview topic guide .....	74
Appendix 3 – Transcripts of interviews .....	76
Appendix 4 – Topic guide of the focus group.....	107
Appendix 5 – Transcript of the focus group.....	108
<b>Bibliography.....</b>	<b>112</b>
<b>Sitography .....</b>	<b>115</b>

# Introduction

Relatively recent demands from public opinion have urged upon the business sector the importance of not overlooking or underestimating pressing global problems and of making its operations both traceable and accountable from a social and environmental viewpoint. The rationale behind early Corporate Social Responsibility (CSR) efforts by companies was indeed to respond to a sort of *moral obligation* towards society, typified by ad hoc departments that would promote programs to mitigate the social costs of production or supply of services. Nevertheless, those solutions were inadequately designed as just peripheral activities, to the point where they only served to embellish the company's image through a series of credentials and standards of compliance, without delivering impactful innovations.

According to a number of scientific accounts (Baumgartner, 2013; Mirvis et al., 2016; Osburg, 2013; Rexhepi et al., 2013; Sheehy, 2015), the conceptualization of CSR as mere corporate philanthropy or citizenship – and the model that derived accordingly – failed to give way to an actual change in corporate behaviour. This shortcoming provided a pretext for management scholars and practitioners to shift the focus towards an innovation-driven corporate sustainability and responsibility. As a result of the improvements in the CSR agenda and process, Corporate Social Innovation (CSI) has been increasingly deemed a strategic investment by firms. Something which might lead to the elaboration of Sustainable and responsible Business Models (SBMs), but also yield a positive effect on financial performance (Herrera, 2015; Mirvis et al., 2016). What deserves even further consideration is the subsequent step, namely the methods and strategies modern enterprises are employing to integrate social and environmental aspects into the broader innovation system and thus make them central to the profit-making process.

The present research concerns the transformation that certain companies have been going through in the last years, in terms of evolving from a “cosmetic” CSR and corporate philanthropy to a much more structured, integrated and clear intent of internalizing sustainability and social innovation practices into their core business. In particular, I will investigate the ways in which firms have succeeded in gaining a competitive advantage by combining social innovation with more strictly technological innovation, thus upgrading the Schumpeterian theories on the links between entrepreneurship, innovation and social change. For most companies, technological advancement is a key part of their core business, but it is becoming of the essence to make it socially acceptable, inclusive and environmentally sustainable. The study is meant to demonstrate that this integration process generates societal welfare and a better reputation for the corporate world – which de facto acquires a more responsible, sustainable and proactive role in society – alongside with additional profits for the enterprises that implement it.



Building on a reversal of the traditional understanding of Corporate Social Responsibility, the main research question is stated as follows:

*By what means does the integration of sustainability and social innovation practices into the core business of enterprises – alongside technological innovation – create shared value as well as competitive advantage?*

Moving its cue from a critical account of academic works in the field of CSR and sustainability in for-profit ventures, the research will revolve around the case study of the largest Italian utility: Enel S.p.A. The study will draw upon desk analyses and investigations of the business' websites and reports, external project works carried out by the researcher, semi-structured interviews with Enel managers, and a focus group with employees' teenage children taking part in a company contest and campus. All these elements will contribute to prove that the energy enterprise's commitment to and integration of social innovation issues along its business lines can secure a higher degree of competitiveness on the market.

The thesis seeks to prove that certain social projects – be they internal welfare initiatives, partnerships with the third sector or start-ups with a social mission, or interventions in community programs –, are part of the business logic as well as profit-generating activities, and not just corporate goodwill, as it had been the case for several decades. Moreover, these projects are emblems of the multi-stakeholder collaborations between the profit and non-profit sectors that the complex and current global problems are demanding, and are sources of CSI. This aims to involve internal resources as well as external social actors so as to make the firm gain an economic return on corporate social investments.

Firstly, a critical literature review on the evolution of the concepts of CSR, corporate philanthropy and governance is provided. Moving from the initial adoption of strategies and tools of simple marketing, corporate re-branding or *greenwashing* up to issues of substance and the construction of sustainable and responsible business models, the emerging need for private organizations to make different investments and innovate in society is highlighted. Structural weaknesses of the CSR model will serve as the basis for the introduction of the CSI and CSV<sup>1</sup> frameworks. The identification of research gaps and the original contribution of the present study will follow.

Secondly, a detailed report of Enel's contextual background and main activities is given, together with an overview of its current organizational model, the result of the firm's recent increased focus on services. This section also provides a description of the tools used to assess the sustainability of the company as well as of some social projects active in the territory.

---

<sup>1</sup> i.e., Creating Shared Value

The third section is entirely dedicated to illustrating the methods of analysis used to construct the case study in question and to justifying their pertinence with respect to both the nature of the study and its research question. The research tools will be addressed at exploring the issue both from insiders' statements and from first-hand, empirical evidence.

Subsequently, a fourth chapter is centered on the description of the relevant findings about the object of the case study and the main propositions originally stated. Starting from those, the chapter will also include a discussion of the key elements potentially leading to a theoretical generalization of the competitive and socially responsible model emerged from the case study.

Eventually, the concluding remarks and main takeaways of this study are offered.

# Chapter 1

## Literature review

The past century, and especially the second half of it, has witnessed the nearly uncontested rise of private organizations across the globe. In the name of post-war recovery, prosperity and economic development, mostly Western enterprises have put profit generation before anything else, without taking into account the scarcity of resources nor the effects that their operations were having on society and the environment (i.e., “social costs”). The prevailing orientation of business at the time was the shareholder theory – also referred to as the *Friedman doctrine*, being named after the economist Milton Friedman who first advanced it (1970). The theory states that the only duty of a corporation and its managers is to serve in the best possible way the interests of shareholders and owners, using the company’s resources to maximize the profits accruing to them and contribute to their enrichment. In such a context, there was no space for a genuine pursuit and long-sighted vision of firm’s responsibility, if not for employee volunteer programs or targeted expenditures to prevent, for instance, pollution fines and penalties. As Visser conveyed in one of his scientific papers (2010), this is the “Age of Greed” (the first stage out of five) characterized by an embryonic, defensive Corporate Social Responsibility<sup>2</sup>. It used to encompass only limited interventions and investments, which were ultimately aimed at the protection of shareholder value.

However, during the age of maximum liberalization and privatization of Western economies in the 1980s, the belief began to spread that economic development stemming from firms’ value creation could not be confined to just a few individuals. By contrast, it had to involve the whole economic ecosystem with all its constituencies. Scholars like Freeman (1983) pointed out the relevance of conceiving a *stakeholder* view, according to which the activities of businesses are expected to guarantee a performance minimum for all people affected by their decisions and bear a moral regard for the interests of those stakeholders. From this branch of scholarship stemmed the first theorizations of CSR. They were based on the idea of integrating stakeholders’ perspectives (Baumgartner, 2014; Sheehy, 2015) and entailed their moral empowerment (Eabrasu, 2012) so as to enlarge the scope of a corporation’s social responsibilities.

Besides growing corporate philanthropy initiatives that were proving the social side of enterprises and granting them a better reputation on the market, CSR started to be gradually associated with internal management systems to improve stakeholder and social relations, or with sheer marketing tools for

---

<sup>2</sup> Hereafter, CSR

attracting and communicating with stakeholders themselves. To assess whether certain organizational practices could be characterized as CSR by the general public, behavioural approaches focused on verifying the extent to which corporate decisions adhered to industry standards and external norms (Sheehy, 2015). In this way, voluntary firm behaviour initiated by management to improve organizational performance in CSR matters was basically condensed in nothing more than codes of conduct and social reports. Only when the relevant literature showed that the phenomenon of CSR could generate long-term stakeholder value, was CSR more broadly conceived by companies as corporate sustainability, where social, ecological and economic aspects are integrated (Osburg, 2013). This all-encompassing perspective on responsible business operations was later theorized by Elkington (1998) in his Triple Bottom Line accounting approach: in the long term, business goals of economic character cannot be separated from the surrounding environments and societies.

The following paragraphs give an account of the evolution of CSR in the scientific debate, including the inherent flaws in its application and its consequent – and still partially in-progress – upgrading by more modern and holistic approaches. In the end, critical issues in the subject are identified that pave the way for the formulation of the research question and additional propositions.

## **1.1 The emergence of CSR concept and practices and their distinct interpretations**

The inherent complexity and ambiguity of the problems addressed by CSR as well as the diversity of contexts where it can find application have always made it hard for both scholars and practitioners to refer to a definite and universally recognized set of “good practices”. In fact, these differ from firm to firm and vary across geographical areas and cultures, thus taking shape from either charity and philanthropic initiatives, social entrepreneurship practices, involvement in local communities or subscription to worldwide projects (Eabrasu, 2012). Since the very outset of companies’ social responsibility endeavours, interpretations of these efforts have hence gone in the direction of mainly valuing superficial corporate behaviour. Manifestations of corporate philanthropy entailing simple incremental donations alongside the maintenance of unethical conduct on all other aspects of the business, or the fact of considering those same donations as sacrifice of part of the profits are both behaviours falling within a theoretical classification of CSR practices. It is precisely such a focus on specific, disconnected behaviours of enterprises that fails to advance a more thorough understanding of the phenomenon of CSR (Sheehy, 2015).

As a consequence, rather than a genuine and serious effort to regulate and change that behaviour, aiming at a more equitable distribution of the costs and benefits of industrial production and service

provision, some scholars have set the CSR discourse on the so-called “greenwash” trend (Greer & Bruno, 1997). It was argued that, in most of the cases, corporations claiming environmental credentials and other social contributions merely perpetuate a *business-as-usual* attitude, while continuing to generate excessive harms on society. CSR commitment would thus be equated to nothing but corporate image concerns developed by marketing departments, whereby the investment in promoting a firm’s environmental credentials externally is greater than the internal investment in actual environmental performance. Despite having overcome the first age and stage of CSR detected by Visser (2010) – i.e., *Greed* –, a few enterprises have got stuck in the subsequent overlapping phases, namely those of *Philanthropy* or of *Marketing*, whereby corporate responsibility has a more charitable or promotional connotation respectively. Especially in developing countries, CSR is still constrained in an ancillary human resources, corporate affairs, marketing or public relations department. It is only functional to enhance the brand equity or the company’s image and reputation, basically turning out to be a greenwashing operation often in the crosshairs of competitors or consumers accusations.

Different interpretations have instead focused more on a reception of CSR in firms that was predominantly strategic, in terms of an internal management system aimed at improving certain aspects of organizational performance (Sheehy, 2015; Visser, 2010). According to these reports, some business representatives have gradually realized that a clearer demarcation of CSR policies and of the related strategic targets allows for an actual change in focus and moderation of internal organizational practices. To this effect, the assessment of internal management systems as CSR-related procedures is dependent upon their comparison with standards which concern environmental and social aspects and are drawn from the institutional environment. Certification schemes such as ISO 26000 and ESG all in all contribute to the understanding of CSR as a private business regulation for industrial organizations around the world that want to avoid risks for themselves. Being part of Visser’s fourth stage of CSR (*Management*), strategic management systems entailing goal setting, program implementation, auditing and reporting not only act as risk mitigation tools, but also help firms deal with allegations of greenwash.

Along these lines, two major strands in the development of CSR issues in private organizations have therefore been identified, especially in the Western world. On one hand, a philanthropic model involving a strategic approach to charitable contributions, according to which a share of the profits made is devoted to charitable causes, and on the other a CSR much more focused on operating the core business in a socially responsible way and on investing in the communities where companies operate for solid business case reasons. Some academics have gone so far as to justify the spread of one or the other paradigm by the values and cultural priorities of the place where business is done (Rexhepi et al., 2013). Hence, enterprises in the United States would be more readily associated with a charitable approach in their way of giving something back to society, while companies in Europe would rather lean towards a more operative and carefully

planned integration of social responsibility activities into the business (ibidem). Nevertheless, it should be pointed out that throughout the years donations and sponsorship programs have failed precisely because they did not tackle social and environmental challenges through business and economic approaches, thus resulting in short-sighted promotional initiatives and being gradually replaced by more holistic visions. For this reason, the second strand of corporate responsibility needs to be taken into higher consideration, since it is the essential evolution of the former – in conceptual as well as practical terms. Corporations should be treated and should themselves act as citizens to all intents and purposes, by virtue of the fiduciary duties they hold towards society and with respect to the resources entrusted to them and the environment (Rahdari et al., 2016).

This reasoning has acquired even more relevance when both public opinion, institutional settings and the academic world perceived that manufacturing and service companies had to carry those obligations not only in contemporary society, but also towards subsequent generations – if they wanted to keep growing and drive the change. In order to be impactful in economic terms, it was stated that the notion of sustainable development within the corporate sector needed to be institutionalized and built around a reliable framework allowing for organization-specific adaptation (Baumgartner, 2014). What keeps firms alive, namely innovation, productivity and cost savings, cannot disregard practices that embrace the challenge of sustainability. According to similar accounts, all this can be a source of both social welfare and corporate success and increased profitability.

In an attempt to enlarge the spectrum and effectiveness of CSR implementation, Visser's fifth age and stage of CSR (2010) – *Responsibility*, which entails new business models – gets somehow intermingled in the debate with corporate sustainability elements. Identifying and tackling root causes of unsustainability and irresponsibility in private organizations began to be interpreted as a tool of corporate sustainability which, in turn, can become a source of competitiveness. Undoubtedly, such a process has also generated confusion in the new use of the term CSR, whereby it was used as both corporate sustainability (where social, environmental, and economic aspects are included) and as the more social/societal side of enterprises. Consequently, the same problems that affected the first conceptualizations of CSR have come to regard also the application of corporate sustainability. Baumgartner's work (2014) tried to underline the inefficiency of the integration of sustainability aspects into modern enterprises, in case they get stuck at the normative management level. At that point, only matters of company mission and the fit between sustainability engagement and organizational culture are addressed. Businesses are urged to move to the so-called strategic and operational levels of CSR, which is understood indiscriminately as Corporate Social Responsibility or as Corporate Sustainability (and Responsibility). The table below (**Figure 1**) illustrates the features of the three management levels – normative, strategic, operational – with the corresponding phases of objective legitimation, effectiveness and efficiency.

<p><b>Normative Management – Objective Legitimation</b></p> <p>Determine the basic management philosophy</p> <p>Values, attitudes, beliefs, and judgments as a basis for management</p> <p>'Who are we and who do we want to be?'</p>
<p><b>Strategic Management – Objective Effectiveness</b></p> <p>Determine long-term goals and product/service-market combinations</p> <p>'What are our (strategic) goals?'</p>
<p><b>Operational Management – Objective Efficiency</b></p> <p>Organization and management of all corporate activities to reach strategic goals and guidelines</p> <p>'How can we reach our goals?'</p>

**Figure 1** *Management levels and goals.*

Source: Baumgartner, R.J., (2014). Managing corporate sustainability and CSR: a conceptual framework combining values, strategies and instruments contributing to sustainable development. *Corp. Soc. Responsib. Environ. Manag.* 21, 258-271.

Developing an effective social and sustainable corporate strategy and implementing it in the various corporate functions, while keeping innovation and continuous improvement as cross-functional areas, are still key to adapting organizational structures and management processes and outlining a more systemic view of CSR.

## 1.2 The structural and conceptual weaknesses of traditional CSR

Accountability of firms towards the local, national and global society and towards the environment they inhabit and take advantage of has been a widely debated topic among management practitioners and scholars for decades. In the early phases of CSR diffusion across sectors, the lack of a profound awareness about the social costs produced, coupled with the breadth and complexity that globalization was adding to social issues, did not put enterprises – not even multinational ones – in the position to reverse the trend of privatization of benefits and socialization of costs. All macro indicators for social, environmental and ethical quality conditional on companies' undertakings showed no decisive signs of improvement, because CSR fueled a race to being less bad rather than good at all. What is even more puzzling is the corporations' apparent inability to seize the plentiful opportunities offered by that new management stream in terms of cost abatement and organizational modernization.

Although a considerable portion of customers might claim that companies and their representatives are incoherent and hypocritical in the operations they carry out, and in the egotistical decisions they take, the lack of good intent by the corporate world was not the main cause for a generalized failure of CSR endeavours. Rather, it was the way CSR programs and activities were initially designed and never

optimized that led to a widespread need to rethink the whole process. In his influential paper, Visser (2010) plainly highlighted the CSR “curses”, namely the main reasons for its failure. For instance, he stated that in most cases corporate sustainability and responsibility were conceived as selective and too compartmentalized initiatives. The prominent academic also criticized CSR for being i. peripheral since its very inception, being mostly restricted to large companies and to some specific but forgotten departments; ii. incremental in terms of objectives internally set to be achieved, and not planned holistically and systematically; iii. uneconomic in that CSR yields more often incremental costs than a financial reward to sustainable and responsible performance for companies adopting it. These critiques are summarized in the following **Figure 2**.

<b>Curses</b>	<b>Nature of the Failing</b>
Peripheral CSR	CSR has remained largely restricted to the largest companies, and mostly confined to PR, or other departments, rather than being integrated across the business
Incremental CSR	CSR has adopted the quality management model, which results in incremental improvements that do not match the scale and urgency of the problems
Uneconomic CSR	CSR does not always make economic sense, as the short-term markets still reward companies that externalise their costs to society

**Figure 2** *The Curses of Modern CSR.*

Source: Visser, W. (2010). The age of Responsibility: CSR 2.0 and the new DNA of business. *J. Bus. Syst. Gov. Ethics* 5 (3), 7-22.

A crucial factor which doomed CSR to be ineffective was the inability to scale up its sustainable solutions – a duty that the public sector, by taking on a mere enabling role, has been increasingly entrusting to businesses (McNeill, 2012). Largely overlooked by traditional CSR, scalability is now deemed one of the bases for companies’ new efforts to meet the social and environmental agenda and deal with burning global issues (Osburg, 2013; Visser, 2010; Porter & Kramer, 2011). Because if a certain degree of decentralization of administrative decision-making is happening, on the other side, now more than ever, enterprises and entrepreneurs possess all the means to assume a role of greater responsibility.

The business sector has come to acquire so much money, power, and influence that its executives were elevated at the same level of some heads of state and other actors on the international stage. As a matter of fact, many governments in the past decades have promoted CSR as an alternative and politically less costly way to tackle social and environmental issues than direct public regulation (Sheehy, 2015). Over time, a shortage of tax revenues and philanthropic donations has meant that resources in the hands of government agencies and NGOs to tackle global problems were scarce, thus allowing only small, incremental progress to occur. In order to partially offset the shrinking of supply of public funding for nonprofits and the increased demand on nonprofits’ services, many organizations have progressively pursued earned income through commercial ventures and nonprofits. Likewise, several governments have turned to business techniques to operate more efficiently (Phills et al., 2008). It can therefore be argued that



in recent times, nonprofits, governments, and the corporate sector have increasingly joined forces and altogether developed a better appreciation for the complexity of social concerns and the global solutions needed to tackle them.

As also advocated by leading entrepreneurship scholar Joseph Schumpeter, innovation has always been in the DNA of firms, and entrepreneurs are the privileged actors in society tasked with stimulating and disseminating innovative solutions. The innovation process within firms can thus easily be directed towards efforts that both satisfy social needs and problems, and generate benefits or cost reductions for society. Because the overriding goal remains to create shared social and economic value, that is, to tackle a social issue through a business model, the public sector openly commissions companies to do so. Consequently, the conditions in which so-called social innovation can flourish are created (McNeill, 2012). The profit generated through business ventures, coupled with business' resource pool and organizational capacity, makes it possible for the solutions created to be infinitely scalable, thus becoming *self-sustaining solutions*.

This approach goes far beyond traditional CSR, which was also flawed in that it never included innovation as an integral component (Osburg, 2013). Furthermore, it also transcends the narrower domains of social entrepreneurship and social enterprise, which have their roots in the non-profit sector and tend to exclude the others. On the contrary, social innovations are recognized as being able to originate also from entities outside the nonprofit scope of social entrepreneurship and enterprise, namely from businesses and governments (Phills et al., 2008). In particular, social innovation is said to take place either within the public sector, the for-profit sector, the third sector, or in the spaces between them. Accordingly, social value is produced and, in addition, new business opportunities may arise for enterprises from going into markets where public or charitable organizations have been the main actors for a long time. They don't have to struggle for market share because they can identify areas where problems have not been addressed at the root in previous times. In addition to this, they can work out effective solutions by leveraging on multi-stakeholder collaborations with NGOs and/or governments.

The aforementioned elements are proof that conventional CSR, corporate philanthropy, and corporate citizenship strategies, as widely accepted and implemented, have not proved up to the challenge of promoting innovations in products and services with some social purpose. Innovation, especially social and environmental one, tends to be risky and corporations are called upon to find the means of reducing that risk. Corporate strategies must therefore be adapted to serve social needs thus creating shared value, which is a new way to achieve economic success, and not just social responsibility, philanthropy, or sustainability. The following section is devoted to a critical presentation of the novelties brought about by the integration of social innovation and sustainability practices in companies' business strategies and to an explanation of the main research gaps.

### 1.3 The paradigm shift brought about by CSI and CSV

As previously stated, a great deal of the management literature has advocated for an override of the classical understanding of CSR, according to which companies' social engagement is viewed as a cost to the entrepreneurs or, at best, a marketing strategy to mitigate reputational damage. Nonetheless, if one assumes that conducting sustainable business practice has become an inevitable demand from civil society and that everything a firm does has some flow-on effect either inside or outside the firm, it is better to turn business operations for good. In order to be successful, enterprises are required to “do things right” (Rexhepi et al., 2013) and innovate with the objective of turning environmental, economic, and societal challenges into opportunities.

The main theoretical stream that promotes an active role of entrepreneurs and entrepreneurship in society is based on Schumpeter's seminal analyses on innovation. The latter was defined as the putting of untried resources into practice through the entrepreneurial function and as the adoption of something new, which generates value for the organization that implements it (Schumpeter, 1934). It differs from the mere invention in that it is the *process* of transforming an idea or invention into a solution useful for customers, shareholders, and societies as a whole. A host of academic contributions in the fields of ethical management and corporate sustainability provides a detailed account of the Austrian economist's notion of innovation and its manifestations. In particular, Osburg (2013) focuses on the factors along which the various innovations can differ – i.e., dimensions (objective or subjective), scope of change produced (radical, incremental, reapplied), creation processes (closed or open), types of innovation. With regard to this last element, Rahdari et al. (2016) add that innovations can apply to marketing, product, process, organizational structures, business model, and supply chain. This view partially echoes the 5 categories identified by Schumpeter i.e., new product or service, new strategy or method, new market, new source of supply or labor, and a new organizational or industrial structure. Dees et al. (2001) went further in detecting two additional classes, which are framing new terms of engagement and developing new funding structures, respectively. All scholars admitted that, in recent decades, even the themes of social and green or *eco-innovation* have gained traction in scientific debate.

Of considerable interest are the insights that were able to draw from the Schumpeterian concepts of social value and *creative destruction* – or transformation – (Schumpeter, 1909) and transpose them into the modern economic system (McNeill, 2012; Stiglitz, 2010). According to the Austrian political economist, social value represents the synthesis of social wants, defined as those produced by and within a community of individuals acting collectively and consciously. Moreover, he stated that the “gale of creative destruction” (or transformation) is an attempt to change the given circumstances first undertaken by

entrepreneurs at a micro or firm level. Then, the process is said to create an economic discontinuity, a sort of shakeout in established industries and structures and in technological fields, which in turn affects macro-level growth (Schumpeter, 2002; Perez, 2003). As Schumpeterian catalysts and means to the end of innovation, entrepreneurs must stimulate the creativity of their workforce, and cooperate with their companies' suppliers, customers, and business partners in designing and developing innovative solutions to complex environmental, economic and societal issues. In his view of socialist society, this cyclic process should pave the way for an economic system where the social value of technological advancements is central – the so-called “social economy”. McNeill (2012) was sharp in noting the distinction between commercially focused entrepreneurs and social entrepreneurs. The former will continue to innovate in ways that, in addition to private gains, also generate socially or environmentally beneficial outcomes, though almost unintentionally. In any case, so far this kind of innovations has not led to equal societies, but rather to many complex social and sustainability issues. Likewise, Stiglitz (2010) noted distortions in the focus of innovation and entrepreneurial activity, in the sense that many large corporations have become adept at innovating only to protect their market interests. The adverse consequences of this are a stagnation of the innovation process and a reversal of the economic progress.

As Schumpeter argued, given increases in capital have been historically the result – not the cause – of entrepreneurial activity, modern economy should favour a new “social” capitalism. In this sense, entrepreneurship is the engine of growth and has to be placed on top of the pyramid of society in order to thrive and achieve economic development (Rahdari et al., 2016). Assuming that development is “the creation of something new [...] that, first of all, by being strange to the value system of statics will oppose it” (Schumpeter, 2002), it coincides with innovation. Innovation, in turn, is stimulated not only by new technologies, the training of engineering skills and consumer demands, but also by a considerable entrepreneurial concern for socio-environmental issues that affect the globe (Rexhepi et al., 2013). In essence, the new capitalism would be driven by social innovation and it would be beneficial to citizens and the environment on one hand, and enterprises on the other. Social innovation can therefore be thought of as a relatively novel way to conceive of human development, challenging the commonly held belief that innovation is confined to the technological sphere and to corporations' personal gain.

As a matter of fact, building on reworkings of Schumpeter's theories, scholars of technological change like Perez (2003) increasingly addressed how social factors affect the spread of technology and, vice versa, how the most recent digital technologies<sup>3</sup> trigger social inequalities. As also advocated by OECD<sup>4</sup>, it is becoming of the essence for states to issue specific regulations and policy frameworks that tackle technological externalities and mitigate harms to society and the environment. A proactive role in

---

<sup>3</sup> Associated with the fifth “great surge of growth” and technological revolution of Information and Telecommunications (Perez, 2003)

<sup>4</sup> <https://www.oecd.org/regional/leed/social-innovation.htm>

this direction and a remarkable interest in social innovation has been demonstrated quite recently by the governments of UK, with the coalition government's notion of a *Big Society* in the 2010s, and USA, with President Obama's Social Innovation Fund, and by EU institutions (Shaw & de Bruin, 2013). In the European Union, social innovation has been decisively incorporated through a series of initiatives, three of them being the European Social Innovation Competition, the Employment and Social Innovation Programme, and Horizon 2020. Carlota Perez herself was Chair of the European Commission's Horizon 2020 Expert Group for Green Growth and Jobs in 2015-2016, and participated in the EU-Horizon Project Beyond 4.0 for the Institute for Innovation and Public Purpose (IIPP) of the University College London (UCL). The project investigated the way various analysts have gone about technological revolutions and probed the possibility of "smart, green, fair and global directions for the social shaping of the ICT revolution"<sup>5</sup>.

The present research already mentioned that social innovation is cross-sectoral, meaning it involves private as well as public stakeholders and third-sector associations, and attracts the interest of governmental and supra-governmental bodies. Nevertheless, the sources of scientific literature that have delved into the sphere of social innovation have not yet been cited fully. A more complete and consistent definition of social innovation would be a set of novel solutions to complex environmental, economic and societal challenges that are effective, efficient, sustainable, and just. The value created by them accrues primarily to society as a whole, rather than private individuals. Thus, social innovations seek to increase societal welfare through co-creation and require the formation and application of new knowledge amongst diverse stakeholders, which lead to new capabilities (Cacciolatti et al., 2020; Phills et al., 2008). In their seminal work, Phills et al. (2008) further specify that – similar to other innovations – social innovation can take the form of a product, production process, technology or of a principle, idea, piece of legislation, social movement, intervention, or even some combination of them. Cross-sector fertilization and open innovation are the preferred channels for social innovation, which in turn trigger a series of virtuous mechanisms. Firstly, they engage significant stakeholder interaction in a continuous exchange of ideas and values; secondly, they lead to a shift in roles and relationships between businesses, nonprofits, and governments, with the progressive lowering of barriers between them; thirdly, they enable the integration of private capital with public and philanthropic support (Osburg, 2013; Phills et al., 2008).

Alternatively, Voorberg et al. (2016) summarized the widely-debated concept of social innovation in the following, comprehensive definition. Social innovation is "the creation of long-lasting outcomes that aim to address societal needs by fundamentally changing the relationships, positions and rules between the involved stakeholders, through an open process of participation, exchange and collaboration with relevant stakeholders, including end-users, thereby crossing organizational boundaries and jurisdictions" (Ibidem).

---

<sup>5</sup> <https://www.ucl.ac.uk/bartlett/public-purpose/people/carlota-perez>

And in this framework, indeed co-creation and co-production have been reportedly exerted as new reform strategies by the public sector, given the budget austerity that nowadays weighs on most governments. However, the author's original contribution on social innovation centers on the impact that co-creation processes can have in a public-sector context, relegating similar experiences in for-profit ventures only to private returns in terms of value added, customer loyalty and satisfaction, and competitive market advantage. The real challenge in a world of powerful corporations is instead how policymakers can encourage them to use tools like co-creation and production to encourage community involvement in the business initiatives they undertake. This holds true especially for service companies, which are required to come to terms with societal needs in order to survive and design satisfactory essential services for end-users. Moreover, it would represent an additional link between social innovations and more general open innovation mechanisms.

For this reason, a great deal of scholarship has explored how social innovation is accepted and articulated within corporations under the name of Corporate Social Innovation (CSI), as a tool to both make firms gain a competitive edge and bring a positive change to communities which benefit from its action. Indeed, Mirvis et al. (2016) were particularly explanatory in highlighting the elements of advantage that constitute CSI in contrast with CSR. They are as follows:

- While CSR has a purely philanthropic intent, CSI is a strategic investment on a par with other corporate investments;
- CSR programs mainly require contributions in terms of money and manpower, whereas with CSI societally-relevant R&D and the application of corporate assets are encouraged;
- In CSR, partnerships are forged mostly with NGOs or community groups, while CSI counts on deeper collaborations. These can be both internal to the company (across functions) and external to it in order to perform co-creation, often with the contribution of social innovators and enterprises;
- While the products of CSR are basically goodwill and a better reputation, CSI creates new sources of revenue and a more socially relevant innovation system, thus ensuring a certain competitive advantage.

A considerable amount of CSI centers on companies' sourcing or supply chain and the development of new business models aimed at the Base of Pyramid (or BoP i.e., low-income markets), socially conscious and green consumers, or the acquisition of a socially responsible company. Regarding this last point, the authors (Mirvis et al., 2016) proved that deeper knowledge exchange and tutorials on what is needed to run a socially responsible business are thus provided. With the additional support of employee engagement in CSI, enterprises generate benefits to both value chain and society at large.

Two questions remain to be answered, namely (i) how is CSI integrated into corporate strategy and operations and (ii) how does this process increase competitive advantage. First of all, Herrera (2015) underlines the importance of organizational structures – both formal and informal – that can institutionalize innovations by means of strategic alignment, institutional elements, clarity in intent. More specifically, the institutional mechanisms driving, enabling, and embedding social innovation values and methods are operational structures and processes, and organizational culture. These components contribute to build social capital and create the conditions for the socialization and propagation of successful innovations both across the organization and outside of it. Secondly, wide-ranging stakeholder engagement platforms, that allow for the forging of strong relationships with institutions and individuals as well as for an active sensing of the business context, result in an improved understanding of market opportunities and trends. In this way, the subsequent broadening of markets and development of innovative, low-cost solutions help firms constructing a solid competitive advantage (Ibidem).

A deliberate, systematic approach to social innovation with the support of institutional mechanisms becomes key to an intensified synergy between CSI and the market as well as more strictly technical innovation. The outcomes of CSI practice can be seen in “micro-products”, such as co-ideation, the discovery of creative users, and business model innovations for BoP or Sustainable and responsible Business Models (SBMs). In addition to these, “macro-business benefits” potentially accruing to firms which engage in social innovation strategies were identified as follows<sup>6</sup>:

- Greater workforce competitiveness, whereby employer’s sense of purpose is a major factor motivating today’s employees;
- Business growth and inclusion at scale, the opportunity for which comes especially from addressing new markets that need innovative solutions;
- Strengthened supply chain – in response to resource scarcity and environmental concerns – by ensuring robust and sustainable access to raw materials, and enhanced reputation by actively responding to consumer needs;
- Brand value and restored trust among the ever powerful and aware consumers by way of an alignment of corporate values with the current social needs and beliefs;
- Change in performance metrics, as a growing number of investors are including social and environmental considerations into their long-term performance metrics and investment decisions, on top of financial issues.

---

<sup>6</sup> [https://reports.weforum.org/social-innovation/why-social-innovation-matters-to-business/?doing\\_wp\\_cron=1655396902.5978140830993652343750](https://reports.weforum.org/social-innovation/why-social-innovation-matters-to-business/?doing_wp_cron=1655396902.5978140830993652343750)

Being the end result of improvements in the CSR process and a powerful tool in the hands of modern enterprises, CSI can be framed in a more general business concept which was first theorized by Porter and Kramer (2011). By placing greater emphasis on the ultimate goal of all corporate activities than on their processes, the CSV (Creating Shared Value) framework advances the idea of creating shared value by developing operating strategies and new policies that maximize revenues, whilst also offering benefits that add to the community. CSV scholars pointed out that companies originally committed to CSR have not been careful enough to recognize the interdependence that exists between business and society, thus viewing CSR in a generic sense rather than strategically. Conversely, when CSR and CSI are made part of the core business strategy, and hence are not confined to financial budget, they can easily become a primary source of competitive advantage (Salonen & Camilleri, 2020). CSV is an internally generated way for firms to yield economic and societal benefits relative to cost in real competition of maximizing the profits. Shared value is understood to be the underlying goal to strive for, with the potential to propel the global economy's next wave of innovation and productivity growth.

It is evident that the management literature has developed a broad discourse around corporate accountability towards society and the environment. It has also discussed how businesses must consider both the internal costs of social deficits and the competitive advantages that come from addressing them. A number of approaches alternative to the traditional notion of sterile CSR have been suggested and the most valuable ones were based on Schumpeter's theories on entrepreneurship and innovation. Notwithstanding this, it remains to be examined the extent to which companies, sometimes in collaboration with the public sector and third-sector associations, stimulate social change and economic development while still maintaining their profit-maximization orientation. The intent of the study is therefore to prove that some enterprises, even multinational ones, have managed to find ways to make sustainability and social innovation principles and practices coexist with the core business drivers of technological innovation. The starting point is the assumption that firms that have reached a certain level of maturity in integrating social and environmental causes strive not only for higher margins, but also to meet larger ends and broader human needs. The qualitative study is devoted to answer the following research question:

*By what means does the integration of sustainability and social innovation practices into the core business of enterprises – alongside technological innovation – create shared value as well as competitive advantage?*

In an inductive fashion, the research aims at outlining a model whereby companies internalize sustainability and possess the tools to pivot their financial performances around the social and environmental impact of their operations. Based on the exemplary case study of the large utility Enel, evidence will be provided of the extent to which a business can reap the above-mentioned benefits from rooting social innovation into the overall innovation process and system. Precisely because it engages in

business also for societal good through a series of well-thought-out projects and initiatives, the firm is able to take into account the needs of all stakeholders, gain trust among customers, and foster growth. This work further traces the progressive capacity that Enel has acquired in embracing social and environmental sustainability in a substantive way, and tests it through the following propositions in support of the main research question:

- a. The company has moved on from the traditional view of Corporate Social Responsibility towards a shared value mindset.
- b. The pathway to innovation has the dual objective of promoting business growth and improving the life of communities.
- c. Standards of sustainability and social inclusion are embedded in corporate structures and processes and in financial instruments.

The study overall emphasizes the importance of building an innovation- and sustainability-driven business strategy that is capable of producing shared value and is viable for private ventures around the world.



## Chapter 2

### The context of the Enel case study

Among the host of companies active internationally and extensively engaged in academic collaborations that the researcher is familiar with, the electric utility Enel S.p.A. based in Italy was deemed particularly functional to corroborate the literature analyzed in this study and fill the resulting research gaps. At a time like the present, when the debate about the role and the obligations of increasingly powerful corporations toward society and the environment is especially popular, an energy group devoted to renewables like Enel is the ideal reference to take for the research purposes. For the most part, it is a company that offers services of universal reach i.e., that should be granted to all citizens in an equitable way and under competitive market conditions. What further supports the choice of this case study is the fact that it began as an Italian state-owned monopoly and then rapidly expanded on an impressive scale to a number of other countries and continents around the world, openly embracing social and sustainability issues. The revenue and business growth witnessed by Enel, and the competitive advantage it has attained not only in the European market but also in the global market, are evidence that the company's renewed strategy of internalizing sustainability into its innovation processes make it a role model in the sector.

Various external projects carried out by the researcher and having Enel's undertakings as main subject have been the basis for acquiring constructive insights and raising even more curiosity about the firm's commitment to sustainability and social innovation. More specifically, the occasion which gave the researcher the possibility to gain first-hand experience was her involvement as intercultural educator in an internal welfare initiative addressed at the children of all Enel employees. "We are Energy" is the name that the energy company has given to both the contest and the campus where brilliant and young minds have the opportunity to test themselves with the technological and sustainability challenges of today and tomorrow. Starting from January each year, Enel opens up a web platform<sup>7</sup> full of educational contents about different topics of interest to the business. Children of Enel employees are encouraged to subscribe, thus getting access to the materials, and to take part in a contest by presenting their own ideas of projects related to the topic in question. A few months later, a jury internal to the company selects the best projects out of the 5000 usually presented and hence invites winners to the We Are Energy international summer

---

<sup>7</sup> <https://weareenergy.enel.com/it/>

campus. This consists of a unique experience of a week or two that celebrates the coming together of around 100-120 young people from different cultures aged 7 to 17, who share common values and work together to devise and implement innovative energy projects<sup>8</sup>.

This year's edition (the 18th) had *Open Innovability<sup>9</sup> for electrification* as its main subject. Participants in the competition grappled with topics such as power generation from renewable sources, electric mobility, smart grids, and smart homes. The international summer campuses were held at three major Enel Innovation Hubs in Catania, Madrid and Boston, and another one will be hosted in autumn 2022 in Santiago (Chile). During that time, the contest winners experienced a week as true innovators, getting acquainted with Enel staff, current research projects, and start-ups involved in the hubs. They also had the opportunity to work on their cutting-edge projects on ultra-futuristic topics such as "Energy in Outer Space and Future in the Metaverse"<sup>10</sup>. During the concluding virtual event, the Chairman, CEO and Communications Director of the Enel Group had the opportunity to learn about the creative projects that the kids worked on at the prize campus, together with Enel's Innovation Managers and with intercultural educators. An initiative like this not only strengthens the development of an international community among the children of Enel Group companies, but also fosters a constructive dialogue on energy, resources and sustainability among the younger generation in an original and cross-cutting way. In this sense, the energy giant takes on a responsible role in building a culture of sustainable development and instructs the youth in how to generate socially and environmentally friendly innovations. Starting from this very example, the case study seeks to demonstrate how this is an approach that Enel adopts in all the business operations it conducts.

The present section is aimed at framing the context within which Enel operates, by identifying background information, main business activities, people and structures that have promoted the company's transition towards a CSV approach, and some of the exemplary activities of sustainable and social innovation active on the ground.

## **2.1 Enel's historical background: from state monopoly to privately-owned energy company**

Enel S.p.A. (i.e., joint-stock company) is today a large multinational utility and energy supply company as well as an established business for decades. It is a leading integrated player in the world's power and gas markets, currently operating in more than 30 countries across 5 continents, with a particular focus on Europe

---

<sup>8</sup> <https://www.lafabbrica.net/project/enel-we-are-energy/>

<sup>9</sup> i.e., Innovation & Sustainability

<sup>10</sup> <https://www.enel.com/it/media/esplora/ricerca-comunicati-stampa/press/2022/07/enel-premia-i-figli-dei-colleghi-di-tutto-il-mondo-al-concorso-we-are-energy-2022>

and Latin America. The name Enel is the acronym for “Ente Nazionale per l’energia ELettrica”, meaning National Electricity Board, because it started out as a state-owned enterprise, founded back in 1962 by the Italian government as an agglomeration of more than a thousand local energy producers<sup>11</sup>. The aim was to nationalize the electrical system, based on the experiences of countries such as France and the United Kingdom, and unify voltage levels across the Italian electricity grid. In the years following its establishment, Enel had to focus on rural electrification and streamlining operations, in order to ensure an adequate supply of electricity that met the needs of the country's economic development and growing population of that time. By leveraging especially on hydroelectric plants, Enel managed to modernize and expand the national network, connecting it to the European network in short order.

The international oil crisis that came in the 1970s pushed the Italian company to formulate a national energy plan, which defined the objectives of both building new power plants and exploring alternative sources of energy. The overarching goal was to reduce Enel's dependence on hydrocarbons by boosting hydro, geothermal, coal, reducing waste, and at the same time conducting more research on nuclear power. Nevertheless, the Chernobyl disaster in 1987 and the results of the first referendum on nuclear power in Italy inevitably caused to terminate further construction of nuclear power stations by the company (Chesbrough, 2016). On the other hand, with respect to new sources of energy, Enel reached important milestones in pioneering the transition towards renewables throughout the 1980s. It installed what was at the time one of the largest hydroelectric power plants of its kind in Europe (in Edolo, Lombardy); it built the first large scale grid-connected solar power plant in Adrano (Sicily); the first photovoltaic power plant became operational in the island of Vulcano (Sicily); and in Alta Nurra (Sardinia) it launched the first wind farm in Italy<sup>12</sup>.

Under the banner of the gradual liberalization process which was then starting in Europe, the 1990s represented a period of great change due to the issue of three main “Energy Packages” (1996, 2003 and 2009). As a consequence, Italy transposed the European Directives into national laws, the first of which being the 1991 Law No.9/1991. According to it, Enel was obliged to partially liberalize electricity production in favor of other companies, that were allowed to produce electricity generated from conventional sources and renewable energy sources for their own use – but with an obligation to hand over the excess amount to Enel. In 1992, it was transformed into a joint stock company with the Italian Treasury as its sole shareholder. Then, in 1999, a legislative decree sanctioned the complete deregulation of the Italian electricity market, which was opened up for competition with other actors (Chesbrough, 2016). Thus, Enel became a private company – the Italian government currently owns only 24% of its capital – and had to undergo a restructuring. Its operations were separated into distinct generation, transmission, distribution

---

<sup>11</sup> <https://www.enel.com/company/about-us/our-story>

<sup>12</sup> <https://en.wikipedia.org/wiki/Enel>

and sales activities. For this purpose, three separate companies were formed: Enel Produzione, Enel Distribuzione, and Terna for energy production, distribution, and transmission, respectively. And still at the end of 1999, Enel had an Initial Public Offering with the listing of 30% in Milan Stock Exchange that amazingly raised over US\$16 billion. As part of the liberalization process, between 1999 and 2005, Enel sold some distribution networks in large cities, the whole transmission system, and part of its generation capacity.

Ahead of the new millennium, the energy company moved closer to digital technologies, for instance designing and installing the world's first smart meters<sup>13</sup>. In parallel with diversifying its business, Enel made an attempt into unfolding the so-called multi-utility model, thus expanding into contiguous service sectors such as telecommunication and water. This phase ended few years later, around 2005, when Enel got rid of its non-core business and refocused on the energy sector (Gilardoni, 2021). In the early 21<sup>st</sup> century, the Rome-based business embarked upon an extensive internationalization path. Indeed, it launched its international expansion in North America, purchasing the first renewable energy plant in the area, and then in Russia, Romania, Slovakia, and Spain. In the latter case, Enel's internationalization process peaked with the acquisition of 70.1 percent of the Spanish largest energy business Endesa in the 2007-2009 period. This venture also opened for the company the doors to Portugal and, most importantly, South America, making it one of the biggest players of electricity worldwide. In 2005, Enel acquired a 66% stake in Slovakia's largest electricity producer Slovenské elektrárne, with plans to operate primarily in nuclear, thermoelectric, and hydroelectric power (Chesbrough, 2016). Along the years, Enel has thus transformed itself from a state-owned monopolist into a global leader in the generation and distribution of energy, due primarily to its investments in renewable energy.

The Enel website itself states that innovation and sustainability had already become their “two biggest drivers”<sup>14</sup> and distinguishing features, up to the point that in 2004 Enel became the first for-profit venture in the renewables sector to be included in the Dow Jones Sustainability Index. In addition to this, in the same year the company joined the United Nations Global Compact initiative and in 2008 it spun out Enel Green Power (EGP), a subsidiary dedicated to renewable energy production. Examples of breakthrough and sustainable innovations brought about by the company include the construction of the first pilot carbon capture facility in Brindisi (Apulia) and of the first smart grid in the Molise region of Italy in the year 2011. And to further cultivate social and economic sustainability, Enel has striven to also bring renewable energy to faraway places and communities that did not have it before. EGP started creating shared value across its value chain in 2012 and the Enel Group CEO Francesco Starace decided to extend the approach to the Group in 2014.

---

<sup>13</sup> <https://www.enel.com/company/about-us/our-story>

<sup>14</sup> Ibidem

What helped Enel grow in an even more pronounced and widespread manner was the *Open Power* strategy of collaborating in many different areas alongside companies, research centers, institutions, startups, and universities to devise new solutions. In the past years, the energy giant has kept investing especially in the new frontiers of tackling climate change – digitization, electric mobility, circular economy, and decarbonization. Along these lines, in 2017 Enel X was born, the division of the Enel Group that aims to provide opportunities for everyone and everywhere to create new value through the innovative use of energy. According to Enel, driving the energy transition and the digital revolution is a sustainable approach to creating long-term shared value.

Building on these premises, Enel has become the largest integrated utility in terms of market capitalization in Europe as well as the largest private renewable operator worldwide, with 46 GW of renewable capacity out of the whole capacity. To this date, it employs 68,000 people globally and is the world's largest private electricity distributor with the largest retail customer base, servicing around 70 million clients<sup>15</sup> in more than 30 countries (Gilardoni, 2021). In 2021, Enel generated 88 billion euros in revenue, meaning a more than 35% increase compared to the previous year<sup>16</sup>.

## **2.2 Enel's organizational model shaped by an ever-increasing focus on services**

From having a basic organizational structure centered on the only geography where Enel used to operate at the beginning of its activity (i.e., Italy), throughout the years the company has had the chance to aggressively enlarge both the scope and the area of its business. The utility went through a series of mergers and acquisitions, founded new business lines and spin-offs, and managed to establish a relatively strong presence in all 5 continents of the globe. Indeed, the organizational design that resulted naturally from such an ample ramification of activities is a matrix, which keeps changing hand in hand with modifications of the core and peripheral business<sup>17</sup>. Its dimensions are Global Business Lines (5 in total), areas and countries (4 and 2, respectively), and Global Service Functions (3 in total). All these add to the Holding Functions and have some elements of sustainability management incorporated within them, as this section will show. The following figure summarizes the main features of the Enel organizational model, which will then be described one by one.

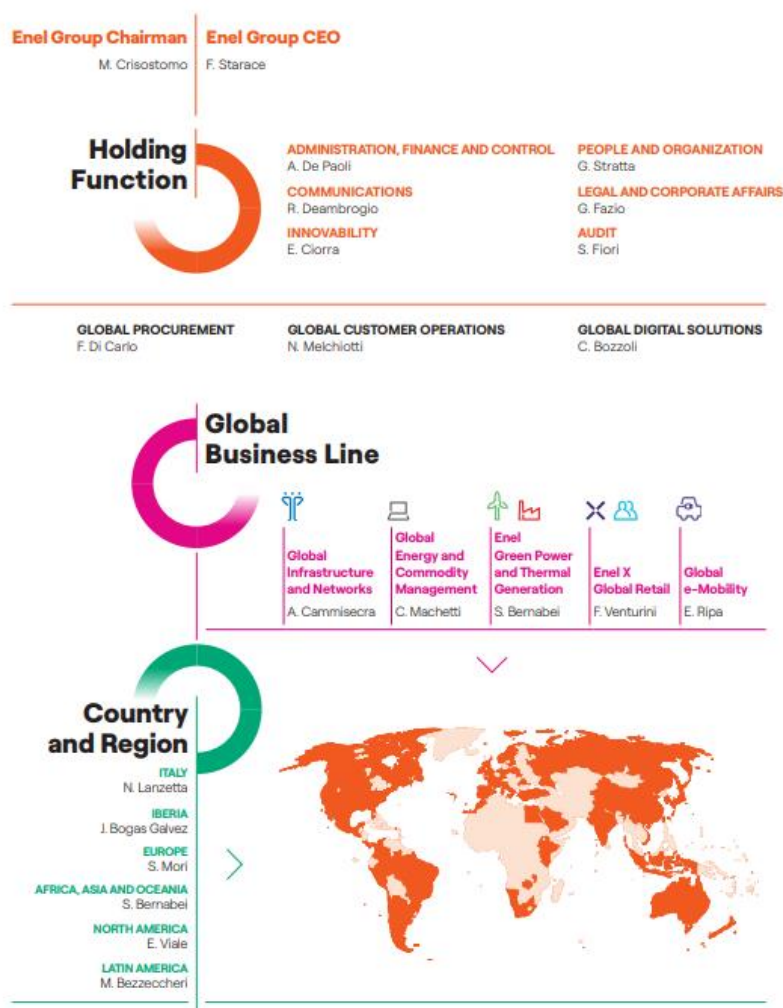
---

<sup>15</sup> Of which 63.4 million in the electricity market, and 6.0 million in the gas market

<sup>16</sup> <https://www.statista.com/statistics/279658/revenue-of-enel/>

<sup>17</sup> Sources: background material for this section was taken from <[https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements_2021.pdf)>, <[https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf)> and <[https://en.wikipedia.org/wiki/Enel#Corporate\\_organisation](https://en.wikipedia.org/wiki/Enel#Corporate_organisation)>

## Enel organizational model



**Figure 3** *Enel organizational model.*

Source: Enel SpA. (2021b). *Report and Financial statements of Enel SpA at December 31, 2021.*

[https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements_2021.pdf), p. 51

The **Holding Functions** are entrusted with the task of managing governance processes at the Group level. It is therefore focused on activities involving a significant degree of policy-making, coordination and control for the Group as a whole and it exercises this role both through direct management (total or prevalent responsibility) and indirect management (delegation to the staff functions). Operating through *Administration, Finance and Control*, *People and Organization*, *Communications*, *Legal and Corporate Affairs*, *Innovability* (Innovation and Sustainability) and *Audit* functions, the Holding Company seeks to: manage activities with potentially significant value creation; manage activities aimed at protecting the Group from events that could have a negative impact on its financial position, image or business continuity; support top management and the Business Lines/functions/areas/countries in key strategic decisions. In particular, the Administration, Finance and Control Function is also responsible for consolidating the scenario analysis and management of the strategic and financial planning process aimed at promoting the

decarbonization of the energy mix and the electrification of the energy demand as major actions in the fight against climate change.

**Regions** (*Europe, Africa, Asia and Oceania, North America, Latin America*) **and Countries** (*Italy, Iberia*) are responsible for managing the Group's relations with customers, institutional bodies and local regulatory authorities within each country of presence. They are additionally tasked with supervising the sales activities of electricity and gas and new products and services at the country level, while providing support in terms of staff and other services to the Global Lines of Business present in the country/area of reference. Moreover, Regions and Countries are responsible for promoting decarbonization and driving the energy transition to a low-carbon business model within the areas of responsibility.

**Global Business Lines** are entrusted with the task of developing, building, operating and maintaining assets, optimizing their performance and return on investment, in the various geographical areas of presence of the Group. They are responsible for engaging in trading activities, as well as developing and managing the portfolio of new products and services (in addition to commodities). In addition, in accordance with safety, security and environmental policies and regulations, Business Lines are tasked with maximizing the efficiency of managed processes and applying best practices worldwide, by sharing responsibility with countries on EBITDA, cash flows and revenues. By making use of a specific Investment Committee, the Group benefits from a centralized industrial vision of projects in the various Lines of Business. Each individual project is evaluated not only on the basis of financial return, but also in relation to the best technologies available at the Group level that respond to the renewed strategic lines, explicitly integrating SDG goals within the economic-financial strategy and promoting a low-carbon business model. Consequently, each Line of Business contributes to drive Enel's leadership in the energy transition and the fight against climate change through the management of related risks and opportunities for its perimeter.

Enel is organized into the following five business lines:

- Global Infrastructure and Networks, which covers energy transmission and distribution infrastructure. In order to build the infrastructure, Enel relies on outside companies scattered throughout the countries. This method allows the company to register a sharp decrease in workload and related risks;
- Global Energy and Commodity Management, that provides companies of the Enel Group and third-party customers with products used in the power supply of thermoelectric power plants and with services of energy production optimization and distribution;
- Enel Green Power and Thermal Generation (also called Global Power Generation), which stemmed from the merger of Enel Green Power and Global Thermal Generation occurred in 2021, deals with power generation from renewable and traditional sources. More specifically, this Line of Business is tasked with the integrated management of the growth of renewable capacity, the decarbonization

process and the management of storage assets, thus confirming the Enel Group's leading role in the energy transition;

- Enel X Global Retail, born in 2021, which deals precisely with the management of energy supply and the provision of "beyond commodity" or value-added services, as well as expanding the customer base by maximizing customer value. It is also responsible for innovating and developing the services offered by managing the entire life cycle, from conception to technological development, from testing to commercialization, sales, operation and post-sales activities;
- Global e-Mobility (also called Enel X Way), established between 2021 and 2022 to facilitate the transition to electric power of public and private transport through the installation of charging infrastructure, is responsible for managing the portfolio of e-Mobility solutions in both existing and new countries. It aims to maximize value for the customer, also leveraging Enel X Global Retail for sales activities. In line with the rest of the retail offering, it innovates and develops e-Mobility solutions by managing their entire life cycle.

**Global Service Functions** are responsible for the integrated management of all Group activities relating to the development and governance of digital solutions, procurement and customer process. They are tasked with managing information and communication technology activities and procurement at the Group level. To prove the growing business emphasis on services, during the first half of 2021 a new Service Function was introduced called Global Customer Operations. Its activities focus on managing customer activation, customer billing, credit management, customer service, and related support processes. The Global Service Functions are also focused on responsibly taking measures to enable the achievement of the Sustainable Development Goals, specifically in the management of supply chain and in the creation of digital solutions. The objective is to support the development of enabling technologies for energy transition and combating climate change.

Based on the account of the Enel's main organizational structures just given, it can be argued that objectives like decarbonization, electrification, and the fight against climate change permeate the entire business in a highly structured manner. Each function and geography is entrusted with the integration of sustainability aspects in their management of assets, processes, and projects. Indeed, the following paragraph will be dedicated to describing how the company has built its success in the energy sector, by pioneering a specific approach to socially responsible and environmentally friendly innovations.

## **2.3 Corporate commitment to society and the environment**

Considering that, in the second half of the last century, Enel used to be a traditional energy company with sizable coal, oil, and natural gas assets, it has decided to embark upon a journey of redemption and



awareness. Unlike many other enterprises in the same sector, it turned the bulk of its core and non-core activities into responsible business. After forcibly abandoning research and applications in nuclear energy, Enel distinguished itself by investing in renewable technologies in a substantial way, already during the 1980s. By gradually overcoming a narrow-minded and shortsighted vision of CSR and riding the wave of the global public opinion's increased interest in sustainability matters, the Italy-based firm realized that a world of opportunities can arise when a vision of shared value is embraced. The underlying idea is that, in order for energy to become a fundamental enabler for social and economic development, it has to be made universally accessible, affordable, reliable, and clean, by reducing fuel poverty, safeguarding the environment, and protecting local communities. Starting from the first years of the new century, Enel has taken multiple steps to prove its commitment in this direction, both internally and externally with international institutions.

Firstly, as already mentioned, in 2004 the multinational utility joined the UN Global Compact, a United Nations initiative to encourage businesses to adopt sustainable policies worldwide, and was later included in the Global Compact LEAD, a select group of leading global sustainability companies. In addition to this, from 2015 CEO and General Manager Francesco Starace was twice appointed a member of the Global Compact Board, being the only representative from the Electric Utilities sector and the only Italian member. Then, after the first corporate attempts to implement a profitable business strategy based on renewables in emerging-market countries – in response to the need to expand the company's long-term presence there –, it was Starace himself who institutionalized the shared value approach. The word “compensation”, together with the related attitude, was no longer used inside the company, and the CEO extended CSV, firstly embraced by Enel Green Power, to the whole business (Hurst, 2016).

Moreover, Enel promptly responded to UN Global Agenda for Sustainable Development issued in 2015, by integrating the 17 Sustainable Development Goals (SDGs) into the company policies<sup>18</sup>. Sustainability thus became vital to Enel's strategy, thanks to the strong link between its specific business targets and the UN SDGs<sup>19</sup>. A further expression of Enel's pledge in this field is represented by its sustainable financing strategy. In fact, in 2019 Enel has been the world's first issuer of general purpose SDG-linked bonds on the US and European markets<sup>20</sup>, besides issuing Green Bonds<sup>21</sup>. For this and other reasons, Enel was ranked 20th on Fortune's "Change the World" list, which classifies the top 50 companies in the world making a positive social impact through activities that are part of their business strategy and operations<sup>22</sup>. The Group is the only utility and the only Italian company to appear on the list. The list aims

---

<sup>18</sup> <https://corporate.enel.it/it/storie/a/2020/10/salone-sostenibilita-innovazione-sociale>

<sup>19</sup> 95% of Enel's 2020-2022 investment Plan indeed directly targets 4 SDGs, being they number 13 (Climate Action), 7 (Affordable and clean energy), 9 (Industry, innovation and infrastructure), and 11 (Sustainable cities and communities)

<sup>20</sup> <https://www.enel.com/company/our-commitment/sdg-onu>

<sup>21</sup> <https://www.enel.com/media/press/d/2019/01/enel-launches-a-one-billion-euro-new-green-bond-in-europe>

<sup>22</sup> <https://www.fsg.org/blog/new-dawn-corporate-leadership/>

to promote the idea that modern capitalism should be supported for its ability to bring benefits. Fortune kicks off the selection with an application process open to organizations from business, academia and nonprofits around the world. It does so in partnership with, among others, FSG, a nonprofit social impact consulting firm, and the Shared Value Initiative, a global platform for organizations seeking economic solutions to social challenges<sup>23</sup>.

### 2.3.1 The birth of the *Innovability* function

What Enel realized more sharply than other companies is the interconnectedness between socio-environmental sustainability and innovation processes inside firms. To this regard, the chapter has already partially hinted at Enel's strategy of innovating in partnership with entities outside its industry of reference. Following an open innovation philosophy has granted its growth and success over the years. This approach was thought as an ecosystem composed of internal and external stakeholders relating with each other thanks to original tools. For instance, an interactive crowdsourcing platform called *Open Innovability*, and a set of Innovation Hubs located in the most innovative areas of the world, through which the best international talent and technologies converge. However, we must specify that the entire value chain could benefit from such a new way of conceiving innovation also because this was geared towards the mission to improve sustainability in energy production (Gilardoni, 2021). The company's representatives, and first among them Ernesto Ciorra, have felt that "you must innovate to achieve sustainability, and if you are not sustainable, you cannot innovate" (Chesbrough, 2016). This way of reasoning has led to the launch of the unprecedented business function of *Innovability*, which stems from the marriage of Innovation and Sustainability, and, as the previous paragraph has illustrated, is a holding function just like the others. It manages all activities relating to sustainability and innovation, in the conviction that the synergy between innovation and sustainability can help find solutions of all sorts which can actually improve the world.

Innovability is said to take stimuli, products, services, technologies, ideas, people, and projects from outside, bringing them inside the company, and to embrace the change that happens in society, markets, technologies, customer needs and tastes. The first and current Head of Innovability Ernesto Ciorra argued that innovation is not purely technological in nature, but is above all social and cultural, because being innovative means being ready for change. This mindset enables the company to be in harmony with changes in the external environment - and thus to become sustainable as well as competitive<sup>24</sup>. Consequently, *Innovability* was designed to be cross-functional, with an innovation and sustainability manager in every

---

<sup>23</sup> <https://www.sharedvalue.org/partner/enel/>

<sup>24</sup> <https://divercitymag.it/2021/06/16/innovability-gentile-dialogando-con-ernesto-ciorra-direttore-innovability-di-enel-e-guido-stratta-direttore-people-organization-di-enel/>

function (including Finance and HR) and business line that has apical relevance and directly reports to the Chief Executive Officer.

Within Enel, the entire organizational and corporate governance model has been devised to ensure that sustainability issues are appropriately taken into consideration in all relevant corporate decision-making processes. As a matter of fact, specific tasks and responsibilities for the main corporate governance bodies were defined to manage sustainability and climate-related issues (Enel SpA, 2021c). Indeed, the Board of Directors is the primary organ taking into account the need to pursue sustainable success particularly when (i) establishing the strategies of the Company and the Group; (ii) determining the remuneration policy for the CEO/General Manager and Key Management Personnel, as well as (iii) managing the Company's Internal Control and Risk Management System (SCIGR). In this role, the Board of Directors is aided by internal board committees with the power to investigate, propose and advise. These committees are Corporate Governance and Sustainability Committee, Control and Risks Committee, Nomination and Compensation Committee, and the Related Parties Committee.

In support of the Innovability function permeated throughout the business, the Holding units responsible for Enel S.p.A.'s operations – and particularly the sustainability, circular economy, and community relations processes – play a guidance and coordination role for the Sustainability and Innovation units located in the various countries and Business Lines. In particular, the Holding's Sustainability Planning, Performance Management and Human Rights unit is tasked with the management of sustainability planning, monitoring and reporting processes, including compliance with the European taxonomy as well as the management of ESG ratings, sustainability indices and the Human Rights Policy. This unit reports directly also to the Group Chief Financial Officer (CFO), in order to ensure the ever-greater integration of these issues into corporate strategies and corporate reporting. Altogether the Global Business Lines, Countries, Global Service Functions and Holding Functions integrate ESG factors into their decision-making and operating processes, to create long-term sustainable value thanks to the presence of dedicated Sustainability structures. At the local level, the expectations of the various stakeholders are identified and specific sustainability plans defined in line with the Group strategy. The next paragraph gives an overview of some of Enel activities in which these principles and structures are translated into practice.

## 2.4 Exemplary projects in sustainability and social innovation

### 2.4.1 EGP Scelta Rinnovabile

One of the most recent programs that sees the spin-off Enel Green Power leading the way towards a responsible way of conducting business and of fostering the development of renewable energy is called “Scelta Rinnovabile” (*Renewable Choice* in English). Its overall objective is to boost a rapid decarbonization of the energy sector through the use of green and sustainable technologies, while advocating consumption efficiency, electrification and the circular economy. Renewable Choice is the Enel Green Power initiative that, through an online crowdfunding scheme, facilitates the financing for the construction of new renewable facilities in Italy<sup>25</sup>. In those municipalities where EGP plans to build a new renewable plant, all citizens in the area are allowed to take part in the investment. Participating is as simple as contributing a share in the online crowdfunding, which then secures future financial returns to the private contributor. The Enel press website first announcing the initiative in 2021 states “Enel Green Power's goal is to share the benefits deriving from having a renewable plant in the area with local communities”<sup>26</sup>. In fact, a first phase of the campaign, a sort of exclusive period, is only open to residents of the municipality in question, before leaving an additional month to all Italian citizens and parties interested in joining the project.

By implementing actions like these, Enel takes into account all dimensions of the Triple Bottom Line – i.e., social, ecological, and financial. *Scelta Rinnovabile* is therefore an expression of the new model of Creating Shared Value (CSV), whereby the value generated for companies is always accompanied by a tangible benefit for society and local communities. Additionally, it represents a way to empower those who set out to personally support the fight against climate change and the decarbonization of the energy system, which is itself a tile in the broader commitment to safeguard the environment. The remunerative financing mechanisms granting a lasting financial return to individual investors are innovative in the sense that they are collective and inclusive as well as reliable and sustainable. This is a true paradigm shift from both an energy and a social perspective.

---

<sup>25</sup> <https://www.enelgreenpower.com/countries/europe/Italy/renewable-choice>

<sup>26</sup> <https://www.enel.com/media/explore/search-press-releases/press/2021/09/enel-green-power-launches-scelta-rinnovabile-renewable-choice-to-accelerate-the-energy-transition-in-italy>

## 2.4.2 Renewable energy communities

Another initiative, which has lately been pursued both in Italy and abroad, where Enel's commitment to social and environmental issues is tangible is that of Renewable Energy Communities (RECs). The dedicated company's websites are extremely detailed and instructive in their explanation of what RECs are, how can they be established, what benefits do they yield, and what is the role that the Enel would assume in them<sup>27</sup>. In an effort to provide the reader with a comprehensive definition, a renewable energy community is a collaborative system between citizens, local public entities, companies and/or businesses, which choose to equip themselves with infrastructure for the production of energy from renewable sources and self-consumption, through a model based on sharing. From a traditionally centralized physical grid in large power plants, made up of one-to-many transmissions - with the electric utility providing power to citizens and businesses - there is hence a shift to a decentralized digital grid, with one-to-one and many-to-many connections of electricity spread and distributed among community members. It is an energy scenario based on distributed generation, that will foster the development of zero-mile local energy and smart grids in either existing or new neighborhoods, residential areas, or municipalities. With RECs, the so-called "energy trilemma" - composed of energy democratization, security and efficiency - would be better balanced.

Enel representatives are convinced that energy efficiency precisely from a self-consumption and collaboration perspective should pivot to the experience of renewable energy communities. In addition to the maximization of social, economic, and environmental benefits that each member on the territory would reap from such an experience, the processes of decarbonization and energy transition would be undoubtedly accelerated. With an eye to UN SDGs of 2030, Enel's objectives therefore align perfectly with European Union's climate and energy targets contained in the New Green Deal and with the Commission's "Fit For 55" package<sup>28</sup>. Given new renewable facilities are usually built on disused industrial land which gets repurposed, RECs would also significantly contribute to the circular economy approach. The local economy is stimulated as well, as new jobs are created, both for those who must operate the plant e.g., small and medium-sized enterprises, and for those who must rule the community. All the principles of the sharing economy can be applied so as to encourage the emergence of exchanges, not only of energy, but also of goods, services and skills among community members.

In these contexts, Enel intervenes by investing in "identifying the most appropriate sites, obtaining the necessary authorizations, constructing the renewable energy plants and taking care of their operation

---

<sup>27</sup> <<https://www.enelgreenpower.com/countries/europe/Italy/renewable-energy-communities>> and <<https://www.enelx.com/it/it/storie/2020/05/comunita-energetiche-cosa-sono#:~:text=Con%20questo%20termine%20si%20intende,di%20energia%20da%20fonti%20rinnovabili>>

<sup>28</sup> <https://www.enelfoundation.org/all-news/news/2021/11/energy-communities-as-economic-development-lever-for-transition>

and maintenance”<sup>29</sup>, also leveraging its relationships with developers, installers, public organizations and landowners. In the next phase, Enel X takes over by trying to match the renewable plant's generation profile with the energy community's consumption profile. The subsidiary additionally offers stakeholders the solutions and services to bring the energy community to life and grow in a virtuous way. Examples include implementation of photovoltaic installations, stimulation of the electrification of consumption through efficient technologies, digital platforms, storage systems like batteries to store the surplus energy produced.

### 2.4.3 Circular cities

Another ecological concept that in recent years Enel has openly incorporated in its research and applications around the world is that of circular economy<sup>30</sup>. Defined as a systemic approach to economic development - opposed to the traditional linear economic model - that combines competitiveness, finance, environmental sustainability and social inclusion, circular economy is based on five pillars. As reported in Enel's dedicated position paper (Enel SpA, 2020b), these are: sustainable (renewable or circular) inputs; extension of useful life of products and assets; shared platforms for products, assets, or skills; product-as-a-service business model; enhanced end of life through recycling, reuse, upcycling.

Based on innovations that reflect this approach, Enel has gradually adapted them to urban contexts and processes, thus paving the way for a conceptual evolution of cities towards the circular city model. A more advanced and holistic approach than that of smart cities, circularity in urban areas aims at extending circular economy principles to all urban sectors: from mobility to energy networks, from product and service design to the food system, from redesigning neighborhoods and buildings to the retail system. In this way, decarbonization objectives would be directed at all lifecycle phases of products and services (extraction, production, use and closure), not only at emissions and compensation measures (Enel SpA, 2020a). Furthermore, the extensive deployment of renewable energy sources, together with the electrification of consumption, would lead to the ecological transition of sectors such as mobility and heating and cooling, as well as to potentially zero-emission models. The cities of tomorrow – ever more populated and energy-consuming (Enel SpA et al., 2021) – would gain wide-ranging benefits from this model, in terms of positive impacts on competitiveness, the environment, and society.

The rise of intermittent renewable generation, like wind and solar, will require extensive forecasting, an increased need for flexible demand, and likely greater use of energy storage to balance grid operations. Electrification of transportation, lighting and buildings could help provide grid flexibility and battery storage. Through its subsidiary Enel X, which is dedicated to advanced energy solutions, the Italy-based

---

<sup>29</sup> <https://www.enelgreenpower.com/countries/europe/Italy/renewable-energy-communities>

<sup>30</sup> <https://www.enel.com/company/our-commitment/circular-economy/circular-economy-position-paper>

company is also involved in huge electric public transport projects in four countries on two continents, with a total of 991 electric buses supplied or managed in Santiago (Chile), Bogotá (Colombia), Montevideo (Uruguay) and Barcelona (Spain). Moreover, the collaboration with academic and nonacademic actors that underlies especially Enel's third and fourth position papers on circular cities<sup>31</sup> is reflected in the concrete city plans in which the utility has engaged. In Latin America in particular, this new urban organizational framework of horizontal and multi-stakeholder interaction was seen to enable more transparent and interactive city planning and management and the combination of top-down and bottom-up approaches in decision-making processes. Public-private partnerships, such as in the case of the 2020-2024 plan in Bogotá (Colombia), and collaborations with NGOs, like in the case of São Paulo's (Brazil) system of food banks, show that Enel is striving to invest in distributed governance for the sake of urban democratization and socio-economic interconnectedness (Enel SpA, 2020a).

The table below (**Table 1**) summarizes the key points that characterize the three Enel initiatives on the territory described in the last subparagraphs.

PROJECT NAME	DESCRIPTION	OBJECTIVES	BENEFITS	SUSTAINABILITY & SOCIAL INNOVATION PRINCIPLES PURSUED
<b>Scelta rinnovabile</b>	EGP initiative that facilitates citizens' crowdfunded financing for the construction of new renewable facilities in Italy	<ul style="list-style-type: none"> <li>• Foster a rapid decarbonization</li> <li>• Consumption efficiency</li> <li>• Electrification</li> <li>• Circular economy</li> </ul>	<ul style="list-style-type: none"> <li>• Lasting financial return ensured to private contributors</li> <li>• New renewable plants</li> </ul>	<ul style="list-style-type: none"> <li>• Triple Bottom Line</li> <li>• CSV</li> <li>• Citizenship and community empowerment</li> <li>• Collective, inclusive, reliable and sustainable financing mechanisms</li> </ul>
<b>Renewable energy community</b>	Collaborative system between citizens, local public entities, companies and/or businesses, which choose to equip themselves with infrastructure for the production of energy from renewable sources and self-consumption, through a model based on sharing	<ul style="list-style-type: none"> <li>• Development of 0-mile local energy and smart grids</li> <li>• Energy efficiency from a self-consumption and collaboration perspective</li> </ul>	<ul style="list-style-type: none"> <li>• Improved balance of energy trilemma</li> <li>• Maximization of social, economic, and environmental benefits</li> <li>• Stimulation of local economy</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to sharing and circular economy</li> <li>• EU Commission's "Fit for 55"</li> <li>• Stakeholder relationships</li> <li>• Stimulation of electrification of consumption</li> </ul>
<b>Circular city</b>	Sustainable and self-sufficient city with no waste of any kind, where everything is built in a modular way so it can be learned and replicated or moved easily and all of its components are reusable or can be exploited through other processes	<ul style="list-style-type: none"> <li>• Decarbonization in all lifecycle phases of products and services</li> <li>• Ecological transition of mobility and heating/cooling</li> </ul>	<ul style="list-style-type: none"> <li>• 0-emission models</li> <li>• Positive impacts on competitiveness, the environment, and society</li> <li>• Urban democratization and socio-economic interconnectedness</li> </ul>	<ul style="list-style-type: none"> <li>• Circular economy adapted to urban contexts</li> <li>• Collaboration with academic and nonacademic actors</li> <li>• Transparent and interactive city planning and management</li> </ul>

**Table 1** Description, objectives, benefits, sustainability and social innovation pursued by 3 Enel initiatives on the territory.

<sup>31</sup> <<https://www.enel.com/media/explore/search-news/news/2020/09/circular-cities-position-paper>> and <<https://www.enelfoundation.org/topics/articles/20210/12/decarbonizing-cities-for-a-better-planet>>

# Chapter 3

## Research methodology

### 3.1 Research strategy

In order to find appropriate answers to the research objectives set forth, the researcher has decided to analyze the single case study Enel S.p.A. and its operating context, where issues of environmental and social sustainability are strongly felt. Being situated squarely, as a methodology, well within the parameters of modern qualitative social science methodologies, case study research was deemed the suitable tool to employ for a number of reasons<sup>32</sup>. First of all, given the present study started from an analysis of the past concept of traditional CSR only to understand how that has since been received differently by companies and is currently being updated in terms of sustainability and social innovation, a case study focusing on a contemporary phenomenon is likely the preferred option. Secondly, case study advocates recommend it in case the research question implies asking the “how” or the “why” – or variations of them – of some events occurring, some process evolution happening, some decisions being taken and implemented.

Moreover, case studies work well whichever is the type of research involved, either explanatory, exploratory, or descriptive. The case at hand stands as a blending of all three of these types, and especially the last two. It is descriptive in that it attempts at giving details and depicting the main features of a transformative trend currently taking place in the corporate world. In particular, the case study here deployed seeks to identify those “attributes” (Yin, 2002) functional to outline a model in which sustainability and social innovation practices are incorporated in the core business of for-profit ventures that have a technological orientation. It is exploratory in that it investigates the ins and outs of a new kind of innovation in business, that combines technological elements with socio-environmental issues, whereby Enel rises as trend-setter and role model for other companies. Lastly, it is in part explanatory because it illustrates the process leading to the evolution of certain concepts (sustainability and social innovation) in big enterprises such as Enel. In addition to this, case studies are preferable when organizational or managerial processes are to be retained, just like in the present case, and when phenomenon and context do not always have clearly distinguishable boundaries. Furthermore, in case studies multiple sources of

---

<sup>32</sup> Background arguments for this section were drawn from Yin, R. K. (2003). *Case Study Research: Design and Methods*, 3rd Edition (Applied Social Research Methods, Vol. 5) (3rd ed.). SAGE Publications, Inc.



evidence – e.g., documents, reports, interviews and focus groups, observations – can generally be used, with data converging in a triangulation fashion (Ibidem). This process subsequently allows for the so-called *analytic generalization* to happen, namely an expansion and generalization of the results into theoretical propositions to the existing body of knowledge, potentially applicable to other real-life contexts. The main aim is to inform future theoretical and empirical scholars and practitioners regarding the management and organization of sustainability and social innovation in for-profit organizations. However, the researcher is mindful that the findings derived from a single case study cannot be generalized to entire populations of firms or markets. Broadly speaking, research on a case study was deemed appropriate for its ability to grant rigor, validity, credibility, and reliability to the data hereby collected.

In order to answer the research question of this dissertation, a qualitative approach was chosen. Understanding the evolution over time and the status quo of the CSR phenomenon inside firms entails exploring the underlying enablers and managerial processes and decisions, factors that are difficult to quantify. To achieve the researcher's goal, the complexity of the ways in which sustainable and social innovation are conceived by Enel's employees and managers – and their children – needed to be grasped. Qualitative reports like those coming from interviews and focus groups allowed the researcher to gain not only additional and personalized insights into how the issues of innovation and sustainability are perceived and articulated within Enel, but also to collect valuable anecdotes about personal and professional experiences as well as concrete examples in the field. Moreover, in having to explain certain mechanisms and practical applications, the qualitative study helped in the interaction with respondents. The results derived from the comments, perceptions, opinions and ideas of people were also transmitted by non-verbal communication, that a quantitative approach, more schematic and synthetic, would not allow the researcher to reach.

The researcher also felt that the most suitable methods of data collection to provide useful results to answer the study's research question were archival data (e.g., company documents and reports) and specialized newspaper articles, semi-structured interviews, and a focus group. The former help to provide the reader with a reliable base of official and internal information about the corporate culture of sustainability and innovation as well as the management tools used by Enel. The interviews were particularly valuable in both making the researcher aware of the revolutionary processes and intense discourse developed around the social and environmental factors to consider when innovating, and in offering her examples of projects in the field. With the aim of obtaining a first-hand and immediate feedback on the effects that the company's efforts are having on younger generations, a focus group was held with teenage participants in an Enel educational campus. The topics dealt with on that occasion, mainly centered on technological innovation and sustainability, proved an extremely enlightening source of inspiration for the young respondents.

The topic guides for the interviews and the focus group were obtained both using literature on CSR and CSV, sustainability and social innovation, and leveraging on the researcher's personal knowledge and experience of the Enel case study and the related projects. Regarding interviews, it was ensured all research areas were covered and questions likewise formulated through a semi-structured, in-depth interview approach. Following a direct, in-person contact of the researcher with two out of the four interviewees, the interviews were conducted entirely online, also due to the fact that the participants were situated in different and distant locations on the Italian territory. Nonetheless, this did not compromise the respondents' spontaneity in expressing their views. On the other hand, the focus group was attended physically by the participants in the contest and campus We Are Energy at the venue where the latter was held, in the city of Catania (Sicily). They all took part in the investigation with seriousness and involvement, despite the fact that the reason for their presence on campus was something else<sup>33</sup>.

## 3.2 Sampling and recruitment

As already mentioned, the pretext that provided the researcher with the tempting opportunity to both get an actual taste of Enel's *modus operandi*, acquire information in a nearly participant-observation manner, and personally get into contact with people internal to the company was her participation in the We Are Energy campus in Catania as intercultural educator. The focus of the campus was indeed the stimulation of creativity in young minds from all over the world for the development of innovative energy solutions with an eye to social and environmental aspects. From a systemic and corporate perspective, the creation of value through the innovative use of renewable sources for the future and the dissemination of the sustainability debate represented fertile ground for a more thorough investigation of Enel's strategy in this sense. The fact that the campus would have hosted both Enel managers and children of Enel employees was functional to identify the potential participants to the interviews and to the focus group, respectively. Although it was initially planned to use a selection technique simply based on the physical presence of candidates on campus (convenience sampling), a purposive sampling method was later employed in both cases, but with distinct underlying selection criteria.

With respect to interviews, the selection of interviewees followed a criterion based primarily on the pertinence of their past or current job roles with the two major strands of research, namely technological innovation and sustainable and social innovation. The researcher was convinced that the Catania Innovation Hub manager on one hand, and managers deeply involved in either the Sustainability or the Innovability functions of the company on the other would have offered valuable insights into the subject matter. For this

---

<sup>33</sup> i.e., the fruition of activities and workshops on renewable energy with international peers which were designed by the company for its employees' children

reason, the researcher personally introduced herself and the research purposes to two out of what turned out to be the four actual respondents, who reacted enthusiastically to the proposal and provided other contact persons from their circle of acquaintances. Given the delicate period for energy-related matters and energy companies due to the war in Ukraine in which the research took place, the researcher unfortunately did not find the manager and founder of Innovability<sup>34</sup> in a position to contribute to the research project. Consequently, even considering he had had relevant work experience in Sustainability in one of Enel's geographies, his own executive assistant was appointed to answer the interview questions in his place.

The selection criterion also took into account the length of working experience. People who had been employed in Enel for more than 10 years were sampled, to make sure that they had witnessed the emergence of the Innovability function and the paradigm shift that took place in Enel regarding the integration of sustainability practices and social innovation into the core business. At the end of the recruitment process, the researcher therefore reached a heterogeneous purposive sample composed of 4 participants – three men and one woman, all able to meet the predesigned requirements –, who voluntarily answered the questions with a high degree of commitment. **Table 2** below represents the sample matrix of the interviews conducted.

Interviewees	Job role of interviewees	Years of work experience in Enel (>10)
Nr.1	Manager of Enel Innovation Hub Italy	11
Nr. 2	Head of Sustainability Planning, Performance Mgmt. and Human Rights	20
Nr. 3	Head of Global Internal Communications (former Head of Sustainability)	26
Nr. 4	Executive Assistant to the Chief Innovability Officer	12

**Table 2** *Sample matrix of interviews.*

In choosing potential focus group candidates, the first selection criterion used was age. Out of all the young and gifted participants in the We Are Energy contest and campus, the researcher judged it wiser to involve those from the oldest age group i.e., between the ages of 15 and 17. This strategy was meant to ensure that respondents had already formed a fairly conscious opinion about the company their parents work for and its operations in the field of renewable energy technologies and social projects. It was also assumed that, unlike their younger and still primary- and middle-school-aged peers, they had knowledge of key research concepts such as sustainability, social inclusion, and innovation. **Table 3** illustrates the sample matrix after selection criterion 1 was applied.

---

<sup>34</sup> i.e., formally the Chief Innovability Officer

	<b>1. Oldest age group (15-17-year-olds)</b>
<b>Nr. of members</b>	12

**Table 3** *Focus group sample matrix after selection criterion 1.*

A second layer of selection criteria interceded following an attentive and participant observation of teenage girls' and boys' behaviours during campus workshops and activities. By distancing herself from an indiscriminating attitude, the researcher came to consider and decided to sample those who were proving to be more active and participatory, as well as more interested in the issues at hand. Moreover, the researcher sought out adolescent participants who had also attended previous editions of the Enel's competition and campus, in the belief that they had a more solid experience of the ideals behind them, and the variety of socio-environmental issues being therein touched upon. Out of a macro group of twelve 15-, 16-, and 17-year-olds the recruitment process came to include 7 respondents, who exhibited a high degree of curiosity and willingly agreed to be part of the survey. The heterogeneous purposive sample eventually consisted of a subgroup of 4 girls and 3 boys (including two couples of siblings), all children of Enel employees with different roles and different hierarchical levels in the company. This **Table 4** is the final version of the sample matrix of the focus group, after applying also selection criterion 2.

	<b>1. Oldest age group (15-17-year-olds)</b>	<b>2. Participatory attitude</b>
<b>Nr. of members</b>	12	7

**Table 4** *Focus group sample matrix after selection criterion 2.*

### 3.3 Procedure followed in data collection

The present study is based on data triangulation, meaning it makes use of a variety of data sources, samples, and data collection techniques, thus going beyond the acquisition of knowledge made possible by just one approach and contributing to promote quality in research. Different perspectives are substantiated and the new information that derives can expand – or even challenge – the array of results obtained. This paragraph is hence devoted to illustrating the stages comprised in the data collection processes of desk analysis, interviews and the focus group.

### 3.3.1 Archival data

As regards the information derived from archival data, useful material was drawn from secondary sources of predominantly textual form – i.e., either printed or electronically published data, and websites – reinforced by a few official videos, edited by Enel itself to sum up information about a certain topic or event. It is unbiased data, generated without the researcher's involvement. More specific examples concerning the case study Enel include company's internal records and documentation from reports dealing with sustainability practices, social innovations or projects on renewables that encompass a social and/or environmental component; the latest sustainability report and other official documents, like the last available integrated annual report and financial statements; position papers on specific topics addressed by some corporate programs and initiatives (e.g., circular economy and circular cities); press releases; online newspaper articles about the corporate world; websites of rating agencies and associations specialized in CSR, sustainability, and social innovation; a chapter of an academic report on innovation to create social value in leading companies that bears the contribution of an Enel manager<sup>35</sup>. The just cited archival evidence was collected as it complemented and corroborated primary source information, which was in turn acquired through four interviews and one focus group.

### 3.3.2 Semi-structured interviews with Enel representatives

Prior to conducting the actual interviews on the arranged schedule, all interviewees were provided by mail both with an overview of the study's main arguments and purposes<sup>36</sup> (**Appendix 1**), in order to position them within the research framework, and with the interview topic guide (**Appendix 2**), in order to make them acquainted with the researcher and the subjects they would have later discussed more in detail.

The topic guide was designed and written in a manner to put respondents at ease with the research context in the introductory part and then to give them the opportunity to deliver insightful and detailed accounts of Enel's past and current initiatives in social responsibility and sustainability. After that, the topic guide gave respondents the possibility to express their views on the elements that place Enel at the vanguard of its sector and in a position of competitive advantage in the market, only to then leave space for an account of the means the company uses to measure the economic return on its social investments. At the end, the questions were addressed at tracking some remarkable projects in the field, together with additional considerations on the matter, focusing especially on future perspectives for both Enel and other companies.

---

<sup>35</sup> Valcalda, A. (2016). La creazione di valore condiviso come modello di innovazione sociale: l'esperienza di ENEL. In M. G. Caroli, CERIIS, LUISS Business School, & ItaliaCamp (Eds.), *L'innovazione delle imprese leader per creare valore sociale* (3rd ed., pp. 217–219). FrancoAngeli.

<sup>36</sup> Research question included

The key questions were developed based on the following three sensitizing concepts:

1. Progressive internalization of CSR elements and shared value mindset;
2. Methods and processes of alignment of technological and socio-environmental innovations;
3. Opportunities for current and future multi-stakeholder collaborations and business growth.

The first question was useful to detect the interviewee's roles and tasks in the company and the length of work experience. The following two questions served as suggestions for investigating a few factors: the moments in time when the firm's representatives and top management opted for a substantial turn in the way sustainability and social commitment had to be approached, the drivers for such a change, and the impacts this had on the company itself. After an initial formulation, the topic guide was slightly revised in this initial part in light of the decision to integrate the notion of CSV into the discussion, since it is of the utmost importance for Enel. Prompted by the second sensitizing concept, questions 4 and 5 were dedicated to examine the actual organizational, strategic, and financial system that has allowed Enel to reap economic benefits from the alignment of technological innovations with a responsible attitude towards society and the environment. These investigations were meant to find elements that could potentially be exported to other business contexts, thus serving as a valuable reference in the field. Along these lines, the last two questions were aimed at satisfying the researcher's curiosity about virtuous examples of projects to emulate and of a long-term strategy to follow for enterprises that might want to be likewise successful. In general, the researcher found it effective to add probes and prompts to a few interview questions in order to stimulate the participants, and to grasp the very core components and rationale behind certain corporate beliefs.

A total of 3 semi-structured, in-depth interviews, between end of July 2022 and beginning of August 2022, with 4 different participants – 2 of them were interviewed in tandem on the same occasion – were conducted online on the communication platform Microsoft Teams and lasted between 30 and 50 minutes. All the interviews were carried out by the researcher herself, who acted as the interviewer (identified by the letter "R" in the transcripts, **Appendix 3**), stuck to the topic guide – although sometimes reversing the order of the questions –, and was left free to ask for clarifications and react to anecdotes reported by the interviewees (identified by the letter "I" in the transcripts). Every piece of data was audio recorded, and later transcribed verbatim (**Appendix 3**) by the interviewer. The data was thoroughly proofread to ensure the main themes were captured. This involved reading the transcripts and ensuring consistency with the recorded data, and that sensitive information or references to third persons were not disclosed. Altogether the sampled participants proved engaging and willing to give their contribution to the research, despite the limited free time they had from work. As a valuable remark, all of them enriched their assessments on how Enel has succeeded in gaining a competitive edge over time from incorporating sustainability and social innovation into its core business with personal and professional real-life experiences, concrete examples, and comparisons with other business settings.

### 3.3.3 Focus group with teenage children of Enel employees

The participants in the focus group were defined during the We Are Energy campus in Catania according to the procedure mentioned above. In the days leading up to the survey, the researcher personally made sure that all candidates got to know her in a role different from the one she was officially filling there (e.g., intercultural educator), as well as the objectives of her academic study. She additionally ensured the 7 girls and boys sampled were all on the same page regarding the significant task of research contributors they would have carried out by taking part in a focus group. All of the respondents (in the transcript identified by the attribute “Speaker” followed by different letters of the alphabet, **Appendix 5**) voluntarily joined the researcher in half a circle, and backed each other up in giving answers to the questions in a participatory manner, with only a couple of them responding more sporadically than the others because of fatigue and relative lack of attention. The main purpose underlying this data collection was that of evaluating the impressions and the actual impacts that Enel’s strategy in sustainability and social innovation has on the recipients of one of its related projects. As a matter of fact, We Are Energy is characterized by the combination of a strong technological motif with a marked attention to the sensible progress of humanity and sustainable development.

The focus group topic guide (**Appendix 4**) was designed to be transmitted orally and was developed in a way that would allow underage pupils to respond consciously, freely, and without fear of being judged by their peers. The first part consisted of an overview of the researcher and the research subject, and was shortly after followed by a couple of easy opening questions about the teenagers’ knowledge of their parents’ company of affiliation. After that, emphasis was placed on the importance that the whole project they were part of has in measuring the company’s commitment to social challenges and its contribution to the dissemination of knowledge about those in the eyes of the respondents. The researcher’s intent lying beneath the last couple of prepared questions was to investigate the participants’ perception of the gains that the multinational obtains, in terms of image and earnings, from promoting its technological breakthroughs together with its social undertakings. It must be pointed out that, over the course of the survey, the researcher realized the young respondents needed some more clarifications about more technical notions and a few points touched, especially in the last section of the topic guide. This fact, however, did not prevent her from completing the focus group. Stimulated by certain reflections, she instead took the liberty to intellectually nudge the participants with further impromptu questions. They reacted delivering compelling insights and unexpected implications into the matter, and added they would gladly work for Enel in the future.

All things considered, the focus group lasted a total of 13 minutes and was carried out with the physical presence of the researcher and the interviewees at the same location on 13<sup>th</sup> July 2022, on the

occasion of the We Are Energy campus which was taking place in Catania on those very days. The whole focus group was audio recorded and later transcribed verbatim by the researcher (**Appendix 5**). She later double checked that no research-related data was left unwritten in the transcript and that names or sensitive, personal information about the participants were not included.

### 3.4 Data analysis

Throughout the collection process, the researcher was faithful to some formal procedures aimed at ensuring quality control, construct validity and reliability in case study investigation. These were essentially the three principles highlighted by Yin (2002) of (i) use of multiple sources of evidence, roughly converging on the same set of facts or findings; (ii) creation of a case study database distinct from the final case study report; (iii) maintenance of a chain of evidence between questions asked, data collected, conclusions drawn. Subsequently, in order to conduct a proper analysis of the data collected from the three sources of archival data, interviews and focus group, the researcher first took into consideration the information drawn from the transcripts of the last two. The interviewees' answers were screened and categorized following the data analysis strategy of relying on the theoretical propositions stated in the first chapter of this dissertation. The three propositions answering to the "*by what means*" research question, on which the original objectives and design of the case study were based, are the following:

- a. The company has moved on from the traditional view of Corporate Social Responsibility towards a shared value mindset.
- b. The pathway to innovation has the dual objective of promoting business growth and improving the life of communities.
- c. Standards of sustainability and social inclusion are embedded in corporate structures and processes and in financial instruments.

After this first selection stage, it was considered useful to resort to some helpful analytic manipulations. These were mainly the putting of information into different arrays, the evaluation of the frequency of certain references, such as those to the dual vision of innovation as a means and sustainability as an end, the putting in chronological order of information about the transition witnessed by Enel. Additionally, based on the respondents' accounts, the researcher listed the three following categories and later placed the evidence within them:

1. Enel projects and initiatives
2. Processes changed or triggering mechanisms
3. Main themes



Archival data deriving from desk analysis was used to either back the real-life case examples cited with additional information, go into grounding matters in more depth, or compensate for the scarcity, imprecision or lack of clarity of certain information reported in the interviews and focus groups. Consequently, part of the archival evidence went to supplement the categories already mentioned, while the remainder went to form a fourth residual category labelled as:

#### 4. Backup materials

The data thus triangulated and merged were then unbundled again into 5 macro themes and several related sub-themes, plus a number of relevant examples of Enel's projects, in order to systematize the whole set of evidence, create connections between analogous contents, and help the reader interpret the results. The macro themes identified were:

- 1) Sustainability as founding principle
- 2) Structures and objectives of Open Innovation and Innovability
- 3) Focus on people and the environment for a better future
- 4) The concrete results for the company
- 5) Recommendations for the future of business

The next chapter is devoted to reporting the main research findings, resulting from the data collection and analysis processes carried out using the methodological strategies and techniques just mentioned.

# Chapter 4

## Presentation and discussion of the empirical results

The present chapter is entirely focused on the findings of the research, in the sense that a first part is dedicated to displaying the results, and a second part to discussing their implications and the limitations found by this qualitative study. As explained in the previous chapter, once the data collection procedure was completed, it was possible to analyze and make a selection of the evidence based on the three theoretical propositions outlined at the outset of the study. The triangulated data was later unified in order to draw a complete and coherent picture of Enel's strategy of integration of sustainability and social innovation into the core business, beside the technological foundation. In the various passages, the researcher put emphasis on all the significant elements that are susceptible to a theoretical generalization of this model to other businesses. Corporate practices and factual examples of shared value and market advantage creation were systematized and divided into 5 macro paragraphs, inclusive of further sub-paragraphs with the respective 5 summary tables, so as to guide the reader along the process of content reading and interpretation. The 5 sections are presented below with these titles and in this order: 1. Sustainability as founding principle; 2. Structures and objectives of Open Innovation and Innovability; 3. Focus on people and the environment for a better future; 4. The concrete results for the company; 5. Recommendations for the future of business.

### 4.1 Main findings

#### 4.1.1 Sustainability as founding principle

*CSV orientation and trend-setting.* In relation to the first proposition stated<sup>37</sup>, all interview respondents highlighted a path of evolution in Enel's approach to issues of social and sustainable responsibility that has been taking place in recent times. The Rome-based company has been found to virtually confirm the proposition in the sense that, from a traditional reading of moral obligation of a firm towards society, CSR was turned into a deliberate business choice and substantive business orientation.

---

<sup>37</sup> i.e., The company has moved on from the traditional view of Corporate Social Responsibility towards a shared value mindset

More specifically, two phases of transition can be pointed out (2008-2014 and 2014-2018), with the watershed year 2014 in the middle i.e., when Francesco Starace was appointed group's CEO. Firstly, through the establishment of Enel Green Power (EGP) subsidiary in 2008, the company was ahead of its time – and its competitors –, betting on energy production of a sustainable nature i.e., from renewable sources. In this same phase, another thrust for a general change in approach was the acquisition in 2010 of the Spanish energy provider Endesa and, with it, all of its branches in South America. From a former state subsidiary then privatized, which operated exclusively in Italy, Enel became a multinational enterprise in the position to sell its sustainable solutions and develop its renewable plants in other parts of the world as well.

Enel pioneered investments in renewables, hence progressively phasing out fossil sources – coal in its entirety, while gas not yet completely – and now aiming at fully green power generation, through mainly solar, wind and hydro technologies. By having a direct experience of the value stemming from integrating activities, EGP's early years were the test bed for valuing the impact of plant development on local communities. At that time, the firm realized that the lack of attention to sustainability issues and social relations could have severe economic consequences on investment projects, especially those with a very quick return target like renewable plant constructions. This would be the case unless an analysis of the social and economic context of reference, with the potential risks and opportunities for growth of new renewable plants, territories and communities, was conducted beforehand. Subsequently, with Francesco Starace turning from CEO of EGP into CEO of the whole Group in 2014, this forward-looking mindset was extended to the rest of the business across the globe. Starace set out on his general management term by creating the new, revolutionary holding function of Innovability (i.e., blend of Innovation and Sustainability), thus demanding more ambitious goals of visibility and full integration of sustainability concepts in the business development of innovations.

As attested by the then Head of Sustainability, who was among the protagonists of the 2014-2018 transition period, the function which used to be called CSR was shifted from the communication department to an area much more incorporated in the business. Nevertheless, contrary to what the researcher was initially led to believe, in this path of progression towards Creating Shared Value (CSV), Enel did not entirely discard the CSR approach of corporate philanthropy. Among the managers interviewed, one wanted to highlight the fact that the company was a trend-setter in Italy in the world of philanthropy, besides sustainability, with its non-profit organization Enel Cuore. The latter is still an active part of Enel and supports the most distressed social groups in a variety of ways<sup>38</sup>. Another respondent declared that, in order to evaluate the efficacy of philanthropy, one should take account of the maturity level of the country where they are operating and of the local needs to be met. In certain contexts, even corporate philanthropy can

---

<sup>38</sup> <<https://www.enelcuore.it/en/about-us>> and <<https://www.enelcuore.it/en/social-issues>>

prove a useful tool for addressing social issues, however not as a stand-alone initiative in most of the cases.

Consequently, Enel's merit lies in the fact that it has not allowed CSR principles to be confined to the monetary donations of its non-profit organization, and has instead ensured that they were embedded into the general attitude of sustainability and the mindset of shared value. In the second transition phase of 2014-2018, with reverberations extending into the present, the utility started to plan and execute operations maintaining the CSV framework as core orientation guiding all its business choices. One interview respondent vividly expressed this concept in the following sentence:

*“Unlike mere CSR, CSV makes you develop sustainability plans and activities that can ensure that your operations are seamlessly integrated with your surroundings, with local dynamics, with even the history of the communities with which you operate.”*

The evidence collected in other two interviews also brought to light practical examples of Enel's stance and of its top management making public choices in this sense. In the Neltume case<sup>39</sup>, after initial negotiations undertaken to build a new hydropower plant on the lake Neltume, which is located in a pristine area of Chile inhabited by indigenous peoples, Enel decided to quit the project and renounce the economic benefits potentially accruing to it, in order not to violate the water rights of Chilean people. The company stood against land use and in favor of local communities, listening to their needs and making a choice of sustainability at the expense of short-term profit *“because you then earn it in the long run”*. Secondly, lending support to Enel's strategy of abandoning fossil fuels, when Starace took over the leadership of Enel in 2014, there was a coal-fired pipeline still under development. The oil-to-coal conversion of the Porto Tolle power station is a project Enel was pursuing back in those years, but then gave up within a few months, following a concern for the communities' welfare. A further example is represented by Enel refraining from making an investment for entering a country in the distribution network, which would have most likely turned out to be a great deal in terms of economic return. The major problem lying behind this negotiation was the coal plant included in the sales package that this network was offering, something which would have conflicted with the CO2 emission reduction targets Enel had set itself. And yet another choice of field was the decision to abandon a consortium the multinational was part of for the plain reason it was exploiting the Amazon river. In short, what Enel has done in recent years is to put sustainability at the heart of its business, making the business itself become socially responsible and embracing the CSV policy and business model.

*Propulsion from the top management.* An element emerging from interviews is the fact that the change in approach described above was largely driven by the firm's top management and undeniably determined by certain people, by virtue of either their charisma and competence or of their job position in

---

<sup>39</sup> <https://ejatlas.org/conflict/neltume-hydroelectric-project-in-panguipulli-chile/?translate=en>

the company. This also answers the research question in that it represents one of the means behind the internalization of sustainability and innovation and of the determinants in the application of a shared value mindset, which in turn generates competitive advantage for companies. All interviewees in their speeches gave credit to Engineer Francesco Starace (current CEO of Enel Group in his second term) for providing the multinational enterprise with a precise vision of sustainability and its new role in the innovation building process. As already mentioned, it was Starace as first CEO of EGP and then of the entire Group who advocated a change in the rules of the game for the company, both internally and externally. Serving twice as a member of the UN Global Compact Board since 2015, he demonstrated the seriousness of Enel's commitment to orienting its strategic business choices according not only to the economic benefit it can reap, but to the overall consistency of its sustainability footprint, in line with UN SDGs. Nonetheless, it should be remembered that none of this would have been possible without the Board of Directors' support, which remained basically unanimous and unvaried throughout the whole process.

One respondent in particular was keen to underline the important dual role played in Enel by the chairmanship which, being head of the Governance and Sustainability Committee, also stands as Governance Guarantor. In those early historical years of "revolution", the Group chairperson was Maria Patrizia Grieco, who also deserves part of the credit for her contribution in not only changing the internal governance, but also in including the new approach towards sustainability among the guidelines of the Corporate Governance Code of self-discipline for listed companies. Other tools employed by Enel executives to better imprint the transformation inside the organization were of both symbolic and substantial nature, acting on the corporate culture and processes. Firstly, Sustainability managers banned the word "compensation" from the business vocabulary for conceptual reasons and because *"the vocabulary of the company is the life of the company itself"*. The language needs to evolve hand in hand with the changing intentions – Enel is no longer talking about offsetting the social harm caused but rather about making investments together with the community to create value for all those involved. Secondly, two years ago the top management adopted a resolution to make the Sustainability Planning, Performance Management and Human Rights unit report not only to the director of Innovability, but also to the CFO. This move was functional to formally put the unit in a direct hierarchical-organizational relationship with Administration, Finance and Control, thus serving as a bridge between the sustainability side and the finance side. The overarching rationale is still the will to ensure the company's long-term profit and survival through a socially and environmentally cautious conduct.

Furthermore, with the aim of lending additional credibility in the eyes of investors, Enel decided to work on sustainability from a systemic perspective, internally demanding compliance with certain targets

from its managers, too. The chapters of “Remuneration policy” (in the 2021 Sustainability Report<sup>40</sup>) and of “Incentive system” (in both the 2021 Integrated Annual Report<sup>41</sup> and the 2021 Report and Financial Statements<sup>42</sup>) contain an outlook of the short-term and long-term remuneration plans for Enel’s management personnel. As a matter of fact, for both the CEO/General Manager and key management personnel, the performance goals of *consolidated net installed renewables capacity/consolidated net installed total capacity at the end of 2023* and *grams of Scope 1 (i.e., direct) GHG emissions per equivalent kWh generated by the Group in 2023* are two of the items that contribute to the calculation of the long-term variable component of a multi-annual incentive plan.

*Ad-hoc financial instruments.* The Enel Group took strides in defining new financial instruments that would serve the purpose of making the business objectives adapt to the CSV framework, hence lending support to the third proposition<sup>43</sup>. A combined analysis of data coming from company websites, videos, and reports, and from interviews with Enel managers has yielded multiple results that contribute to an even more nuanced answer to the research question, especially the part mentioning the economic benefits of the integration process here reported. One interviewee in her speech admitted that the quantitative aspects of sustainability are much harder than simple finance due to the high number of variables and linkages to be familiar with, and to the too few internationally recognized metrics. Nowadays some of the world's most widely used sustainability reporting standards are provided by the Global Reporting Initiative (GRI), an international independent standards organization. However, Enel realized that, although a sustainable business model is absurdly simple and straightforward to imagine, it can be extremely difficult to implement in financial terms. That is why the company set out to compose its own sustainable finance tools that would reflect the internal narrative of substantial evolution in mindset, and hence anticipated global trends. As noted in the summary video of the Capital Markets Day 2020 by CEO Starace and CFO De Paoli,

*“utilities need to be conscious about this trend and maintain it in a sustainable way, being able to share the benefits of this evolution with society, with industry, with people”*

And also, *“the need of new investments and the need to change the economy are going hand in hand”*<sup>44</sup>. As a consequence, economic benchmarks that ensure a return to shareholders on the investments made on, for instance, renewables have to be developed, and certain aspects have to be explained in a sort

<sup>40</sup> Enel SpA. (2021c). Sustainability Report 2021. Page 303. [https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf)

<sup>41</sup> Enel SpA. (2021a). Integrated Annual Report 2021. Page 54. [https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf)

<sup>42</sup> Enel SpA. (2021b). Report and Financial statements of Enel SpA at December 31, 2021. Page 63. [https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements_2021.pdf)

<sup>43</sup> i.e., Standards of sustainability and social inclusion are embedded in corporate structures, processes, and financial instruments

<sup>44</sup> <https://www.enel.com/it/media/esplora/ricerca-video/video/2020/12/capital-markets-day-2020>

of evolution to stakeholders and shareholders alike.

First of all, along the years Enel has worked in tight collaboration with the International Capital Market Association (ICMA), in pioneering capital market issues of Green Bonds first, and Sustainability-linked Bonds after. As regards the former, in 2017 eligible green projects of the Enel Group had been identified in accordance with the "Green Bond Principles" published by ICMA. Examples of identified projects include those for the development of generation plants from renewable sources, construction and operation of transmission and distribution networks, smart metering systems, and development of projects related to sustainable mobility and demand-response<sup>45</sup>. In the interviews it was argued that, even though they are not the ideal solution, green bonds proved up to the task of supporting the transition phase. In that way, it becomes clearer that a sustainability intertwined with the business strategy is the whole backbone of the work on people, on communities, on safety, on procurement, and on basically everything.

After green bonds, starting September 2019 Enel has issued Sustainability-linked Bonds on the market more than once. As a further demonstration of a change of course in the financial reporting of Enel, these new bond issues no longer encompass the "Create a renewable project" possibility, but are instead linked to the achievement of Enel's sustainability targets for the reduction of direct greenhouse gas emissions (Scope 1) and for increase in renewable capacity. These targets thus become measurable in terms of ambition, because a benchmark is provided and also transparency to third parties is granted. In addition, they are articulated in scientific terms, because that ambition is measured against science-based goals set by the Paris Agreement. This kind of capital market operations was also found to be in accordance with the Group's Sustainability-Linked Financing Framework, which is itself in line with the capital market regulator ICMA's "Sustainability-Linked Bond Principles" and the Loan Market Association's (LMA) "Sustainability-Linked Loan Principles"<sup>46</sup>.

The data analysis has found a constitutive synthesis of the ad-hoc financial instruments developed by the Italy-based energy company in the Enel Stakeholder Capitalism reporting framework, which was trademarked just last May (2022)<sup>47</sup>. This precisely embodies a paradigm shift in terms of the concept of value created over value distributed, whereby the former is the ability of an organization to create sustainable value and wellbeing through its operations, and the latter is the ability to distribute the value created to all direct beneficiaries. Quality is represented by the key factors in value creation that the organization pursues by way of its sustainability strategy. As the name itself suggests, the model takes into account the interests of a variety of stakeholders. These are essentially:

---

<sup>45</sup> <https://www.enel.com/it/investitori/investimenti/finanza-sostenibile/green-bond>

<sup>46</sup> <https://www.enel.com/it/media/esplora/ricerca-comunicati-stampa/press/2022/04/enel-lancia-con-successo-un-sustainability-linked-bond-da-750-milioni-di-sterline-in-una-singola-tranche>

<sup>47</sup> <https://www.ow3.rassegnestampa.it/enelinternazionaleipad/PDF/2022/2022-07-19/2022071983707941.pdf>

- PLANET, a stakeholder that sets the boundaries of business operations;
- INDIRECT BENEFICIARIES, namely customers, suppliers and partners, which are integral parts of the value chain;
- DIRECT BENEFICIARIES, namely employees, communities, and the financial communities, that are at the core of value distribution<sup>48</sup>.

To exemplify just some of the novelties brought about by the Enel Stakeholder Capitalism, value distributed to employees is the new way used by Enel to define salaries, as well as value distributed to communities are the taxes that the company pays. Success is not measured purely on traditional financial indicators (e.g., net income or free cash flow), but it comprehends the effects of corporate operations on the sustainable growth of communities, society, planet, people, suppliers, customers, debt holders and investors. The model rests on 5 pillars: (i) value creation, (ii) value distribution, (iii) development strategy, (iv) communication, which all ultimately contribute to (v) quality<sup>49</sup>. The company deliberately chooses to allocate a share of the value created to stakeholders on one hand, and to retain another share to fuel future growth on the other. Space is left there to pursue a growth strategy through organic investments or business combinations. Investments, for their part, are assessed according to their conformity with relevant SDGs, goals under European taxonomy, community needs. Other stakeholders cover instead the capex's financial requirement.

As shown above, the Enel Stakeholder Capitalism model is a tangible response to the need to have some new metrics around the sustainable dimension, which are fundamental to motivate everyone that what has been done and is being done has a positive impact for the future. Following WEF guidelines on the metrics to be used that link sustainable practices to financial performance, Enel has translated its slogan “sustainability is value” pragmatically into a set of reporting indicators – a prototype of integrated approach to reporting. The indicators quantify reduced emissions and use of raw materials, increased rates of household electrification, raising the proportion of female managers it employs and boosting its sources of sustainable finance (55% of its total gross debt in 2021). An interviewee was forthright in stating that for how much Enel is striving to break down a culture of centuries and is quite far ahead in this, a lot of work still needs to be done. When an economic-financial issue is involved or gets on the way, it is hard to convince everybody – stakeholders, shareholders, and the capital markets.

*Strategic sustainability plan.* All data collected suggested the researcher that sustainability at Enel is not just an abstract concept, but is a real orientation for the business which guides every course of action.

---

<sup>48</sup> <https://integratedreporting2021.enel.com/en>

<sup>49</sup> <https://integratedreporting2021.enel.com/en/timeline/glance/stakeholder-capitalism>



In his contribution to a book part of a collection of reports on social innovation<sup>50</sup>, one manager underlined the role of private ventures as major enablers to achieve sustainable development. This holds true especially because enterprises around the world are increasingly required by shareholders and the financial markets to adopt a long-term vision that underpins real sustainable development, and new 'inclusive' business models that create shared value. In framing its own groundbreaking business model, Enel has, from the very beginning, integrated the UN SDGs into its strategic plan and sustainability reporting processes, plus business areas hold direct responsibility for actions aimed at specific SDGs. People, planet and prosperity are the 3 macro categories of input resources that the Enel business model leverages on. Business, decision-making and operational processes along the entire value chain reflect the company's governance structure. Additionally, some of them are meant to incorporate not only governance factors, but also environmental and social ones across the whole Group. To be precise, these processes are: analysis of the sustainability context, identification of priorities for company and stakeholders, sustainability planning, implementation of specific actions in support of sustainability objectives, reporting and management of ESG ratings and sustainability indices<sup>51</sup>.

Further confirming the third proposition of this study<sup>52</sup>, the cornerstones of this approach are precisely the realization, measurement and reporting of ESG (Environmental, Social and Governance) indicators. Not only for ex-post evaluation (e.g., support services), but above all to anticipate decisions (e.g., strategic planning) and reinforce a proactive – and not reactive – attitude. The Enel's sustainability model also complies with the requirements, guidelines, and standards issued by a series of international bodies – United Nations' Global Compact, Global Sustainability Standards Board, European Financial Reporting Advisory Group. The corporate strategy revolves around building a fairer and more inclusive society, protecting the environment, and creating opportunities for the future of the company and its stakeholders. The short-, medium- and long-term objectives and targets making part of the Sustainable Plan are updated every year, *“to ensure continuous alignment with the business strategies and the results achieved, in order to increasingly integrate sustainability along the entire value chain, taking into account the potential impacts on the economy, on the environment and on people”*.<sup>53</sup>

One interviewee very vividly described the concrete features of the Enel's 2022-2024 Sustainability Plan, which has been included also in the Sustainability Report<sup>54</sup>. This is composed of:

---

<sup>50</sup> Valcalda, A. (2016). La creazione di valore condiviso come modello di innovazione sociale: l'esperienza di ENEL. In M. G. Caroli, CERIIS, LUISS Business School, & ItaliaCamp (Eds.), *L'innovazione delle imprese leader per creare valore sociale* (3rd ed., pp. 217–219). FrancoAngeli.

<sup>51</sup> Enel SpA. (2021c). Sustainability Report 2021. Pages 12-23. [https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf)

<sup>52</sup> i.e., Standards of sustainability and social inclusion are embedded in corporate structures, processes, and financial instruments

<sup>53</sup> Enel SpA. (2021c). Sustainability Report 2021. Page 40. [https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf)

<sup>54</sup> Ibidem, pages 40-44

- a. 4 pillars – electrification, net-zero ambition, people, nature;
- b. 3 backbones – governance, safety and human rights;
- c. 3 growth accelerators – innovation, digitization and circular economy.

One might ask, on top of this analytical framework, how is the overarching strategic sustainability plan applied in an operational manner? Another respondent, who had first-hand experience with these procedures, affirmed that Enel Sustainability managers in all geographies need to develop a bottom-up plan by the communities that is the result of their needs and is consistent with the firm's needs as well. This, in turn, entails the elaboration of 2 plans – the social sustainability plan i.e., the activities meant to create shared value with communities, and an environmental plan, which mainly relates to the activities done in the construction site. Providing an additional answer to the research question, a sustainability project devised in this way is the practical basis that ultimately creates value – including of economic kind. This value is then shared between the communities and the company, thus enabling the consolidated achievement of various goals.

MACRO THEME	SUBTHEMES	PROCESSES	EXAMPLES/CASES/PROJECTS
<b>Sustainability as founding principle</b>	CSV orientation and trend-setting	Two-phase evolution	
		CSR from communication to a more integrated area	
		Anticipation of philanthropy and CSR trends	Enel Cuore nonprofit
		Business itself made socially responsible	
	Propulsion from the top management	Starace: CEO of EGP > CEO of the whole Group	
		Role of Chairmanship as Governance Guarantor	Code of self-discipline for Listed Companies
		Ban of the word “compensation”	
		Sustainability Planning unit reporting also to CFO	
		Remuneration systems linked to environmental targets	1) Net installed renewables capacity 2) GHG direct emissions
	Ad-hoc financial instruments	Green bonds	
		Sustainability-linked bonds	Work with ICMA and LMA
		Enel Stakeholder Capitalism model	Integrated approach to reporting
	Strategic sustainability plan	Sustainable and responsible Business Model	Integration of SDGs and ESG standards
		2022-2024 Sustainability Plan	
		Bottom-up social sustainability and environmental plans	Sustainable construction site model

**Table 5** Summary table for the set of results going under the macro theme of “Sustainability as founding principle”.

#### 4.1.2 Structures and objectives of Open Innovation and Innovability

Corporate organization of Innovability. More than one interviewee pointed out the central position occupied by technological innovation in a power company such as Enel, but they have always put it terms of a factor that underpins sustainability. When narrating the process that led CIO<sup>55</sup> Ernesto Ciorra to create an unprecedented corporate function, one respondent argued that innovation is the essential basis for the company's survival, just like the process of cell apoptosis is vital for human bodies. Cells in different parts of the body evolve and renew themselves periodically. Likewise, companies must innovate regularly in order to thrive and survive, and hence be sustainable, something that in a way confirms the second proposition<sup>56</sup>. Innovation thus stands as the preferred means to achieve the ultimate goal, that is sustainability, raise the level of ambition of its specific targets, and amplify these trends both inbound and outbound. Consequently, Ciorra felt it was of utmost importance to institutionalize from scratch a function (*Innovability*) that would deeply root innovation inside Enel with the sustainability objective in mind.

Again in support of the third proposition<sup>57</sup> and to answer the research question, the Enel case study shows that even the organizational model of a company must reflect the strategy of internalizing sustainability and social responsibility practices into the core business in order for innovation processes to be successful and profitable. As a matter of fact, the Enel Innovability function is not just present at the holding level with Director Ciorra, but is also represented in every business line by a dedicated manager. Being responsible for the execution of innovation projects within their business lines, the various Innovability managers are the link between the holding company's top management and the other organizational structures. They identify what the business lines' needs for innovation are, interact with the holding company, and then determine the most appropriate tool to meet those needs. The fact that these managers report matrix-wise to both their business line director and the Innovability director in a continuous exchange of information was found to ensure the alignment of objectives between these two functions to work toward one direction. Organizational coordination means that *"innovation and sustainability are extremely branched within the company and therefore action is taken minutely, for each individual business line's needs"*.

Business ecosystem of multi-stakeholder collaborations (Open Innovation). Another ingredient that Enel's representatives deem essential to the development of a sound, productive, and socially committed business is the openness of its innovation processes. As reported in the interviews conducted, Enel has no

---

<sup>55</sup> i.e., Chief Innovability Officer

<sup>56</sup> i.e., The pathway to innovation has the dual objective of promoting business growth and improving the life of communities

<sup>57</sup> i.e., Standards of sustainability and social inclusion are embedded in corporate structures, processes, and financial instruments

internal R&D department in the conviction that “*the best minds are those outside the company*” – to echo a statement made by CIO Ciorra. The company is engaged in countless partnerships with external partners, such as startups, small and medium-sized companies, large companies, research centers, universities and academics, NGOs, governmental agencies, energy generators, investors, and individual contributors and experts, either internal or external to the firm. In particular, the Enel Innovation Hubs scattered across the globe have several active projects of collaboration with small entities (e.g., startups and SMEs), that they help to grow through investments whenever a technological solution of theirs is of interest to the multinational enterprise. When a single project passes the PoC (Point of Care) test, then the production of that innovation is scaled up to the global level throughout Enel. One respondent gave the researcher an idea in numerical terms of the extent of the partnerships undertaken by his company. Out of the entire innovation ecosystem, so far Enel has evaluated more than 20,000 innovation proposals and activated about 600 collaborations, and out of those 600 it scaled about 250.

These are mainly technical projects centered on the whole construction chain of new renewable plants, to optimize above all their production capacity and subsequent maintenance in the most sustainable way possible. Another interviewee mentioned the interesting example of a solution found with the help of a startup that, by also respecting the environment, is revolutionizing the clean tech and green energy sectors. A robotic system was invented to remedy the problematic issue of *soiling* in photovoltaic plants’ maintenance, namely the accumulation of sand, debris and dust on panels<sup>58</sup>. Enel supported the development and implementation of this automated system, which uses special brushes to clean solar panels, thus saving both water and human labor, and ensures their continuity and high level of productivity. As a matter of fact, this collaboration with an external partner gave birth to an innovation with a strong technological component, that anyway does not neglect the social and environmental side. In order to safeguard innovative solutions stemming from the whole open innovation ecosystem and sustain the resulting competitive edge, it is advisable for all companies to develop a system of patent protection, just like Enel did last year (in 2021) with its Intellectual Property Protection unit within the Innovability function.

*Sharing of ideas.* Strictly linked with the previous sub-paragraph is the concept of idea sharing, that is deeply felt among Enel’s representatives. More specifically, it is a process and practice that is encouraged both internally, among people directly involved in the company (e.g., employees and their families), and externally, with outside partners and collaborators. On one hand, a manager interviewed emphasized an internal path of training and sharing of best practices from subsidiaries around the world as crucial for multinational companies seeking to spread a shared value mindset. In addition to this, internal corporate

---

<sup>58</sup> <<https://www.enelgreenpower.com/stories/articles/2018/10/solar-panel-cleaning-egp-innovative-solution>> and <<https://www.reiwaengine.com/en/news-eng/226-sandstorm,-reiwa-engine%E2%80%99s-first-robot,-appeals-to-enel-green-power.html>>

programs designed to convey the importance of concepts like sustainability and social innovation, while stimulating their application in concrete terms, might turn out extremely beneficial. With projects like We Are Energy, which is addressed at the children of Enel employees, the Italian utility continuously demonstrates its willingness to spread valuable scientific knowledge and promote social inclusion practices, especially among future generations. Indeed, the focus group respondents, who had participated in several editions of the campus, expressed that, on such occasions, Enel manages to instill in them the relevance of concepts like sustainable and self-sufficient cities, reuse, recycling, sense of community, sharing of resources, and reduction of pollution. One of them even declared that “*the company is looking for smart minds to build the future of energy and beyond*” among the youths, and hence gave support to the application of the Open Innovation principle happening inside Enel.

In a similar way to We Are Energy, the firm has also offered its employees the opportunity to make a creative contribution with the *Make it happen!* initiative<sup>59</sup>. It is an internal program of open innovation for the stimulation of entrepreneurship and the circulation innovative and sustainable ideas, which converges in the broader platform of Open Innovability. The latter is a crowdsourcing web portal<sup>60</sup> open to anyone – from other companies and start-ups to universities, from experts and inventors to ordinary citizens – where Enel regularly launches challenges<sup>61</sup>. People are openly asked to give their contribution either spontaneously, just out of context, or in response to a call for support to innovate something specific. There is also a section dedicated exclusively to startups (“Startup ecosystem”) that hints at roughly 120 scale-ups out of the 505 activated startups and of the total of above 13 thousand scouted startups<sup>62</sup>. So, basically, the crowd logs onto the platform, uploads their innovative proposals, and Enel engages in a heavy filtering activity, whereby the solutions that best suit its business needs are identified and scaled up, if judged applicable. In sum, the company benefits from this pathway to open innovation due to the competitive advantage deriving from both the speed at which the required expertise and solutions are encountered, and the pertinence of those with respect to the business demands.

Furthermore, Enel is aware of the advantages that it can reap from sharing ideas with local communities and listening to other stakeholders for the identification of effective measures. One interview provided two examples of open innovation and partnership with an NGO and companies operating in a different sector than Enel, respectively. The first case, also included in the 2016 Sustainability Report<sup>63</sup>, is about a project of sustainable lighting carried out in South Africa, that entailed the collaboration between

---

<sup>59</sup> <https://openinnovability.enel.com/content/dam/open-innovability/documenti/make-it-happen/regolamento-make-it-happen.pdf>

<sup>60</sup> <https://openinnovability.enel.com/>

<sup>61</sup> <https://openinnovability.enel.com/challenges>

<sup>62</sup> The numbers reported are updated as of 4/09/2022, available at <https://openinnovability.enel.com/startup-ecosystem>

<sup>63</sup> <http://enel2016csr.message-asp.com/en/sustainability-report-2016/our-commitment/responsible-relationships-communities/how-sustainability>

Enel and the NGO Liter of Light. With the aim of bringing zero-emission light to disadvantaged communities, the company financially supported the creation of lamps made of plastic bottles and recycled electrical components with a mini solar panel on them (“Solar Bottles”), plus the training workshops linked to them<sup>64</sup>. The second project concerns the contribution that Enel made in terms of money, but also of trainers and technical appliances, in favor of the Pachacútec foundation in Peru. While Enel worked to promote the Electricity career at the Nuevo Pachacútec Technological Institute, a variety of other firms – e.g., L'Oréal – collaborated in providing their own educational solutions and projects for the general success of that social innovation initiative<sup>65</sup>.

MACRO THEME	SUBTHEMES	PROCESSES	EXAMPLES/CASES/PROJECTS
<b>Structures and objectives of Open Innovation and Innovability</b>	Corporate organization of Innovability	Innovation = means, sustainability = end	Cell apoptosis
		Innovability in all business lines (matrix-wise)	
	Business ecosystem of multi-stakeholder collaborations	Open innovation	1) No internal R&D department 2) Automated system for solar panels cleaning
		Intellectual Property Protection within Innovability	
	Sharing of ideas	Internal training & best practices sharing	
		Internal corporate programs	1) We Are Energy 2) Make it happen!
		Crowdsourcing	Open Innovability platform
		Collaboration with communities/NGOs/other companies	1) Solar Bottles 2) Pachacútec Institute

**Table 6** Summary table for the set of results going under the macro theme of “Structures and objectives of Open Innovation and Innovability”.

### 4.1.3 Focus on people and the environment for a better future

The contextual information about Enel contained in Chapter 2, and the qualitative data reported so far in this chapter have already made clear that the firm’s strategy, despite obviously maintaining a profit maximization orientation, is imbued with sustainable development objectives – both for the short term and for the long term. Being an energy services company, Enel is in a privileged position to trigger an actual change in society that reverses the current economic system in a sustainability perspective, by making a wiser use of natural resources and providing communities with opportunities for empowerment. The young focus group respondents all agreed that the company’s overall purpose and endeavours are meant to build a better future for everyone. Referring to the social project activity that Enel engages in, one of them said “it is also about being able to give future generations the same possibilities that we have today”. A sentence

<sup>64</sup> <https://www.enel.com/media/explore/search-news/news/2016/05/sustainable-lighting-with-enel-and-liter-of-light>

<sup>65</sup> <https://fundacionpachacutec.org/en/partners-and-friends/>

that perfectly echoes the forerunner definition of sustainable development first stated in the UN Brundtland report in 1987<sup>66</sup>. This subsection zooms in on the two features of environmental targets and social inclusion already present inside Enel's core business.

Environmental targets. In her intervention, one interviewee elucidated the overlapping of Enel's business strategy and sustainability by tracing its approach with respect to relevant UN SDGs. The company wants to tackle climate change by reducing emissions (SDG 13), by means of increasing its renewable presence and capacity (SDG 17). In order to accomplish the latter, other two factors must be pursued, namely a resilient infrastructure and innovation (SDG 9). After that, Enel should strive to create sustainable communities and cities, also electrifying (SDG 11). It is therefore quite straightforward to deduce that one of Enel's main environmental goals is the further development of its renewable capacity, that cannot be separated from the emission reduction target. These targets are present in all of Enel's lines of credit as well as in all the other financial instruments. As also highlighted by CEO Starace in his Capital Markets Day 2021 presentation<sup>67</sup>, the last decade saw the emergence of renewables as a very competitive and important part of the value chain, and Enel was a pioneer in this sector. This decade is instead witnessing the progressive electrification of energy demand around the world, whereby the Italy-based company is leading the way in the electrification of mobility and consumption. Thanks to digitization, electricity is gradually becoming more accessible to everyone in a sustainable way and electrification is the last step to a fully decarbonized economy. Consequently, having become two of the four pillars of Enel's Sustainability Plan, electrification and net-zero – or, even better, *zero-carbon*<sup>68</sup> – ambition are two inextricably linked environmental goals to bear in mind. In order to prove the seriousness of the company's commitment in this sense, the full decarbonization of Enel has been anticipated by 10 years – from 2050, the deadline was brought back to 2040, for both direct and indirect emissions. Enel is teaching the corporate world that switching from one technology to another creates job opportunities and that tackling climate change is also beneficial for the economy.

Social inclusion. It goes without saying that an aspect which the Enel Stakeholder Capitalism aforementioned handles very attentively is the consideration for all the company's stakeholders. As a result of the social innovation and social inclusion practices carried out by Enel, that category is the recipient of part of the value hereby created. This subparagraph is dedicated to give an account of the various ways in which the social component is articulated in Enel's endeavours and contributes to value creation, thus adding a piece to the answer to the research question. In the first instance, company employees are to be

---

<sup>66</sup> i.e., “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” in Brundtland, G. H. (1987). Report of the World Commission on Environment and Development: Our Common Future. United Nations General Assembly document A/42/427, <http://www.un-documents.net/wced-ocf.htm>

<sup>67</sup> <https://www.enel.com/it/media/esplora/ricerca-video/video/2021/12/capital-markets-day-2021>

<sup>68</sup> <https://associatedmedias.com/enel-starace-al-capital-market-day-il-nostro-un-modello-solido-e-capace-di-creare-altro-valore/>

considered stakeholders by their own right, so a benchmark of a firm's attention to social issues may be identified in their working conditions. One respondent in the focus group – with the others backing her up – was keen on underlining the immense respect and care for the person that her father's company demonstrates in the small things. People are usually put at ease and relocated or readjusted in a more suitable context should any problem arise. It is clear that Enel also strives to achieve a remarkably high level of internal welfare and a very positive and pleasant working environment.

Secondly, recipients of Enel's social projects – be they internal or external to the company – are constantly taught not only new technological discoveries and applications, but also concepts such as collaboration, social inclusion and socialization, collectivity, and team working. Innovation is thus made *“on a mental level, even in cultural values”*. The chapter “Responsible relations with communities” of the 2021 Integrated Annual Report<sup>69</sup> then delves deeper into the ways in which Enel strengthens its ties with and between outside society. Maintaining solid relationships with the communities where the company operates has allowed for the implementation of a *“new balanced model of equitable development that leaves no one behind”* and for the creation of long-term shared value for all stakeholders. It is a model valid throughout the whole value chain, namely in the following stages: 1. proactive analysis of community needs (in the development phases of a new business); 2. establishment of sustainable worksites and plants; 3. design, development and supply of new energy services and products; 4. process innovation. The company's commitment to sustainable development for everyone can be detected, for instance, in the fight against energy poverty and in the promotion of social inclusion with the use of technologies and circular economy approaches. Other targets underlying Enel's social sustainability which have been incorporated into its business model and activities are: support of connectivity and computer literacy in rural areas, participation of women in STEM fields, facilitation of access to credit, equitable and sustainable energy transition, post-pandemic recovery. Again, inclusive business models and digitalization projects are being deployed to meet these ends and the drivers of value creation for the communities are i. economic growth, ii. fair, responsible and transparent fiscal contribution, iii. quality of social and economic development.

As far as social inclusion is concerned, an interviewee brought forward two concrete examples of Enel's collaborating with community representatives and startups, where inclusiveness becomes an opportunity to develop certain technological innovations and vice versa. The first story concerns the invention of a special device for electric charging stations to connect to electric powered wheelchairs and charge them. The challenge started from a guy in wheelchair (Andrea Depalo), who contacted CIO Ciorra simply by LinkedIn and expressed him his need to find and finance a solution that would enable disabled people like him to use the same Enel infrastructure deployed for charging electric vehicles<sup>70</sup>. As a result,

---

<sup>69</sup> Enel SpA. (2021a). Integrated Annual Report 2021. Pages 219-220. [https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf)

<sup>70</sup> [https://avanchair.com/em\\_event/la-storia-di-avanchair-innovazione-e-inclusione-sociale/](https://avanchair.com/em_event/la-storia-di-avanchair-innovazione-e-inclusione-sociale/)



the Innovability department worked closely with Depalo's startup Avanchair and third-sector associations to later deliver the adapter JuiceAbility through Enel X<sup>71</sup>. The second example is another success story about breaking down social barriers and improving the lives of people with disabilities. In this case, building on the needs of one of Enel's own employees who is deaf and dumb, and partnering with the startup Pedius<sup>72</sup>, the company developed a technology that facilitates the communication with the deaf or hard of hearing. Initially designed for call centers, the innovative Pedius app allows these people to be fully integrated in conversations and speak smoothly through real-time transcription systems, including in online conferences and meetings<sup>73</sup>.

MACRO THEME	SUBTHEMES	PROCESSES	EXAMPLES/CASES/PROJECTS
<b>Focus on people and the environment for a better future</b>	Environmental targets	UN SDG-focused strategy	SDGs nr. 13, 17, 9, 11
		Further development of renewable capacity	
		Net-zero and electrification	Full decarbonization brought back to 2040
	Social inclusion	Care for the people	Internal welfare and pleasant workplace
		Sustainable and equitable development for everyone	Social sustainability targets
		Community engagement and inclusiveness	1) Responsible relations with communities (Integrated Report) 2) Avanchair - JuiceAbility 3) Pedius app

**Table 7** Summary table for the set of results going under the macro theme of "Focus on people and the environment for a better future".

#### 4.1.4 The concrete results for the company

*Proof of competitive advantage.* By affirming that the whole process of internalization of sustainability and social innovation in the core business of companies does indeed generate competitive advantage, this subsection is dedicated to a further argumentation of the research question and provides evidence relating to the case study Enel in support of the above statement. The starting point the researcher wants to take is an example mentioned by one interviewee, which stands as litmus test of Enel's strategy for a number of factors. A few years ago the company entered into a fruitful partnership with the Indian voluntary association Barefoot College, that runs an educational institute employing a non-academic approach in teaching, training, and uplifting rural people<sup>74</sup>. The pretext for collaboration came from the firm's identification a business need combined with a social need. At the time, the functioning of a hybrid

<sup>71</sup> <https://www.enelx.com/it/it/news/2020/01/juice-ability-ricarica-sedia-ruote-elettriche>

<sup>72</sup> <https://www.pedius.org/it/enel/>

<sup>73</sup> <<https://www.enel.com/media/explore/search-news/news/2018/04/enel-launches-app-pedius>> and <<https://corporate.enel.it/en/media/news/d/2018/04/enel-launches-app-pedius-for-communication-deaf-people>>

<sup>74</sup> <https://www.barefootcollege.org/>

plant (i.e., solar, wind and backup batteries) had to be tested not in the typical indoor research center, but rather in a rural and remote area of Chile in the Atacama Desert that Enel had spotted together with the Chilean government and suffered issues of energy poverty<sup>75</sup>. That hybrid plant represented an opportunity for the local communities to get 24-hour access to power that Enel could not miss.

This is what led to the creation of a special program designed by the Barefoot College and destined to the unemployed, illiterate or semi-illiterate women – in most cases young grandmothers – coming from that area. It would instruct them about the installation and maintenance of mini solar power systems for domestic use. The program provided for women to travel to India at Enel's expense for attending a “speechless” course based on shapes and colors, and for them to return to their home country and put into practice the knowledge and skills acquired<sup>76</sup>. As a consequence, the empowerment of these Chilean women provided the rural communities to which they belonged with a continuous and sustainable power supply from solar panels. Something that triggers a series of virtuous mechanisms – children can study, traditions can be passed on, young people no longer leave so easily because they start to have expectations, tourism can be developed in the region. The revolutionary teaching model was then successfully applied also to other regions in Latin America and Africa<sup>77</sup>. The finding and diffusion of a *common power language* among women from isolated communities was the key to social inclusion and progress of underdeveloped areas through the extended access to electricity.

This is a tangible proof of how a corporation, driven by sustainability demands, can implement open innovation for technological advancement with social traits, while gaining competitive benefits from it. Bringing electricity and light to those communities also generates value added for Enel in expanding its customer base. Likewise, training local people also means cutting costs for routine maintenance of those renewable systems, as only extraordinary maintenance requires central company technicians to reach those remote places. Thus, benefit for the communities, which acquire access to energy, new skills and jobs, and for the socially committed enterprise, from a customer base expansion and cost saving perspective. Other costs for Enel can also be cut in plant production, since the company has decided to refrain from building more non-renewable plants, which are notoriously more costly than renewable ones.

The interviews conducted have provided this study with a number of other traces of the competitive edge and economic return that Enel would earn from its socially and environmentally responsible operations. The respondents talked about market advantage over competitors in terms of skills, productivity, and efficiency, and of the sort of *first-mover advantage* that the company would retain whenever a certain partner NGO hands out to Enel primary-source information about a certain territory of interest to the

---

<sup>75</sup> <https://www.enel.cl/en/stories/a201704-energy-from-the-heart-of-the-World.html>

<sup>76</sup> <https://www.enel.com/company/stories/articles/2016/05/turning-grandmothers-into-engineers>

<sup>77</sup> <https://www.enelamericas.com/en/stories/a201711-sunshine-enters-bahia-homes.html>

business in advance. One interviewee interestingly mentioned that the Innovability managers across Enel's geographies are tasked with tracking and estimating the direct economic gains on related investment projects, but also the indirect return accruing to social practices. Furthermore, the interactions that took place in the focus group brought to light the unexpected element of workforce attractiveness. An additional nuance of the macro business benefit of workforce *competitiveness* resulting from CSI activities, that the literature review of this study had neglected, it was strongly emphasized by teenage children of Enel employees. Enel, for its part, is able to capture such an advantage due to the lure of its social and environmental causes and its care for the people – both internal and external to the company – among youths approaching the world of work.

One last aspect of competitive edge evidence that proved a bit controversial among two interviewees is that of brand value. In this respect, they held different views about whether Enel's reputation among the public is being favored or not by its pioneering the corporate sustainability field. One stated that, besides the purely economic return, *“when you do positive activities, also the brand surely benefits”*, while another one insisted that the company's efforts to make a change in society and the environment are totally disconnected from any greenwashing attempt to adorn its image in front of clients. In fact, he even suggested and hoped for a more explicit and bolder strategy of outward communication of Enel's action in the territory.

*Current and projected numbers of growth.* The data collected from both desk analysis and interviews additionally offered the researcher numerical evidence of the manifestations of Enel's competitive advantage, which are disclosed in bullet points in this section.

- a) Among the statements of one respondent was that official calculations yielded 3.6 times the value created for every euro invested in innovation by the firm, and estimated the cumulative net benefit from innovation activities to be of 2,2 billion euros for the 2018-2030 period;
- b) With the Enel Stakeholder Capitalism model, Enel has set itself the targets to further rise that value created by roughly 60% and to increase the value distributed by around 40% within 2030<sup>78</sup>. In a positive growth spiral, this would enable the multinational to retain an ever larger share for fueling its future development;
- c) The company's representatives are deeply convinced that the interests of all organizations and their stakeholders raise hand in hand, which is why they have planned for more than 94% of capex and for 80% of Enel's financial instruments to be linked to sustainability goals in 2030;
- d) Growth opportunities are highlighted in the 2022-2024 strategic plan also for investors: a fixed and visible dividend for shareholders is ensured which, together with earnings growth, supports a total

---

<sup>78</sup> <https://www.ow3.rassegnestampa.it/enelinternazionaleipad/PDF/2022/2022-07-19/2022071983707941.pdf>

return of 13%<sup>79</sup>;

- e) In the same Plan, an annual growth of 6-7% is projected and increase in earnings of about 80% compared to 2021 is foreseen in those countries where Enel is an integrated or potentially integrated player<sup>80</sup>;
- f) Relating to improvements in renewable capacity and customer base, by 2030 the Enel Group aims to achieve a total installed renewable capacity of 154 GW globally and to have 86 million customers connected to its distribution networks<sup>81</sup>.

MACRO THEME	SUBTHEMES	PROCESSES	EXAMPLES/CASES/PROJECTS
The concrete results for the company	Proof of competitive advantage	Expanded base of customers	1) Atacama desert hybrid plant 2) Solar power to isolated communities - Barefoot College program
		Cost savings	1) No longer production of non-renewables 2) Routine maintenance done by locals
		Skills, productivity, efficiency	
		First mover advantage thanks to NGOs' knowledge	
		Workforce attractiveness	
		Enhanced brand value	
	Current and projected numbers of growth	Value created/€ spent on innovation = 3.6x	
		Cumulative net benefit = €2,2 bln (2018-2030)	
		Increase in value created (60%) and value distributed (40%) by 2030	
		80% financial instruments linked to SDGs by 2030	
		Fixed dividend with total return of 13%	
		Projected annual growth of 6-7% and earnings growth of 80%	
		154 GW of total installed renewable capacity by 2030	
		82 mln customers by 2030	

**Table 8** Summary table for the set of results going under the macro theme of "Concrete results for the company".

### 4.1.5 Recommendations for the future of business

In their speeches, all Enel interview respondents were ready to make overarching suggestions based on their company's experience in recent years, which could serve as a reference for other businesses wishing to grow in the same direction, and for the future of the corporate world in general. Enel's reasoning in conducting its core activities starts fundamentally from the assumption that a change in business model is required, because every firm is embedded in an environmental and social context that must be taken into

<sup>79</sup> <https://www.enel.com/it/media/esplora/ricerca-video/video/2021/12/capital-markets-day-2021>

<sup>80</sup> Ibidem

<sup>81</sup> Enel SpA. (2021c). Sustainability Report 2021. Page 91. [https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf)

account. The awareness that the company can also profit from respecting communities and the natural environment, for the benefit of both its stakeholders and its shareholders, triggers the need to translate that systemically into daily actions and processes. Subsequently, given it is not a philanthropic approach, governance and remuneration have to be aligned. Then, the company needs to convince the outside world of investors to somehow get its sustainable projects financed. Enel calls on every modern enterprises to engage in this same way of thinking, but at the same time warns that sustainability strategies are not the same for all companies (*“there are no ready-made recipes”*). Starting from roughly a common base, sustainability must then be tied to the specific business model of a certain corporation, otherwise it is bound to be only a cosmetic sustainability or traditionally meant CSR. Another important piece of advice that one respondent wanted to add was not making the mistake of linking sustainability strategies only to the medium or long term. If any company is inclined to think that it should not act on sustainability in the short term, then most likely it will not appreciate any positive results in the medium-long term. The latter had to be included in some cases where certain changes – for example CO<sub>2</sub> emission reduction – cannot be grasped in a short timeframe, but in fact sustainability is meant to add the medium-long term to the short term.

Another interviewee pointed out two other essential elements for the successful integration of sustainability and social innovation into the core business of for-profit companies. By referring to Nokia as a negative example of marked self-referentiality and resistance to change, he highlighted the importance of self-questioning and readiness to transform and innovate. Unless businesses are prone to adopt an attitude of self-questioning and self-challenging, they are destined to succumb to market rules or not progress technologically. Alternatively, besides choosing the most suitable innovation strategy, companies that intend to challenge themselves and innovate might have to replace management or undergo a process of change in corporate culture. As a matter of fact, in the years of state ownership, Enel used to be a self-referential company that kept steady in its positions. Nonetheless, after its privatization in the 1990s, it dared to transform itself and let go of its traditional cultural beliefs, thus becoming one of the most innovative companies in Europe thanks to the adoption of the Open Innovation and Open Power strategy.

What emerged is that Enel is certainly taking strides in making the evolution towards a sustainably and socially cautious business sector become a mass movement. As one respondent confirmed, its representatives are also convinced of the unquestionably responsible role of enterprises in society. They should work alongside – and in some extreme cases even take the place of – public institutions (e.g., schools, local administrations) to spread knowledge about pressing global issues and provide the public with a series of stimuli on aspects of environmental sustainability and sociality.

MACRO THEME	SUBTHEMES
<b>Recommendations for the future of business</b>	Governance and remuneration alignment with sustainability
	Sustainability strategy tied to business model
	Sustainability strategy for the short-term
	Cultural change and self-questioning
	Readiness to transform and innovate
	Changemaking efforts towards a mass movement
	Responsible role in society

**Table 9** Summary table for the set of results going under the macro theme of “Recommendations for the future of business”.

## 4.2 Discussion of the findings

As depicted by the results reported above, the research has reached a variety of outcomes, all contributing to a multi-faceted answer to the research question and fitting quite well with the overall research purposes initially determined in this qualitative study. The work started from the desire to investigate how the corporate world, gradually overhauling a conventional and outdated vision of CSR, is nowadays committing to embrace sustainability and social innovation issues, in order to benefit itself and the communities. In particular, the researcher wanted to dig deep into the managerial decisions and core business processes of a company like Enel, which has a strong technological vocation and is particularly outstanding in this field, to demonstrate its ability to generate socially responsible innovations. The findings confirmed the second and the third propositions, that are:

- The pathway to innovation has the dual objective of promoting business growth and improving the life of communities;
- Standards of sustainability and social inclusion are embedded in corporate structures, processes, and financial instruments.

The major tools deployed by Enel that validate the first statement are its investments in innovations with a high return and its Open Innovation strategy, which sets itself precise standards of sustainability and involves a plethora stakeholders representing certain societal needs. Prominent examples in support of the second statement include the Innovability function, the integration of SDGs and ESG factors in project management and reporting, and the Enel Stakeholder Capitalism model. The first proposition (i.e., The company has moved on from the traditional view of Corporate Social Responsibility towards a shared value mindset), on the other hand, was partially refuted by both some interview declarations and archival data. In fact, in its recent path of transition, Enel has not discarded CSR and philanthropic principles by replacing them with the CSV framework. Rather, it has kept them effective in those situations where they were deemed proper through its operative non-profit entity Enel Cuore, and for the rest has assimilated them into

the more systemic and holistic corporate strategy of creating shared value.

Generally speaking, while enterprises are widely thought to be prospering at the expense of communities, Enel steadily demonstrates that it is possible for them to thrive *together* with local communities. The Italy-based multinational corporation reinforces its desire to have a lasting social impact in society by acting responsibly in the name of social and environmental sustainability towards the territories and contexts where it operates. In addition to this, the company is able to give value to all the different categories of stakeholders, emphasizing the quality of the relationship which is, in fact, the bulk of sustainability. Below is an account of the value added of this study, of its implications for both research and management professionals, and eventually of its limitations.

#### **4.2.1 Value added**

By addressing a still underdeveloped field of study and a relatively new understanding of the role of companies, this qualitative dissertation tries to provide value in a number of directions. Firstly, it brings together mixed relevant literature on stakeholder theory, CSR, corporate philanthropy, social and economic development, entrepreneurial activity of innovation, CSI and CSV, to thence find a gap to fill and an exemplary case to analyze. The research based on a case study, which was opportunely conducted through triangulation, helped to lend support to this often criticized or undervalued research method. Indeed, what can also be pointed out as an additional strength of the research outcome is that it was reached by a cross analysis of qualitative data sources. Archival data was deployed to either reinforce or complement the interview statements, and the answers given in the focus group provided remarkable insights into aspects partly overlooked by the researcher, such as the workforce attractiveness of Enel in the eyes of young generations for its clear commitment to social issues. The personal and direct contact that the researcher was able to establish with the managers sampled and subsequently interviewed, thanks to her participation in a corporate initiative, certainly represented an element of advantage in the construction of an open, confidential, and sincere debate with respondents.

Moreover, the added value of selecting Enel as the subject of the study resides in the fact that it used to be a state-owned monopoly later turned into a privately-owned company running all across the globe. Plus, it is a utility operating in the energy sector, which is among the first social actors called upon to mitigate the indiscriminate exploitation of the environment. All this gives further support to the arguments that it is never too late to initiate change, and that even big firms – especially those acting on the territories – can and should find their own ways to embrace sustainable development elements. There is a general tendency to think about innovation within companies as strictly technological, and so far there is a very limited knowledge, also among academics, on how for-profit organizations can develop a capability to

manage social innovation projects. In this context, the researcher has demonstrated the potential of core business operations to impose environmental standards and gave more credit to innovations that have social components and objectives. Practical examples offered by interviewees' working experience in Enel shed light on the concrete, beneficial results that those solutions yielded for the company itself and for the people. The present work is a valuable contribution also because it explains how a concept commonly easy to imagine and be described in words, but depicted as incredibly difficult to put into practice like sustainability of environmental, social, and economic kind, is performed within companies.

#### **4.2.2 Implications of the study**

*Implications for future research.* The evidence of mainly exploratory nature to fill the research gap left in the underdeveloped fields of corporate sustainability has spillover implications for scholars of various disciplines. First of all, this work points to the validity of the configuration of orderly enterprises – be they manufacturing or services, be they small, medium or big, be they multinational or not – as social actors and major determinants of a lasting social change in the world. The attitude of pursuing sustainability and social commitment in the business model is not seen as conflicting with companies' profit maximization objectives. Rather, a comprehensive outlook on shared value creation and the possibilities for enterprises to gain additional benefit from a sustainable approach is upheld. This encourages a general and potentially revolutionary reorientation of studies on social enterprise and entrepreneurship, too narrow-minded and too restricted in the scope of their units of analysis to organizations with a social mission, towards research on companies that are harmonizing social aspects into their “non-social” core business.

Based on what emerged from the interviews and the desk analysis conducted, Enel's experience in setting up sustainable finance and sustainability reporting tools – among them, Sustainability-linked Bonds and the Stakeholder Capitalism model – could be particularly useful in consolidating future research in the field. Another portion of data provides compelling insights to studies of organizational theory and design as well as human resources management for the integration of sustainability practices. Going more specifically, the case of Enel stands as a model for the internalization of new functions of sustainability within the structure of established businesses on one hand, and for linking top management remuneration systems to sustainability objectives on the other. The thesis also lends support to research into sustainable business modeling and planning. It is even more important, in a period of post-pandemic and energy crises such as this, to master the knowledge of Sustainable and Responsible Business Models (SBMs), so as to then foster their diffusion throughout the corporate world. As one interviewer pointed out, it is also crucial to deepen a less superficial understanding of the UN objectives of sustainable development (SDGs), so as to learn about the tools that enable their planned efficacy within 2030, as well as to render them a more



institutionalized subject in university degree courses. The results achieved, therefore, constitute not only answers to the questions the researcher had asked, but also and above all the basis for a future continuation of research in this area, which could prove even more surprising and stimulating.

*Implications for practitioners.* Needless to say, the findings of the research, which are based on a single case study, cannot be generalized to entire populations of firms or markets. The initial aim was in fact to formulate analytical generalizations to the existing body of knowledge about the social responsibility of for-profit organizations, how that is articulated in practical terms within their innovation processes and contributes to both business growth and sustainable societal progress. Accordingly, the findings can be used to further develop current theoretical ideas concerning these matters. That said, the case study of Enel is here to offer some thought-provoking suggestions to professionals working in firms that are willing to strategically embrace a sustainability-focused approach by innovating their products, services and business models. Indeed, they are given a systematic framework that is grounded in the sustainable development and open innovation concepts. In addition, they are provided with a vast array of examples of social innovation projects, organizational and managerial processes that can trigger a radical change in mindset, and financial instruments in support of the CSV model. In this way, practitioners can get an idea of how to root social innovation into the overall innovation system and thus into the core business operations – a critical competence usually lacking in for-profit ventures. These practical implications potentially have transformative societal impacts if implemented on a large scale. Enel has learned that a company can pioneer alone either in CSR or in sustainability for a few years, but then if that does not become a mass movement, the accomplishments are unsatisfactory and a lasting social change has no possibility to arise.

One might wonder whether the replication of the same transition process that Enel went through could generate harmful competitiveness to the point of excluding certain companies – perhaps smaller ones, with fewer resources, or based in more disadvantaged countries – from enjoying its benefits. The answer can be extrapolated from the statements of the interviewees themselves: it is essential that regulators, governments, international organizations and industry associations make sustainability and socially-conscious innovation in business a trend to be followed universally, tailoring the necessary tools to the characteristics of the various enterprises. Once the corporate sector is aligned with the latest principles of social and environmental responsibility, the competitive advantage of one or the other company will stem from the differentiation of individual sustainable business models made on the basis of business needs, customer base, target markets, and distinct goals to be reached.

Needless to say, the risk of falling into greenwashing is very high, but Enel representatives were very clear in outlining the distinction between adopting a project logic and adopting a strategy logic when financing social and environmental investments. In this respect, the energy multinational stands as a role model, precisely because it stresses that the entire strategy – and not just individual, unrelated projects –

must be consistent with sustainability objectives in order for investors to buy into its worth and potential. Professionals should embrace the need for sustainable finance to acquire a truly global dimension and relevance in the evolution of the way of doing business, and there must be a complete integration of sustainable profit-generating practices into the core business. That is how business and sustainability become inextricably linked.

Zooming in on the professionals involved in this case study, Enel managers showed remarkable interest in being provided with the results of the survey, even up to the point that one of them reached out to me at a later time – after the interview – to double check their overall coherence. The findings achieved through the focus group with teenage children of Enel employees could be leveraged by the company to assess the efficacy of its social initiatives and receive feedback from their target audience on what kind of brand value is conveyed. Moreover, the company executives could consider the overall results a useful contribution to disclose some still unheard-of aspects of Enel sustainability strategy among the communities, and defend the integrity of its benevolent image in the face of detractors at a delicate time in the history of energy management.

### **4.2.3 Limitations**

In carrying out this study a few limitations have emerged. First of all, due to the particular time of year in which the research took place, namely the summer period, when company representatives go on intermittent leave, it was difficult to both organize live meetings and sample more than 4 respondents to the interviews. This is why the researcher opted for arranging Microsoft Teams sessions, which suffered from poor audio quality at times, and for triangulating the data collected there with one focus group and substantial archival data. Even though the respondents gave answers that were quite consistent with each other and demonstrated the same maturity of thinking about their company's strategy, it can be argued that a larger sample – even consisting of employees of different nationalities – could have enriched the research, or perhaps generated some minor deviations from the main pattern.

Another limitation that could be pinpointed from the outside is the fact that the case study focused on only one business setting, that of Enel. With a wider research time frame and more resources at the researcher's disposal, it would have certainly been intriguing to work comparatively on two or more companies, perhaps belonging to different industries. Such a process could therefore allow for an investigation of the alternative means and approaches to internalizing sustainability and social innovation and of the differentiated results attained in terms of profit and competitive advantage. Lastly, in several aspects this research brought together the dual perspective of Enel's managers and the recipients of one of its social innovation projects, who by the way were employees' children, and thus people partially internal

to the company. It would have been fruitful to also hear from another category of stakeholders, this time unfamiliar with the firms' mechanisms and personnel. Interviews or qualitative surveys to be conducted on, for instance, Enel's customers could have shed light on the repercussions of the corporate strategy of sustainability on those who make use of its services and on the perceptions around it.

## Concluding remarks

Companies have long been thought to be prospering at the expense of their communities, for the reasons that they acted irresponsibly and only innovated to secure higher profits and larger market shares. A debate therefore developed about the resulting imbalances and it was concluded that enterprises can no longer neglect the troubling social, environmental and economic issues that the world is facing, because society itself has been widely clamoring for it. This work has set out to prove that the major goal of today's companies cannot just be maximizing profits for its shareholders and that the latter must be tied to the achievement of larger ends, for the sake of both the corporate sector and society at large. A critical review of academic contributions in the field of CSR brought to light the inherent shortcomings of the managerial applications of this theoretical concept. While CSR focuses on reputation with placing value in doing good by societal pressure, approaches geared towards the creation of shared value through innovation are bound to have a transformative social impact. Drawing from Schumpeter's seminal analyses, it was argued that entrepreneurial innovation for the greater good is a notion gradually gaining more resonance and making its way into the core business of some modern enterprises.

To investigate the ways in which innovation-driven corporate sustainability and responsibility can become sources of competitive advantage, societal progress and environmental action, the researcher decided to carry out a case study on the multinational energy company Enel. This choice was dictated by the knowledge of the company and its initiatives that the investigator had previously acquired on one hand, and by the markedly sustainable footprint of its business processes on the other. What proved essential in the execution of this research was the use of a qualitative approach, which allowed for an exhaustive outlook on the data collected through interviews, the focus group, and desk research. Indeed, the changes in operating procedures, business mission and culture, and the underlying systemic reform occurring within an organization are difficult to convey using only quantitative means. By way of the qualitative methodology, it was possible to grasp the complexity of the process of integration of sustainability and social innovation practices into a firm's core business. The exemplary case study of Enel then served as a model to theoretically generalize the success factors in its sustainability strategy which lead to competitive advantage and added value.

The ensuing research findings, with all the real examples attached, were presented to show that businesses investing in a socially and environmentally cautious way get better support from the communities as well as positive feedback from increasingly aware shareholders. Enel's positioning well within the global agenda and its clear stance towards all stakeholders – from customers and employees to

society and the environment – are emblematic of the role of responsibility that the corporate world can and must assume nowadays. It was found that the energy utility has tied environmental and social sustainability principles to its business model to such an extent that it is virtually impossible to distinguish whether the resulting core operations are “just” sustainable practices or manifestations of a profit logic. The research further discussed that the creation of a specific set of metrics combining sustainability and finance, the alignment of governance and remuneration with environmental and social targets, the implementation of open innovation, organizational adaptability in a sustainable key, and social inclusion programs are just some of the successful enablers that businesses willing to thrive and generate widespread benefits can deploy. And they are the only viable path to sustainable economic and technological development for societies around the world.

# Appendices

## Appendix 1 - Thesis main arguments and research question

The main aspects this research would like to cover concern the transformation that certain service companies – and especially Enel as a case study - have been going through in recent years, in terms of evolving from a cosmetic CSR and corporate philanthropy to a much more structured, integrated and clear intent of internalizing sustainability and social innovation practices. In particular, I would like to investigate the ways in which firms have succeeded in gaining a competitive advantage by combining social innovation with more strictly technological innovation. For most companies, the latter is a key part of their core business, but it is becoming of the essence to make it socially acceptable, inclusive and environmentally sustainable. The research is meant to demonstrate that this integration process generates societal welfare and a better reputation for the corporate world – which acquires a more responsible, sustainable and proactive role in society –, alongside with additional profits for the enterprises that implement it.

Within the context of the Enel case study, the thesis seeks to prove that projects such as We Are Energy, the acquisition of start-ups with a social mission, partnerships with the third sector in circular cities, interventions in renewable energy communities, etc., are part of the business logic, are profit-generating activities, and not just corporate philanthropy as it had been the case for several decades. Moreover, these projects are emblems of the multi-stakeholder collaborations between the profit and non-profit sectors that the complex and current global problems are demanding, and are sources of Corporate Social Innovation (CSI). This aims to involve internal resources as well as external social actors so as to make the firm gain an economic return on corporate social investments.

**Research question:** *By which means have enterprises succeeded in incorporating sustainability and social innovation issues into their core business, thus creating shared value while increasing their competitive advantage?*

## Appendix 2 – Interview topic guide

I am Laura Paris and I am completing my master's degree course at Luiss Guido Carli in Global Management and Politics. More precisely, I am doing a research project for my final paper in Managerial Economics, and the main aspects that this research would like to deal with concern the transformation that some companies - in particular Enel as a case study - have been going through in the last few years, in the last decades in terms of an evolution from a cosmetic, more superficial corporate CSR and philanthropy to a much more structured, integrated and clear intent of internalizing sustainability practices and social innovation. In particular, I would like to investigate the ways in which companies have been able to gain a competitive advantage by combining social innovation with more strictly technological innovation. The research aims to show that this integration process generates social welfare and a better reputation for the corporate world - which acquires a more responsible, sustainable and proactive role in society - as well as additional profits for the companies that implement it. This is why I am interested in your opinions and perceptions on the matter. Everything you tell me will only be used for this research project and will not be shared with anyone outside. Also, your name will not be used, to make sure that no one can associate your person with any of the answers.

Do you have any questions before we start or can we go on?

- 1) How long have you been working for Enel and which roles have you held so far?
- 2) Enel is a large multinational utility and energy supply company as well as an established business for decades.

Was there a particular event or moment, a turning point when the Enel group representatives - even in response to certain requests from society - sensed that the elements of connection with communities and the environment could not be mere formal components of CSR, but had to be integrated into business lines? When and how were social responsibility and sustainability declined in terms of CSV as substantive guidelines in the development of new solutions?

- 3) How do you assess the company's past or current experiences in sustainability and social innovation to create shared value? Beyond the virtuous intentions toward the communities and territories involved, do such experiences have a positive impact for Enel more at the level of image and reputation among the public or a more concrete impact, including in terms of economic return? Or both?

In either case, do you think the company has followed a specific trend in the sector or rather acted as a pioneer?

- 4) Starting from the assumption that technological and socio-environmental innovation are originally separate, how are they now instead *linked* in a business such as yours? Are there organizational structures set up for this task of integration?

- 5) To your mind, what does the commitment - even financial commitment - to social and environmental issues have to do with core business and profitability?

Through what metrics is the financial return on corporate social investment measured and stimulated in Enel? Do you use well-defined industry benchmark standards?

- 6) Please, tell me about one or more projects of your knowledge (either internal or external to the company) in which Enel has succeeded or is succeeding in combining elements of technological and social innovation, perhaps by forging partnerships with the third sector and/or by engaging the community to create shared value, while securing an advantage over competitors.

In that case(s), were there opportunities for collaboration with other companies in the same or in different sectors as you?

[It may be the We Are Energy contest, or the projects of renewable energy communities, the commitment to circular cities, the creation of the Open Innovability platform, the acquisition of start-ups with a social mission, etc.]

- 7) In your opinion, how will Enel's strategy of encouraging and internalizing sustainability and social innovation continue to align with broader profit-making goals in the future, thus becoming a role model?

And what initiatives would you suggest to other companies that want to grow in the same direction?



## **Appendix 3 – Transcripts of interviews**

### **Interview #1**

Date: 22/07/2022

Gender: Male

R: Let me introduce myself again: I'm Laura Paris and I'm finishing my master's degree course at Luiss Guido Carli in Global Management and Politics. More precisely, I am doing a research project for my final paper in Managerial Economics, and the main aspects that this research would like to deal with concern the transformation that some companies - in particular Enel as a case study - have been going through in the last few years, in the last decades in terms of an evolution from a let's say cosmetic, more superficial corporate CSR and philanthropy to a much more structured, integrated and clear intent of internalizing sustainability practices and social innovation. In particular, I would like to investigate the ways in which companies have been able to gain a competitive advantage by combining social innovation with more strictly technological innovation. The research aims to show that this integration process generates social welfare and a better reputation for the corporate world -which acquires a more responsible, sustainable and proactive role in society - as well as additional profits for the companies that implement it. This is why I am interested in your opinions and perceptions on the matter. Everything you tell me will only be used for this research project and will not be shared with anyone outside. Also, your name will not be used, to make sure that no one can associate your person with any of the answers.

Do you have any questions before we start or can we go on?

I: No, no questions. In fact, the point is precisely how companies are also leveraging the issue of sustainability to have a competitive advantage in the market. As a matter of fact, through its sustainability policy and sustainability strategy, Enel is actually gaining important competitive advantages in the market. Indeed, what Enel has done in the last few years is putting sustainability at the center of its business so we usually say that our business is doing sustainability in a very tangible way. How?

As you probably know, Enel is engaged in the production of electricity, which historically is precisely produced from fossil sources, so basically coal, and currently gas - which however is still polluting. Over the years - already for several years - we have been investing in renewables, therefore going on totally green production, on technologies such as mainly solar, wind and hydro. And having started this activity a long time ago - Enel Green Power was born in 2008, so we are

talking about precisely 14 years of activity by now -, focusing on production of energy from renewable sources, hence sustainable, certainly today allows us to be more solid on the market and therefore to have a competitive advantage in terms of skills, efficiency of the plants, better production costs of the plants, compared to those who entered the market later. Therefore, on the issue of production, we have been a bit ahead of our time, betting on energy production of a sustainable nature. This is a first practical example of activity. A second example that relates a bit more to the present day, but on which we have already been working for several years, is that of electric mobility. We are precisely investing so much on building the infrastructure, because it is a work on the electric mobility infrastructure, to allow electric mobility to become a reality. Because you can produce an electric car, but if the infrastructure is not there you cannot do much. So even this is allowing us to gain a competitive advantage on that kind of sector.

These are practical examples of projects, of sustainability initiatives, but understand well: they are our business, that is, it has now become our business. It has become our business to build and produce renewable source plants, it has become our business to do electric economy to enable sustainable mobility.

R: Okay. So, starting from the assumption that technological innovation and social and environmental innovation are originally separate, how are they now linked instead in a company like yours? Are there organizational structures also set up for this task of integration?

I: Absolutely, so I'll start from the end. From an organizational point of view, in Enel we have a structure that is precisely called "Innovability" because it is the fusion of *innovation* and *sustainability* in just one word, in that we define innovation as the tool, the means, and sustainability as the end. The ultimate mission of innovation for us is to arrive at a more sustainable world in a broad sense. This structure that is called Innovability, whose head - you mentioned him earlier as well and you will get to know him - is indeed Ernesto Ciorra, is a function that reports directly to the group CEO Francesco Starace. So it is a function that among other things is permeated within all the business lines. There is a structure of Innovability which, I repeat, reports to the CEO, and then goes to be embodied within all the business lines.

Enel's business lines are basically Global Power Generation, which is precisely the division that does renewable energy production; Enel Grids, which is the division that does energy distribution; Enel X, which is that company within Enel that deals with offering and selling innovative products and services to residential and industrial customers; and then Enel X Way, which is instead the newly formed division within Enel that deals precisely with electric mobility infrastructure. Each of these 4 business lines internally has an Innovation Manager, who is responsible for the execution of innovation projects within his or her business line and reports matrix-wise to both the business line

director and the innovation director/manager. In this way, in this matrix form you are able to have an alignment of objectives between the business line and the innovation function to work toward one direction. So from an organizational point of view, absolutely yes, there is a dedicated structure and it is permeated within the business - which then is the real user and the engine that implements innovation. And we have then seen this coexistence between business and innovation has brought results over the years.

As for the coexistence of technological, social and sustainable innovation, certainly a little bit all the projects we do have this pattern. I'll cite one project as an example: today when we go and build renewable plants, for example a solar plant at a location, we have a program according to which as a priority we allow the citizens of that city, of that country where we make the plant to contribute as an investment to the construction of that plant. As a return each citizen will have a stable financial return over the life of the plant and so let's say this is a way to involve what we call the local stakeholders, so those from the place where we are going to implement the activities, first and foremost offering a little bit of what is the value of the plant. The solar plant is a sustainable plant, it is a plant that certainly already goes to help the environment. On the other hand, what is the issue: there may be cases in which the society perhaps does not accept or perhaps does not in the first instance see positively the implementation of a plant, be it a wind turbine, a photovoltaic plant in a particular area. Going therefore to engage them with social actions - it might be "take part in the implementation of this and you will have also economic benefits, as well as environmental" - is a way to engage these communities in working together with us and has accelerated the implementation of these projects.

R: Okay, so in projects like the one you just described to me are there opportunities for collaboration also, for example, with other companies (either from the same sector or from other sectors), or with startups with a social mission, or even with third-sector associations? Can you give me some examples?

I: So, definitely on these projects here there is very much a technological component so definitely more of innovation of a technological nature, on how to optimize the production capacity of the plant and even optimize the maintenance of the plant itself. So actually on this kind of example I'm giving you here is more of an important technological component. How is this activity done though? It is done by absolutely involving external partners, both startups and small and medium-sized companies, so kind of the whole chain of constructing a new plant. In particular, we have several active projects with startups and SMEs, so small and medium-sized entities that we help to grow, especially on plant maintenance.

I'll give you one example out of all that is quite simple to grasp even for the uninitiated: imagine solar plants, large plants. Today these plants are currently cleaned because if they are dirty they

produce little, so they have to be kept clean all the time to have high productivity. They are cleaned with water so there is wasted water and a lot of human labor. We, together with a startup, supported the development and implementation of a robotic system that uses brushes to clean the panels without using water. So it is true that there is the technological component, but there is a very important sustainable and social component because you understand very well that, if you innovate from a technological point of view and you manage to stop using water - in this case we are talking about a fundamental resource for the planet - you have done yes technological innovation but absolutely sustainable and social.

R: Okay, thank you. So, instead in your opinion what does even financial commitment to social and environmental have to do with the core business and the profitability of the company? Through what tools is the financial return on social investment in the company measured and stimulated in Enel? Do you use well-defined industry benchmark standards?

I: So, clearly as a company we have economic benchmarks that somehow have to ensure a return to our shareholders on each investment we make, such as the ones I was telling you about in renewable plants - which are by definition sustainable. Of course there is an issue of economic return that certainly has to be evaluated, because these are all investments where an economic return is evaluated. Here, certainly what I can say is that we try to be careful in our choice of investments. Consider that for several years - now I don't want to guess a wrong number but several for sure - we no longer use investments in assets that are not sustainable. So I'll mention an example, for decades now we have not been using investments on coal plants, plants from non-renewable sources. So certainly when you do an investment assessment there is a component according to which the impact that an investment has from an economic, social and environmental point of view is assessed, so if there are positive impacts the projects are continued.

There is always a metric that is measured to bring the project to approval and implement it. The exact economic metrics I can tell you, but on the social ones there maybe you have my colleagues you will talk to about sustainability who will be more precise than I am. But the general theme is that you don't approve investments that might have a negative impact.

R: And that don't take into account the needs of the stakeholders as well as the shareholders. I was just reading that Enel has developed its own trademark on so-called "Enel Stakeholder Capitalism".

I: Yes, exactly, absolutely there is a focus on all the stakeholders. For example, consider that starting from the old traditional generation plants, so precisely the ones that we have over time shut down and decommissioned, we have converted certain areas. We have a project, which is called "Future," which has therefore the objective of reconvertng areas that were used as plants, now out of the

market for us, to areas that can become for the benefit of local communities. There we're going to build community areas or shopping centers, family playgrounds; anyway, there's really this project called Futur-e within Enel that tries to enhance, find solutions together with all the local stakeholders, as you were saying, to try to give a new life to that area that thus becomes, how to say, more usable and of interest to the community.

R: Yes, that would increase its well-being.

I: Yes, that's right, that's right.

R: Can I take a step back for a moment and ask you how long have you been working at Enel and what roles have you held so far? Because then I would have some questions about the past years and the past experiences of the company in the field of CSR and philanthropy.

I: So, I've been working in Enel since 2011 so it's basically 11 years in total. Initially I worked in financial administration, I worked mainly in the Finance world from 2011 to 2017 - mainly control planning activities and then M&A, so Merger and Acquisition. Then, since 2017 and hence for 5 years now, I've been working more on innovation activity. My role, the one I currently have, is precisely the head of the Innovation Hub Italy, and the activity I do is basically on the one hand scouting startups and SMEs, which meet the business needs of our business lines. So I basically have the business lines, which are my internal customers, who manifest business needs that I then go and scout in the market. My goal is to target innovative solutions, basically what the business requirements are, so a very broad and articulate scouting component. The second piece of Innovation Hub Italy's activity is to follow and manage the relationships with all the Italian innovation stakeholders, which in short are research centers, startups, SMEs, universities and generators. So I manage the relationship with these stakeholders, along with all the activity of engaging startups and SMEs that we are interested in talking to, and then eventually initiating test and then development projects.

R: Okay, good. So to the best of your knowledge, especially based on your work experience in Enel in recent years, how do you evaluate the company's past practices, experiences in the field of social responsibility and philanthropy? Have they had a real impact for Enel even in terms of economic return, or were they mainly aimed at complying with certain standards, which earned it a better image and reputation among the public? In either case, do you think the company followed a specific trend in the industry or stood out in a particular way?

I: No, I think more that than following this trend we have anticipated it. Also because of the things I was saying earlier, we anticipated it on the world of sustainability, we anticipated it on the world of philanthropy. Moreover, we have a non-profit organization, "Enel Cuore," which is part of Enel

and hence follows activities precisely of aid to more distressed realities. So I see that more than a follower the company has been sort of among the first also in Italy to do this kind of activity, thus obtaining a double advantage. On the one hand, an advantage, the one you mentioned, of image, of branding because then when you do positive activities also the brand surely benefits, and on the other hand also of economic return, because in any case coming out of our field, working on the world of renewable energy, with by now acquired skills and with several years of work, surely allowed us, even compared to other competitors, to be more competitive both on productivity but also on efficiency - and therefore on costs.

R: Perfect. So let's say that corporate social responsibility in Enel has never been a purely formal element but, ever since it started to be talked about or there was a somewhat more heated debate in our country as well, there has been an effort to immediately integrate it into the business lines as a substantial orientation in the development of new technological solutions. Can you confirm that?

I: Absolutely yes, I can confirm that. Our mantra is that social responsibility and sustainability are part of our business, that is, they are not two disengaged things. Making clean energy is our business, making clean energy is good for society and good for the world at large. So it's our business that, the way we have been implementing it for several decades now and the way we are still implementing it, is in itself socially responsible.

R: Well, so in your opinion, taking a look into the future now, how will Enel's strategy of encouraging and internalizing sustainability and social innovation continue to align with the broader profit goals and thus become a role model? What initiatives do you suggest other companies that want to grow in the same direction take?

I: Now, one thing that we are focusing on very much and working on is the following: we have the production part, which by now let's say has been key for a long time - and so a little bit what I was telling you about has therefore led us to make all that kind of activity fully sustainable - and now we are working a lot on what is called the electrification of consumption. Today there are a lot of consumptions - the most relevant one is that of cars - but there are also a lot of other consumptions (even at home the use of electricity rather than gas), as we are moving more and more towards clean energy production, which is now important downstream that they get electrified. Electrifying consumption means that what you do today using a non-clean raw material you start doing it, instead, with a clean material, electricity.

It's clear that if you use electricity that comes from coal you electrify consumption but not in a sustainable way, if downstream you consume electricity that comes instead from another non-renewable substance - so just like it was for automotive gasoline, for home gas heating or heat pump.

But as this energy is getting cleaner and cleaner, we are investing and working a lot to make electrification possible by working precisely on end customers, residential customers and industrial customers and leading them to more and more activities that are done using clean electricity. Working efficiently there as well, because energy has to be used as efficiently as possible so with efficiency processes that also enable smart use. That's a step for us, there that's the other important piece of our strategy on which we definitely see important value as well in getting more people to turn to that kind of activity. Simply by also incentivizing and promoting home solutions that allow you to self-generate clean electricity - so I'm talking about not only traditional, but also very innovative photovoltaic systems that you can, for example, put on your balcony railing, with a very low impact - you've been able to bring a large part of the population towards this sustainable use of energy. That's what we are working on and on what we see in perspective both economic and sustainable growth, because then you still manage to increase the consumption of electricity, at the same time sustainable precisely because it is clean energy.

R: Perfect, thank you. Can I ask you one last question on the We Are Energy project and the campus that we witnessed, in the sense that you just told me about different projects of Enel outwardly - so towards customers and business partners -, but Enel is also very committed to corporate welfare, because precisely stakeholders are also its employees and their families. In your opinion, how does a project like We Are Energy become the bearer of these values and how does it contribute to creating a shared value, which is precisely social, environmental and economic, within the organization, but also with a subsequent view to a spillover effect towards the rest of society?

I: Yes, We Are Energy for so many years now - that is, this year we have experienced it together, firsthand because you were here in Catania - is in fact a program that is, as you were saying, more turned inward, so it is certainly a way to stimulate the circulation of ideas internally. We in Enel have some internal programs to stimulate entrepreneurship that also go towards employees (one of them is called "Make it happen," which does what We Are Energy does, but for employees), there are challenges and let's say solutions to solve those challenges that are presented and evaluated. We Are Energy on the other hand is aimed at children - or more than children, guys and girls, so what we call the innovators of the future. And it is crucial to implement projects like that, because in my opinion at that age and in one week, as done by us, you give a series of inputs, of stimuli to kids, from the youngest to the oldest. It is a really unique opportunity. I have a son and when he's old enough to participate I'm going to have him do it because, again, in my opinion it's something that passing on already at this age is good for them and then in the future it will be good for society. Also, with We Are Energy they have been thinking a lot this year about clean energy, about energy that may come from space tomorrow, all issues that have largely touched on sustainability, sociality.

In that case our mission, our only leverage is to do dissemination as much as possible to the younger generation, something that other institutions should probably do as well. Schools should do it, other entities should do it, we do it obviously in our own small way with our employees' children with a culture and mindset that is already advanced for 7-year-old children. If you start giving this kind of culture already to 7-year-olds and kids who are surely the future, you diffuse something important. When I was 7 years old no one talked to me about these environmental issues, these are things that I later started to dabble as I got older, when I approached the working world.

R: Well, we're done. I really thank you for your time. Good work!

I: Alright, if you need anything else, write or call me anytime. Good luck!



## **Interview #2 and #3 (in tandem)**

Date: 1/08/2022

Gender: Female (I1) and Male (I2)

R: Let me introduce myself again: I'm Laura Paris and I'm finishing my master's degree course at Luiss Guido Carli in Global Management and Politics. More precisely, I am doing a research project for my final paper in Managerial Economics, and the main aspects that this research would like to deal with concern the transformation that some companies - in particular Enel as a case study - have been going through in the last few years, in the last decades in terms of an evolution from a let's say cosmetic, more superficial corporate CSR and philanthropy to a much more structured, integrated and clear intent of internalizing sustainability practices and social innovation. In particular, I would like to investigate the ways in which companies have been able to gain a competitive advantage by combining social innovation with more strictly technological innovation. The research aims to show that this integration process generates social welfare and a better reputation for the corporate world -which acquires a more responsible, sustainable and proactive role in society - as well as additional profits for the companies that implement it. This is why I am interested in your opinions and perceptions on the matter. Everything you tell me will only be used for this research project and will not be shared with anyone outside. Also, your names will not be used, to make sure that no one can associate your persons with any of the answers.

Do you have any questions before we start or can we go on?

I1 & I2: No.

R: Perfect, so I'll ask you how long have you been working in Enel and what roles have you held so far?

I1: I have been working with Enel for 20 years now. First for about 11 years I did audit, I mean internal audit. Then since 2013 I have been involved in sustainability and currently I am responsible for a unit that has a really long name. It's called Sustainability Planning, Performance Management and Human Rights within the function of Innovability, so innovation and sustainability, which reports directly to the CEO. Actually my unit, just because of the evolution that Enel has had in the last few years, for the last two years has been reporting not only to the director of Innovability but also to the CFO. This is precisely to integrate let's say the sustainability aspect with the financial world. So this in macro summary is kind of the evolution.

R: Well, thank you.

I2: For me today it's been 26 years now, I was hired exactly on August 1 if I remember correctly. I did various things, but I was involved at one point in environmental policies, so I started approaching

the world of sustainability then as a Head of Environmental Policies and Climate Change, in an area that dealt with policy and regulation. And then I was in charge of sustainability since maybe 2014 during Starace's first term as CEO, when he created this Innovation and Sustainability function. I was precisely the Head of Sustainability and I did that for about four years. Today I am in charge of internal communication as Head of Global Internal Communications. In those four years together with Il I have been on this path of transition, of what you were saying - from a function that at that time was called CSR and was in the communication area to instead an area more integrated in the business.

R: That's right, well. So we know that Enel is a large multinational utility company and energy supply in particular, as well as an established business for decades now. Was there, in your opinion, a particular event or moment, a turning point when representatives of the Enel Group - also in response to certain requests from society - sensed that the elements of relation with communities and the environment could not be mere formal components of CSR but had to be integrated into the business lines? When and how were social responsibility and sustainability articulated more in terms of CSV – and hence Creating Shared Value – as substantive orientations in the development of new solutions?

I2: I would say that we could perhaps denote two phases. There was a phase that developed -- I say that because it was Starace together with the new board of directors who gave this new imprint, this new role to sustainability, let's say he had already experienced it – with Starace as head of Enel Green Power a few years earlier. As you in fact know, Enel Green Power, the company that at that time was dedicated to renewables, had directly experienced what was the value of integrating in their activities, and particularly in plant development, sustainability issues, in the sense of analyzing the social context in which they were going to operate. I was saying, having experienced more directly issues related to interacting with local communities, which were interested in the impact of the development of a new renewable plant, it was realized at the time that if the investment project did not have in itself an analysis of the social and economic context in which it was going to have an impact and what the actions and of what could be the opportunities for growth of the community, along with those of the plant, problems could arise. They have indeed experienced problems, for example, something which tended to be oppositions, contrasts that you have so far as the development of the work, of the site is concerned.

And in plants that have a very quick return target (because our investments in renewables should start to have an economic return after two years or two and a half years, that is, the construction time of the renewable plant is very short), on such a short period, if you experience - imagine - even three months of yard block, due to a local community that has not been sufficiently informed and involved in the project, this has an impact - also economic – which is very evident in the

development of the project. This was perhaps a first spark, let's say, of how much impact a lack of attention to social and community relations issues can have, even economically speaking. Therefore, Starace certainly carried this experience with him, in Enel Green Power he began to develop actions which were more related to the CSV theme. When he was later appointed CEO of Enel, he brought this kind of approach to the whole group. But, in fact, with this new function he also required more ambitious goals precisely of total integration of sustainability concepts in business development. This is somewhat what I1 then developed in his work.

I1: That is definitely what the evolution was. Enel Green Power, as I2 said, in my opinion, was a great springboard to try to change the business model and see if that - a bit like you were saying at the beginning - worked the inside of the business. After that, certainly the fact that sustainability and innovation, and then just Sustainability with I2, went reporting directly to the CEO also allowed for more visibility of business choices toward sustainability on the one hand, and of sustainability toward business choices on the other hand. Now, as you were saying, the evolution was certainly towards CSV; however, I would tell you that, regardless of the slogans, it was really CSR towards sustainability. In the sense that CSR has always been the responsibility of a company towards society, so more a reading of the moral obligation of a company towards society, let me put it that way. Sustainability is something different, which also entails CSR. I mean, I don't really like it when we make the transition from CSR to CSV as if that was actually the evolution. In fact, that is another aspect of sustainability. Then, depending on what you do, depending on the maturity level of the country where you are, depending on the need you have, even philanthropy can be something positive. Maybe not as stand-alone, but together with something else. But basically, one piece of advice I would give, is let's evaluate the evolution of a moral obligation into a business choice, rather than labeling it as CSR towards CSV, towards sustainability, etc. And in the business choice stands the whole evolution. Certainly, when Starace started making choices publicly and saying "between an economic commitment, and therefore an economic benefit (like the Neltume project that you'll find in the financial statements of a few years ago), between in quotes *violating* or not considering in a fair and appropriate way the water rights of the Chilean people and having a higher profit, we choose not to violate the rights of the Chilean people", well, that was really the watershed of choice. Because as long as you say, "I deal with sustainability along with business," it's just one step. The real step is when in some cases you choose sustainability at the expense of short-term profit, because you then earn it in the long run. Also because beware of one thing: even the shareholders, poor people, it's not that we have to kill them because we don't give a damn now, so certain things have to be explained to them in a certain kind of evolution as well. Giving up that momentary profit implies that after that we have done so many other things in the country Chile – then maybe when there is a question from you about a specific project-aside from We Are Energy,

which certainly is fundamental in terms of culture, we will tell you about it with I2. That shows you just how Chile has become a world of opportunity. And if we had done Neltume, maybe it wouldn't have been so, I don't know, but maybe it wouldn't have been so in terms of community relations.

R: Well, so let's say a more long-term orientation, which was imprinted mainly by top management. There was a big push from CEO Starace, right?

I2: Yes, from the CEO and the board of directors who gave him support. And this is crucial because it's clear that this kind of approach means changing processes in depth as well, changing the rules of the game internally as well. The fact, for example, that the investment committee requires a project sustainability analysis for every investment - something that they didn't do before - changes the perspective completely. And exactly as I1 said, some strategic choices were made; trivially, that of moving toward renewables and progressively phasing out fossil plants. Since then, we have hardly developed any fossil plants, for example. When Starace took over the leadership of Enel there was a pipeline still under development, even coal-fired. The Porto Tolle coal-fired conversion was still standing, which was a project Enel was pursuing but was then abandoned within a few months, again with a respect for the communities. Strangely enough, by the way, it was the only project that was well received by the local communities, in the sense that the municipality, region and province wanted the plant and we instead gave up over time, in only a few months' time.

But then we saw other cases, I1 said so: the renunciation of all hydroelectric plants that are still renewable but have a kind of impact on the territory, on the communities, that is no longer sustainable on our part. For example, we abandoned the consortium we were in for the exploitation of the Amazon, as well as I remember a case when we had to enter a country. In distribution there was an opportunity for the purchase of an important part of the network, which would have objectively been a very good business for us. The problem was that whoever was selling this network wanted to sell a package together with a coal plant. The valuation of this fact for us was to give up this investment, this opportunity, because it went against the targets from a CO2 emissions point of view that we had set for ourselves. These let's say are really examples of choices where you orient your business, your strategic choices according to not only the economic benefit that you can reap, but to the overall consistency of the sustainability footprint that you want to give yourself - precisely because you want to ensure your long-term profit and survival.

R: Right.

I1: I wanted to add one breakthrough aspect, which we also often don't cite, but I kept thinking about it as I2 was speaking: the president. I mean we often mention the business, we mention the CEO, however I would like to mention you the chairperson – in that historical moment of change there

was Grieco – because actually at Enel, if not the person *per se*, the role in general, the chairmanship has an important task because it is also chairperson of the Governance and Sustainability Committee. I'm not referring so much to the sustainability part, but this dual view meant that in the early years of change the chair also advocated that this new approach of sustainability was included also within the Corporate Governance Code for Listed Companies. So it's no coincidence that there was also a big push; because you cannot change things on your own, in any case you have to take a number of other people along with you. You can pioneer alone for a few years, but then if this doesn't become a mass movement you haven't accomplished anything, you don't make the real change happen. So also the role of the chairperson, as a Governance Guarantor, in changing not only the governance internally, but also the guidelines in the code of self-discipline, in my opinion, that was also a big driver of sustainability change. What do you think, I2?

I2: I agree. As I was saying, it is an issue of overall consistency. Because one of the key factors in these pathways is that there is full consistency in all aspects in all the corporate actions. Exactly what I1 was saying, the guidelines, but also issues of processes, the way you approve investments, the way you also operationally act. Because then this path also needed an internal path of training, but simply also the sharing of best practices, telling about what was happening maybe in other parts of the world. As I1 rightly said before, not all countries are mature in the same way so you have to have an approach somehow consistent also with the situations and contexts you are in. It would be useless to undertake actions that work in Chile in Italy as well, because they have different maturities or different histories of your presence in the country. One thing is when you enter a country for the first time and then you behave in a certain way; another thing is when you've been there for 60 years, so obviously there's also a whole path of relationships that you need to ensure and culturally evolve in some way. And paradoxically it's easier to come in as a newcomer, that is, it's easier to do sustainability in a country where you first come in than in Italy, where instead the expectations on Enel are different. Because those are expectations of a company that does more philanthropy, that has this approach of saying "I do my business, you let me do it, and then I give a part back to the territory."

One thing I remember we did with I1 in the beginning - it's been a long time since I've last thought about it - we abolished the word "compensation," which is the classic word you use in these cases. I make an investment and then I do a compensation at the local communities. And we abolished this word precisely for conceptual reasons, in the sense that if from the very beginning I put myself in a position of being the one who compensates, it means that I am doing harm. But I don't want to do harm, I want to make an investment together with the community to create value for everyone. If you talk about offsets it means that something is not working. These little things are culturally inside

the company and also have a big impact. The vocabulary of the company is the life of the company itself. You have to work on the language as well, and removing these encrustations from the past were actions that later yielded some results.

R: Yes, also because then it's about not only internal dissemination, but also to the public and potential new customers.

I2: Sure. Think, for example, of the municipalities in Italy that hosted our facilities. The expectations were completely different, i.e., "Enel is the one that pays and therefore gives us some money" - that was the normal approach. And with this money maybe the mayors used to do any sorts of things: festivals, cultural activities, theater. Beautiful things, very good things, but maybe you can do something else as well. If you instead build a path related to also the economic, social growth of the community together with administrations - of course you don't have to put yourself in the mayors' place and make choices for them - you can help them maybe to have some things reoriented. That's kind of been the path.

R: Well, so these past or current experiences of Enel in sustainability and social innovation to create shared value have been more a symptom of trend setting than trend following on Enel's part? Compared to the rest of the companies in the field, do you think these experiences have had a positive impact for Enel both in terms of image and reputation with the public and a more concrete impact in economic terms, such that the company has become a model for competitors as well? Or in any case for other companies that want to grow in this same sense.

I2: I would say definitely yes, in the sense we are a model especially on some other points that we have not touched on yet, but which are equally - if not perhaps at this point much more - relevant, that are the financial ones. Maybe a parenthesis should be made on this, that is, on the impact of sustainable finance, which I would say has driven a very specific development. And this, by the way, has a truly global dimension and relevance, in the sense that how fundamental finance is in the evolution of the way of doing business is a well-known debate. We have really made great strides on this: from the first sustainability roadshows that we used to do with I1, up to a total integration. The fact that today I1 also has a formally direct hierarchical-organizational relationship with the finance side (with Administration, Finance and Control) is a key element.

R: I'm going to link here to another question: what does this also financial commitment to social and environmental issues have to do with the core business and the profitability of the company? And through what metrics is the financial return on social investment measured and stimulated in Enel? What are the benchmark industry standards? You have already forwarded me the whole theme of the new *Enel Stakeholder Capitalism* trademark, however I would truly appreciate if you could tell me more about it.

I1: So, consider one thing: of course also that follows an evolution. Enel as well issued the first green bonds in 2018-19. What does the green bond do by its nature? It finances sustainable projects. If you finance sustainable projects, you are not necessarily a sustainable company. The first one that issued a green bond was the Bank of China, which obviously finances most of the coal, but has renewable projects that it can finance through a green bond. So what does this mainly mean? It means that in the first year of that green bond investment, which is not going to bring you a profit, you are certainly going to pay back your investors through the profit of your core business, so through a profit that is anything but sustainable - to be clear. The green bond certainly is a first step - there's no doubt about that - because you cannot think that tout-court a company becomes totally sustainable. Maybe in the first step, which becomes a piece and is gradually moving along; that the green bond ties into that project is fine.

What Enel did was to say, "I want to move from project logic to strategy logic", so what was it actually doing? Little by little, it changed its business model which became totally sustainable, so if you go and see the CEO's Capital Market Day presentations to investors, over the years he starts gradually explaining that Enel's strategy is based - if you get to the last presentation - basically on two pillars: net-0 ambition and electrification. It's virtually impossible for you to distinguish whether we're talking about business or we're talking about sustainability, because those are two elements that drive sustainability anyway.

I could easily tell you in a second Enel's strategy with the SDGs, that is, why? What does it want to do? It wants to tackle climate change by reducing emissions (so SDG 13), increasing its renewable presence and capacity (so SDG 17). In order to increase renewable capacity, you have to focus on two important things, which are infrastructure, because one big plant is easier to manage than many small plants on a grid, and you have to innovate (SDG 9). After that, what do you need to do? You have to create sustainable communities and cities - even electrifying -, which is SDG 11. So as you see, there is no difference between what is presented as business strategy and what is sustainability. Then it's clear that sustainability gives you a whole backbone that you don't see in those four pillars, because it's the work on people, on communities, on safety, on procurement, on everything.

That logic meant that when Finance had to finance this growth, it financed the strategy. So what was the goal? "I don't want to do a bond issue that finances individual projects anymore, so green bonds I don't want to do them anymore although I think they are - again - a very good tool in a transition phase. I would like you, dear investor, to invest in me, in what I am focusing on, so my targets". That is why inside the new bond issues there is no "create a renewable project"; there are two targets, emission reduction and renewable capacity. And why are those two values there? Because they are also the measurable ones in terms of ambition, because you also have to be

transparent to third parties, and if you don't have a benchmark to measure ambition it becomes a subjective issue. You have the science-based target, which allows you to measure ambition against the Paris Agreements: that's where what historically has never been measured (the target, because you know how to measure and certify results, but not targets) becomes measurable because you have the science-based method. And so it becomes credible in the eyes of a market, and there the so-called SDG bonds are born. These targets that I told you about are also in all the lines of credit that we do and all the other financial instruments that we do. You tend to have 80 percent of the financial instruments in 2030 that will be tied basically to sustainability targets.

I2: Exactly, actually what I wanted to tell you is that we invented this, it was an invention of Enel from the trend-setting point of view, as you were saying.

I1: What I wanted to tell you is that we invented this because it didn't exist, a thousand roadshows took place that tried to explain to investors something they had never seen, to work together with ICMA, which is the capital market regulator, and explain to them how these standards were to be done. But the important thing is that to give additional credibility, you have to work on sustainability from a systemic perspective. If those are the targets you're demanding outside, they have to be the same targets you're demanding inside from your managers, so if you go and look at the short-term and long-term compensation plan for managers, they have the same targets. That's kind of the idea.

R: Perfect. This vision then has also been integrated right into the way the business is run internally.

I1: Finance has become sustainable because it finances the sustainable business model, not because it's cool to have "sustainable finance" as a word. If you consider, Enel did something that if you look at it is absurdly simple and straightforward, but very difficult to do. Enel said, "I don't care about doing things that are not relevant to the business. I do them and so I change my business model knowing that doing business means being in an environmental and social context, so I am not the philanthropist, I am the one who does business and in any case I also profit from respecting the environment and society, for the benefit of my stakeholders (and my shareholders). After that, once I have done this, I need to translate it systemically into my daily actions, and to translate it into my daily actions I need governance to be aligned and I need remuneration to be aligned – again, because we are not in the world of philanthropy. After that I need you, the outside world, to fund me on what I want to do." That's why SDG bonds came into being. If you read it that way, it's trivially simple. Then of course you have to have convinced all the internal people, all the external people, and that is not negligible.

R: So has Enel managed to convince or is it still in the process of doing so?

I1: So, if I have to tell you that it has convinced everybody, no, absolutely not. Also because 1. to



break down a culture of centuries in 10 years is not easy, and then maybe - what I was telling you before - when you don't find this competing with an economic-financial goal, everybody engages in it. When the economic-financial is there, this view is not accepted so willingly. Even in the small things: I have to ask for the budget and you take away some budget in my function to do another thing, I don't like that very much. And then 2. sustainability is renewed every day, every day you invent an aggregate, so this culture has to keep changing. We're quite far ahead, I have to be honest. Where it has to change is precisely in the fact that it has to become that mass movement I was telling you about earlier, and this is the worst time because everybody is talking about sustainability, but very few people know what we are actually talking about, and so there is a very high risk of greenwashing. After the fateful SDGs, everybody was going around attaching SDGs to all kinds of things. I have fun and say to everybody: if they were black and white, would you guys have still considered the SDGs? Probably not. But instead they're colorful, they're pretty, they're simple, and people stick them everywhere, but that doesn't make sense - that's greenwashing.

R: Exactly. So you still haven't been able to fight these kinds of mechanisms entirely even in the context surrounding Enel.

I1: But you know, Laura, sustainability reporting is also difficult, not an easy thing. As it has become very quantitative and less qualitative - luckily - it also involves knowledge that is not just an economic/financial branch. I mean I have a degree in Business Administration and I have a master's degree in Administration, Finance and Control so consider that I'm probably the first person who went into sustainability that didn't have a communications background, just to give you an example. This subject is much more difficult than finance because there are so many variables, so many linkages that you have to know, so few internationally recognized metrics - the GRI, just to tell you, which is the reporting standard as you know, tells you the methodology, but sometimes there are N ways to declutter a single element. Then take today's world: in two-three years with the pandemic we have all gone home. You can't do online training with the same number of hours as physical training. But how do you think indices and ratings measure your training? In number of hours. So d'emblée you had a reduction in performance while not realizing that it was actually another world. There are so many things and so many variables to watch out for that it's not simple at all.

R: Of course, it will also be up to academia to better study this complexity and then bring it back, I think, to practitioners.

I1: Yes, absolutely.

R: Right. Okay, now I would like to take innovation as the focus. So assuming that it is clearly one of the driving aspects of your business and that technological innovation and social, environmental innovation are

originally separate, how are they now instead linked in a company like yours? Are there organizational structures set up for this integration task? You have already partially answered.

I1: I'll give you two answers on this. First, our nature of having innovation and sustainability together, having Innovability together, which looks at both the technological aspect and the cultural aspect and the application aspect, in fact answers you to how we have united it organizationally as well. The example I was giving you earlier and quoting you about Chile on the Atacama Desert is because, years ago, we tested the first hybrid plant (so solar with a battery) not in the typical indoor research center. Rather, with the Chilean government we identified a rural area where they really had issues of total lack of power and we tested the operation of this hybrid plant in this rural area. A hybrid plant that actually worked and allowed them to have 24-hour power. It has been a huge advantage for us because the women in the community do the maintenance of that plant. As a matter of fact, from the sociological analysis that was done, the women - who are actually the grandmothers, who are 35 years old, just to give you a little bit of an idea (of course we are talking totally about another culture) - were the freest people to be able to do that. What was the real matter, when you say social innovation as well? It was that these women don't speak any language except dialect so teaching them how to do maintenance was not an easy thing. It involved doing a partnership with an Indian university - it's Barefoot College -, which did this thing that we used in various countries in America and in various countries in southern Africa as well. The university created a model based on shapes and colors. In a way that it was possible to include all the various women in the various countries. Even though they were not able to communicate with each other, they had found this language that was absolutely common.

From a business point of view, this is a huge saving because you don't go up to 2500 m high to do routine maintenance - you only do the extraordinary maintenance; you still have a customer base that has been created for you (just to say, it's a business need); they have energy 24/7; children can study, traditions can be passed on; young people don't leave, because they start to have expectations; plus, it's possible for them to develop tourism as well. If you consider that they could not even store an ice cream, for example, in the heat of the Atacama Desert, who would go there without having any such possibility? So at that point, they develop additional business, which for us is further value added because you actually increase even more what is your customer base. As you see, in this case sustainability allowed me to identify a need; innovation allowed me to fill that need; sustainability allowed me, once I created the base, to create other needs, which through innovation again I was able to fill. Profit - in quotes - for communities, profit for the company from a customer base perspective. So consider that the approach always tends to be this, where possible.

Innovation in the Sustainability Plan is a growth accelerator. You consider that we have a

sustainability plan that has pillars, that has a backbone. The pillars basically are: electrification, net-0 ambition, people, nature; in the backbone you have governance, safety and human rights; then, you have three growth accelerators which are innovation, digitization and circular economy. So innovation as well as circular economy are accelerators. They allow me to amplify trends from the outside to the inside and what you do inside to the outside. Innovation allows me to raise the level of ambition of sustainability. It's also likely that in the next few years those CO2 targets that you've given yourself, if we move forward with innovation, you can even get ahead of them.

R: Perfect. So, I mean, you mentioned collaboration with the local government, even with a university. Are there instead projects that can serve as an example of partnership also with the third sector or with another company in the same sector as Enel or in different sectors? Still projects that aim to create shared value, but also to generate competitive advantage for Enel itself.

I1: So there are really a lot of projects. It depends a lot on the local context in which you are moving, because there are projects done with local NGOs, where basically at some point we supported the creation of lamps, very ordinary ones, that were made out of plastic bottles and with a mini solar panel on top that allowed you to light those lamps wherever you might be. Partnerships with NGOs are also crucial to get to know the territory beforehand, so not just to develop the project afterwards, and that gives you a competitive advantage because it allows you not to have an issue with the territory during, for example, a plant construction phase.

With other companies there are many projects, with companies of all kinds. There can be collaboration with banks, because together we finance startups, or because together we work on the circular economy, or because together we initiate projects. For example, in Peru there is a project called "Pachacútec" which is done for training workers, but it was actually the creation of a 360-degree training hub, bringing together all the skills that were needed in that area of interest. We brought the electrician training part, and L'Oréal - if I am not mistaken - brought the hairdresser part, so that from a common need we created one structure all together.

Then we have a website called Open Innovability.com, where we launch challenges. Everything that we have to do we ask people who are capable of doing it to do it together with us. They can be startups, they can be other companies, they can be universities, they can be individuals, because it's basically impossible for you to do everything by yourself. If you want to read it from a - let me say - systemic and systematic perspective, that is the source of our business. Where is the competitive advantage? It lies in the fact that in very quick terms you can get the expertise you need, so you don't take the usual 10 years to be able to put something in the field. This website was really the idea of bringing innovation and sustainability together, plus anybody can participate. There are people inside the company, just to give you an example, who have been found to do some crazy

things, so maybe they stop doing what they are doing inside the company and start doing totally different things, with the various forms of funding that they are provided. So, let me say, it's all thought out from this systemic perspective. The financial report is full in the sense that you can really find any kind of things in the financial statements that relate to projects in the "Community Relations" chapter, for example. Or anyway, in the chapter of "Innovation"; don't just stop at going-on stuff. We have a huge collaboration with the aerospace agency, to do the same thing not only on earth but also on other planets, to give you an example. So they're a lot of evolutions in what you do.

R: Perfect, thank you. One last question: how do you think Enel's strategy of encouraging and internalizing sustainability and social innovation will continue to align with more general profit goals in the future, thus becoming a role model? And what initiatives would you suggest for other companies that want to grow in the same direction?

I1: So I'll start from the end of the suggestion, in the sense that the basis of everything is to do sustainability related to the business model. There is no ready-made recipe that is the same for everyone. There are basics, more or less the same for everybody, but there is no ready-made recipe. That is to say, if you don't do sustainability linked to your business model, it is bound to be a cosmetic sustainability, the CSR that you were talking about at the beginning. I think Enel has created a model such that it is a virtuous evolution of this issue of sustainability, the Stakeholder Capitalism that I2 sent you is an example. In the sense that you are now beginning to represent the typical economic-financial value by telling how you don't just distribute it to your shareholders, so you don't just read the last line item on the income statement, but you read the whole development of the income statement and the balance sheet to show how you have given value to all the different categories of stakeholders. And you add to that a feature that is the quality of the relationship - which in fact is sustainability -, that allows me to intercept the needs and grow them.

So I no longer see a big difference between profit and sustainability. The important thing is not to make the mistake of thinking that sustainability is a medium- to long-term thing, because sustainability adds the medium- to long-term to the short-term. It sounds trivial to you, though, if we don't work on sustainability today, we won't have any result in the medium-long term. The only difference why the medium-long term was put in is because some phenomena, some changes in the short term cannot be appreciated. CO2 in one year doesn't make much sense, because there are climate effects, there are so many things. But safety does, in one year it absolutely does. You have to be careful, so the two pieces of advice are these: (i) don't think that the short term for sustainability is not important, and (ii) be careful, starting from a common base, that sustainability is not the same for everybody, namely it is related to one's business model - which can be a bank, can be an industry,

can be anything. It is one's own model of doing business, though.

R: Okay, great, thank you. I would only like to ask you to confirm the main documents I can refer to in order to validate all these aspects that we talked about. The sustainability report, the strategic plan that was presented at Capital Market Day, then?

I1: Exactly, you should look at the website that is about Integrated Reporting (<https://integratedreporting2021.enel.com>), because there is the Stakeholder Capitalism model there. I2 should have forwarded you the related articles. I would also look at the Corporate Governance Report, on the sustainability part to read also that theme of MBOs and FPIs and, in my opinion, on that macro topic you have pretty much everything. Then if you also look at the website part rather than the individual documents you already have the highlights, the common thread. And then of the sustainability report if you look at the first 40 pages - those of the company view - you basically get an overview and then maybe you go into it on the individual parts that contain what you are interested in. Having said this, we are here should you have any questions.

R: Yes, that's fine. Perfect, thank you. I will try not to bother you for this month, as I already have quite a lot of material to work on, also your colleagues have provided and will provide me some more. Thank you again and sorry for the inconvenience of the other day when we had to reschedule.

I1: No problem.

R: In the meantime I think I2 is busy by now so please say hello and thank him on my behalf as well.

I1: Absolutely. Good luck!

R: Thank you very much, goodbye and good work.

## Interview #4

Date: 3/08/2022

Gender: Male

R: Let me introduce myself again: I'm Laura Paris and I'm finishing my master's degree course at Luiss Guido Carli in Global Management and Politics. More precisely, I am doing a research project for my final paper in Managerial Economics, and the main aspects that this research would like to deal with concern the transformation that some companies - in particular Enel as a case study - have been going through in the last few years, in the last decades in terms of an evolution from a let's say cosmetic, more superficial corporate CSR and philanthropy to a much more structured, integrated and clear intent of internalizing sustainability practices and social innovation. In particular, I would like to investigate the ways in which companies have been able to gain a competitive advantage by combining social innovation with more strictly technological innovation. The research aims to show that this integration process generates social welfare and a better reputation for the corporate world -which acquires a more responsible, sustainable and proactive role in society - as well as additional profits for the companies that implement it. This is why I am are interested in your opinions and perceptions on the matter. Everything you tell me will only be used for this research project and will not be shared with anyone outside. Also, your name will not be used, to make sure that no one can associate your person with any of the answers.

Do you have any questions before we start or can we go on?

I: No.

R: Well, let's start then. How long have you been working in Enel and what roles have you held so far?

I: So, I've been working in Enel for 12 years, I joined in 2010. I was internal auditor, then assistant to the CEO of Enel Green Power, then Chief Sustainability Officer Asia, and now I am assistant to the director of Innovation and Sustainability (Innovability) Ernesto Ciorra. I'm 35 years old though, so I'm not that old.

R: No, in fact it honors you. Moving on to the second question, you had already anticipated this to me in the previous informal meeting. Can you tell me if there was a particular event, a moment, a turning point where the representatives of Enel - also in response to certain requests from the society - sensed that the elements of relationship with communities and the environment could not be mere formal components of CSR, but had to be integrated into the business lines? When and how were social responsibility and sustainability declined in terms of CSV as substantive guidelines in the development of new solutions?

I: The big moments of revolution occurred from 2008-2010, when Enel in 2008 founded Enel Green Power - the renewable plant construction company - and in 2010 bought Endesa, a Spanish energy

company. In its turn Endesa owned the various energy companies in South America, so we automatically expanded into South America. That allowed us to go outside the Italian borders on the one hand, and with Enel Green Power the other parallel thrust was the development of renewable plants around the world. With Enel Green Power we develop solutions not only in Europe but also in South America, precisely in places where Endesa was present. But also in North America, in South Africa, in Morocco, in Australia, in India, in South Korea, so there has been a lot of expansion. What does this mean? The moment we started expanding and dealing with these rural communities around the world - and I tell you this also from my experience as Chief Sustainability Officer Asia, as I was dealing with aboriginal people in Australia - it is clear that you cannot just carry on a pure formal CSR relation.

Because what does CSR mean? It means you come to a place, you also make economic donations in some way - maybe you build a school, you improve a park - and so there is your presence. We decided, this especially starting in 2008 (and then it was also reinforced with our commitment to the SDGs, in 2015 when Eng. Starace, our CEO, made the official commitment with the United Nations, joining the Global Compact and so on), to embrace the policy, the methodology of CSV - that is Creating Shared Value. Unlike CSR, CSV makes you develop sustainability plans and activities that can ensure that your operations are seamlessly integrated with your surroundings, with local dynamics, with even the history of the communities with which you operate. So you are not the foreigner who comes in, gives you money and does his own thing, but you are the foreigner who tiptoes in and asks for permission in your area, develops with you (rural community) a sustainability plan that is bottom-up. It is not a plan that you develop carelessly just by reading the principles of sustainability, the SDGs, or by desk study. I'll tell you my experience: I would go there in person, talk to them, understand the local dynamics, and recreate a bottom-up plan that came from their needs - obviously also consistent with the needs of the firm - and that's how you go about creating shared value. A sustainability project that ultimately creates value (including economic value) for us and for the communities.

So with respect to the question "is it an image-only thing?", no, in fact the truth is that we communicate very little. If you pay attention to it, we don't go around saying what we do with rural communities in Chile, Brazil, Australia, America or elsewhere. It is an activity that, indeed, has very little image. Image may be at most an image with rural communities, with municipalities, with local governments, but nothing more. We don't do TV commercials to give you some context. And it is an activity that would be aimed at acting responsibly but in the name of social and obviously also environmental sustainability towards the territories and environments where we operate. Let's say the turning point was when at the turn of 2008 to 2010 and then until Eng. Starace became our CEO

in 2014 - those six years represented Enel's exit from the cocoon. Before that, we were the former state subsidiary that became private and worked exclusively in Italy, then we became a multinational company, and that obviously necessitated a change in approach.

R: So you started to think in terms of a systemic, holistic model that ensures shared value for both the company and the communities and also an economic return. Your colleague was suggesting to me that not only was there a push from the CEO - and the board of directors clearly - but also from the chairmanship, in that the then chairman Grieco was also the head of governance and therefore managed the guidelines of the self-regulatory code of listed companies.

I: Yes, absolutely. Now, when you ask me how social responsibility was declined in terms of CSV, I would say from a purely practical point of view. Because it's true, they are also very high-level talk - as it should be - about goals, about strategy, however, what was happening from a practical point of view? That the moment sustainability managers go to rural communities around the world, they find themselves having to develop a plan that involves a series of analyses. So in addition to community engagement, in addition to talking to communities, understanding the dynamics (in short, everything I told you before), then this plan is developed anyway, which is basically about two basic plans. The social sustainability plan - what I told you before, that is the activities to create shared value with communities -, but also an environmental plan that mainly relates to the activities that are done in the construction site.

In Enel we have the model of sustainable construction site, because the moment you want to operate a renewable power plant, it has no impact per se at least in the environment, it goes without saying, by definition. But when you actually build it, the impact is there indeed: you have offices, you need the diesel generator to give electricity to the offices, you have trucks coming in that pollute, you waste a lot of water, you create garbage, there's the whole issue of respecting workers' rights and so on. There are a number of points where the biggest impact part is the construction site, and so we have this model of sustainable building site, which is a series of technical and non-technical solutions that are put in place in the design and construction phase of the power plant to minimize any negative impacts (garbage created, environmental impacts, water use, dirty energy use like diesel generators), or maximize any positive impacts (example: local employment programs for rural communities). This is really the practical, operational basis that then allows us to achieve in a consolidated way the various goals, the SDGs that the company has set for itself. These let's say are the two points: when doing sustainability, the issue is working with the communities and working with the worksite. This then allows us to achieve the goals.

R: Going back for a moment to the main focus of your business, which is precisely mainly technological innovation to develop appropriate solutions with regard to the energy sphere, and assuming that this kind



of innovation and the social and environmental ones are originally separate, how are they now connected in a company like Enel? Are there organizational structures set up for this integration task?

I: So the organizational structure is the Innovability function, which is where we work and where we have Director Ciorra, who created this thing by making up this name which is a merge between innovation and sustainability. What does it basically mean? That you have to innovate to be sustainable. Innovation is considered to be the basis of the company's survival. Mr. Ciorra in the various lectures always gives the example of apoptosis. Apoptosis is this phenomenon whereby you regularly change the cells of the human body, so like every two hours you change the skin cells of the lips, every four hours the liver cells – if I'm not mistaken –, every 15 years the cells of the whole body. So what is the metaphor? The body evolves, the body changes, renews itself to survive, and companies have to do the same, they have to innovate to survive.

In the current context you have to innovate to survive and also to be sustainable. So the energy transition issues, the digital transition issues that we had to accelerate playfully because of covid, achieving the net-0 targets, which my colleague must have told you about, the decarbonization targets, which are all sustainability targets and they are the goal. How do you achieve them? By the means, which is innovation. So we have this structure in the company that is a merge of innovation and sustainability that is not just present at the holding company level. How is Enel structured, Laura? There is the holding company (Enel Group) and then there are the various business lines: Enel Green Power, which is renewable energy, Enel X, which is all the various innovative solutions, electric mobility and so on, Infrastructure and Networks, which represents the power lines part, the various power distribution networks, power generation. That's a lot of business lines.

There is an Innovability Manager within each business line. What does this mean? I'll give you an example, it means that when the renewable energy business line has a particular need for innovation to achieve some goal, the need starts from the business line itself. That is, there is the business line Innovability Manager who understands what the need of the business line is, interfaces with the holding company, and then goes and identifies the most appropriate tool to deploy that innovation. Always with the sustainability goal in mind, which is still the ultimate goal. So innovation is not done from the top, from the holding company, but it is done within the individual business lines with a continuous exchange of information with the holding company for coordination. And this is important because it means that innovation and sustainability are extremely branched within the company and therefore action is taken minutely, for each individual business line's needs. I don't know if I explained myself properly.

I told you earlier about the tools to innovate and also to do sustainability, I'll tell you about them in brief. How do the Innovability function and the company innovate to be sustainable? There is no

internal R&D department, in implementation of the principle of *Open Innovation*. That is, you innovate by looking outside the company. Enel operates in an ecosystem, of universities, entities, governments, startups, large companies that are our partners, and in this ecosystem there is a continuous exchange of knowledge, ideas, projects aimed then at achieving innovation goals. Let me give you an example: as far as startups are concerned, Enel has a network of Innovation Hubs. These are offices where we meet startups, startups are resident in our Innovation Hubs, they can work, they can also talk with our engineers, with our experts, and then they can improve their solutions, their technologies. We have Innovation Hubs around the world: in Italy, but also in Brazil, in the US in Boston and in Silicon Valley, in Spain, in Israel we have two and so on. So this means that there is a continuous exchange of ideas, of information with startups and we identify those startups that allow us to innovate. Enel doesn't invest in the capital, doesn't get into the governance of the startup because otherwise it risks burdening it, but it invests in the individual project of interest so in fact Enel is a customer of the startup. It invests in that single project, a community of insights is made, collaboration is done, a POC (a test, Point of Care) is also done. If the test is positive then from production it scales up to the global level throughout Enel. And so we become big customers of that startup.

Then we have a crowdsourcing portal - [Openinnovability.com](http://Openinnovability.com) - where we periodically post something. If you browse the website among other things, there are also a series of numbers that give you a little bit of the action of how many solutions we've been evaluating over the last 7-8 years, how many we've scaled. There's also a section dedicated exclusively to startups - it's called startup ecosystem - with all the up-to-date startup numbers. Go have a look at them because it gives you an indication of how, from about 12,000 startups that we evaluate, there's a funnel at the end so we've scaled about a hundred projects. So a very heavy filtering activity is done, that serves precisely to identify those solutions that are actually suitable for our business. On [Openinnovability.com](http://Openinnovability.com) we periodically post challenges, which contain the support request to innovate. For instance, we look for a way to have sustainable design of an energy cabin. And people, anybody, companies, me, you, experts, inventors can log on and post their solution, their innovative proposal, which is evaluated and even there it is scaled as just in case we realize it is applicable. Or even, people can safely upload their own innovative solutions out of context, just like that, because they simply have an idea and we still evaluate it.

We then work with universities. Many universities have written a lot of case studies about us - Berkeley, Harvard, ESADE, they have all written case studies about us. And then we also work with agencies, governments and so on. There is a live, active ecosystem where there are academic exchanges, exchanges of ideas, inventions, we grow together with startups. Remember, we are not

on the pedestal and act as the ones who evaluate and give the papal blessing, but we work with them and grow with them. The spirit of Open Innovation is to learn from the outside as well. Ciorra always says "the best minds are those outside the company". This is the spirit whereby we innovate, that is, always looking outside. All this represents the way to be sustainable. So that's the answer to your question "what does the corporate structure look like to innovate and be sustainable". Then I recommend you go on [openinnovability.com](http://openinnovability.com) because there you find a lot of useful information, the website is very clear, very clean, it's not an unreadable papyrus, it's very well done.

R: Definitely, thank you. So you were just mentioning to me collaborations with universities, with public entities, and I don't know if you can also give me an example of one or more projects that you know of where Enel - again with a view to integrating elements of technological and social innovation - has also entered into partnerships with the third sector or community representatives. I can think of renewable energy communities or circular cities in Latin America, I've studied a couple of those.

I: So those are all ultra-well-known works of Enel. I'll give you a slightly different cue, that is talking about innovation and also social inclusion, innovation for us is also important from a point of view of social inclusiveness of people with disabilities. And this is a point that can also be different from the various projects that you have already studied. That is, the idea is that people with disabilities are innovators; unfortunately they have needs that are different from ours for obvious reasons, but that allows for a different view on a problem. We collaborate with a startup called Avanchair and it is a good story to tell in the spirit of Open Innovation. The challenge came from a guy (Andrea Depalo), who is in a wheelchair, the electric kind that recharges. One day he wrote to Ciorra on LinkedIn and said, "you have charging stations around Italy, why can't I charge my electric wheelchair at a charging station?". As a consequence, Ciorra put him in touch with our engineers, and that got him -and he had this startup - to develop an adapter (which you can also see on Amazon) that you hook to the electric car charging station on one side and to the wheelchair on the other side, which then charges. It's a simple thing, it will cost €40-50, it's nothing, but it has changed the lives of so many people.

This is a small story, however, that makes you understand how social inclusiveness, even when it comes to disability, is an important element of innovation, because this is how we can contribute to improving the lives of these people. Or we have collaborated with another startup called Pedius, which has developed software that, through conversation transcription systems, allows people who are deaf and dumb to be able to be fully integrated, to speak smoothly. The startup was created for call centers, but it is actually also used, for example, in the context of company meetings. We have a colleague who is deaf-mute, highly trained and educated who was neither going forward nor backward with his career because he had this disability that penalized him. So he, who is very smart

- and we realized that -, with the help of this startup, was able to have a much more active role in meetings and corporate activities as well. Now he is a leader who manages the activities of drones, which we use to do reconnaissance at construction sites and plants, robotics and artificial intelligence. This is an example of how collaboration with a startup helped one person and still helps people who call Enel's call centers to be able to interact with us smoothly.

R: Sure, so clearly initiatives of this kind fully benefit and advantage users, but let's say that nevertheless these are also strategic choices for the company, which anyways manage to give it a competitive advantage in the market. How does this doing Corporate Social Innovation of yours manage to guarantee you higher margins? Definitely in terms of brand value, image to the outside world, but also a more robust supply chain, in response to resource scarcity or maybe concerns of both social and environmental kind.

I: So Laura, look, in terms of image, we don't do that much. We don't go around telling people how cool we are. There are those who see that as a negative aspect, which is my personal point of view, because we could tell people all the things we do and don't do. On the other hand, there are those who prefer not to tell because we do it just to do it, period, and to avoid flaunting to the four winds how cool we are. Surely the main point is what I told you at the beginning. Why is all this done? Because the company obviously has to adapt to the market, to the rules of the market. If we did self-referential, in-house research and development, for goodness sake, it might work, but this way we have an extra push to continuously take all the best ideas from outside in an innovative way, and hence grab all the best opportunities. Having said that, of course there is also an economic return, you don't do everything just for the sake of it. We calculated that for every euro spent on innovation we generated a value that is 3.6x, that is, for every euro we gained 3.6 euros. It is a fraction like this: euros generated on euros spent on innovation, that is basically 3.6. And the cumulative net benefit that we calculated from 2018 to 2030 will be 2.2 billion euros with innovation. That's to give you a couple of specific numbers in economic terms as well. So yes, there is an economic benefit, there is also a benefit in terms of competitive advantages, it's logical.

Let me give you an example, think about Plenitude: Plenitude, which they advertise so much here and there, is an empty company. It is a company that will probably do great things, but right now it is in fact empty. Nevertheless, they do a lot of talking and a lot of telling about how it will change the world. Plenitude is doing all this work on image, but in the end it doesn't succeed. And in that aspect we are probably at the antipodes - we communicate little, but we do a lot.

R: Yes yes, in fact I was precisely referring to the "real" results for the company, which are not the superficial ones of image.

I: The concrete results in economic terms are absolutely those. Then in terms of Open Innovability

- I'll tell you very quickly - within the whole innovation ecosystem, so universities, startups, crowdsourcing, etc., we evaluated more than 20,000 innovation opportunities and activated about 600 collaborations, many of them with startups. So out of the 20,000 proposals that came to us, we activated 600 of them. And out of 600 we scaled about 250, from the initial 20,000. This makes you realize that we innovate not just for the sake of innovating, but there is clearly a need to identify those innovations that give us an economic benefit, but also a competitive benefit. For the example that I was giving you about Eni before is because they are empty, they have not innovated before - Eni does not sparkle with innovation - and maybe with many technologies, with many innovations that we have taken from outside, because of our ecosystem, we have the opportunity to have a competitive advantage that they do not have. Clearly, we have to protect patents. So much so that within Innovability, last year we created an Intellectual Property protection unit that defends the whole network of innovations that we create and work on in Innovability.

R: Perfect. So I don't know if you can tell me through what measurement methods, what metrics is the economic return on social investment measured and stimulated in Enel? And if there are any specific industry benchmark standards.

I: Yes, absolutely yes, but maybe that's a more appropriate question for my colleague, though, because she does metrics and reporting, so maybe contact her again. We have specific methods to evaluate projects: essentially, every single Innovability manager that we have in the world, that is allocated by country, knows the projects we have running, how many euros we have invested in the project and what economic return we have had for each individual project (if any) or even the indirect economic return. An example I'll give you from my experience in Australia is the following: rural communities were threatening to obstruct work, and we calculated that one day of work interruption causes the company to lose a million dollars. And so, by working with the communities and avoiding the stop days for protests, we saved at least a million dollars and also avoided fines from the government. You do calculations of indirect gains as well, everything is collected and consolidated and this allows the company to understand what is the economic benefit of the various sustainability projects and also the shared economic benefit. Because precisely in the application of CSV, we calculate the economic benefit for us and for the communities. In the various reports we also calculate how much economic benefit we have "spread" around the world.

R: Well, thank you. Now if we try to imagine that the Enel model could be extended to other companies, how do you think this strategy of encouraging and internalizing sustainability and social innovation will continue to align with the broader profit goals, becoming precisely a role model? And what initiatives would you suggest for other companies that want to grow in the same direction?

I: So first of all, cultural change, that's an important thing. Many companies tend to be self-

referential, and that should not happen, that is, you have to question yourself. And secondly, the theme of transformation I was telling you earlier, so innovation, apoptosis - the need to change and innovate to survive. A lot of companies don't do that and thus they don't move on. Let me give you an example, perhaps the most blatant of all, think of Nokia. When Ciorra goes around or when I go around talking, we always use a Forbes cover from March 2007 where there is the CEO of Nokia talking to a Nokia phone. On the cover it says, "Try and catch me! We have a billion customers around the world. No one can ever defeat Nokia." What happened? Four months later Apple introduced the iPhone and we all know how that turned out. Nokia refused to invest in touch screens, but I'll tell you more. Nokia refused to cooperate with Apple because iOS (the iPhone operating system) was initially developed to be sold by Apple to other companies. Apple had no money, they didn't have a dime to spare in their till, they were struggling, they were living only on iPod sales. When iOS was developed, they knocked on Nokia's door and Nokia told them "we don't believe in a zombie company". So Apple said "well, thank you, we will develop our own phone". And what happened then? Nokia continued to thrive on ringtones and snake and all that crap that was on the 3310s - maybe you're young, but they took me through my teenage years - and instead the others moved on.

Nokia was self-referential, didn't innovate and therefore didn't survive the market rules, the dynamics, the changing world. And so many companies - often Dr. Ciorra is called in companies that intend to innovate - have to change management or they have to change corporate culture and therefore have the ability to challenge themselves. That is the first point. And then of course choose the innovation strategy that is best for you. In Enel, the Open Innovation strategy was and is very useful, but because Enel is a company that traditionally tends to be self-referential. Enel was a state-owned company, and before we privatized in the 1990s and then did the quantum leaps of growth between Enel Green Power, Endesa, and Eng. Starace, who completely turned the company around, making it one of the most innovative companies in Europe, before we were a state bastion that was steady on its positions. Because people pay the bills anyway, and that's the end of the matter. And then, probably, we said to ourselves - it is necessary to innovate by looking outside, and that was the great merit of Mr. Ciorra. That is, to say "we can't be so self-referential, we need to look outside," and that helped. Maybe many other companies with economic firepower, on the other hand, only innovate internally. Think of Apple spending \$7 billion a year on R&D. With \$7 billion a year you can do whatever you want, that's it. It obviously depends from case to case, but the first point is to challenge yourself and have the courage to transform yourself to survive.

R: Right, that's perfect. So I would say that's pretty much it, I don't know if you have anything else to add yourself.

I: No, all good. One last thing: contact my colleague to get that reporting information because that's her job anyway. Then of course should you need anything, Laura, you can write me, I'm there.

R: Clear, yes. August permitting! I thank you again for your helpfulness and for your promptness in looking for an alternative tool to conduct the interview. Then I wish you a good day and good work. For a possible review of the statements and data collected, I will talk to you later.

I: Yes, look, I am available. Bye, Laura, thank you!

## **Appendix 4 – Topic guide of the focus group**

Welcome and thank you for agreeing to participate in this focus group. I'm Laura Paris, I'm a near-graduate student in Global Management and Politics, and I'm focusing my final thesis on the ways in which companies - specifically the Enel case study - are succeeding in integrating concepts of sustainability and social innovation into the core business alongside more purely technological innovation, thus creating not only shared value but also competitiveness and market advantage. Now I am going to ask you some questions, please answer them by interacting with each other freely, neatly and candidly.

- 1) How long have you known Enel for?
- 2) What role do your parents have in the company?
- 3) What have you learnt or what are you learning from the We Are Energy project?
- 4) How much did you know about the company's commitment to society and the environment before participating in this project? How much do you know now?
- 5) Do you feel that Enel develops technological innovations also to bring a positive change and progress in society and the environment or just to make more money?
- 6) Do you think Enel wants to attract more customers, and thus more people to buy its energy, by carrying out and promoting projects like this outside the company as well?



## Appendix 5 – Transcript of the focus group

Date: 13/07/2022

Nr. and gender of respondents: 7 in total, 3 Males and 4 Females

R: Welcome and thank you for agreeing to participate in this focus group. I'm Laura Paris, I'm a near-graduate student in Global Management and Politics, and I'm focusing my final thesis on the ways in which companies - specifically the Enel case study - are succeeding in integrating concepts of sustainability and social innovation into the core business alongside more purely technological innovation, thus creating not only shared value but also competitiveness and market advantage. Now I am going to ask you some questions, please answer them by interacting with each other freely, neatly and candidly.

How long have you known Enel?

Speaker A: Pretty much as long as I can remember. Since I was little because I think my father has been working there for a long time, from what I remember.

Speaker B: Yes, since I was born.

R: So your parents - one or both of them - have always worked in Enel since you were born? So how many years have they been working there?

Speaker C: More or less for 16-17 years.

*(The others confirm).*

R: What roles do your parents have in the company?

Speaker A: Innovation Enel Grids and Flexibility Lab manager.

Speakers C and D: People Business Partner.

Speaker E: Responsible for Remote Control systems in Sardinia within Network Operations.

Speakers F and G: IT Manager.

Speaker H: Performance and Contract Manager.

R: What have you learned or what are you learning from the We Are Energy project?

Speaker C: Collaboration, inclusion, trying your hand at and getting involved in projects.

Speaker F: Then also the fact that they explained the metaverse to us; before We Are Energy I had never heard of it. Also, through this initiative we are learning new things.

Speaker A: What's more, these are not always initiatives focused only on technological innovation. For example, the one that I think most of us participated in is the 2019 We Are Energy campus, which was actually focused on inclusion, in the sense especially of collectivity. Since we were multiple nationalities all in the same place, it was more focused on that. So again, we're not just talking about technological innovation here, we're also talking about innovation on a mental level, even cultural values.

R: How much did you know about the company's commitment to society and the environment before you participated in this project? How much do you know now?

Speaker C: Honestly earlier not so much, then when you start to carry out your project by consulting the web pages of We Are Energy, even from a couple of videos that are on the platform, you start to realize how much attention, beyond the economic aspect, is given also to the environmental and social sides and not only to the technological point of view.

Speaker H: We Are Energy has definitely made us more aware of sustainability and its importance.

Speaker A: And in any case, in order to do those projects you also have to do research first because you cannot base them on nothing. So by doing that we also discovered interesting things, maybe new ways to store energy and the like.

R: Do you think Enel also develops technological innovations to make a positive change and progress in society and the environment or just to make more money?

Speaker D: No, in my opinion they are not only focused on the business part - so to make money out of it -, but from what I understand, they really want to improve what is around us, our reality. In my opinion the main focus is not business.

R: Do you see a particular commitment to future generations as well?

Speaker D: Yes, I hope so.

R: Do you all agree?

All speakers: Yes, yes, we agree.

Speaker D: Anyway, also having a look at the themes of the various campuses that took place in the past, everything revolves around innovation without neglecting sustainability. It is also about being able to give future generations the same possibilities that we have today.

R: Do you think Enel wants to attract more customers, and thus expand into new markets (including other countries or continents), by carrying out and promoting such projects outside the company as well? So not only internal welfare for employees and children of employees, but also outbound projects?

Speaker G: In my opinion, yes, especially for the fact that they want to expand these opportunities to people outside the company as well, and especially to young people from all over the world who are encouraged to try to have this same experience, which is to collaborate with each other. To practice inclusion and work in teams and then learn more and more things both from the point of view of scientific knowledge and from a social point of view, in terms of social inclusion and socializing with people from all over the world.

R: In your opinion, the fact that Enel also relies on external associations, such as voluntary associations or third sector entities, can it mean something more, i.e., can it be part of a specific business strategy?

Speaker F: Yes, in my opinion it is really a way to do propaganda, to also expand the concept of Enel into realities other than strictly corporate ones. They aim to share their vision, not only with employees and children of employees, but also with more people therefore relying on other associations as well.

R: Have you ever heard of renewable energy communities? Or of circular cities?

Speaker A: Yes, we talked about circular cities last year.

Speaker H: We did a project on it.

Speaker C: Yes, just last year.

R: And what can you tell me about it, besides the technology-related part? What did you learn last year?

Speaker A: In fact, specifically I don't know much, but broadly speaking I know what it is. It is a self-sufficient city.

Speaker C: A circular city is a completely sustainable and self-sufficient city in that there is no waste

of any kind, everything is built in a modular way so it can be learned and replicated or moved easily, all of its components are reusable. In case certain materials are not reusable they can be recycled so they can be exploited through other processes. Among other things, it is a city that is primarily based on community so the classic phrase "unity is strength" holds sway. A circular city is based on sharing resources with other members of the community, such as renting cars and scooters or other means of transport, rather than on personal ownership so as to reduce pollution.

R: Do you happen to have any questions for me?

Speaker D: Not really, I wanted to add one thing about the question from earlier - the one about Enel's intention to expand. One thing I wanted to say before is that, in my opinion, Enel's goal is it that to expand to other countries and other territories, albeit not to expand such a project (We Are Energy) to people who are not internal to the company, as children of Enel employees can be. But the overall purpose and efforts, those are definitely meant for the community. Sustainability for a better future is for everyone.

Speaker F: I wanted to add that with We Are Energy we are experiencing how much Enel searches for new ideas in kids. Indeed, they always encourage us to get involved, to talk and to come up with new ideas that they can then just take inspiration from. So we can say the company is looking for smart minds to build the future of energy and beyond.

R: And would you work for Enel in the future, when you are older?

Speaker A: In terms of the welfare conditions that workers are put in and all these things that affect the life of the employee absolutely, I would say yes. They have an immense respect for the person, that is, there are never situations where people are uncomfortable - or should they occur - the employee is adjusted and put back into an environment where he or she is better off to work. It is a very positive and pleasant work environment. Even the fact that there are bidets in all bathrooms, it may be a trifle but still it is something that is generally unseen in other places, it's care for the person.

Speaker D: I think so, but only in human resources.

R: Well, we can wrap it up here. Thank you again for participating, the focus group is concluded.

# Bibliography

- Baumgartner, R.J. (2014). Managing corporate sustainability and CSR: a conceptual framework combining values, strategies and instruments contributing to sustainable development. *Corp. Soc. Responsib. Environ. Manag.* 21, 258-271.
- Brundtland, G. H. (1987). *Report of the World Commission on Environment and Development: Our Common Future*. United Nations General Assembly document A/42/427. <http://www.un-documents.net/wced-ocf.htm>
- Cacciolatti, L., Roslib, A., Ruiz-Alba, J. L., & Chang, J. (2020, January). Strategic alliances and firm performance in startups with a social mission. *Journal of Business Research*, 106, 106–117. <https://doi.org/10.1016/j.jbusres.2019.08.047>
- Chesbrough, H. (2016). Innovation @ ENEL: From Monopoly Power to Open Power. *Berkeley-Haas Case Series*.
- Dees, G. J., Emerson, J., & Economy, P. (2001, March 29). *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs* (1st ed.). Wiley.
- Eabrasu, M. (2012). A moral pluralist perspective on corporate social responsibility: From good to controversial practices. *Journal of Business Ethics*, 110(4), 429–439. doi:10.1007/s10551-012-1491-3
- Elkington, J. (1997, September 1). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business (The Conscientious Commerce Series)*. New Society Publishers.
- Enel SpA, Enel Foundation, & Arup (2021). *Circular Cities - Decarbonization and Other Benefits*. [https://www.enelfoundation.org/content/dam/enel-foundation/topics/2021/12/decarbonizing-cities-for-a-better-planet/Circular\\_Cities\\_2021\\_061221-def%20\(1\)%20copia.pdf](https://www.enelfoundation.org/content/dam/enel-foundation/topics/2021/12/decarbonizing-cities-for-a-better-planet/Circular_Cities_2021_061221-def%20(1)%20copia.pdf)
- Enel SpA. (2020a). *Circular cities - Cities of tomorrow*. <https://www.enel.com/content/dam/enel-com/documenti/media/paper-circular-cities-2020.pdf>
- Enel SpA. (2020b). *Circular Economy - Enel Position Paper*. <https://www.enel.com/content/dam/enel-com/documenti/azienda/circular-economy-enel-position-paper-en.pdf>
- Enel SpA. (2021a). *Integrated Annual Report 2021*. [https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/integrated-annual-report_2021.pdf)

- Enel SpA. (2021b). *Report and Financial statements of Enel SpA at December 31, 2021*. [https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/annuali/en/enel-spa-financial-statements_2021.pdf)
- Enel SpA. (2021c). *Sustainability Report 2021*. [https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report\\_2021.pdf](https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2021/sustainability-report_2021.pdf)
- Freeman, E. R. (1983, December 31). *Strategic Management: A Stakeholder Approach (Pitman Series in Business and Public Policy)* (First). Harpercollins College Div.
- Friedman, M. (1970, September 13). A Friedman doctrine: The Social Responsibility Of Business Is to Increase Its Profits. *The New York Times*. <https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html>
- Gilardoni, A. (2021, January 22). *The Italian Utilities Industry: Success Stories and Future Perspectives* (1st ed. 2020 ed.). Springer.
- Greer, J., & Bruno, K. (1997, February 1). *Greenwash: The Reality Behind Corporate Environmentalism* (1st ed.). Rowman & Littlefield Publishers.
- Herrera, M. E. B. (2015). Creating competitive advantage by institutionalizing corporate social innovation. *Journal of Business Research*, 68(7), 1468–1474
- Hurst, G. (2016, December). *Enel: Redefining the Value Chain*. The Shared Value Initiative. <https://www.sharedvalue.org/resource/enel-redefining-the-value-chain/>
- McNeill, J. (2012). Through Schumpeter: Public policy, social innovation and social entrepreneurship. *The International Journal of Sustainability Policy and Practice*, 8 (1), 81-94
- Mirvis, P., Herrera, M. E. B., Googins, B., & Albareda, L. (2016). Corporate social innovation: How firms learn to innovate for the greater good. *Journal of Business Research*, 69(11), 5014–5021
- Osburg T. (2013). “Social Innovation to drive corporate sustainability”. In: Osburg T., Schimdpeter R. (2013<sup>th</sup> ed.). *Social Innovation, (CSR, Sustainability, Ethics & Governance)*. Springer
- Perez, C. (2003, April 26). *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Edward Elgar Pub.
- Phills, J. A., Deiglmeier, K., & Miller, D. T. (2008). Rediscovering social innovation. *Stanford Social Innovation Review*, 6(4), 34–43

- Porter, M. E. & Kramer, M. R. (2011, January-February). Creating Shared Value, *Harvard Business Review*, 89 (1/2), 62–77
- Rahdari, A., Sepasi, S., & Moradi, M. (2016, November). Achieving sustainability through Schumpeterian social entrepreneurship: The role of social enterprises. *Journal of Cleaner Production*, 137, 347–360. <https://doi.org/10.1016/j.jclepro.2016.06.159>
- Rexhepi, G., Kurtishi, S., & Bexheti, G. (2013). Corporate social responsibility (CSR) and innovation the drivers of business growth?. *Procedia e Soc. Behav. Sci.* 75, 532-541
- Salonen A.O., Camilleri M.A. (2020). “Creating Shared Value”. In: Idowu S., Schmidpeter R., Capaldi N., Zu L., Del Baldo M., Abreu R. (eds) *Encyclopedia of Sustainable Management*, 1-3. Springer, Cham. [https://doi.org/10.1007/978-3-030-02006-4\\_74-1](https://doi.org/10.1007/978-3-030-02006-4_74-1)
- Schumpeter J. A. (1909). On the concept of social value. *The Quarterly Journal of Economics*, 23(2), 213-232. Retrieved on 20 June 2022 from [www.jstor.org/stable/1882798](http://www.jstor.org/stable/1882798), <https://doi.org/10.2307/1882798>
- Schumpeter, J.A. [1911] (1934). *The Theory of Economic Development: an inquiry into profits, capital, credit, interest, and the business cycle*. Cambridge, Harvard University Press.
- Schumpeter, J.A. (2002). New Translations from *Theorie der wirtschaftlichen Entwicklung*. *Am. J. Econ. Sociol.* 61 (2), 405-437
- Shaw, E., & de Bruin, A. (2013). Reconsidering capitalism: The promise of social innovation and social entrepreneurship? *International Small Business Journal*, 31(7), 737–746
- Stiglitz J. (2010). Introduction In: Schumpeter J.A. (2010). *Capitalism, Socialism and Democracy*. London, Routledge
- Sheehy, B. (2015). Defining CSR: problems and solutions. *J. Bus. Ethics* 131 (3), 625e648
- Valcalda, A. (2016). “La creazione di valore condiviso come modello di innovazione sociale: l’esperienza di ENEL”. In: M. G. Caroli, CERIIS, LUISS Business School, & ItaliaCamp (2016). *L’innovazione delle imprese leader per creare valore sociale* (3rd ed., pp. 217–219). FrancoAngeli.
- Visser, W. (2010). The age of Responsibility: CSR 2.0 and the new DNA of business. *J. Bus. Syst. Gov. Ethics* 5 (3), 7-22
- Voorberg, W. H., Bekkers, V. J., & Tummers, L. G. (2015). A systematic review of co-creation and co-production: Embarking on the social innovation journey. *Public Management Review*, 17(9), 1333–1357
- Yin, R. K. (2002). *Case Study Research: Design and Methods, 3rd Edition (Applied Social Research Methods, Vol. 5)* (3rd ed.). SAGE Publications, Inc.

# Sitography

<https://www.oecd.org/regional/leed/social-innovation.htm>

<https://www.ucl.ac.uk/bartlett/public-purpose/people/carlota-perez>

[https://reports.weforum.org/social-innovation/why-social-innovation-matters-to-business/?doing\\_wp\\_cron=1655396902.5978140830993652343750](https://reports.weforum.org/social-innovation/why-social-innovation-matters-to-business/?doing_wp_cron=1655396902.5978140830993652343750)

<https://weareenergy.enel.com/it/>

<https://www.lafabbrica.net/project/enel-we-are-energy/?lang=en>

<https://www.enel.com/it/media/esplora/ricerca-comunicati-stampa/press/2022/07/enel-premia-i-figli-dei-colleghi-di-tutto-il-mondo-al-concorso-we-are-energy-2022>

<https://www.enel.com/company/about-us/our-story>

<https://en.wikipedia.org/wiki/Enel>

<https://www.statista.com/statistics/279658/revenue-of-enel/>

[https://en.wikipedia.org/wiki/Enel#Corporate\\_organisation](https://en.wikipedia.org/wiki/Enel#Corporate_organisation)

<https://corporate.enel.it/it/storie/a/2020/10/salone-sostenibilita-innovazione-sociale>

<https://www.enel.com/company/our-commitment/sdg-onu>

<https://www.enel.com/media/press/d/2019/01/enel-launches-a-one-billion-euro-new-green-bond-in-europe>

<https://www.fsg.org/blog/new-dawn-corporate-leadership/>

<https://www.sharedvalue.org/partner/enel/>

<https://divercitymag.it/2021/06/16/innovability-gentile-dialogando-con-ernesto-ciorra-direttore-innovability-di-enel-e-guido-stratta-direttore-people-organization-di-enel/>

<https://www.enelgreenpower.com/countries/europe/Italy/renewable-choice>

<https://www.enel.com/media/explore/search-press-releases/press/2021/09/enel-green-power-launches-scelta-rinnovabile-renewable-choice-to-accelerate-the-energy-transition-in-italy>

<https://www.enelgreenpower.com/countries/europe/Italy/renewable-energy-communities>



<https://www.enelx.com/it/it/storie/2020/05/comunita-energetiche-cosa-sono#:~:text=Con%20questo%20termine%20si%20intende,di%20energia%20da%20fonti%20rinnovabili>

<https://www.enelfoundation.org/all-news/news/2021/11/energy-communities-as-economic-development-lever-for-transition>

<https://www.enel.com/company/our-commitment/circular-economy/circular-economy-position-paper>

<https://www.enel.com/media/explore/search-news/news/2020/09/circular-cities-position-paper>

<https://www.enelfoundation.org/topics/articles/20210/12/decarbonizing-cities-for-a-better-planet>

<https://www.enelcuore.it/en/about-us>

<https://www.enelcuore.it/en/social-issues>

<https://ejatlas.org/conflict/neltume-hydroelectric-project-in-panguipulli-chile/?translate=en>

<https://www.enel.com/it/media/esplora/ricerca-video/video/2020/12/capital-markets-day-2020>

<https://www.enel.com/it/investitori/investimenti/finanza-sostenibile/green-bond>

<https://www.enel.com/it/media/esplora/ricerca-comunicati-stampa/press/2022/04/enel-lancia-con-successo-un-sustainability-linked-bond-da-750-milioni-di-sterline-in-una-singola-tranche>

<https://www.ow3.rassegnestampa.it/enelinternazionaleipad/PDF/2022/2022-07-19/2022071983707941.pdf>

<https://integratedreporting2021.enel.com/en>

<https://integratedreporting2021.enel.com/en/timeline/glance/stakeholder-capitalism>

<https://www.enelgreenpower.com/stories/articles/2018/10/solar-panel-cleaning-egp-innovative-solution>

<https://www.reiwaengine.com/en/news-eng/226-sandstorm,-reiwa-engine%E2%80%99s-first-robot,-appeals-to-enel-green-power.html>

<https://openinnovability.enel.com/content/dam/open-innovability/documenti/make-it-happen/regolamento-make-it-happen.pdf>

<https://openinnovability.enel.com/>

<https://openinnovability.enel.com/challenges>

<https://openinnovability.enel.com/startup-ecosystem>

<http://enel2016csr.message-asp.com/en/sustainability-report-2016/our-commitment/responsible->

relationships-communities/how-sustainability

<https://www.enel.com/media/explore/search-news/news/2016/05/sustainable-lighting-with-enel-and-liter-of-light>

<https://fundacionpachacutec.org/en/partners-and-friends/>

<https://www.enel.pe/en/stories/nuevo-pachacutec-technological-institute-education-for-progress.html>

<https://www.enel.com/it/media/esplora/ricerca-video/video/2021/12/capital-markets-day-2021>

<https://associatedmedias.com/enel-starace-al-capital-market-day-il-nostro-un-modello-solido-e-capace-di-creare-altro-valore/>

[https://avanchair.com/em\\_event/la-storia-di-avanchair-innovazione-e-inclusione-sociale/](https://avanchair.com/em_event/la-storia-di-avanchair-innovazione-e-inclusione-sociale/)

<https://www.enelx.com/it/it/news/2020/01/juice-ability-ricarica-sedia-ruote-elettriche>

<https://www.pedius.org/it/enel/>

<https://www.enel.com/media/explore/search-news/news/2018/04/enel-launches-app-pedius>

<https://corporate.enel.it/en/media/news/d/2018/04/enel-launches-app-pedius-for-communication-deaf-people>

<https://www.barefootcollege.org/>

<https://www.enel.cl/en/stories/a201704-energy-from-the-heart-of-the-World.html>

<https://www.enel.com/company/stories/articles/2016/05/turning-grandmothers-into-engineers>

<https://www.enelamericas.com/en/stories/a201711-sunshine-enters-bahia-homes.html>

## Thesis summary

The present research concerns the transformation that certain companies have been going through in the last years, in terms of evolving from a “cosmetic” CSR and corporate philanthropy to a much more structured, integrated and clear intent of internalizing sustainability and social innovation practices into their core business. In particular, I have investigated the ways in which firms have succeeded in gaining a competitive advantage by combining social innovation with more strictly technological innovation, thus upgrading the Schumpeterian theories on the links between entrepreneurship, innovation and social change. For most companies, technological advancement is a key part of their core business, but it is becoming of the essence to make it socially acceptable, inclusive and environmentally sustainable. The study is meant to demonstrate that this integration process generates societal welfare and a better reputation for the corporate world – which de facto acquires a more responsible, sustainable and proactive role in society – alongside with additional profits for the enterprises that implement it.

Building on a reversal of the traditional understanding of Corporate Social Responsibility, the main research question is stated as follows:

*By what means does the integration of sustainability and social innovation practices into the core business of enterprises – alongside technological innovation – create shared value as well as competitive advantage?*

Moving its cue from a critical account of academic works in the field of CSR and sustainability in for-profit ventures, the research revolves around the qualitative case study of the largest Italian utility: Enel S.p.A. The thesis seeks to prove that certain social projects – be they internal welfare initiatives, partnerships with the third sector or start-ups with a social mission, or interventions in community programs –, are part of the business logic and profit-generating activities, not just corporate goodwill, as it had been the case for several decades. To test the possibility of making an analytic generalization of the results, the researcher has set forth the following three propositions in support of the main research question:

- a. The company has moved on from the traditional view of Corporate Social Responsibility towards a shared value mindset.

- b. The pathway to innovation has the dual objective of promoting business growth and improving the life of communities.
- c. Standards of sustainability and social inclusion are embedded in corporate structures and processes and in financial instruments.

The literature review contained in the first chapter started from the assumption that relatively recent demands from public opinion have urged the business sector not to overlook or underestimate pressing global problems and to make its operations accountable from a social and environmental viewpoint. The rationale behind early Corporate Social Responsibility (CSR) efforts by companies was indeed to respond to a sort of *moral obligation* towards society, typified by ad hoc departments that would promote programs to mitigate the social costs of production or supply of services. Despite having overcome the first age and stage of CSR detected by Visser (2010) – i.e., *Greed* –, a few enterprises got stuck in the subsequent overlapping phases, namely those of *Philanthropy* or of *Marketing*, whereby corporate responsibility has a more charitable or promotional connotation respectively. Nevertheless, those solutions were inadequately designed as just peripheral activities, to the point where they only served to embellish the company's image through a series of credentials and standards of compliance (e.g., ISO 26000 and ESG schemes), without delivering impactful innovations. According to a number of scientific accounts (Baumgartner, 2013; Mirvis et al., 2016; Osburg, 2013; Rexhepi et al., 2013; Sheehy, 2015), the conceptualization of CSR as mere corporate philanthropy or citizenship – and the model that derived accordingly – failed to give way to an actual change in corporate behaviour. This shortcoming provided a pretext for management scholars and practitioners to shift the focus towards an innovation-driven corporate sustainability and responsibility.

A number of approaches alternative to the traditional notion of sterile CSR have been suggested and the most valuable ones were based on Schumpeter's theories on entrepreneurship and innovation. As advocated by this prominent scholar, innovation has always been in the DNA of firms, and entrepreneurs are the privileged actors in society tasked with stimulating and disseminating innovative solutions. The innovation process within firms can thus easily be directed towards efforts that both satisfy social needs and problems, generate benefits for society, and create social value. These efforts take the form of social innovations,

which seek to increase societal welfare through co-creation, cross-sector fertilization and open innovation, and involve private as well as public stakeholders and third-sector associations (Cacciolatti, 2020; Phills et al., 2008). As a result of the improvements in the CSR agenda and process, a great deal of scholarship has explored how social innovation is articulated within corporations under the name of Corporate Social Innovation (CSI). As CSI increasingly deemed a strategic investment, its advantages include new sources of revenue and so competitive edge for firms, a more socially relevant innovation system, and positive change for communities. CSI in its turn can be framed in the more general business concept first theorized by Porter and Kramer (2011) of Creating Shared Value (CSV). The latter is an internally generated way for firms to yield economic and societal benefits relative to cost in real competition of maximizing the profits. Shared value is understood to be the underlying goal to strive for, with the potential to propel the global economy's next wave of innovation and productivity growth. Something that might, in turn, lead to the elaboration of Sustainable and responsible Business Models (SBMs), but also yield a positive effect on financial performance (Herrera, 2015; Mirvis et al., 2016).

Given these premises, the choice of the multinational electric utility Enel S.p.A. as object of this case study derived in the first place from the knowledge of the company that the researcher already had and from her direct involvement in an internal welfare program for children of employees (We Are Energy campus in Catania) as intercultural educator. However, the choice resides in a number of other reasons as well, namely the markedly sustainable footprint of Enel's business processes and its commitment to social innovation; the fact that it began as an Italian state-owned monopoly and then rapidly expanded to a number of other countries around the world; the recent revenue and business growth of the company, and the competitive advantage it attained in the global market. These are all proof that the company's renewed strategy of internalizing sustainability into its innovation processes make it a role model in the sector. After describing the We Are Energy initiative and project, the second chapter was therefore dedicated to framing the context within which Enel operates, by identifying background information, main business activities, people and organizational structures that have promoted the company's transition towards a CSV approach, and some of the exemplary activities of sustainable and social innovation active on the ground.

The name Enel is the acronym for “Ente Nazionale per l’energia ELettrica”, meaning National Electricity Board, because it started out as a state-owned enterprise, founded back in 1962 by the Italian government as an agglomeration of more than a thousand local energy producers. With regard to new sources of energy, Enel reached important milestones in pioneering the transition towards renewables throughout the 1980s. Under the banner of the gradual liberalization process which was then starting in Europe, the 1990s represented a period of great change, which led to the 1999 legislative decree sanctioning the complete deregulation of the Italian electricity market and to the privatization of Enel (Chesbrough, 2016). In the early 21st century, the Rome-based business embarked upon an extensive internationalization path. Indeed, it launched its international expansion in North America, Russia, Romania, Slovakia, and in Spain with the acquisition of the Spanish largest energy business Endesa, which in turn had subsidiaries in Portugal and South America. Along the years, Enel has thus transformed itself from a state-owned monopolist into a global leader in the generation and distribution of energy, due primarily to its investments in renewable energy. The Enel website itself states that innovation and sustainability had already become their “two biggest drivers”, to the point that in 2004 Enel became the first for-profit venture in the renewables sector to be included in the Dow Jones Sustainability Index and joined the United Nations Global Compact initiative. In 2008 it spun out Enel Green Power (EGP), a subsidiary dedicated to renewable energy production. EGP started creating shared value across its value chain in 2012 and the Enel Group CEO Francesco Starace decided to extend the approach to the whole Group in 2014. The utility went through a series of mergers and acquisitions, founded new business lines and spin-offs, and managed to establish a relatively strong presence in all 5 continents of the globe. Indeed, the organizational design that resulted naturally from such an ample ramification of activities is a matrix, that keeps changing hand in hand with modifications of the core and peripheral business. Its dimensions comprehend 5 Global Business Lines (Global Infrastructure and Networks, Global Energy and Commodity Management, Enel Green Power and Thermal Generation, Enel X Global Retail, Global e-Mobility); 4 geographical areas (Europe; Africa, Asia and Oceania; North America; Latin America) and 2 countries (Italy and Iberia); 3 Global Service Functions (Global Procurement, Global Customer Operations, Global Digital Solutions). All these add to the six Holding Functions of *Administration, Finance and Control*,

*People and Organization, Communications, Legal and Corporate Affairs, Innovability and Audit*, and have some elements of sustainability management incorporated within them. What Enel realized more sharply than other companies is the interconnectedness between socio-environmental sustainability and innovation processes inside firms. This way of reasoning has led to the launch of the unprecedented business function of *Innovability*, which stems from the marriage of Innovation and Sustainability. It was designed to be cross-functional, with an innovation and sustainability manager in every function and business line that has apical relevance and directly reports to the Chief Executive Officer. Within Enel, the entire organizational and corporate governance model has been devised to ensure that sustainability issues are appropriately taken into consideration in all relevant corporate decision-making processes.

The third chapter is devoted to an explanation of the research methodology implemented and the reasons behind its application. In order to find appropriate answers to the research objectives set forth, the researcher has decided to analyze the single case study Enel S.p.A. and its operating context, where issues of environmental and social sustainability are strongly felt. Being situated squarely, as a methodology, well within the parameters of modern qualitative social science methodologies, case study research was deemed the suitable tool to employ for a number of reasons. First of all, given the present study started from an analysis of the past concept of traditional CSR only to understand how that has since been received differently by companies and is currently being updated in terms of sustainability and social innovation, a case study focusing on a contemporary phenomenon is likely the preferred option. More specifically, in order to answer the research question of this dissertation, a qualitative approach was chosen. Understanding the evolution over time and the status quo of the CSR phenomenon inside firms entails exploring the underlying enablers and managerial processes and decisions, factors that are difficult to quantify. Furthermore, in case studies multiple sources of evidence can generally be used, with data converging in a triangulation fashion (Yin, 2002). This work resorted to the three data sources of archival data (e.g, secondary sources of predominantly textual form, namely electronically published company reports, official records and documentation, press releases, and websites), 3 in-depth, semi-structured interviews with 4 Enel managers, and one focus group held with 7 teenage participants in an Enel educational

campus, all aged 15-17. The main aim of this case study research is to inform future theoretical and empirical scholars and practitioners regarding the management and organization of sustainability and social innovation in for-profit organizations. However, the researcher is mindful that the findings derived from a single case study cannot be generalized to entire populations of firms or markets. Broadly speaking, research on a case study was deemed appropriate for its ability to grant rigor, validity, credibility, and reliability to the data hereby collected. Following a direct, in-person contact of the researcher with two out of the four interviewees, the interviews were conducted entirely online on the communication platform Microsoft Teams and lasted between 30 and 50 minutes. The focus group lasted a total of 13 minutes and was carried out with the physical presence of the researcher and the respondents at the same location on the occasion of the We Are Energy campus in Catania. Every piece of data coming from interviews and focus group was audio recorded and transcribed verbatim by the interviewer to be later analyzed.

Once the data collection procedure was completed, it was possible to make a selection of the interview evidence based on the three theoretical propositions outlined at the outset of the study. The triangulated data, merged with information coming from the desk analysis, was later unified in order to draw a complete and coherent picture of Enel's strategy of integration of sustainability and social innovation into the core business. Corporate practices and factual examples of shared value and market advantage creation were systematized and divided into 5 macro themes (Sustainability as founding principle; Structures and objectives of Open Innovation and Innovability; Focus on people and the environment for a better future; The concrete results for the company; Recommendations for the future of business), inclusive of further related subthemes. The research findings are presented and discussed in the fourth chapter following the analytical framework just mentioned. The results, with all the real examples attached, were presented to show that businesses investing in a socially and environmentally cautious way get better support from the communities as well as positive feedback from increasingly aware shareholders.

As regards the first macro theme (*Sustainability as founding principle*), all interview respondents highlighted a path of evolution in Enel's approach to issues of social and sustainable responsibility that has been taking place in recent times. The Rome-based company



has been found to confirm the first proposition in that, from the traditional reading of a moral obligation of a firm towards society, CSR was turned into a deliberate business choice and substantive business orientation. More specifically, two phases of transition can be pointed out i.e., 2008-2014 and 2014-2018. Firstly, through the establishment of Enel Green Power (EGP) subsidiary in 2008, the company was ahead of its time – and its competitors –, betting on energy production of a sustainable nature (from renewable sources). By having a direct experience of the value stemming from integrating activities, EGP's early years were the test bed for valuing the impact of plant development on local communities. Subsequently, with Francesco Starace turning from CEO of EGP into CEO of the whole Group in 2014, this forward-looking mindset was extended to the rest of the business across the globe. Starace set out on his general management term by creating the new, revolutionary holding function of Innovability. As attested by the then Head of Sustainability, who was among the protagonists of the 2014-2018 transition period, the function which used to be called CSR was shifted from the communication department to an area much more incorporated in the business. In this second transition phase, with reverberations extending into the present, the utility started to plan and execute operations maintaining the CSV framework as core orientation guiding all its business choices. In more than one case, in those years the company stood against land use and in favor of local communities, listening to their needs and making a choice of sustainability at the expense of short-term profit *"because you then earn it in the long run"*.

An element emerging from interviews is the fact that the change in approach described above was largely driven by the firm's top management. Engineer Starace as CEO of the whole Group since 2014 demonstrated the seriousness of Enel's commitment to orienting its strategic business choices according not only to the economic benefit it can reap, but to the overall consistency of its sustainability footprint, in line with UN SDGs. Nonetheless, it should be remembered that the application of a shared value mindset would not have been possible without the Board of Directors' support, which remained basically unanimous and unvaried throughout the whole process, and without the dual role of the Chairperson (at the time Maria Patrizia Grieco) as also Governance Guarantor. With the aim of lending additional credibility in the eyes of investors, Enel decided to work on sustainability from a systemic perspective, internally demanding compliance with certain targets from its managers, too. As a matter of

fact, the remuneration policy for both the CEO/General Manager and key management personnel is aligned with the achievement of environmental targets. In addition to this, the company designed a whole set of new financial instruments that would serve the purpose of making the business objectives adapt to the CSV framework, hence lending support to the third proposition. First of all, along the years Enel has worked in tight collaboration with the International Capital Market Association (ICMA), in pioneering capital market issues of Green Bonds first (from 2017), and Sustainability-linked Bonds after (from 2019). Secondly, the truly groundbreaking innovation that came up from the data analysis and was brought by Enel as part of an integrated approach to reporting is the so-called *Enel Stakeholder Capitalism*.

This reporting framework, trademarked just last May (2022), precisely embodies a paradigm shift in terms of the concept of value created over value distributed, whereby the former is the ability of an organization to create sustainable value and wellbeing through its operations, and the latter is the ability to distribute the value created to all direct beneficiaries. Success is not measured purely on traditional financial indicators (e.g., net income or free cash flow), but it comprehends the effects of corporate operations on the sustainable growth of communities, society, planet, people, suppliers, customers, debt holders and investors. The model rests on the 4 pillars of (i) value creation, (ii) value distribution, (iii) development strategy, (iv) communication, which all ultimately contribute to (v) quality, the fifth pillar. Investments, for their part, are assessed according to their conformity with relevant SDGs, goals under European taxonomy, community needs. Generally speaking, Enel follows a strategic sustainability plan and a business model leveraging on the 3 macro categories of input resources of people, planet and prosperity. Its 2022-2024 Sustainability Plan, included in the company's latest Sustainability Report (Enel SpA, 2021c), is composed of 4 pillars (electrification, net-zero ambition, people, nature); 3 backbones (governance, safety and human rights); 3 growth accelerators (innovation, digitization and circular economy).

The second macro theme of *Structures and objectives of Open Innovation and Innovability* rests on the finding that within Enel innovation is the preferred means to achieve the ultimate goal, that is sustainability, raise the level of ambition of its specific targets, and amplify these trends both inbound and outbound. More than one interviewee pointed out the central position occupied by technological innovation in a power company such as Enel, but they have always

put it terms of a factor that underpins sustainability. Chief Innovability Officer Ernesto Ciorra felt it was of utmost importance to institutionalize a function from scratch (Innovability) that would deeply root innovation inside Enel with the sustainability objective in mind. Again in support of the third proposition and to answer the research question, the Enel case study shows that even the organizational model of a company must reflect the strategy of internalizing sustainability and social responsibility practices into the core business in order for innovation processes to be successful and profitable. As a matter of fact, the Enel Innovability function is not just present at the holding level with the Director Ciorra, but is also represented in every business line by a dedicated manager.

Another ingredient that Enel's representatives deem essential to the development of a sound, productive, and socially committed business is the openness of its innovation processes. The company is engaged in countless partnerships with external partners, such as startups, small and medium-sized companies, large companies, research centers, universities and academics, NGOs, governmental agencies, energy generators, investors, and with individual contributors and experts, either internal or external to the firm. In particular, Enel Innovation Hubs scattered across the globe have several active projects of collaboration with small entities e.g., startups and SMEs, that they help to grow through investments whenever a technological solution of theirs is of interest to the multinational enterprise. The sharing of ideas is a process and practice encouraged by Enel both internally, among people directly involved in the company (e.g., employees and their families), and externally, with outside partners and collaborators. Means that facilitate the circulation of ideas mentioned by interviewees include internal paths of training and sharing of best practices from subsidiaries around the world, and internal corporate programs designed to convey the importance of concepts like sustainability and social innovation stimulating their application in concrete terms. In any case, the most striking example of this corporate practice is represented by the crowdsourcing web portal Open Innovability. It is open to anyone – from other companies and start-ups to universities, from experts and inventors to ordinary citizens – and Enel regularly launches challenges onto it. People are openly asked to give their contribution either spontaneously, just out of context, or in response to a call for support to innovate something specific. The company benefits from this pathway to open innovation due to the competitive advantage deriving from both the speed

at which the required expertise and solutions are encountered, and the pertinence of those with respect to the business demands.

Being an energy services company, Enel is in a privileged position to trigger an actual change in society that reverses the current economic system in a sustainability perspective, by making a wiser use of natural resources and providing communities with opportunities for empowerment. The macro theme *Focus on people and the environment for a better future* deals with the two features of environmental targets and social inclusion already present inside Enel's core business. In her intervention, one interviewee elucidated the overlapping of Enel's business strategy and sustainability by tracing its approach with respect to relevant UN SDGs. The company wants to tackle climate change by reducing emissions (SDG 13), by means of increasing its renewable presence and capacity (SDG 17). In order to accomplish the latter, other two factors must be pursued, namely a resilient infrastructure and innovation (SDG 9). After that, Enel should strive to create sustainable communities and cities, also electrifying (SDG 11). The inextricably linked targets of further development of renewable capacity and emission reduction are present in all of Enel's lines of credit as well as in all the other financial instruments. The Italy-based company is also leading the way in the electrification of mobility and consumption, that is why electrification and net-zero ambition have become two of the four pillars of Enel's Sustainability Plan. On the other hand, among the various ways in which the social component is articulated in Enel's endeavors thus contributing to value creation is its care for the people, evident in the high level of internal welfare and the positive and pleasant working environment. Recipients of Enel's social projects – be they internal or external to the company – are constantly taught not only new technological discoveries and applications, but also concepts such as collaboration, social inclusion and socialization, collectivity, and team working. Innovation is thus made “*on a mental level, even in cultural values*”. Maintaining solid relationships with the communities where the company operates has allowed for the implementation of a “*new balanced model of equitable development that leaves no one behind*” and for the creation of long-term shared value for all stakeholders.

A number of traces emerged of the competitive edge and the economic return that Enel would earn from its socially and environmentally responsible operations, that go under the macro theme of *The concrete results for the company*. The respondents talked about benefits in

expanding the customer base and from a cost saving perspective, including in plant maintenance and production. Enel has reportedly gained market advantage over competitors also in terms of skills, productivity, and efficiency. Additionally, the company would retain a sort of first-mover advantage whenever the partnership with a particular NGOs hands out to Enel primary-source information about a certain territory of interest to the business ahead of time. The interactions that took place in the focus group brought to light the unexpected element of workforce attractiveness, due to the lure of Enel's social and environmental causes and its care for the people among youths approaching the world of work. The data collected also offered the researcher numerical evidence of the manifestations of the advantage linked to sustainability, that Enel is either currently enjoying or will enjoy in the future. Some of those mentioned in the research are 2,2 billion euros of cumulative net benefit from innovation activities estimated for the 2018-2030 period; 80% of Enel's financial instruments linked to sustainability goals in 2030; an annual growth of the company of 6-7% foreseen for the 2022-2024 period; a total installed renewable capacity of 154 GW globally and a customer base of 86 million by 2030.

The fifth and last macro theme of findings (*Recommendations for the future of business*) contains overarching suggestions based on the respondents' latest experience of the company, which could serve as a reference for other businesses wishing to grow in the same direction, and for the future of the corporate world in general. One interviewee pointed out cultural change and self-questioning as well as the readiness to transform and innovate as two essential elements for the successful integration of sustainability and social innovation into the core business of for-profit ventures. Starting from a base that is more or less common to all companies, a change in the specific business model of each company is required, to which sustainability then ties in. Another important piece of advice given was not making the mistake of linking sustainability strategies only to the medium or long term. Enel's representatives are also convinced of the unquestionably responsible role of enterprises in society in spreading knowledge about pressing global issues and providing the public with a series of stimuli on aspects of environmental sustainability and sociality.

The findings overall confirmed the second and the third propositions, while the first proposition was partially refuted by both some interview declarations and archival data. In fact,

in its recent path of transition, Enel has not discarded CSR and philanthropic principles by replacing them with the CSV framework. Rather, it has kept them effective in certain situations where they were deemed proper through its operative non-profit entity Enel Cuore, and for the rest has assimilated them into the more systemic and holistic corporate strategy of creating shared value. By addressing a still underdeveloped field of study and a relatively new understanding of the role of companies, this qualitative dissertation tries to provide value in a number of directions. Firstly, it brings together mixed relevant literature on stakeholder theory, CSR, corporate philanthropy, social and economic development, entrepreneurial activity of innovation, CSI, and CSV, to thence find a gap to fill and an exemplary case to analyze. The results achieved constitute not only answers to the questions the researcher had asked, but also and above all the basis for a future continuation of research in the fields of social entrepreneurship, sustainable finance, organizational theory, human resources management, and sustainable business modeling and planning.

With this work, the researcher wanted to dig deep into the managerial decisions and core business processes of a company like Enel, which has a strong technological vocation and is particularly outstanding in this field, to demonstrate its ability to generate socially responsible innovations. The case study at hand is here to offer some stimulating suggestions to professionals working in firms that are willing to strategically embrace a sustainability-focused approach by innovating their products, services and business models. Indeed, they are given a systematic framework, which is grounded in the sustainable development and open innovation concepts. In addition, they are provided with a vast array of examples of social innovation projects, organizational and managerial processes that can trigger a radical change in mindset, and financial instruments in support of the CSV model. Enel's positioning well within the global agenda and its clear stance towards all stakeholders – from customers and employees to society and the environment – potentially have transformative societal impacts if implemented by other companies on a large scale.

Enel managers involved in this study showed remarkable interest in being provided with the results of the survey, to potentially assess the efficacy of its social initiatives and receive feedback from their target audience on what kind of brand value is conveyed, and perhaps disclose some still unheard-of aspects of Enel sustainability strategy among the communities.