

The transition towards benefit corporations: What are the roles for stakeholders?

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Abstract

A benefit corporation (BC) is the legal status of an enterprise that embraces a dual-purpose business model (BM) of maximising shareholder value while satisfying stakeholders' interests. The literature so far has focussed on the motivations beyond the birth or transformation of BC, the factors that can favour the emergence of BCs, and the results companies achieve after the transformation, as well as studies on the new BCs' legislation. Other studies have examined how the duality of purpose (profit vs. social benefits) can be composed, and the risks of a mission drift favouring profit maximisation in BCs. By drawing on stakeholder theory, this study aims to highlight the role of stakeholders in the process of transformation from a traditional for-profit BM to a BC model. We adopt a qualitative approach through a longitudinal case study to observe the transition of a small-medium enterprise into a BC. The results show how management and engagement practices coexist in the relationships with stakeholders and how an instrumental approach prevails.

KEYWORDS

benefit corporation, Italy, stakeholder theory, stakeholders

1 | INTRODUCTION

Corporate social responsibility (CSR) has regained relevance following the approval of the United Nations Sustainable Development Goals (SDGs), which aim to create a framework for sustainable development, in which public and private organisations are deemed to play an active role (Allen et al., 2018; Halme et al., 2020; Soderstrom et al., 2017). A relevant role is expected to be played by those hybrid organisations (Haigh & Hoffman, 2014) that embed social and sustainable purpose into their business models (BMs) (Haigh et al., 2015; Vickers & Lyon, 2014). One form of hybrid organisation that has recently emerged is the benefit corporation (BC) (Baudot et al., 2020a; Gamble et al., 2020). In their corporate charters, BCs embody the objectives

of maximising both the shareholders' and stakeholders' interests, and as such, they are considered a new form of socially responsible corporation (Baudot et al., 2020a; Czinkota et al., 2020; Hiller, 2013).

The literature thus far has focussed on the factors that can favour the emergence of BCs and their financial performance (Blasi & Sedita, 2021; Diez-Busto et al., 2021), as well as studies on the effects of new BC legislation (Riolfo, 2020). Some studies have investigated how the duality of purpose can be composed (Czinkota et al., 2020; Hiller, 2013) and the risks of a mission drift that favours profit maximisation (Baudot et al., 2020a). It is widely accepted that the adoption of a socially responsible BM requires the stakeholders' involvement (Brown & Forster, 2013; Sen & Cowley, 2013). Jonsen (2016) argued that stakeholders have a central role in BCs' BM, and that the engagement with stakeholders is to be found in their ability to generate value for others. When a company decides to embed a dual purpose in its BM, it breaks the boundary of the 'traditional' dual relationship with

Abbreviations: BC, benefit corporation; BM, business model; CSR, corporate social responsibility; SDG, sustainable development goal.

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the stakeholders. Indeed, Porter and Kramer (2011) explained how stakeholders' consideration can create value for both shareholders and the wider community. They describe how the dual purpose of an enterprise can 'expand the total pool of economic and social value available to peoples and societies around the world' (Porter & Kramer, 2011). On the other hand, Agle et al. (2008) argued that stakeholders have an 'intrinsic worth' for enterprises. Despite the increasing debate among scholars, recent literature reviews (Blasi & Sedita, 2021; Diez-Busto et al., 2021) have asserted that the role of stakeholders in BCs has not been sufficiently studied, especially in the first part of a BC's life, during its transformation or creation (Diez-Busto et al., 2021). Indeed, She and Michelon (2023), investigating BCs' governance mechanisms of stakeholders' management, called for further studies to better understand the stakeholder engagement practices. Starting out from this specific gap in the literature, this paper aims to understand what roles stakeholders have in the process of transforming an enterprise into a BC, observing how the relationship with the different groups of stakeholders is managed and contributes to the definition of the for-benefit purpose. In particular, the paper addressed the following research questions: *How are stakeholders involved and their interests considered during the process of BC transformation?*

To address the above research question, we draw on stakeholder theory. In fact, stakeholder theory is a useful lens for untangling the interactions among the interests, expectations and influence of stakeholders in organisational change (Dmytryiev et al., 2021). In particular, the focus is on whether a stakeholder management or stakeholder engagement practice is adopted during the transformation process, and its implications in the definition of the dual purpose and the emergence of BC. In doing so, we present the evidence collected through a longitudinal case study from 2019 to 2022 focussed on the transformation of a small-medium enterprise into a BC.

The paper is structured as follows: Section 2 presents the literature review, while section 3 presents the theoretical development. Section 4 describes the methodology before describing the case in Section 5. The last two sections present the discussion of the findings and the conclusions.

2 | BENEFIT CORPORATIONS: A LITERATURE REVIEW

A BC combines a dual purpose between profit maximisation and creation of positive social and environmental impact (Battilana & Dorado, 2010; Del Baldo, 2019). In some jurisdictions, these firms are called social enterprises, and some have a legal structure that contemplates for-profit and non-profit purposes together (Holt, 2011). BCs appeared in the early 2000s, proposing a BM in which profit maximisation is balanced with other purposes and missions but not subordinate to them (Baudot et al., 2020b; Rawhouser et al., 2015). As explained by Hiller and Shackelford (2018, p. 19) in BC, 'as part of their fiduciary duties, directors must consider broader stakeholder interests as well as profit'.

The literature on BCs has grown in the past decade, addressing different topics and issues. Authors like Le Grand and Roberts (2021), Rawhouser et al. (2015), Richardson and O'Higgins (2019), and Villela et al. (2021) focussed on the motivations that drive entrepreneurs to convert companies into or create new BCs. These studies underlined the political issues that move entrepreneurs towards this choice, also addressing the public interest, such as employee health and welfare and reduction of pollution (Baudot et al., 2020a). Notwithstanding the considerations of the public interest, the primary mission for most BCs remains profit maximisation, while their positive impact on society is considered a secondary counterbalance (Hiller, 2013).

An important stream of literature (e.g. Liute & De Giacomo, 2022; Stecker, 2016) has investigated the risk of 'greenwashing' or 'benefit-washing' in communications of BCs and analysed how this risk was considered and managed by entrepreneurs. Other authors have investigated how BCs disclose information about their activities, also assigning the different levels of statutory disclosures that some jurisdictions require to BCs and in relation to their legal status (Cao et al., 2017; Riolfo, 2020). More recently, the literature has focussed on the role of accounting and management accounting systems (e.g. Blasi & Sedita, 2021; Diez-Busto et al., 2021; Patel & Dahlin, 2022 and Wilburn & Wilburn, 2014). Wilburn and Wilburn (2014) explained how BCs tend to perform better than CSR-oriented non-BCs, whereas Patel and Dahlin (2022) showed that there is no positive relationship between BC certification and financial performance. However, as observed by Parker et al. (2019), especially in small and medium enterprises, there is a slowdown in growth after BC certification in the short term, although the relationship between financial performance and BC certification remains ambiguous (Cooper et al., 2022).

Among the debate on BCs, only a few studies have considered the role of stakeholders in the BC transformation process (e.g. She & Michelon, 2023). This is somewhat surprising, given that embedding the public interests in BC management presupposes the involvement of stakeholders in the definition of BCs' strategy (Brown & Forster, 2013; Sen & Cowley, 2013).

2.1 | Benefit corporations and stakeholder relationships

The BC literature has highlighted the relevance of stakeholders in credibly creating an impact. Indeed, the public interest presupposes the involvement of stakeholders in the definition of BCs' strategy (Brown & Forster, 2013; Sen & Cowley, 2013). Moreover, Fernando and Lawrence (2014) argued that when an enterprise meets multiple expectations and interests from various stakeholder groups, there is the possibility of switching towards a BC model. Jonsen (2016) explained how stakeholders' consideration impacts on the enterprise's governance and management choices. Porter and Kramer (2011) explained how the enterprise creates value for shareholders and stakeholders together, because increasing the economic and social conditions of the community and stakeholders at large enables a

concurrent improvement in competitiveness (Porter & Kramer, 2011). However, Agle et al. (2008) showed how attention towards stakeholders is motivated to create common good and ethical purposes drive an enterprise's actions (Agle et al., 2008). On the one hand, the BC should combine, without conflict, the creation of profit and increasing the common good (Jonsen, 2016). Poponi et al. (2019) analysed BC certification, showing how stakeholders have different roles that stimulate BCs to activate a virtuous path towards sustainable actions. So, according to the authors, social aspects represent the opportunity for BCs to match stakeholders' interests and the benefit purposes stated in line with CSR practices. Indeed, they asserted: *'the "social aspect" of the B Corp enterprises represents the critical factor for the switch toward a circular economy, constituting the spring that allows the activation of a network of stakeholders in pursuing the aims of certification and the principles of the circular economy'* (Poponi et al., 2019, p.12).

Moreover, analysing the relationship between CSR and stakeholder theory in BCs, Burger–Helmchen and Siegel (2020) explained how BCs are a potential tool for acquiring organisational legitimacy. In particular, the authors argued how the BC label makes it possible to obtain an advantage in terms of recognition by stakeholders as an enterprise belonging to the BC community, which therefore shares the same values and principles. Recently, Marchini et al. (2022) used a mixed-method approach to explore the relationship among BC transformation, strategy changes and impact areas pursued by BCs. The study showed that to have a positive impact on the community, the environment and workers, it is necessary to have constant dialogue with all stakeholders concerned. Furthermore, the authors explained how the motivation behind the transformation into a BC is not generally linked to the improvement of the economic-financial performance, even if an improvement can still be obtained as *'a possible longer term consequence related to membership of networks, attracting employees and improving efficiency'* (Marchini et al., 2022, p.17). She and Michelon (2023) investigated the governance mechanisms of stakeholder engagement through social media in United States. Their results offered various insights to sustainable enterprises and policy-makers as to how the governance of BCs impacts on the involvement of stakeholders in different contexts. She and Michelon (2023) concluded that: *'Future research may explore the relationship between other B Corp firm characteristics and stakeholder engagement activities.'* Moving forward, this paper intends to contribute to this ongoing debate by unfolding the role of stakeholders in the BCs' transformation process.

3 | STAKEHOLDER THEORY: A CONCEPTUAL DEVELOPMENT

Stakeholders can be defined as *'any group or individual who can affect or is affected by the achievement of the firm's objectives'* (Freeman, 1984). Miles (2017) argued for the existence of various categories of stakeholders in relation to interests, claims, stakes, nature of relationship, basis of legitimacy, nature of obligation or

responsibility, risk, or power. However, Donaldson and Preston (1995) extended the concept of stakeholder to the set of corporate relationships, overcoming the old 'input-output' corporate system. Stakeholder theory is a consistent framework to interpret and analyse various phenomena, with reference to the managerial decision-making process (Jones & Wicks, 1999). According to Donaldson and Preston (1995), stakeholder theory can be used with three approaches—descriptive, instrumental and normative—mutually useful for capturing different perspectives and understanding behaviours relating to the relationship between the stakeholder and the enterprise.

A descriptive approach describes the enterprise as a constellation of co-operative and competing interests that have intrinsic value, whereas a normative approach leads us to think about the function of the company, including the identification of moral and ethical guidelines for its operation and management, focussing on the CSR field. The instrumental approach of stakeholder theory helps the researcher observe the relationship between an organisation's purpose and its ability to achieve goals (Helmig et al., 2016; Steurer, 2006). Moreover, an instrumental approach allows the observation of how companies consider stakeholders' interests in achieving their objectives and how stakeholder considerations increase a company's ability to achieve its results (Laplume, 2021). Furthermore, Laplume (2021) explained how managing stakeholders produces a competitive advantage for firms and can contribute to business strategy definition and BM innovation.

Valentinov and Hajdu (2021) argued that an integrated approach between instrumental and normative stakeholder theories *'reflect the institutional texture of the modern society'* where for-profit and for-purpose orientations are present and can co-exist in a distinct but equally legitimate manner. Jonsen (2016) also acknowledged that both instrumental and normative approaches while dealing with stakeholders. Reynolds et al. (2006) analysed the constraints and implications of balancing stakeholder interests. The authors showed how the consideration and satisfaction of stakeholders' interests represent an instrumental value for the organisation to obtain legitimacy and trust from these stakeholders (Reynolds et al., 2006). Jones et al. (2018) applied the lenses of instrumental stakeholder theory to demonstrate that the ability to create a close relationship with stakeholders can lead to a sustainable competitive advantage.

Some authors have proposed the concept of stakeholder capitalism (Freeman et al., 2007; Shahrokhi et al., 2022), defined as capitalism that embeds CSR in the BM and corporate strategy (Evans et al., 2017; Freeman et al., 2017; Freudenreich et al., 2020). Evans et al. (2017) explained how considering stakeholder interests in corporate strategy can create a basis for long-term enterprise success. This concept was also stressed by Perrini and Tencati (2006), who explained how enterprises need to extend and consider the entire set of stakeholder relationships to guarantee long-term success and survival. As highlighted, many studies have analysed stakeholder theory through the framework proposed by Donaldson and Preston (1995).

To operationalise the distinction between a normative and an instrumental stakeholder approach, we draw on the study by Qian et al. (2020). The authors attributed the features of a normative approach to behaviours motivated by human value and ethics, and an

instrumental approach when the actions are functional to obtaining a competitive advantage.

The company's approach to stakeholders can also be associated to the way it strategically relates to them. From this point of view, it is possible to differentiate between a stakeholder management or a stakeholder engagement strategy (Manetti & Toccafondi, 2012). While stakeholder engagement foresees a dialogue between the company and its stakeholders, an involvement useful for defining the common needs that can be satisfied (Waddock, 2008), stakeholder management is '*the mere management of expectations of parties involved designed to mitigate the various interests at stake*' (Manetti & Toccafondi, 2012, p. 365).

Therefore, based on the practice with which the company considers its stakeholders, their role changes: with a management practice, the role of stakeholders in defining corporate objectives will be passive (Ayers, 1987), as their participation is merely observed and interpreted; whereas, with an engagement practice, the role of the stakeholders is active, and they participate in the definition of the objectives (Manetti & Toccafondi, 2012; Waddock, 2008). As discussed by Ayers (1987), Phillips (1997), and Manetti and Toccafondi (2012), stakeholder engagement allows companies to increase their legitimacy more than through mere stakeholder management. Indeed, when stakeholders participate in the definition process of objectives, they are more likely to appreciate the goals achieved than the goals defined without their participation. Moreover, Schwarz and Legner (2020) showed how stakeholder engagement helps enterprises improve their long-term strategies. Stakeholder engagement represents an important factor for BM innovation (Min Foo, 2007; Rodriguez-Melo & Mansouri, 2011).

By combining the stakeholder approach (i.e. instrumental vs normative) and the BC relational strategy towards stakeholders (i.e. management vs engagement), we aim at understanding the role of stakeholders in the BC transformation process. In details, to understand how stakeholders are involved in the transformation process, the analysis distinguishes between stakeholder management and engagement practices where the first imply the mere satisfaction of hypothesised stakeholders' expectations while the second imply a two-way communication with the involved parties. Moreover, the features of the stakeholder approach, whether normative or instrumental, will emerge from the analysis of the practices adopted during the transformation process. The analysis of the approaches performed by an enterprise during the transformation process will allow to better understand the end of actions (Qian et al., 2020). This assumes relevance in the definition of the 'for benefit' legal purpose in a BC BM.

4 | METHODOLOGY

To develop our analysis, we draw on the evidence collected through a longitudinal case study (Yin, 2012), focussing on a small-medium enterprise—hereinafter, referred to as 'Enterprise X'. In selecting the case, we followed a purposive sampling, as we were able to enter the field of Enterprise X since the early stages of its transition

pathway to becoming a BC. According to Holloway and Wheeler (2010), in qualitative sampling, considerations on statistical representation are not decisive and fundamental. Rather, the sample acquires rigour based on its ability to highlight salient features of the phenomenon under observation (Ritchie et al., 2014).

The case study analysis was performed over the period 2019–2022 and concluded after Enterprise X's transformation into a BC. Direct observation was conducted to collect data in the various transformation steps of Enterprise X's such as internal documents, informal discussion with the CEO and president, interviews and extensive notes from the participation to formal and informal meeting. One of the researchers attended the following meetings (see Table 1):

- Initial analysis of the company's BM
- Targeted discussion meetings about the transformation with the chief executive officer (CEO)
- Meetings with the firm's employees (including face to face)
- CEO and trade association meetings
- Meeting with the notary in charge and other consultants

Extensive field notes were taken and then transcribed with the relevant players' consent and permission.

The documents analysed mainly concern minutes of the board of directors and shareholders' meetings, supply contracts, and the corporate strategic plan.

Data were analysed in line with a protocol that included a thematic analysis. Initially, the relevant passages were grouped into first-order concepts to highlight when the stakeholders were considered in the transformation process, and how the path was affected by their consideration.

Each researcher independently analysed the available documents, creating an initial outline of the main impressions obtained from the analysis. Once the analysis was completed by each researcher, a special focus group was conducted to discuss the results and impressions.

Data analysis was conducted as an iterative process, moving back and forth between transcripts and themes and by combining primary and secondary data sources. In the case of different views/interpretation between co-authors, the themes were re-examined and discussed until agreement was reached to ensure consistency (Gioia et al., 2013). In so doing, we attempted to reduce the subjectivity of the evaluations.

A summary sheet was drawn up of the main information deemed essential to highlight the role of the stakeholders during the enterprise's transformation process.

4.1 | Context analysis

A survey by PWC (2021) showed that in Italy, there were up to 1400 BCs in 2021. The legal status of BC was introduced in Italy in 2016 with Law no. 208/2015. Given the increasing number of BCs, the Italian Benefit Corporations Association, called 'AssoBenefit', was

TABLE 1 Main meetings of the transformation into BC.

Year	Duration	Subjects involved	Topic discussed
2019	4 h	CEO, Assobenefit, benefit advisor	Benefit corporation business model and dual purpose
2019	2 h	CEO and benefit advisor	Corporate purpose
2020	1 h	CEO and head of public entities division	Discussion about public entities issues on CSR and sustainability
2020	8 h	CEO and president	Discussion about corporate business model
2020	1 h	CEO and general secretary	Discussion about corporate business model
2020	4 h	CEO, technical and quality manager	Discussion about corporate business model and benefit corporation
2020	8 h	CEO and digital supplier	Digitalisation of procedures and paperless
2021	2 h	CEO and employees	Discussion about needs on work procedures and work–life balance
2022	2 h	CEO, president and notary	Modification of bylaws

founded in 2018 and held the first national day for Italian BCs in Florence in 2019. BCs have mandatory obligations in terms of transparency and in terms of ‘benefit’ generation assurance. Every BC must appoint an impact manager with the responsibility of supporting management in assessing the level of achievement of positive impacts for stakeholders. The Italian regulations additionally require BCs to identify their purpose in four areas (governance, environment, workers and other stakeholders), like the complex set proposed by Donaldson and Preston (1995), which consists of the relationships between the company and its stakeholders.

The four areas identified by the Italian legislation are useful for focussing on how the BC generates a positive impact on all stakeholders and for evaluating the enterprise:

- The ‘governance’ impact evaluates the degree of transparency and responsibility of the company in pursuing the purposes of common benefit.
- The ‘environment’ impact evaluates the impacts on the ecosystem, with a lifecycle perspective of products and services, in terms of the use of resources, energy, raw materials, production processes, logistics and distribution processes, use and consumption, and end-of-life.
- The ‘workers’ impact evaluates relations with employees and contractors in terms of wages and benefits, training, and opportunities for personal growth, quality of the work environment, internal communication, flexibility, and job security.
- The impact of ‘other stakeholders’ evaluates the company's relationship with its suppliers, the territory, and local communities in which it operates, voluntary actions, donations, cultural and social activities, and any actions to support local development and the supply chain.

A BC that does not pursue the aims of a common benefit is subject to provisions on misleading advertising and to provisions of the consumer code.

5 | CASE ANALYSIS

Enterprise X operates in the insurance industry, and it provides different consulting and advisory services, corporate and institutional customers. In recent years, the insurance sector has undergone many transformations and innovations. Technological development has led to the birth of the Fintech industry (Chueca Vergara & Ferruz Agudo, 2021), and climate and regulatory changes have led to the emergence of new risks and therefore new needs to be met, such as combating climate change, managing cybersecurity/cyber risks, and financial and liability risks (Nagaichuk et al., 2020). In this context, Enterprise X started along a path to change its BM, embedding sustainable development and CSR into its corporate purpose. More specifically, the changes in the insurance sector—such as a greater awareness on the impacts of its processes or the increasing consumer awareness and required transparency on products—have allowed the Enterprise X to evaluate more clearly its ‘material issues’.

5.1 | Moving towards the transformation into a BC

The transformation process of Enterprise X began with the curiosity of the CEO to investigate the issues of sustainability in a broad sense, trying to understand how to manage an innovation of this type for his own company. Enterprise X's CEO is a middle-aged person, with an economics background and with several years of professional experience in different business contexts. The CEO is also the main shareholder, holding a large majority of the shares of Enterprise X. Moreover, the entrepreneurial spirit runs in the CEO's family, which is engaged in various and successful business ventures. Curiosity and an innovative attitude are characteristics that the CEO has been able to cultivate in his professional career, also supported by discussions with his family members. Starting out from this background and having the above-mentioned aims, the CEO participated in the first Asso-benefit event to understand and consider the motivations, opinions,

visions, and missions of the entrepreneurs who had already adopted the BC BM. The main aim of this participation was to understand how a BC enhances sustainability within its BM. The meeting also allowed the CEO to discuss his opinions with the CEOs of other BCs. In this meeting, during a discussion with a business consultant, the CEO realised that BC was more than a new managerial fad, it was an actual means of considering the urgency of sustainable development. According to the CEO:

'The general interest in the BC business model is evident; it is necessary to understand if this is a phenomenon that will tend to grow or if it will stabilise. Certainly, the issues being addressed are issues that affect all companies, regardless of whether they are Benefit Corporations or not.'

(CEO, Meeting 1)

The CEO was also interested in understanding whether an insurance enterprise could fit the BC model, being a service enterprise with limited negative externalities, particularly from an environmental point of view. This point was addressed during a discussion with a business consultant:

'Surely the insurance sector is a sector where sustainability can have an important impact; the proposed risk analysis, the reform of the Insurance Distribution Directive transparency and the reduction of information asymmetries are all important aspects that touch on the issue of sustainability.'

(Business Consultant, Meeting 1)

After this initial meeting, the CEO developed the idea of revising the enterprise BM, considering the interests of all stakeholders. Indeed, the CEO seized the opportunity to gain a competitive advantage over other companies that have not yet embraced

sustainable development change. The instrumental approach can be deduced from his words: *'Today, companies, even financial institutions, take ESG policies into account; this could lead to obtaining a reputational advantage. BC is an interesting phenomenon that needs to be monitored.'* (CEO, Meeting 2). Enterprise X's journey to becoming a BC began soon after the meeting. As a first step, the CEO held a meeting with the top management to start their acquaintance with BC laws and principles, as well as to discuss a possible way forward.

Figure 1 summarises the transformation process that led Enterprise X to attain the legal status of BC.

All other subsequent phases were aimed at identifying and measuring the potential and actual impact of the company's BM on the benefit of stakeholders. In the subsequent sections, we analyse how the company engaged with and/or managed the stakeholders in its path towards its transformation into a BC, highlighting the stakeholder approach performed (normative vs instrumental).

5.2 | Stakeholder management in the transformation process

The entire transformation process into a BC was guided by the CEO, who followed the path deemed most suitable to transform his enterprise. In particular, the path was animated by the CEO's passion for culture and good relationships: in the past, he had indeed personally held roles in associations promoting culture, sustainable development, business support and growth, without receiving compensation and sponsoring some organised events. The CEO considered the transition towards BC status as a BM innovation, and thus decided to start out from an analysis of the present BM, carried out in collaboration with the management.

The first step was to analyse the BM to identify the impacts the company could have in relation to its stakeholders. The BM analysis was performed with a BM canvas tool (Osterwalder & Pigneur, 2010)

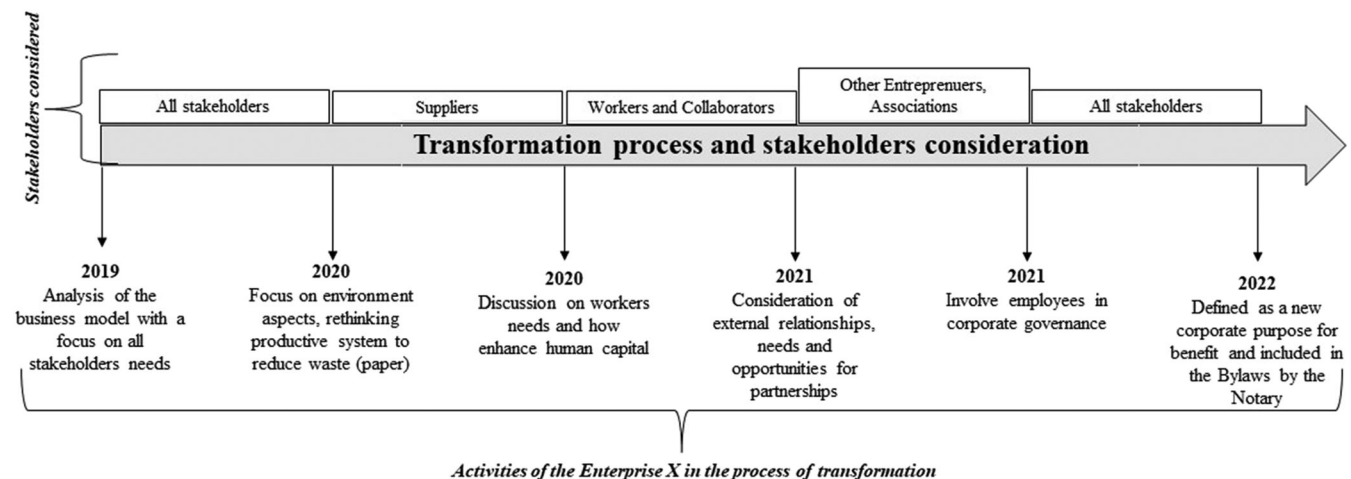


FIGURE 1 Transformation process and stakeholder consideration in the proposed case study. Source: our elaboration.

that allowed a focus on stakeholders' interests linked to benefit impact areas, as reported in Figure 2.

Whereas the governance impact concerns all sections of the tool, environment was related to the area of key partners, activities and resources, as well as customer areas. The workers' impact was assigned to the areas of key activities and resources, while the other stakeholders' impact was assigned to the areas of key partners, customers and channels. Thus, the company considered all the stakeholders, internal and external, on which its business activity could have an impact, whether positive or negative. The main effort of the analysis was not only to design the present BM used by Enterprise X but also to hypothesise all the stakeholder interests at stake. This is the first way in which the Enterprise have an overview of stakeholders' interests, considering the 'stake' that they would like to be satisfied. For example, the analysis revealed potential customer needs to satisfy, such as the possibility of having more information than their contracts, potential for greater accessibility through a digital 'web area' for customers and reducing paper wastage because of the printing of contracts. These reflections highlighted the need to consider the use of technology and digital resources in providing business services. In analysing the value proposition offered, the company considered studies conducted by supervisory bodies on the Italian insurance market (e.g. the Insurance Supervisory Institute and the Bank of Italy), which revealed a general lack of insurance and risk culture in Italy. As a consequence, the need to increase the insurance and risk culture was considered to be a common interest of all stakeholders involved in Enterprise X's relationships and was put into relationship with the 'other stakeholders' and the 'environment' areas of impact. In the

same period, a market analysis was undertaken to elucidate how suppliers and competitors embraced sustainability and whether any of each had yet moved towards the legal status of BC.

In summary, the BM canvas analysis was useful for two tasks: highlighting which stakeholders were involved in company relationships, and matching each stakeholder with interests and needs that can be managed and improved by the company in carrying out its activities. At the time of this analysis, the stakeholder approach was principally instrumental, as the achievement of the competitive advantage moved the choices of the Enterprise X in terms of stakeholder consideration and analysis of their needs.

Thus, in this first phase, the CEO considered having a switchboard with all the stakeholders and focussing on solutions to satisfy them. Furthermore, in some meetings, the CEO observed how the issue of sustainability and CSR was a theme shared by all the entrepreneurs in the interest group. Here, the CEO understood that, to combine the interests of the firm with those of the stakeholders, some kind of involvement with them was necessary to define corporate aims towards the BC transformation.

5.3 | From stakeholder management to stakeholder engagement

In 2020, the CEO started informal and formal conversations with some stakeholders, particularly suppliers, employees, external contractors and trade associations. Their involvement appeared necessary to collect more information on the needs of the selected stakeholders.

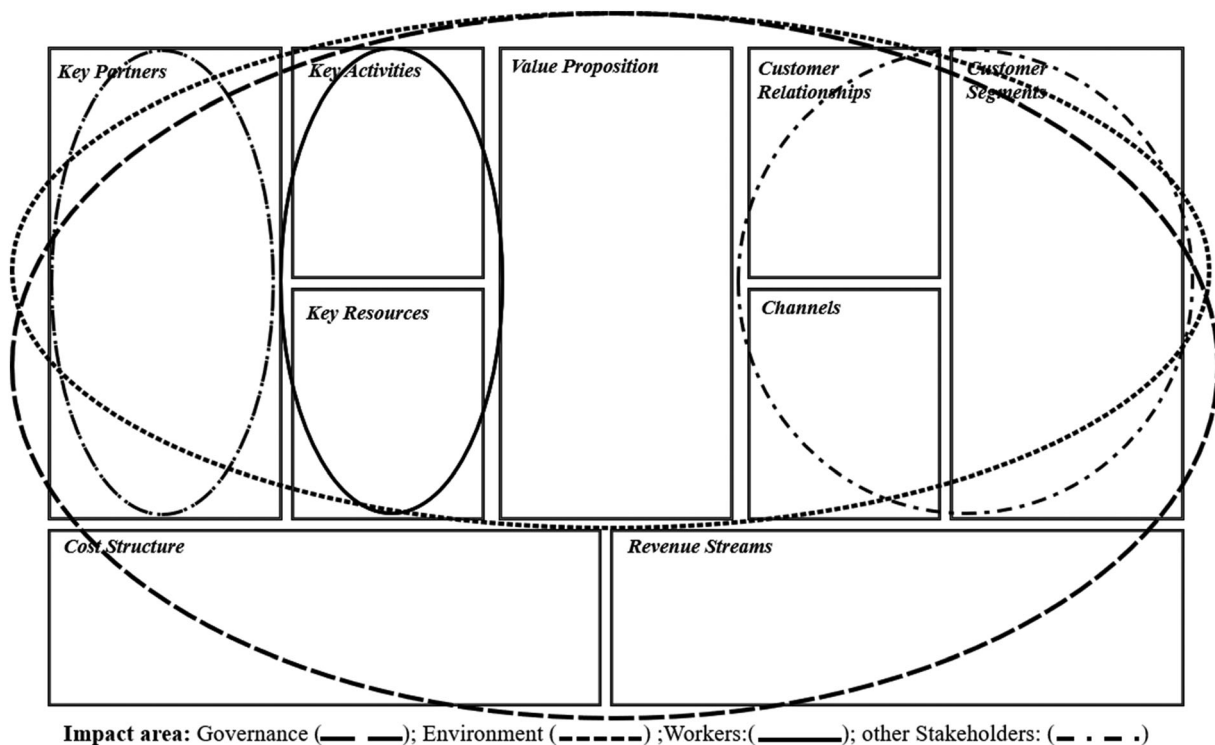


FIGURE 2 Business model tool used to identify and evaluate impacts. Source: our elaboration on business data

Indeed, after the analysis of the BM, the CEO felt the need to confront with the stakeholders to clearly identify relevant impacts to be included in its dual purpose and the company bylaw. One major dimension of impact in the BM was related to the environmental impact. Enterprise X began to design a new production system that could reduce negative impacts on the environment, improve the experience of its customers, and increase their awareness and ability to manage their risks. Some good practices for the environment were already provided for within Enterprise X, such as waste management, recycling and optimal use of resources (i.e. use paper only if strictly necessary, regulate the climate in the offices and reduce energy consumption).

In order to further improve its impact on the environment, Enterprise X decided to involve its digital provider to understand how to move forward. The CEO organised various meetings with the technical manager and the main digital service provider to understand how to migrate towards a new software version capable of allowing customers to access a password-protected area for viewing and digitally signing contracts, without the need to print them out. This service would have an impact on both the environment by reducing the use and handling of paper, and on customers, by increasing the quality of the service, allowing them to better manage their contracts. In an interview, the CEO stated:

'Currently, only some insurance companies have equipped themselves with suitable technology to collect digitally signed documents; however, it is necessary to accelerate towards this technological advancement because, in addition to facilitating the production process, it allows us to reduce wastage of paper and increase the quality of the service.'

(CEO, Meeting 7)

The digital service provider, one of the leaders in its sector, confirmed that Enterprise X was among the first SMEs to move in this direction and helped in implementing this transition.

Following this supplier involvement for the achievement of an impact on the environment and customer needs, Enterprise X started an open dialogue with its human resources on two main levels: with all employees to redefine some company procedures and improve the quality of work and with company managers sharing the idea of becoming a BC in depth.

The CEO focussed on business processes and asked employees to map out all their activities, so that they could improve and rationalise the processes. In an operational meeting addressing his employees, the CEO stated:

'You work every day with the tools that are made available to you. The process mapping activity will help you understand where you can make interventions in order to improve: I'm asking you to make suggestions for improvements, as you know the business better than anyone else.'

(CEO, Meeting 8)

Furthermore, during the lockdown resulting from the Covid-19 pandemic, the company had to reorganise its work; this was an opportunity to experiment with hybrid forms of work that management took into consideration even once the lockdown was over. The CEO accurately considered the feedback received from his workers, which mainly referred to better management of the work–life balance. After the initial conversations with employees, one employee took the opportunity to discuss his work–life-balance needs in a more open manner. The employee explained how the management of family life and his commute—he lives in a different city to where the company is located—could be better managed with smart working. The CEO, seizing on the opportunity to satisfy an expressed interest, agreed to organise the work in a different way to meet the employee's needs. This dialogue opened to a normative approach, evidencing how human value and ethics in the stakeholder consideration could be practiced.

After those first meetings, the CEO decided to set up a periodic meeting with employees to discuss both operational and strategic company issues, thus implementing a participatory corporate governance. Regarding the idea of transformation into a BC, some of the employees expressed a limited understanding of the motivations for undertaking the transformation and the real benefits arising for them. The technical and quality manager raised doubts about the ability to report the impact of all BCs in a clear and effective manner and suggested that rigorous and comparable measurement standards must be adopted. These issues raised by employees and management highlighted the need for the CEO to engage more with them to overcome doubts and scepticisms. Thus, during a subsequent meeting, the CEO explained how giving his employees the opportunity to have greater autonomy in the choice of business procedures would increase their empowerment and allow them to highlight their personal qualities and improve professionally.

Soon, the BC transformation emerged as potentially relevant for other stakeholders as well, for instance, public sector organisations and customers. During a meeting between the CEO and the manager of the public entities division, the latter outlined that many public sector entities and state-owned enterprises were very sensitive to the issue of sustainability and corporate social responsibility, and this could represent a key issue to increase the company's reputation, consolidate relations with its public customers and increase legitimacy in the eyes of the market. Thus, the instrumental approach to stakeholders came back in these reflections. The CEO explained how the positive impact research to increase a risk and insurance culture addressed not only towards its customers but also towards all interested stakeholders:

'Knowing the risks, knowing how to identify and evaluate them, having a culture of risk which is not superficial, allows everyone to make more informed decisions, and awareness is the basis of each of our choices.'

(CEO, Meeting 4).

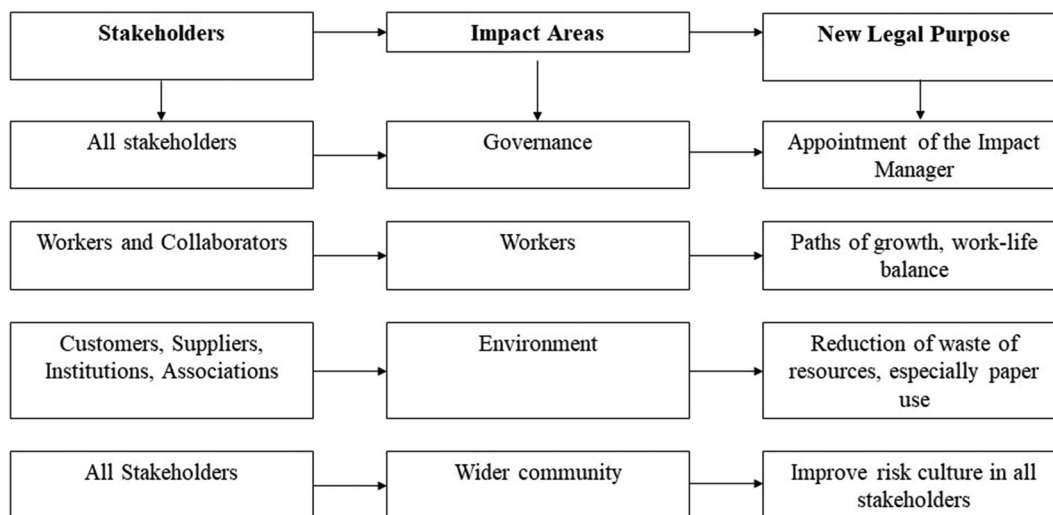


FIGURE 3 'For benefit' purposes definition process. Source: our elaboration

Furthermore, with reference to other stakeholders, the CEO interacted with the general secretary of the company's trade association, discussing sustainability issues and how these can be considered by sector operators while considering the transformation into a BC. An aside from the general secretary during the discussion is interesting:

'I find the opportunity of interest also for our associated companies, and therefore I thank you for the report you have made to us. The constitution or transformation of a commercial company into a benefit company certainly involves not insignificant burdens and commitments, and perhaps this is one of the reasons why very few companies [in our sector] have tried this path, even considering the oversizing of the governance requirements that insurance companies must comply with.'

(General Secretary, Meeting 5)

In the last part of the transformation process, Enterprise X considered all stakeholders' interests that emerged during the involvement process and summarised them to define the benefit purposes and new activities to be included in its bylaw. To outline how the consideration of stakeholders helped Enterprise X in defining the new benefit purposes, Figure 3 sketches out the output of the transformation into a BC, relating the stakeholders considered, the relative impacts, and the new legal purposes included in the company bylaw.

During the BC transformation process, it was clear that the transformation would require further engagement, relationships and communications with stakeholders, but the transformation would not change the basic approach to business but rather formalise some already existing values and principles.

Indeed, when amending the bylaw, the notary also pointed out that the impact objectives set out by Enterprise X would not change the main corporate purpose 'for profit', as they are accessory to

balancing the interests of the shareholders with those of all the stakeholders considered. Shortly after the transformation into a BC, in a meeting with other entrepreneurs, the CEO expressed some observations on the reasons and the process that led the company to transform itself into a BC:

'Becoming BC also became a challenge for us because a whole series of unwritten procedures, that are in our way of doing business, became something that we had to plan and manage because becoming a BC is a journey ... Not just a label that I apply and that's it.'

It was a challenge for us, in terms of the administration, for the company's directors and employees, but also for the whole world around us, to formalise this classification But we said to ourselves that we could address this issue, as a recognition of our way of working and that we had to communicate it to the outside world as well.'

(CEO, last meeting)

The CEO explained that being a BC is, in any case, an ongoing process and that the enterprise must have the ability to constantly listen to the needs of its stakeholders, because these can change over time. This last statement opens the possibility to regularly implement stakeholder engagement practices in the future management of the common benefit.

6 | DISCUSSION

The case study highlights how stakeholders played an important role in defining a new 'for benefit' purpose in the transformation path to a BC, and that this role was played within the boundary of both a stakeholder management and a stakeholder engagement approach. In the

first phase of the transformation process, during the BM analysis, all the stakeholders' interests were implicitly considered through a stakeholder management practice. Some preliminary reflections on the potential stakeholder concerns were envisaged through the analysis of articles, data and documents of the authorities, or through some limited contacts with business consultants, entrepreneurs and trade association representatives: here, the 'stake' was observed and interpreted by the CEO and the management. Afterwards, Enterprise X felt it had to investigate the needs of some key stakeholders, such as workers, suppliers, and customers. By engaging in direct relationships through meetings and focus groups, Enterprise X adopted a stakeholder engagement practice; the stakeholders' role was active, as stakeholders directly oriented Enterprise X's choices in the definition of the new 'for benefit' activities to be included in its bylaw.

For example, asking employees to rethink the business processes, involving them in some decisions, inspired the formulation of the benefit aim of improving the manner of working as well as the work-life balance. Furthermore, the involvement of the provider highlighted that digitisation of the processes would advance both environmental and customer impacts, by reducing waste and enhancing the quality of service. As emerged from the words of the Head of the Public Entities Division, virtuous behaviour of this type, communicated externally, increases the legitimisation of the company in the eyes of its public customers, achieving a competitive advantage.

The dialogue with selected categories of stakeholders enabled reflection on some more diversified and difficult to engage categories, like the community at large; this led, for example, to the emergence of the benefit purpose, to 'improve the risk culture of all stakeholders'.

Previous literature asserted that when a company adopts a stakeholder management practice, the stakeholder role is passive (Ayers, 1987)—the 'stake' is only observed—whereas with an engagement practice, the role of the stakeholders is active, as the stakeholders are involved in defining the business objective useful for satisfying their own interests (Manetti & Toccafondi, 2012; Waddock, 2008).

In the case study observed, the consideration of stakeholders steered the organisation's purpose and its ability to achieve (new) benefit objectives (Helmig et al., 2016; Steurer, 2006). Indeed, according to Freudenreich et al. (2020), this new consideration of stakeholders properly affects the enterprise BM that is oriented towards sustainable principles, thereby innovating it (Evans et al., 2017; Freeman et al., 2017). This concept was stressed and confirmed by Perrini and Tencati (2006), who explained how it is necessary to innovate a BM that considers an entire set of stakeholder relationships. This approach towards innovation that considers stakeholders' needs and how to improve the positive impacts gives firms the possibility to create value and achieve a competitive advantage (Min Foo, 2007; Rodriguez-Melo & Mansouri, 2011).

Through a stakeholder theory approach (Donaldson & Preston, 1995; Qian et al., 2020), it is possible to observe how Enterprise X adopted principally an instrumental approach to stakeholders during the transformation process: yet in the first meeting, the CEO explained how the BC BM is interesting because it allows a

reputational advantage to be obtained. Furthermore, the choice to observe stakeholder interests through the BM canvas tool allowed the CEO to concentrate his attention on the key stakeholders that mainly have an impact on business operations. According to Qian et al. (2020), an instrumental approach to stakeholders occurs when obtaining a competitive advantage is the principal motivation for considering and satisfying their interests.

At this stage of the transformation process, the practice used is one of stakeholder management and the prevalent approach is instrumental: one hypothesis is that in the transformation process—which involves a permanent modification of the company charter—the enterprise could prefer management practices—and not engagement—to guarantee the balance between the interests of the company and that of the stakeholders. Engagement practices, indeed, could put interests in a position to 'unbalance' too much, not considering a long-term vision that also involves the company's economic-financial equilibrium.

Therefore, the choice to engage directly with some categories of stakeholders appeared strongly related to an instrumental approach to stakeholders: the CEO, in managing the process of transformation, was clearly led by a 'business case' approach, which foresaw the idea of transformation towards BC as a means of BM innovation that would enhance the firm's competitiveness. Thus, the identification of priority stakeholders and impact areas was guided by the BM canvas components which inspired possible actions to enhance the value proposition towards customers, and indicated which key stakeholders can act within and outside the firm to boost the profit aim.

Notwithstanding this instrumental approach to stakeholders, the direct engagement with selected stakeholder categories allowed better definition of the benefit aims in terms of common good, thus moderating the priority to the profit purpose. The literature also argued that an engagement-type practice with stakeholders is preferred as it allows attainment of greater sharing of the objectives to be pursued and, therefore, creation of greater legitimacy for the enterprise (Manetti & Toccafondi, 2012). In the case presented, this emerges, for example, from the dialogue with the employees: indeed, in the discussion with the employees, some expressed their needs for work-life balance more openly and the CEO had the opportunity to listen and satisfy these needs, opening to a more normative approach (Agle et al., 2008; Qian et al., 2020). Moreover, when the CEO said '*becoming a BC is a journey*', he meant that a BC could be asked to implement a complex set of stakeholders approaches, both instrumental and normative, through time.

However, the instrumental approach appears peculiar of BCs, as asserted by some literature (Jonsen, 2016). Our study further suggests that the decision about which stakeholder groups engage directly appears to be led by the perceived strategic relevance of the different stakeholder categories, and also by the feasibility and opportunity of their actual direct engagement right from the preliminary step of definition of the bylaw. Nonetheless, after the engagement process starts, the ideas and values of stakeholders gain relevance impacting on the final company dual purpose bylaw. The role of stakeholder engagement in the BC transformation phase is functional to achieve a more

legitimised balance between profit and benefit aims in the new company purpose.

7 | CONCLUDING REFLECTIONS

This study contributes to highlighting the role of stakeholders in BCs (Blasi & Sedita, 2021) and provides an in-depth case study in the BC field in response to Del Baldo's (2019) call. Moreover, we show the efforts of an enterprise transforming into a BC to integrate its interests with those of stakeholders (Marchini et al., 2022). As stated by Brown and Forster (2013) and Sen and Cowley (2013), the involvement of stakeholders has more relevance in the definition of BCs' strategy, and our analysis contributes to showing how the interplay between the stakeholder engagement and management practices is useful for defining the 'for benefit' purposes in the transformation process. Indeed, this last point confirmed the assumption of the study proposed by Poponi et al. (2019), whereby stakeholders have different roles and help enterprises activate the path towards sustainable actions. Moreover, the study responds to She and Michelin's (2023) call, offering a focus on the BC characteristics and stakeholder management and engagement activities. Furthermore, our work can sustain Jonsen's (2016) claim regarding the need to investigate in greater depth the role of stakeholders in BCs through stakeholder theory, confirming that this theoretical framework is a useful lens in the field of CSR for untangling the interactions among interests, expectations, and influence of stakeholders in organisational change (Dmytriyev et al., 2021). The main contribution of this study resides in having analysed the co-existence of stakeholder management and engagement in the transformation process of a firm into a BC: while the literature tends to highlight the need to engage, rather than simply manage, stakeholders, the case study indicates that engagement can be reserved for specific categories of stakeholders that appear strategic in terms of the first for-benefit purpose statement. This corresponds to an instrumental approach to stakeholders, but the process of engagement triggers the inclusion of normative considerations in the relationships with key stakeholders and in the final version of common good aims in the bylaws, with a better balance with the traditional for-profit purpose. Although the study would seem to show, on the one hand, a correspondence between instrumental approach and management practice and, on the other hand, a normative approach and engagement practice, this correspondence is not proven. Thus, this correspondence could derive from the CEO's assessments and his/her sensitivity to stakeholders. Moving from these exploratory findings, future research can further investigate the relationship between stakeholder approaches and management and engagement practices.

Moreover, this study provides useful support for practitioners in defining the purposes of corporate benefit, observing the proposed transformation process, the tools used, and the different forms of approach to stakeholders. Furthermore, the results show that the engagement with stakeholders can reduce the risk of benefit washing practices, improve the legitimisation of BCs, and achieve a better

balance between the interests of both the enterprise and the stakeholders.

Finally, this study offers a point of view for any enterprise that decides to begin a transformation path towards a BC BM: in the transformation phase, a mix of stakeholder management and engagement practices is useful to balance 'for profit' and 'for benefit' objectives, postponing a more stringent engagement practice to the phase of implementation of the objectives of common good, after the transformation. These reflections, thus, offer insights to all CSR-driven companies that are considering a transformation into a BC. The consideration of stakeholders during and after the transformation process and the techniques used to evaluate their interests require particular attention because they could have legal consequences, while a voluntary CSR approach, without a BC transformation, is less binding for the firm. The stakeholders' role for BCs appears to be more crucial for their legitimisation and avoid reputational issues if some benefit washing practices would emerge and made public.

Similar to all case studies, while it is not possible to generalise the results, our findings can represent a reference point for similar context in relation to the stakeholders' roles. In details, the present study highlights that the engagement approach opens to more normative-based considerations of stakeholders, not only limited to the transformation process but also in the definition of the corporate strategy over time.

Future research could investigate which other firm's or CEO's characteristics can lead to a more engagement-oriented approach and could also observe the interplay of management and engagement techniques not only in the transformation phase but also in the implementation of the BC journey. Further analyses could also suggest whether the coexistence of management and engagement, rather than the choice of a specific approach, could lead to greater effectiveness in pursuing the BC purposes, and in particular, a better balance in the difficult coexistence of profit and benefit purposes.

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